

## Summary of recommendations

Recommendation 1: the Scottish Liberal Democrats should reassert that they are federalists: in favour of home rule, within a strong and federal United Kingdom.

Recommendation 2: the proposals for home rule for Scotland and federalism across the UK should be included in the Liberal Democrat manifesto across the UK at the 2015 general election.

Recommendation 3: Liberal Democrats across the United Kingdom should seek a political mandate for a 'route map' to a federal constitution at the 2015 General Election.

Recommendation 4: Political parties and civic society should progress debate on proposals for a reformed UK constitution, including how purely English matters should be determined.

Recommendation 5: The concept of mutual respect, already endorsed as the principle governing relationships between the UK and Scottish governments, should be incorporated as a constitutional obligation on federal and state governments to respect and support each other's role.

Recommendation 6: The status and functions of certain UK-wide institutions – notably Her Majesty's Revenue and Customs – should be given a protected and more independent constitutional position in recognition of the fact that they will be expected to serve all parliaments and jurisdictions within the UK.

Recommendation 7: the present level of Scottish representation at Westminster should be retained until a federal structure for the UK has been delivered.

Recommendation 8: The role of the Scotland Office should be reviewed as the United Kingdom moves towards a federal union. Until the move to a federal state is well underway the Scotland Office should remain as Scotland will need the safeguard of a Secretary of State in Cabinet to look after its interests during the transition.

Recommendation 9: Some functions of government should constitute a third category – additional to 'reserved' and 'devolved' powers – namely 'partnership powers', which require the co-operation of both home rule and federal governments.

Recommendation 10: In addition to a general constitutional obligation of mutual respect, policy functions in areas of 'partnership powers' should impose a legal duty on

one government – more normally the federal government – to consult the other government on a partnership basis.

Recommendation 11: Each tier of government should have a formal ‘power of initiation’, enabling it to request the other tier to take some specific action to facilitate policy objectives in an area where the other government has the policy lead.

Recommendation 12: The strategic planning of welfare services should be considered for joint working combined with a constitutional duty to tackle poverty through efforts at every level of government.

Recommendation 13: The Supreme Court should exercise jurisdiction in relation to dispute resolution, whilst maintaining that it is not the role of the court to determine substantive political disputes.

Recommendation 14: The UK Parliament should commit to a declaration that entrenches home rule and the Scottish Parliament in advance of a full federal settlement.

Recommendation 15: Income tax paid by Scottish taxpayers should be almost entirely the responsibility of the Scottish Parliament.

Recommendation 16: Income tax payable on savings and dividends should continue to be levied on a uniform basis across the UK, be deducted at source and a proportion of the UK receipts allocated to the Scottish Parliament.

Recommendation 17: Powers over Capital Gains Tax should be allocated to the Scottish Parliament.

Recommendation 18: Control of Inheritance Tax should be allocated to the Scottish Parliament.

Recommendation 19: Responsibility for the Aggregates Levy should be allocated to the Scottish Parliament, subject to the outcome of the current European Union dispute, complementing the existing powers on the environment and recycling.

Recommendation 20: Responsibility for Air Passenger Duty for flights from Scottish airports should be allocated to the Scottish Parliament, to complement existing powers on the environment, transport and economic development.

Recommendation 21: Powers over the National Insurance system should be allocated to the UK, and subsequently federal level of government.

Recommendation 22: Business, employment and financial regulation, serving the single market and supporting employees and consumers should be retained at the UK level.

Recommendation 23: VAT and customs and excise duties on alcohol and tobacco should naturally remain the responsibility of the UK Parliament.

Recommendation 24: Corporation Tax should continue to be operated and collected at the UK level, but the proceeds raised in Scotland should be assigned to the Scottish Parliament.

Recommendation 25: The remaining funds required to fund the Scottish Government's annual programme should come from an equalising payment from the UK Treasury as recommended by the Steel Commission.

Recommendation 26: The UK should move to an independent, transparent, needs-based formula to serve all parts of the UK well and allow fiscal federalism to be sustained in the long term, recognising that the Barnett Formula was only ever intended to be a temporary measure at the end of the 1970s.

Recommendation 27: For transparency reasons, such a needs-based payment system should be based on recommendations by an independent fiscal agency separate from the UK Treasury.

Recommendation 28: The borrowing limit available to the Scottish Government to cover cyclical variations in tax revenue should be extended to £1bn to cover shocks to the proposed revenue base of around £20bn. This money would continue to be borrowed from the Treasury, as under the Scotland Act provisions.

Recommendation 29: A fiscal pact should be agreed between the Scottish Government and UK Government under home rule, or all home rule governments in a federal United Kingdom, to define limits on borrowing and fiscal action. Tax cuts and extra borrowing require to be paid for – there is no 'free ride'. Home rule all round should mean responsible government all round.

Recommendation 30: The Scottish Government, and other home rule governments under a federal system, should be permitted to borrow for capital investment under the prudential regime.

Recommendation 31: Oil and gas revenues should continue to be treated on a UK-wide basis, preserving the single taxation regime for the UK's North Sea sector. Consideration should be given to the establishment of an oil fund, when the deficit situation has been

brought under control, allocating the proceeds to the benefit of Scotland, England, Wales and Northern Ireland on federal principles.

Recommendation 32: Social protection, pensions and welfare payments should be allocated to the UK (and subsequently federal) level.

Recommendation 33: The Scottish Government should act as the agent for the UK Government in Scotland on much of the work of JobCentre Plus and the Work Programme.

Recommendation 34: Health and safety legislation, competition laws and employment law should be allocated to the UK (and then federal) level.

Recommendation 35: Competition law should remain a UK responsibility, but the Scottish Government should be empowered, after similar consultation to that currently required by the UK minister, to request the Competition and Markets Authority (as it will be in 2014) to investigate an issue of failing markets or potential monopolies within Scotland.

Recommendation 36: Rather than continue a seemingly endless process of revisiting the list of reserved matters, the future federal, United Kingdom should take seriously the recommendation of the Steel Commission to establish a new constitutional category for partnership-working.

Recommendation 37: Control over the Scottish Parliament's electoral system and franchise should be allocated to the Scottish Parliament to entrench its equality and authority within the UK. Electoral administration and law, together with the regulation of political parties and their funding should remain a matter for the UK Government.

Recommendation 38: Broadcasting should continue to be regulated at a UK level to reflect a single UK market, whilst encouraging steps to ensure equitable distribution of broadcasting and media jobs throughout the United Kingdom.

Recommendation 39: On EU matters, protocols and practices should be revised to reflect the need to negotiate and act on an agreed UK position where devolved responsibilities such as fishing or agriculture are concerned – particularly at the Council of Ministers level. Scottish ministers should be fully involved, to make sure that an agreed UK position is established, sustained and represented at meetings.

Recommendation 40: Local authorities should raise around half of the money they spend locally in order to improve accountability and local power.

Recommendation 41: New legislation should prevent Scottish ministers from linking local authority funding levels to the rates of council tax and other taxes and charges levied by councils. The rates of council tax and other locally controlled taxes in each council should be under the control of locally elected councillors, who would be accountable to their electorates.

Recommendation 42: The Scottish Parliament should establish a 'One Scotland Fund', separated from current local government revenue grant, to enable Scottish ministers to award funding to local authorities that require support to tackle multiple deprivation. The 'One Scotland Fund' should provide a separate funding stream from general Scottish Government funding to local government to address deprivation in each area.

Recommendation 43: Local authorities should set the business rate poundage and retain the entire revenue from business rates in their areas.

Recommendation 44: The operation of a new assessment for the allocation of funding between local authorities should be based on recommendations to Scottish ministers from a new Local Government Finance Commission.

Recommendation 45: Single outcome agreements, currently subject to approval by ministers, should be replaced by true local community plans where every council takes responsibility for delivering a plan for its area that is generally aligned to what voters voted for in local elections, and what local people believe to be appropriate or relevant to their community.

Recommendation 46: The local authority power to advance wellbeing should be replaced by a general power of competence along the lines of the power provided in Part 1 of the Localism Act 2011 in England.

Recommendation 47: The provisions of the general power of competence should include re-definition of Best Value that would allow land to be transferred by a local authority to a not-for-profit entity which is providing a public good.

Recommendation 48: To free local authorities to innovate, when a principal local authority proposes a by-law, unless it legislates for a reserved matter or is contrary to the European Convention of Human Rights, the consent of the Scottish ministers should not be unreasonably withheld.

Recommendation 49: A mechanism should be established by which a community can bring forward a proposal for a burgh council to take over certain services provided by the principal local authority in the area. This could be funded by a precept on the council tax and/or business rates raised in the area, a proportion of the revenue

support grant allocated to the existing local authority or by charges for the use of the services taken on by the burgh council. No new tax would be created.

Recommendation 50: Legislation should impose upon local authorities a duty to co-operate with burgh councils established in their area about the services they provide.

Recommendation 51: Legislation should be introduced to impose upon Scottish ministers and quangos a duty to co-operate with local authorities about the services they provide in each authority's area.

Recommendation 52: Community Planning Partnerships should be required to publish records of the ownership of all public land in their area so that the public are aware of who owns what in the public sector.

Recommendation 53: Local communities, whether represented by an independent trust, a trust associated with a community council, a burgh council or local authority should be enabled to take over underused public land or assets in their community for a specific not-for-profit purpose that is for the public benefit.

Recommendation 54: Crown Estate assets and harbour, pier, foreshore and similar rights should be transferred to the control and benefit of local authorities, protected and sustained as 'common good' assets that cannot be disposed of.

Recommendation 55: Local authorities and burgh councils should be entitled to petition the Scottish Parliament for the transfer of underused public land to their common good fund so that the land can be used for sustainable local uses.

Recommendation 56: The protection for local authorities such as those envisaged in *Scotland's Parliament, Scotland's Right* to secure and maintain a strong and effective system of democratically elected local government should be enacted by the Scottish Parliament.