



Political and Constitutional Reform Committee

Oral evidence: [The future of devolution after the referendum](#), HC 700

Monday 15 December 2014

Ordered by the House of Commons to be published on 15 December 2014.

Written evidence from witnesses:

- [Institute for Government](#)
- [Centre for Cities](#)

[Watch the meeting](#)

Members present: Mr Graham Allen (Chair); Mark Durkan; Duncan Hames; Fabian Hamilton

Questions 405 - 434

Witnesses: **Akash Paun**, Fellow, Institute for Government, and **Paul Swinney**, Senior Economist, Centre for Cities, gave evidence.

Q405 Chair: Do you want to say anything in particular to start us going or would you like to jump straight into the questions?

Akash Paun: I am happy to go straight to questions. I think there is quite a range of areas you might want to cover, so I am happy to be led by you.

Paul Swinney: I am happy to do that too.

Q406 Fabian Hamilton: Good afternoon, gentlemen. Could you tell us what you think should be the main policy objectives of devolution?

Akash Paun: I would find it hard to identify a single simple objective that would apply in all cases. What we have at the moment is a very asymmetric devolution settlement and very different and often quite disjointed debates going on in different parts of the country, so often quite different objectives are being emphasised. I would pick up a few common elements.

One is around improving accountability and fiscal responsibility. That is very central to the Scottish debate at the moment; similarly in Wales and within England as well. Trying to close the

gap between money spent and revenue raised is quite a sensible objective and likely to lead to better decision making, and I tend to be sympathetic to that view. That is one thing. From the Institute for Government's perspective of seeking to promote effective government and effective policymaking, one finds with Scotland and Wales, in different ways, quite a messy division of responsibilities in some areas between the devolved and reserved levels. Devolution can be a way to try to better align policy responsibilities to lead to more joined-up policymaking. For instance, devolution of the Work programme is seen as a way to link that up to already devolved responsibilities for skills training and so on.

Those are some of the rationales. Of course, there is more of an identity-driven objective that applies in Scotland and Wales but much less so in England, which is about allowing decision making and policies that better reflect values and preferences at that level of government.

Paul Swinney: For us, it is all about the economy. Cities account for 61% of output in the UK and city areas are 20% more productive as well. However, we face very different policy challenges across different cities. For example, in Birmingham skills is a big issue, whereas in Leeds it might be much more to do with transport, and those are the big fundamental issues that challenge their economies. The problem is that they do not have the flexibility and the freedom to address these challenges, and what happens is we have a one-size-fits-all policy that comes out of Whitehall that is, "Right, this is what you are going to have now". These cities punch below their weight; they should be punching well above the national average and they don't. Their issue is that they have not been able to tackle the fundamental challenges that they have faced over the last 20, 30, 40 years because policy has not allowed them to do so. For us, it is very much from an economic perspective and that is about matching economic policy at the geographic level that the economy works over. By doing that, you improve the performance of the city economy and improve the national economy as a result.

Q407 Fabian Hamilton: Paul, I believe you have suggested that devolving more powers and funding flexibility solely to national assemblies might not be desirable. Why not?

Paul Swinney: It comes back to the point about: where does the economy play over and what levels drive the economy? If we think about Scotland and you look at where the economy in Scotland is, I think I am right in saying that the four biggest cities in Scotland—Dundee, Edinburgh, Glasgow and Aberdeen—cover about 1.8% of all the land in Scotland but they account for about 40% of the economy. If we pass policy powers from Whitehall over to the national Parliament in Edinburgh, it is not really aligning policy with the level at which these policies then play out. You are just compounding the situation that we have already where these generators, these drivers of the national economy, do not have the powers over their local economies and therefore they continue to grapple and are not able to effectively deal with the fundamental challenges they face. Replacing one level of centralisation with another level of centralisation does not really help the economy of Scotland, or indeed Wales or Northern Ireland.

Fabian Hamilton: Akash, do you want to add anything to that?

Akash Paun: I think there is no doubt a lot of truth in what Paul has just said, but my perspective on it would be that devolution in the first instance ought to be, if we are talking about Scotland, to the Scottish Parliament as the established representative body of the Scottish people, and then it would be a matter for the Parliament to devolve power to local authorities. I know there is a view among the local government community in Scotland that Scotland has become too centralised. I am not an expert on the relationship there but I think that is something to be resolved at the Scottish level. I certainly would not favour the UK Government seeking to bypass the Scottish or Welsh level and transfer powers directly to local government there.

Q408 Fabian Hamilton: Let me add something to the mix. The Smith commission agreement envisages substantial additional powers for the Scottish Parliament, as we know, particularly over taxation and welfare. Do you think that in principle, Wales and Northern Ireland ought to be offered devolution settlements along the same lines?

Akash Paun: The idea that devolution is about powers being offered by the centre to parts of the country maybe is not always the best starting point. My perception is that devolution should be driven by a dialogue between the different levels of the different parts of the country—it is not even about governments, of course—about how we want to divide the resources and functions of the state. Starting from that point, I would say that Wales and Northern Ireland are, to varying extents, having their own debates about the future of devolution. If in Wales, for example, that leads to a consensus that they want far more extensive tax and welfare powers and the other things in Smith, then I think there should be openness to that. My understanding is that at the moment there is much more reticence about taking on some of those powers because of the very different fiscal and economic position of Wales compared to Scotland. I don't think it is likely in the short term but there should be openness to the principle that, as the other composite nations of the United Kingdom, they should be able to take on an enhanced status.

Paul Swinney: If you are in the realms of Scotland is getting something, then there is an equity and fairness point as to whether they should get the same as well. Whether we personally think those policies should be devolved or not is something slightly different to that fairness and equity argument. One of the interesting things about it is that Wales clearly has a cultural identity and a national identity within it, but from the economy point of view it represents a number of different cities and it is not cohesive in itself in the way that England is. England has many different cities and local areas that make up its economy. Wales has an economy of £47 billion; greater Manchester is £51 billion and greater Leeds is £55 billion.

There are questions about when you are looking to devolve—that what then gets devolved down to Wales is something that makes sense from a cultural point of view, because there is a very clear identity there, but from an economy point of view you want to be matching powers. Not everything should be devolved, but for the things that should be devolved down you want to be matching the powers to the level of the local economy so that they can make decisions over them. I think there are all sorts of questions there, such as, does it make much sense if it goes from London to Wales? Is it more about what remains in London at a UK-wide level, what goes down to a Welsh level, if that makes sense, and what goes down even further to Cardiff and Swansea?

Q409 Fabian Hamilton: Let me interrupt you and ask what factors should determine which powers are devolved and which are not. I am a Leeds MP and you rightly pointed out that transport is one of the biggest economic issues in my city. It is a nightmare and yet we have no control over it all. So, should it be transport for Leeds or training for Birmingham? Surely it should not be that different, should it?

Paul Swinney: I think all the cities should have the same powers but the big element is then getting the flexibility to use those powers as they see fit. What happens at the moment is money is passed down from Whitehall to city hall and it has all sorts of siloes and strings attached, which means that cities can't really push that funding around as they see fit. There is an element of having control over funding and an element of having control over the system as well.

London is a great contrast to, say, Leeds. In London we have TfL, which means that the city, with the mayor as chairman of TfL, can make strategic decisions about how money is spent on transport

within London. That is not just about thinking about buses here, Tube there and overground over there, but about considering all of those things together. By passing those powers down, it allows London to make those decisions in a way that means it does have some powers in other areas too. What we would like to see is that it is not a case of Leeds gets transport, Birmingham gets skills and Manchester gets something else, but that these cities get control of all the fundamental drivers of their economies. But the discussion is then about which ones they are. For us, it is strategic planning, control of the transport, TfL-style powers for different cities, and control of the skill system as well.

Akash Paun: I would not comment on the cities point specifically. On the broader question of symmetry versus asymmetry, in an ideal world we might be in a position of designing a neater, more uniform territorial constitution but you have to work from where you are. You would not necessarily start from here, but if you are talking about the relationship between the four nations, if you can call them that, we have centuries of history that have led to a very uneven devolution settlement. The factors that led to that asymmetry are in many ways still there. For example, there is quite a different economic position for Scotland compared to the other non-English nations so they are much more able to take on fiscal responsibility.

Q410 Fabian Hamilton: I am sorry to interrupt you, but aren't you both forgetting the question of accountability? The Welsh Assembly means that the economy of Wales is more accountable through the elected Members of the Assembly. Leeds City Council has 99 councillors and yet they have no power to determine the transport policy or the local tax-raising powers or anything like that, and they have an economy of £55 billion, according to the 2012 statistics, as opposed to £47 billion. Isn't accountability important here: to whom is the boss of TfL accountable? Presumably, through the mayor and directly to the electorate of London.

Akash Paun: I said in response to your earlier question that accountability is a very important principle driving the process of devolution, but accountability works best when you have an existing political community and political system that holds to account those taking decisions. Scotland has had its own legal system and so on since before there was a United Kingdom; it has a Parliament and a whole community of people thinking and talking about policy, which reflects the fact that there is a Scottish national identity. It is entirely understandable that Scotland is a long way further down the track than any of the English cities can be at this point. That is not to say that I don't agree that England is too centralised, because it clearly is.

Q411 Fabian Hamilton: The Institute for Government suggests in its memorandum that there may be value in looking at the different devolution settlements in a more joined-up way, as you have referred to. How do you think the overall settlements ought to be approached? What is the value of taking a more joined-up approach to devolution across the UK?

Akash Paun: I think the way it has worked up until now is that there has been almost no joined-up thinking.

Fabian Hamilton: Totally piecemeal.

Akash Paun: Yes, it has been totally piecemeal. As I have said, there are some good reasons for that but you do end up running into maybe unintended consequences of devolving just to one part of the country. We referred in our evidence to spill-over effects, which is something some academics have looked into as well. If you devolve a lot of tax powers just to Scotland, there are potentially concerns about tax competition, competition for inward investment and so on that one has to be mindful of in designing a settlement. There are also constitutional spill-overs, such as

leading to further calls for English votes for English laws and that kind of thing. If, in the way that has been happening, one thinks only about devolution to Scotland without any consideration of how it will spill over elsewhere, it could lead to instability.

Q412 Fabian Hamilton: Is it possible, Paul, to have a more joined-up approach, given the timetabling processes that have been set out for the implementation of the Smith commission package?

Paul Swinney: Obviously any decision one makes has to take into account the implications it could have elsewhere, but at the same time I don't think that we should be too worried about the "several steps" approach to devolution. In the past too many excuses have been made around, "We couldn't possibly devolve because such and such isn't ready, so because they are not ready we are not going to devolve", or, "Because this isn't in place we are not going to devolve". If we continue to think like that then we won't ever get anywhere. That is why I think the announcements that we have seen for greater Manchester recently are really pleasing, in that we are going to see some devolution down to Manchester with them accepting a metro mayor. We should not be saying that Manchester is ready but Leeds and Sheffield, for example, are not ready, so that is it: game over.

Q413 Fabian Hamilton: I will tell you the problem if that package was brought to Leeds, and we had a meeting about this recently with all the Leeds MPs and the council and chamber of commerce. In West Yorkshire we categorically rejected the idea of individual mayors and Nick Clegg said, "We won't force a regional mayor on you if you get the package", but the Chancellor said the opposite, "Yes, we will".

Paul Swinney: It comes back to your accountability question. With a devolution of power you have to have the accountability structures in place. If you devolve power, you have to have people who are willing to take on the risk and they have to be accountable for the risk that they take on. Our argument on that is that the best way to deal with it is to have one metro mayor across the whole of the city region.

Q414 Fabian Hamilton: Even if the population said no?

Paul Swinney: When did the population say no?

Fabian Hamilton: Two years ago.

Paul Swinney: They didn't say no to a metro mayor, that was the problem. They said no to—

Fabian Hamilton: They were not asked about a metro mayor. They were asked about a mayor for Leeds and they didn't want one. They don't want another group of politicians.

Paul Swinney: I think what they were asked to vote on was a mayor for Leeds local authority, not for Leeds city region, and they were asked to vote for a politician who did not appear to have any extra powers to those a Leeds council leader would have already. It was very much a question of: what was the point of this? Manchester rejected a mayor, but when the *Manchester Evening News* did a poll at the time asking, "Would you accept or reject a mayor across the city region level?" the answer was, "Yes, we would see a mayor across the city region level". The issue is: what was that asking to do? Were people voting no to a city region mayor? They weren't. Was the mayoral model put forward somebody who would have powers across the whole city region, across an area that the economy plays over so they have powers over transport, which clearly goes across local authority boundaries, powers over skills, which has implications for all the businesses in Leeds city region,

and powers over strategic planning, which again will have big implications for Leeds city region? They were not asked about that. I think it is a completely different proposition.

Q415 Duncan Hames: You speculated on how they would have responded to a different proposition, although in Bristol the case is the opposite. They voted to have a city mayor for the Bristol City Council but the controversy that surrounds the idea of what is greater Bristol, what is the Bristol city region, would mean that any electorate that that proposition would have been put to would almost certainly have voted against establishing a mayor for that geography.

Paul Swinney: Yes, that is true. I would expect that, because of the challenge they face, you would get a no vote on that sort of thing. My response is that that is a bad thing for the greater Bristol economy and it limits the employment opportunities and economic prosperity of the people who live in that area.

Q416 Fabian Hamilton: There is surely a danger here in saying you can only have the power to make your decisions locally on the economy, transport and training if you accept the imposed metro mayor or whatever you want to call it. Let me give you an example of the police and crime commissioners. I spent nearly a month on the doorstep in 2012 campaigning for the West Yorkshire Police and Crime Commissioner; 12% of the electorate turned out to vote because it was something they didn't want. They didn't like it, they didn't want it, they had not asked for it, and they were voting with their feet. How do you react to that? What happens if the metro mayor for the West Yorkshire area or the Leeds city region is imposed, with all the conditionality and powers that go with it, and the electorate simply say, "We don't want this so we are not voting for it"? Where do you go from there?

Paul Swinney: I don't see how that is any different to the local authority elections we have in place at the moment, to be honest with you.

Fabian Hamilton: Some 48% turned out in the Roundhay ward in my constituency at the last local elections; 12% in West Yorkshire.

Paul Swinney: Again, I think that comes down to the powers that the police commissioner has. It is a pretty niche area as opposed to what we are proposing for a metro mayor, which is council and local authority leader plus, because not only do they cover a much wider area but also you would hope they would have a much greater number of powers. There is even more at stake than you would have at a local authority election as opposed to, say, police and crime commissioners where there was much less at stake. I don't think you can draw a comparison on those lines.

Q417 Chair: We are looking at the difference between decentralisation and devolution. Decentralisation still ultimately has the localities as an agent and stuff can be done to them because there is an agency agreement and—"We won't give you anything unless you do things we want in Whitehall". I am a little surprised that the Centre for Cities is on that side of the argument. Devolution is much more about freeing people to make their own decisions. Some people may well go for a mayoral system or a leader system or a committee system. They are left to their own devices to make their own minds up but rail against yet another thing being imposed upon them, not least when it is tied to a financial package with no financial independence.

Paul Swinney: We are very much in favour of devolution. It is very much about putting power in the hands of people at the right geographical level who have the local knowledge to implement the policy and tailor the policy to address the issues that different places face.

Q418 Chair: Aren't they better to decide it than you or someone at the centre?

Paul Swinney: Absolutely.

Chair: You saying it is right or wrong. Why can't they decide to make an alliance or extend their boundaries or do a city region? Why is there a central view about what is right or wrong?

Paul Swinney: We have to come to a position about what we think would work best for cities. What we are saying is that powers should be devolved down to the city level and it is then up to the politicians to decide how they use those powers. Again, it comes to the issue of: is it skills, transport, a mix of the two, or a mix of that and other issues? Most certainly, the way that is applied will look very different in different places. The issue we have at the moment is that the current local government structure does not facilitate accountability at the local level to implement those sort of powers.

Q419 Chair: Can't they work that out? You say it is not current at the moment. Isn't that because Whitehall has been dominant? Isn't that because they have had that restraint upon them? Aren't they quite capable of working out what is going to work best in their areas, way better than someone in Whitehall is?

Paul Swinney: Agreed, but that is what we are saying about passing the powers down. The issue we have here is that the structure of local government at the moment is elected by thirds, with the local authority leader only accountable to the ward; that is not the city and that definitely is not the city region, so we are talking about a very small area. That means the incentives are set in such a way that that local politician is voted in on the interests of a couple of thousand people. We are talking about the whole city economy here. We are talking about creating jobs and prosperity for people who live within that city region and beyond, the people coming in and working in the area as well.

The problem is that people do not get a direct say about who leads their city and you do not get the direct accountability that leads from that to then give to somebody the direct mandate to go and implement those powers as well. That is why the mayor of London model works so well. It was not very popular when it was first introduced, but I don't think that would be the case now if you asked people, "Would you scrap the London mayor?" That one person can take a city-wide view, a city region-wide view about what the problems are and opportunities in their economy and apply those policies as they see fit, as opposed to the current model—

Q420 Chair: People can't realise that themselves? They need someone in the centre or someone from a think-tank like yours to tell them, "This is actually better for you than anything you have thought of"? That defines decentralisation and it is absolutely the opposite of devolution. Nothing you have said so far implies a financial freedom. It is all about the money we give them being spent in the way they want, rather than their financial freedom. Their political freedom is wholly constrained again because you have a bright idea in the centre in Whitehall and people in the localities apparently are incapable of deciding a better method of running their own affairs. Isn't that absolutely counter to devolution?

Paul Swinney: No, absolutely not. There are a couple of responses to that. The first is that I am talking about giving the flexibility over the use of powers. It is not just passing money down to the local authorities to allow them to spend it as they see fit, which I think is a form of devolution because you are saying, "Here is a pound. You go and spend that how you see fit". It is passing

those powers down, having the freedom and flexibility over different policy areas, controlling the transport system, so that is local areas making decisions rather than national areas. That is very much on the devolution point. We are then talking about financial freedoms as well. We would very much endorse what was put forward by the London Finance Commission about keeping the suite of property taxes, generating tax in the local area and keeping that and investing it as they see fit.

On the point about the local structures, that seems to suggest that local authorities have come to the decision that the structures they have in place currently are the best structures. I don't think that is the case. I think that is something that has evolved over a period of time. It is not necessarily the case on the metro mayor that we are telling them to do something else and they are happy with the position they are in at the moment. That is a system that has been applied from the centre and what we are saying, as people who have done a lot of thinking and research in this area, is that we think they would be better placed by having a metro mayor in place than not. It is not a case of people who are sitting and working in London—although as you can tell from my accent I am very much not from London—saying, “This is what you should be doing”. It is about saying, “We really think this is best for your economy, because the way the political system is set at the moment does not stack the cards in your favour in terms of trying to grow your economy, trying to create job opportunities for you, your children and your grandchildren beyond that”.

Q421 Fabian Hamilton: You have just made an argument, though, for a directly elected Prime Minister. What is the difference?

Paul Swinney: Let's have that conversation.

Fabian Hamilton: When I was canvassing people in the 2010 election they said, “I couldn't vote for Gordon Brown” and I said, “You don't have a vote for Gordon Brown. You have a vote for Fabian Hamilton, the Labour candidate for Leeds North East, and all the other candidates in that constituency. You don't ever vote for our Prime Minister”. Effectively, what you are saying is that we should have a directly elected Executive. In this country we have never had directly elected Executives before the mayor of London came in.

Paul Swinney: Yes, but we have one in London now and that has been a fantastic thing for London. Somebody put this argument to me the other day. I don't really see why that is a problem. It seems to accept that it is a good thing to have the Prime Minister elected in the way that is currently the case, where the party puts the person forward. We are not here to discuss that today, but I don't think we should then say, “We do that at the national level and so it must be right, so we can't do that at any other level”.

Chair: I think the Whitehall point is that we can impose a directly elected person in the localities but of course it can't come home. We can't have people out there being capable enough to elect their own senior political leader, as they are in France, Italy, America and many other places. However, you are not going to get on my good side by referring to something that I care very strongly about, which is directly electing the Executive. You are already on my good side. Fabian, let's get back to the script, enjoyable as that was.

Q422 Fabian Hamilton: Yes, we will get back to the script. That is very important. Just as a little aside, the Lord Mayor of Leeds, which is a ceremonial position, as it is in Manchester and I guess Bristol and other major cities, is for one year and it is a councillor who represents a fraction of that city who is then elected by the other councillors to be the first citizen for that period. I don't know about Bristol or Nottingham or other parts of the country, but in Leeds that person is highly revered

for the one year that he or she is in office and represents the whole city and manages to do it, even though they only represent a tiny geographical district.

Duncan Hames: They make no decisions.

Fabian Hamilton: That is true. Let me come back to what we are trying to discuss today. Akash, sorry, you have been cut out of the last few minutes.

Akash Paun: I was quite happy to stay out of that one.

Fabian Hamilton: Where do you see the principal challenges in making the Smith commission agreement work in practice?

Akash Paun: There are clearly some quite big areas that remain to be figured out. There are some constitutional questions, first of all. There is the promise to make devolution permanent, to place the Scottish Parliament and Government on a permanent footing. I am not sure at this point what the Government or the parties mean by that, given the continuation of parliamentary sovereignty in theory. It may be that it is just a symbolic statement that does not change much because nobody in the real world is proposing to abolish the Scottish Parliament, but I am quite interested to see what they come up with. There have been some different suggestions of how you might do that.

Fabian Hamilton: A Parliament can't bind a future Parliament.

Akash Paun: Exactly. So, parliamentary sovereignty means that stating that something is permanent in an Act of Parliament has no binding effect in the future. That is interesting and there are issues like that that need to be worked out. Likewise, the suggestion that the legislative consent convention be placed into legislation might have more of a practical consequence. That means that if there is a dispute about whether Westminster should be legislating in a particular area in a particular way, it could be referred to the courts. That raises the question about what kind of constitution we are now creating: are we moving towards more of a federal system without really thinking or talking about it? There is a set of issues around those constitutional factors, how you set up intergovernmental machinery and so on, as well.

There is also quite clearly a big set of challenges to resolve that are mainly about money, such as the block grant adjustment. There is a nice phrase in the Smith commission that, "Following devolution of these tax powers, the future growth in the addition to the block grant should be indexed appropriately", but what that exactly means is quite a big question. We know from the tax devolution under the Scotland Act 2012 that it has been quite difficult to agree how to adjust the block grant and how to index that. That is an area to watch. Likewise, there are some interesting ideas about the Scottish fiscal framework, which has some provisions or proposals that however this new system works, decisions taken by one tier of government should not have a negative impact in fiscal terms on the other tier of government and there should be some kind of mechanism for compensating each other, but how on earth you calculate that I am not sure. There is a set of quite big issues to resolve there.

Then there are also some more practical implementation issues, I would imagine, around building up the capacity at the devolved level to take responsibility for these additional tax and welfare powers, either by creating new institutions at the Scottish level or through shared services agreements with Whitehall departments. There is some precedent for that through how HMRC is preparing for the Scotland Act 2012 income tax powers, but this is on a much bigger scale so it is clearly quite complex. At least we have a Government that are well used to building complex, large-scale IT systems with no problems.

Q423 Fabian Hamilton: All Governments have that. A previous witness, Jim Gallagher, called for the establishment of a Government department for the union to ensure effective operation of devolution. Is this proposal attractive to either of you? You can say yes or no if you want.

Akash Paun: As I said before, I think it would be sensible to have more joined-up thinking about how the different bits of our territorial constitution operate and interact. That idea has been floating around for years. I know it was proposed to Tony Blair several times when he was Prime Minister. It might have some benefits, but even if you were to do it you would still have at least three very different devolution settlements with different relationships with Whitehall or Westminster. However you set up the Government machinery in Whitehall, you would still have quite different issues to manage with respect to the different parts of the country. It would not change that.

Q424 Fabian Hamilton: Paul, a Government department for the union, yes or no?

Paul Swinney: I am not sure that it requires a Government department. What we have called for is a cities and prosperity Act to be put in place. The point of that would be to put legislation in place to allow devolution to then come through as and when cities call for it, as opposed to having to put in separate bits of legislation each time. For us, the big barrier to devolution would be having to run through that each time. I know that having the Greater London Authority Act in place has certainly helped London out and allowed a much easier extension of the powers that it has. We would like to see that put in place to allow devolution to occur as smoothly as possibly, because without that you can see it is something that would run into such a lot of legislative problems each time a city comes forward to ask for devolution.

Chair: We going to have a division at 6.13 pm, so I ask colleagues to be a bit briefer and answers to be a little briefer, just so we can get you in in the time.

Q425 Duncan Hames: We have covered a lot of ground in that section. Before we move on to public engagement, there is just one area where I think there is probably a little more to be said. Paul, I touched on the Bristol example of areas that perhaps may find themselves falling outside of cities and city regions. What is left for those areas if they are not to fall behind in terms of the advantages you have identified for city regions able to take forward this agenda?

Paul Swinney: It is an interesting area. There are two things with this. The first thing is to go back to the importance of cities in the economy. It is not only 60% of output, 20% more productivity; there is also an element of one in five workers who work in the city actually not living in the city. Cities are important for the people who live within them, but clearly they play a much bigger role in the wider city region and beyond in generating prosperity and job opportunities for people who live around the area. That is why I think there needs to be a fundamental focus on cities because they are the drivers of the national economy and have a reach that is very far reaching.

There is then a question to be thought about: what about devolution outside of our largest cities? We have done a little bit of work on this and propose creating what I think we call city-county-region authorities. That is thinking about the smaller cities around the country and how they interplay with the areas around them as well. You could have devolution to those structures too. I think that would look a little bit different to the combined authority model that we see in our largest cities, but it is then starting to think about what does devolution look like in those areas too and how do you devolve powers down to the right level there in order for the politicians and people to drive decisions that will help support and improve their local economies.

Q426 Duncan Hames: You explained that you would not expect Westminster to dictate to Scotland, Wales and Northern Ireland how they devolved to cities within their areas but, if you were giving evidence to them, what need do you perceive for further devolution to cities in Scotland, Wales and Northern Ireland?

Paul Swinney: Again, it comes back to the argument of these cities not only being the major part of the national economy of Scotland or Wales in terms of scale, but also there is a productivity argument there. Cities are much more productive because there is a benefit in having businesses and jobs tightly located together. They could be spread out across Scotland and Wales but clearly they are not. They are very much clustered within the cities and the reason for that is the productivity uplift of being based in those cities. From that perspective, if Scotland, Wales and Northern Ireland want to see an improvement in their economies, then they should be thinking about how they unlock growth within their cities in order to realise that increased prosperity. The way to do that is by matching policies at the level of those city economies.

Q427 Duncan Hames: Thank you. That has tidied up that section. On public engagement, if we go back to the Smith commission, maybe Akash first: do you think that the engagement of the public and civil society in the process of the Smith commission has been sufficient?

Akash Paun: I think they did the best they could in a pretty difficult, constrained situation. Put bluntly, no, given the magnitude of some of the changes being proposed. Ideally you would have had a much longer period allowing for greater public engagement. The Scottish Constitutional Convention in the 1980s and 1990s sat for six years or so. The Scotland Act 2012 was the output of a long process going back to 2007 or 2008 when the Calman commission was set up. Changes to the constitution of this significance should follow a process of proper engagement, but clearly the timetable was set for political reasons in the days before the referendum and the commission had to work to it. They did make an effort to encourage civil society submissions and they got a pretty good range of them, from what I saw. They got thousands of public submissions as well. I don't know whether those had much impact on the outcome of the process. Given the time pressures, it is hard to see how they could have had a huge impact.

The other thing about the Smith commission is that it ended up being called a commission just because that is the sort of phrase that emerges in these kind of situations, but it was not really set up to be an evidence-driven, deliberative process of the kind that we have seen in the past with things like the Calman commission or equivalent processes in Wales. It was much more a process of political bargaining facilitated by Lord Smith. I think in that context Lord Smith and his team did a pretty good job, and the amount that they managed to agree upon was quite impressive.

Q428 Duncan Hames: What would you say are the consequent risks associated with insufficient public engagement on a process such as this?

Akash Paun: The risk is that you end up potentially with a settlement that does not reflect the informed will, shall we say, of the Scottish people. In the aftermath of the referendum there have been lots of claims on both sides about what the 55% who voted no want: did they vote no just because they were promised devo-max or did they vote no because they are quite happy with the status quo? There are competing political claims about that.

When you look at the public opinion evidence, I read recently quite a good piece on this by Professor John Curtice, who is the expert of course. What he showed is that if you ask, as they have frequently done in these surveys, "Do you want devolution of this power or should the Scottish

Parliament control this power, this power, this power?” you end up with support for virtually everything except foreign policy and defence; you end up on paper with support for devo-max. But if you ask the question a different way and say, “Do you think it would be right for there to be different rates of state old-age pension in Scotland as opposed to England?” the majority then say, “No, we shouldn’t have that kind of variation”.

The risk is that there is an inconsistency or cognitive dissonance, as they call it, because we have not had the kind of public debate about some of these issues that we had, very effectively, about the big issues of independence, setting up a monetary union or withdrawing from a defence union and things like that. Having that long process of debate helps to crystallise public opinion in a more informed way.

Q429 Duncan Hames: If all the political parties go into the general election saying that they will implement these proposals and therefore there is not a choice to vote for something other than that, does that election provide a mandate for enacting these proposals in and of itself?

Akash Paun: We have a representative democracy with occasional referendums when Governments think they are a good mechanism. I don’t think anyone is proposing another referendum in Scotland; I think there is referendum fatigue. So the process for securing a mandate for these proposals will come through the two general elections in 2015 and in Scotland in 2016, because through the legislative consent convention any new package of powers will need to be agreed in Holyrood as well. It is quite a powerful mandate if you have all the main Unionist parties or the nationalists and the majority in the Scottish Parliament backing a package of powers, but ideally the election campaign will serve as an opportunity to have a wider public debate about the implications of some of these changes.

Q430 Duncan Hames: The SNP, for all their participation in Smith, still hold a desire to go further. After the election will a future Government, in deciding how to proceed, need to look at the results in Scotland in particular in terms of whether to have to reopen this question?

Akash Paun: That comes down to politics really, doesn’t it? There is a potential for SNP gains next May. If they are of a sufficient size to suggest that there is maybe increasing support for independence or rejection of the Smith consensus, then whatever Government is formed here may well choose to respond to that. That comes out of the political process.

Q431 Duncan Hames: What role do the views of the Scottish Parliament have, in areas that perhaps may be about to be devolved, in the extent of legislation that is still being proposed in Westminster after that election?

Akash Paun: Sorry, would you explain that question?

Duncan Hames: Do the UK Government have to take into account the views of the Scottish Parliament after the next election when legislating on matters that, at least for the time being, are still reserved?

Akash Paun: For instance, while this package of powers is in the process of being implemented, should there already be sensitivity to different views in Scotland?

Duncan Hames: Yes.

Akash Paun: I don't know. It depends what exactly you are talking about. I suppose there would be a logic to it if, say, some of the welfare powers or benefits that are to be devolved are clearly happening and due to be implemented within a year or two. It probably would not make much sense for the UK Government to suddenly dramatically reform that system if a year from then it is going to be transferred. In that context, it would be sensible for them to take into account the different views. You could look at what happened with stamp duty as quite an interesting counter-example. In Scotland they will have gone through three stamp duty regimes in less than a year come next April, which I would guess is not the ideal way to run a tax system.

Q432 Duncan Hames: If we look more broadly than Smith now, you told us that time was very limited for the Smith commission to engage the public. Is this the best way to achieve other, further, future major constitutional change that we would want to be properly joined up and thought through? Is that a model?

Akash Paun: I think at the moment we are not joining up the different debates particularly. It happens indirectly because powers are devolved to Scotland; then the question is raised—as you have obviously asked is happening in Wales—should additional powers be added to the package already being devolved to Wales and so on? Then questions arise about what that means for Scottish MPs in the House of Commons and so on. That probably is not the ideal way to go about it. I sense we are moving towards the question about a constitutional convention, which I know the Committee is interested in and on which point I would say I am ambivalent about the benefits of going down a full-scale, large constitutional convention route. The danger with that approach is that every constitutional issue under the sun gets thrown on to the table.

Q433 Duncan Hames: If it were limited to this English question?

Akash Paun: Just to the English question? What I was going to say is if we are to have a constitutional convention, there would be advantages to limiting it to territorial questions, so don't let the scope creep into House of Lords reform or electoral reform for the House of Commons or the Human Rights Act or all those bigger issues. Keep it around devolution and the relationship between the centre and the nations and regions, but even then there is a huge amount of scope for disagreement and I think I would still be a bit concerned that it would, as they say, take minutes and waste years.

Q434 Duncan Hames: I sense you are identifying a tension between the feasible scope and the degree of public involvement. If we were to set about ensuring a broad process of engagement with the public and civil society, other than maintaining the narrow scope of the question, as you have indicated, are there mechanisms that you would recommend for trying to achieve that?

Akash Paun: I am not an expert on constitutional conventions. I don't know if you have had Professor Alan Renwick of Reading before the Committee. He is the expert on this and I have read some of his work. I think one of the lessons from constitutional conventions in other countries is around getting the membership right. His recommendation is to have a mix of political figures and members of the public. If you have simply a politically driven process then there is not the kind of public engagement we would like and maybe it just gets locked into political party bargaining. On the other hand, if you have solely randomly selected members of the public or whatever, then the risk is that the political class disown it and nothing happens as a result of it. So I think you need to get that balance right. I would say keeping the scope fairly narrow is right as a sensible way forward.

There is an issue about, it is not just scope in the policy areas it is being asked to look at; it is what would we expect to come out of it. I think if you say we are going into this to try to design a codified federal constitution, you would probably be setting it up to maybe fail or at least take a hell of a long time. If there is a bit more flexibility about the outcome, it might be more productive. For me, just trying, through a process of deliberation and evidence sessions informed by experts and analysis and so on, to achieve a greater degree of consensus about some particularly thorny issues, such as English votes on English laws, would be a better way forward rather than giving it too grand a task.

Duncan Hames: I tried to rattle through, Chair.

Chair: Very well done, Duncan. Thank you very much. There is going to be a vote in less than two minutes so, rather than opening up the quite complicated though fascinating area of finance, we will adjourn now and go and vote. Rather than having you gentlemen hanging around and we come back—and there may be more than one vote; the House has a peculiar way of making these things difficult when you are trying to organise people's time—if we can write to you with a couple more questions, particularly on the financial side, and if you would be kind enough to take some of your valuable time to give us your thoughts on that, we would be most grateful. Akash and Paul, thank you very much. It is really thought-provoking stuff. We are in the middle of this and we will see how it develops. Some of us see this as a great opportunity to make some quick progress, having been stalled for several decades. Thank you so much. Thank you, colleagues.