

CAMPBELL II

The second report of the Home Rule and Community Rule Commission

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Introduction by Sir Menzies Campbell MP

The *Home Rule and Community Rule Commission* of the Scottish Liberal Democrats reported in October 2012 and its recommendations were approved by the autumn conference of the party shortly thereafter.

In that report we concluded that in federalism lay the best future for Scotland.

That conclusion was based on the strong, liberal principle that power is safer when it is shared. We set out a strong set of powers for the Scottish Parliament and the means by which political power can, in turn, be distributed to communities across Scotland through the principles of localism.

We concluded that federalism was a natural and permanent destination for the constitutional arrangements of the United Kingdom; that its citizens could look forward to a partnership and a settled division of powers rather than piecemeal constitutional change.

It is time to revisit the constitutional debate in Scotland now for two reasons:

- The movement to share power in the constituent parts of the United Kingdom has gathered pace; and
- The arguments of the Yes campaign have at last been revealed.

The publication of our report in October 2012 set a positive tone which others have followed. Think tanks, academics and leading political figures have joined the debate and it is clear that there is common ground on the reform required to the United Kingdom and to Scotland's relationship with the rest of the UK.

We have actively sought broad agreement among political parties and beyond for constitutional change.

Part of this task has been to establish common ground, without accepting the lowest common denominator or simply compromise.

The proposals in this second report should further assist in establishing that common ground before the referendum and bring people of like mind together after the referendum, from political parties, civic society and the public. They illustrate that a No vote opens the door to change across the whole of the United Kingdom. They also show how a long-term stable and effective relationship between Scotland and the other constituent nations of the United Kingdom can be established after the referendum and is one in which Scotland and its people can thrive and its economy can flourish.

This is a radical and modern programme for change based on valid and long held principles.



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Summary of the Recommendations

Recommendation 1: The Queen's Speech of 2015 should include provisions to strengthen the powers of Scotland within the United Kingdom.

Recommendation 2: Led by the Scotland Office, the UK Government should begin an analysis of the options available to enhance the powers of the Scottish Parliament to implement the consensus set out in this report.

Recommendation 3: The Scottish Government should undertake that the research and knowledge acquired by civil servants in Scotland in preparation for the referendum will be available to inform the proposals set out in this report.

Recommendation 4: The Scottish Parliament should resolve to ensure that the independent fiscal body to be established to support the 2012 Act tax powers is designed to be able to cope with all further financial power legislated for it after a No vote.

Recommendation 5: The Secretary of State for Scotland should convene a meeting after the referendum, within thirty days, where parties and wider interests can meet. Its aim should be to secure a consensus for the further extension of powers to the Scottish Parliament consistent with continued membership of the United Kingdom and to be included in party manifestos for the 2015 general election.

Recommendation 6: Political parties should include commitments in their manifestos for the election due in May 2015 that reforms affecting Scotland will be included in the Queen's Speech which follows the election.

Recommendation 7: The necessary changes to tax powers should be made through a further Scotland Act. The entrenchment of the Scottish Parliament can be achieved by a resolution in favour of a statute in both Holyrood and Westminster. The Scottish Parliament should have a role in establishing its permanence.

Decentralisation is happening within the United Kingdom

Since the report *Federalism: the best future for Scotland* was published, decentralisation has accelerated across the United Kingdom. In England, the UK Government has signed a dozen 'city deals' to give city regions unprecedented new powers to shape their economic future. They have been given control of levers on skills, infrastructure and finance that allow them to build regional strength, support enterprise and sustain jobs.

City deals have afforded the great cities of England wider powers than ever before. It is now commonplace that international trade deals are negotiated at a municipal level. Support for manufacturing and industry outside the M25 is now being provided.

In Wales the Silk Commission has published two reports on extending powers to the National Assembly for Wales. Its first report paves the way for the transfer of financial powers best exercised by the National Assembly and its second for wider legislative competence.

The Northern Ireland Assembly has concluded successful discussions with the UK Government over the transfer of powers for Air Passenger Duty. This case, in the specific circumstances of the relationship between Belfast and Dublin airports for long haul flights, also belies the argument that reform can only be made with independence. Recent developments in Northern Ireland, Wales and the cities of England show this is not the case.

The UK Liberal Democrats have adopted, for the whole UK, the proposals on the division of powers as set out in *Federalism: the best future for Scotland*. The party's credibility and record in this area cannot be challenged.

The UK is not only capable of change and reform but it has taken place. Liberal Democrat ministers in the UK government have successfully led the way to substantial change to rebalance the UK, economically and constitutionally. But further improvements can be secured.

The future relationship between Scotland and the UK

Former Labour Prime Minister Gordon Brown has spoken powerfully of making the Scottish Parliament constitutionally permanent (an essential step towards a more federal United Kingdom) and set out how the Parliament should be "permanent, indivisible, irreversible and indissoluble". These remarks echo those of supporters of federalism and those of the Reform Scotland report entitled *A New Union*.

In the same speech, Gordon Brown perceptively identified different 'unions' that had formed between Scotland and the rest of the UK. He identified a welfare union - tracing its

origins back to the very start of the Labour movement - an economic union for trade, a resource union so that every part of the UK knows that the resources of the whole will come to their aid in tough times, a defence and security union and an environment union, noting that pollution does not recognise boundaries, and a social union of friends and family.

To these can be added an energy union, keeping the lights on, with the vast UK consumer base using Scottish renewables to balance supply across the whole UK.

And an international union, able to deploy resources, support and diplomacy across two hundred countries in support of Scottish business and people.

And, of course, a currency union, monetary and regulatory union.

These views on 'unions' find much common ground with the structures set out in *Federalism: the best future for Scotland*. They are easily recognised in an established federal system based on the British parliamentary tradition in Canada and were referred to by Scottish Conservative leader Ruth Davidson in her speech in January 2013 when she praised the strength of the federal system in the United States of America.

Improving these unions, not leaving them

The white paper on independence shows starkly how the SNP Government proposes to depart from these unions, then seek in most cases to rejoin them.

From the currency union, to the special UK terms for membership of the EU, to the belief that the rest of the UK will simply agree to pay for Scottish renewables, the white paper has proven breath-taking in its casual assumptions that Scotland will be unaffected by independence.

The fundamental choice in the referendum is a clear one: either to maintain these important and fruitful unions and to reform them on a federal basis with a bigger role for Scotland or, as a result of a Yes vote, to leave these unions and then endeavour to negotiate a way back in to them on, inevitably, poorer terms, if at all.

Federalism: the best future for Scotland

It is worth recapping the proposals contained in *Federalism: the best future for Scotland*.

The plans would allocate permanently to the Scottish Parliament control of the rates and bands of income tax, capital gains tax, inheritance tax and air passenger duty. Together with the proceeds from corporation tax this would give the Scottish Parliament the authority over taxes on income and wealth and raise 60 per cent of what it spends. The plans would keep intact the UK single market, vital for jobs, and the social welfare union, crucial for

people saving for retirement. Importantly, they would open up choices to be made in Scotland about the kind of country we should be.

The radical transfer of these fiscal powers, and the establishment of the principle that they permanently reside under the authority of the Scottish Parliament, would mean that Scotland had the appropriate economic levers while benefiting from the wider UK macroeconomic framework.

The 2012 report set out how these powers could also be transferred to other parts of the UK but demonstrated that Scotland can take the lead and acquire the powers before others. Establishing a federal relationship between Scotland the rest of the UK does not require Scotland to wait for the progress of others.

Other views from other people – the developing consensus

Since the publication of *Federalism: the best future for Scotland*, other people and parties have contributed to the debate in terms which are consistent with that report.

The *Devo+* project from Reform Scotland proposed to allocate immediate control of a similar basket of taxes. Corporation tax and oil and gas revenues would remain UK taxes. Reform Scotland estimated their overall proposals would give control of 66 per cent of the tax revenues raised in Scotland to the Scottish Parliament.

Devo+ also made common ground with Gordon Brown on the need for the permanence of the Scottish Parliament and a constitutional division of powers.

The *Devo More* project from the Institute of Public Policy and Research proposed allocation of income tax and the assignment of taxes such as VAT and duties. The IPPR estimates that this would represent 60 per cent of revenues. *Devo More* also supported the transfer of smaller taxes to the authority of the Scottish Parliament and understood that a clear division of responsibilities within the UK was needed.

The Scottish Trades Union Congress published *A Just Scotland* as part of its continuing work. It argued that further, targeted reforms to welfare and job programmes would be beneficial and also accepted a broad case for wider financial responsibility to the Scottish Parliament.

In addition, leading figures from both the Labour and Conservative parties have proposed increased taxation powers to be allocated to the Scottish Parliament for the benefit of social justice and responsible government. Federalism gives the opportunity for both.

Ruth Davidson for the Scottish Conservatives has made three substantial speeches on the constitutional future, praising the federal system in the United States of America and

committing to strengthen devolution. In Wales, the deputy presiding officer of the National Assembly, Conservative David Melding, has written extensively in support of a federal UK.

The Scottish Labour Party has consulted widely on its proposals and these will be published at their forthcoming conference. The Strathclyde Commission of the Scottish Conservative Party continues its work. Significant academic work, from Scottish universities to the Wales Government Centre's *UK's Changing Union* project have helped move the debate forward.

The consensus that has developed

The contributions made by political figures, think tanks, civic organisations and academics, allows it to be said that a consensus has formed around two propositions:

1. That the Scottish Parliament's financial powers should be expanded so that it is responsible for raising the taxes to pay for the majority of its spending;
2. That the Scottish Parliament should be entrenched permanently, in Gordon Brown's word, "indissoluble".

To those who have still to publish and agree their proposals, these aims show where the consensus can be built.

These two fundamental propositions are entirely normal in federal systems around the world. Indeed they represent essential federal characteristics of such systems. They can be secured for Scotland's relationship with the rest of the UK now, allowing other constituent parts of the United Kingdom to adopt them should they choose to do so.

A timetable for action

A necessary outcome of this report is a timetable for action following a No vote in Scotland.

Consider the two pieces of UK primary legislation that first established the Scottish Parliament and thereafter transferred significantly greater financial powers: the Scotland Act 1998 and the Scotland Act 2012.

The first, in 1998, came from the efforts of those in the Labour Party, Liberal Democrats and civic Scotland, honouring the inheritance of John Smith, who kept the faith for home rule and devolution after the disappointment of the 1979 referendum. Their efforts and convictions produced the Constitutional Convention which in turn delivered the Scottish Parliament.

The 2012 Act followed the Calman Commission and saw three political parties agree upon a shared commitment to the Calman conclusions and to incorporate that into their manifestos

for the 2010 UK General Election. That legislation was then taken through Parliament by Liberal Democrats and Conservatives in government, with the support of the Labour Party from the opposition benches soon after the election, with the changes scheduled to come into full force by 2016.

The 2012 Act provides a persuasive example of what can be achieved. As a result of the referendum debate, and the years leading up to it, the Scottish public will be well-versed in the options. There is an unrivalled opportunity to move quickly to a conclusion that delivers the changes that the majority of people in Scotland want.

At the heart of this report is the principal recommendation - that the reforms we seek for Scotland should be included in the Queen's Speech of 2015, immediately after the UK General Election.

Recommendation 1: The Queen's Speech of 2015 should include provisions to strengthen the powers of Scotland within the United Kingdom.

The remaining recommendations are made to show how that ambition can be delivered.

The Scottish Government and Scottish Parliament should commit to playing their part. The Scottish Government has asked its civil servants since 2007 to research many of the relevant issues. The experience of these officials will be valuable after a No vote.

The Scottish Parliament is set to approve arrangements for an independent fiscal body, to oversee the use of the tax powers contained in the Scotland Act 2012. It is essential that this new body has the resources and capabilities to allow it to fulfil a significant responsibility when more extensive powers are allocated to the Scottish Parliament.

Recommendation 2: Led by the Scotland Office, the UK Government should begin an analysis of the options available to enhance the powers of the Scottish Parliament to implement the consensus set out in this report.

Recommendation 3: The Scottish Government should undertake that the research and knowledge acquired by civil servants in Scotland in preparation for the referendum will be available to inform the proposals set out in this report.

Recommendation 4: The Scottish Parliament should resolve to ensure that the independent fiscal body to be established to support the 2012 Act tax powers is designed to be able to cope with all further financial powers legislated for it after a No vote.

The lesson of recent history is that constitutional change is best achieved when it is secured by consensus among political parties.

The think-tank Reform Scotland has gone further and suggested a *Glasgow Agreement*, in support of the inter-governmental *Edinburgh Agreement*, allowing political parties to sign up to heads-of-agreement before the referendum. There is merit in that approach. Scottish political parties should consider whether the common terms of agreement can be incorporated into a *Glasgow Agreement*.

It will be important to respond to the desire for change when there is a No vote, and to be able to act immediately. The Secretary of State for Scotland is best placed to facilitate this.

Recommendation 5: The Secretary of State for Scotland should convene a meeting after the referendum, within thirty days, where parties and wider interests can meet. Its aim should be to secure a consensus for the further extension of powers to the Scottish Parliament consistent with continued membership of the United Kingdom and to be included in party manifestos for the 2015 general election.

Such a gathering should be inclusive but not open-ended.

Its agenda will be set by the result of the referendum.

To have strong support, constitutional change “requires a broad consensus”, as was recognised in the 2012 report. The two broad points of consensus identified earlier will serve that purpose if incorporated in the manifestos for the 2015 general election.

The lesson of the history of Scotland is that constitutional change endures when it is secured by political coalitions.

Recommendation 6: Political parties should include commitments in their manifestos for the election due in May 2015 that reforms affecting Scotland will be included in the Queen’s Speech which follows the election.

Recommendation 7: The necessary changes to tax powers should be made through a further Scotland Act. The entrenchment of the Scottish Parliament can be achieved by a resolution in favour of a statute in both Holyrood and Westminster. The Scottish Parliament should have a role in establishing its permanence.

A Yes vote stops federalism in the UK from happening forever. That is why there is a strong argument for deciding if Scotland should stay in the UK before setting about encouraging the whole of the UK to reform of a federal basis.

In summary

The Scottish Liberal Democrats have published *Federalism: the best future for Scotland*.

The opportunity for federalism in the UK is ended permanently by a Yes vote.

There is broad consensus around two points:

- The Scottish Parliament should raise most of what it spends.
- The Scottish Parliament should be permanently entrenched.

There is the opportunity to move quickly after a No vote because the Scottish public will have been engaged in the referendum debate.

The Queen's Speech of 2015 should be the vehicle used.

Party manifestos for the 2015 UK election should contain commitments to the two areas of consensus.

The details of the consensus should be agreed through a short-life gathering facilitated by the Secretary of State for Scotland in October 2014.

The political parties in Scotland that are committed to change should consider signing a *Glasgow Agreement* to demonstrate that commitment.

The people of Scotland can take confidence in the delivery of real change in Scotland from 1997 to 2014.

Conclusion

Equipping Scotland with more powers, an early step for a federal UK, can be done.

2015 is the time when it should be done.

To give a stable future for Scotland and the UK it must be done.

The proposals in this report will bring people together after the referendum.

It is a radical programme for change.

APPENDIX A timeline for constitutional change after a No vote in the referendum

Spring/ Summer 2014	Political parties refine their proposals and look to consensus
	Secretary of State for Scotland sets out intention for a gathering after the referendum in the autumn of 2014
	Scottish Government agrees to release civil servants to assist with future work on financial powers after a No vote
	Scottish Parliament votes to establish an independent fiscal body capable of implementing new powers within the UK.
18 September 2014	Referendum
Autumn 2014	A short-life gathering convened by the Secretary of State to secure consensus in party manifestos
May 2015	General Election
June 2015	Queen’s Speech commitments to stronger Scotland inside the UK
2015 onwards	Implementation

APPENDIX Constitutional change in the UK since 1997

1998	Wales	First Government of Wales Act passed.
1998	Northern Ireland	Signature of Good Friday Agreement, Northern Ireland Act.
1998	Scotland	First Scotland Act passed
1998	England	London referendum on Greater London Authority (GLA).
1999	Scotland	Scottish Parliament convenes
1999	Wales	National Assembly for Wales convenes
1999	England	First Greater London Authority Act
2004	Wales	Richard Commission report on increasing law-making powers
2005	Scotland	New powers over rail transport allocated to the Scottish Parliament
2006	Wales	Government of Wales Act passed - powers to pass Assembly Measures
2006	Northern Ireland	St Andrews agreement on devolution of powers, Northern Ireland Act.
2007	England	Greater London Authority Act, on extra powers.
2007	England	Local Government and Public Involvement in Health Act.
2009	Scotland	Publication of Calman Commission report – on fiscal and other powers.
2010	Wales	Holtham Commission report on tax-varying/borrowing powers
2010	Northern Ireland	Transfer of further policing and justice powers.
2011	England	Localism Act plus additional powers to GLA
2011	Wales	Referendum on extending powers to National Assembly.
2012	Scotland	Scotland Act passed
2012	Wales	Part I of Silk Commission on fiscal powers published
2013	United Kingdom	McKay Commission on impact of devolution on House of Commons.
2014	Wales	Part II of Silk Commission on fiscal powers published