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Inquiry on
THE UNION AND DEVOLUTION

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10.30 am

Witness: Rt Hon Oliver Letwin MP

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Members present

Lord Lang of Monkton (Chairman)
 Lord Brennan
 Lord Cullen of Whitekirk
 Baroness Dean of Thornton-le-Fylde
 Lord Hunt of Wirral
 Lord Judge
 Lord Lester of Herne Hill
 Lord MacGregor of Pulham Market
 Lord MacLennan of Rogart
 Lord Morgan
 Lord Norton of Louth
 Baroness Taylor of Bolton

Examination of Witness

Rt Hon Oliver Letwin MP, Chancellor of the Duchy of Lancaster

Q312 The Chairman: Chancellor, we are most grateful to you for coming to see the Committee again so soon after your last visit; we much appreciate it. We have a lot of ground to cover and a fair number of questions for you. When you come to answer the first question, could you give us a sentence or so on where the situation lies with the intergovernmental relations report that we produced and your consideration of the reform of the memorandum of understanding? That would be appreciated. On the subject of devolution and the union, my first question is a rather general one about the territorial constitution and how it develops over the next few years. Last time you gave evidence to us, you referred to the settled views of the various parts of the union that should be a preface to further changes if they came. Do you feel that a settlement has been achieved by previous changes in the devolution process? Do you feel that we are in a settled situation now in which devolution, as it is now proposed in the Scotland Bill and with the Wales Bill coming along, might take root? How do you see things developing over the next few years?

Rt Hon Oliver Letwin MP: First of all, on the point you asked me to say something about, we have been in discussion with colleagues in the devolved Administrations since I last spoke to you about the memorandum of understanding. We have had some very sensible and constructive discussions and are down to discussing the very particular wording in that document. As with all these things, I do not want to tie myself to a precise date, but in the near future we will be in a position to issue a memorandum of understanding that will have been agreed.

The Chairman: Thank you very much.

Rt Hon Oliver Letwin MP: On the much wider and deeper question you raise, the way I would characterise it is, as the whole Committee will be aware, quite a lot of the processes that were set in train as a result of the various events—the referendum in Scotland, the Smith commission, Silk and the Stormont House agreement—are still in various stages of completion and, obviously, until they are complete, one cannot represent the situation as fully settled. For example—and I am sure we will come back to this later on in the proceedings—we are still having discussions with the Scottish Government about the fiscal framework, which is obviously a very important part of all this—and, as you rightly point out, Parliament is about to consider the Wales Bill. I think it will be some months yet before we arrive at a new position. Once that has been arrived at, all those pieces of the jigsaw are in place, so far as the relationships between the component nations of the UK are concerned, we will be able to say that we have reached a new settlement.

Of course, that does not encompass the further question of devolution inside England, and there are many other constitutional matters of great importance which are not about the devolution settlements that remain under debate and discussion at various stages. Incidentally, I do not find any of that surprising because our constitution has been evolving since—pick a date—well, for a very long time, and I suppose that that will continue. But it will be an important moment when the relationships between the various component parts of the UK have been settled.

The Chairman: That implies that you see the Scotland Bill and Wales Bill forming part of a final settlement as regards Scotland and Wales. Is that correct or not?

Rt Hon Oliver Letwin MP: It is very dangerous for anybody, particularly a Minister, to speculate about for ever, but at least for the foreseeable future I hope that we will have reached a settlement, yes.

The Chairman: We will probe into some of the other issues that flow from this. Lord MacLennan.

Q313 Lord MacLennan of Rogart: This Committee is focused on how to hold the union together, and we have heard evidence from a number of witnesses to suggest that powers should be retained beyond the obvious ones—foreign policy, defence, currency and macroeconomic policy. Would you be able to give us an idea of what should be retained by the United Kingdom Parliament and the Executive?

Rt Hon Oliver Letwin MP: The first thing I should say is that I share the ambition of the Committee to keep the union together. There are huge mutual advantages in that. I know that

there has been a very considerable amount of thought and discussion, and there will continue to be, about trying to achieve some theoretical delineation of what lies which side of the reserved devolved line for ever—if I can use that phrase again. I quite understand why it is that people, including learned and intelligent people who have reflected on this for a very long time and certainly deserve our respect, seek this theoretical underpinning. But, as I may have mentioned before to the Committee, I do not share that yearning. The genius of the British constitution is that it has worked in practice, not in theory. In general, trying to theorise about these things and to lay down a set of general principles that is meant to be absolute, and at the same time are meant to apply in the same way to each of the different component parts, is an exercise which sounds like some sort of Cartesian cleaning of the Augean stables and the most wonderful intellectual housekeeping, but actually it precipitates a whole series of further debates and discussions which are probably unproductive, and maybe even counterproductive. So I would prefer to rest where we come to rest, with settlements that I think will be broadly acceptable in the various parts of the kingdom, and then to move forward on that basis and acquire practical experience of whether those relationships work out smoothly in practice.

May I add one point? There is one thing I want to say now which I hope will apply to everything else I answer. It is my very, very strong impression that, notwithstanding all the megaphone diplomacy that inevitably goes on when you are engaged in one kind of discussion/negotiation or another, and to which we are all party in politics, once you pick up the phone or have a meeting with your colleagues in the devolved Administrations, including some who have been involved in activities in the past which were fairly vigorous, you can have a very reasonable, sensible conversation. We can get along and work these things out. I do not think there is this issue that some people allege of imperfections in the system that cause terrible practical problems. On the contrary, in a grown-up way, we can negotiate our way from practical action to practical action.

Lord MacLennan of Rogart: We have had suggestions from the Bingham Trust about a charter for the UK. Would the Government support that? Do you have a view that devolution should be asymmetric?

Rt Hon Oliver Letwin MP: I do not think that it should as a matter of principle be asymmetric. As a matter of fact, it has turned out to be somewhat asymmetric, and may very well continue to be so for a very, very long period. It does not worry me one way or the other. I do not object to symmetry or to asymmetry; I just search for something that everybody finds acceptable and workable. I have of course seen the Bingham Trust suggestions and, incidentally, as I am sure the Committee is aware that they are by no means the only people

who are currently working on similar sorts of ideas. They are certainly interesting and will no doubt be discussed in many forums for a long time to come, but, no, I do not personally share any enthusiasm for a new charter.

The Chairman: A number of colleagues are keen to come in. Lord Lester.

Q314 Lord Lester of Herne Hill: I am trying to phrase this as an open question and not a closed question. As I read your evidence last time and from what you have just said, some might say you are a bit complacent, because nothing seems to worry you. Should you not be worried? Should the Government not be worried that at the moment our system is fragile. We risk exiting from the European Union; we risk Scotland exiting from us; in Northern Ireland there is a state of near-paralysis of the political system; and the Government need the ability to produce a framework which is stable and enduring and based on principles? I do not mean the principles of Descartes. God forbid that I should ever be regarded as a “filthy Cartesian”—but surely, as the Minister in charge, you should be a bit worried and thinking a bit more adventurously about a stable and enduring framework. I think that that is an open question, but perhaps it is closed.

Rt Hon Oliver Letwin MP: It is a work of genius. First of all, of course I accept that there are many issues under discussion, and we are probably not very far away from having a referendum nationally across the UK about the relationship between this country and the EU. It is a very fundamental constitutional issue. I do not want to pretend to you that my colleagues and I are somehow unaware of the very deep significance of this issue. Obviously, we are very aware of it, and we are very concerned to try to get the best possible outcome for our country. But I do not think that the constitution of the UK is in some terrible state of crisis. It is in a continuous mode over many, many decades, and indeed centuries, of change. I think it is the genius of it that it does change and that it accommodates, progressively, the various demands that are placed upon it. The test of these things is not whether in some common room or lecture room it looks as if it is a neat and clearly defined system, but, rather, whether it guarantees what, to my mind, constitutions are there to guarantee: namely, the liberties and rights of individuals to live in a liberal democracy under the rule of law. That is a very great achievement of this country which we have had for as long as any other country on earth. As long as our constitution goes on delivering that, that is the proof of the pudding. Having something that looks wonderful based on theory and principle but does not do that would be a disaster. I know of nothing that is currently happening to the constitution that threatens that stability of liberal democracy under the rule of law.

We are faced with many turmoils which preoccupy enormously the Government, and would any Government in office today, to do with the economic circumstances of the world and the various very serious security threats we face. Those are real and present dangers for our population and we have to address them. We are trying to address them in the best way we can. But I do not regard our constitution in that light. I think that it provides a very stable basis for the things that matter to our citizens.

Lord MacGregor of Pulham Market: I do not think you quite answered Lord MacLennan's question, which was specifically about what powers should be retained at the UK Parliament and Government level. There are some obvious ones which Lord MacLennan mentioned, such as defence, foreign affairs, macroeconomic policy, et cetera, but would you add to that things such as international aid, trade, international organisations and large infrastructure projects? Would you want them retained at the UK level? Would you include in that some aspects of welfare and welfare benefits? We have heard a lot of evidence on both sides on this particular matter. Some argued, as the Scottish Government do, that welfare benefits and raising the fiscal means to pay for them should be at the Scottish Government level, while the Welsh Government take an entirely different view. Where would you be placed in that area?

Rt Hon Oliver Letwin MP: Certainly there are various fields of activity in which either at national or international level it makes sense that the powers should reside there. Clearly, in many, if not most, aspects of our trade negotiations, for as long as we remain a member of the European Union, the powers are at European Union level. Clearly one of the major decisions this country will make in a referendum is whether to repatriate that or not.

Lord MacGregor of Pulham Market: Do you mean the UK Government?

Rt Hon Oliver Letwin MP: Yes. It is natural that either the UK Government directly, in a situation in which we were not part of the EU or, for as long as we remain part of the EU, at EU level, will negotiate these things, because other countries that are negotiating trade deals would expect that to be the case. I treat trade as very closely connected with international relations. For the same sort of reason, it makes very good sense that in all the settlements to date, nobody is questioning the control of overseas aid and development at UK Government level. It is obviously done in close co-operation not only with our European partners, who control, as you are very well aware as a former Chief Secretary, part of our aid budget, but with a range of other enormously important aid partners around the world, including, obviously, the UN agencies. For all those purposes, it makes sense for the UK Government to be the entity in the UK that deals with those things.

When you come to the question of welfare, it is much more nuanced. You included in your list macroeconomic policy and that, obviously and canonically, is about fiscal aggregates and monetary policy, but, as you are very conscious, and everybody on the Committee will be conscious, these days, at a time when something like a third of our total public expenditure is transfer payments through pensions and welfare, fiscal aggregates are pretty difficult to disentangle from decisions about welfare. So there is a strong presumption that while macroeconomic policy resides with the UK Government and the Bank of England, there should be at least a core of welfare arrangements, the rules for which are established at UK level.

However, if you look carefully at the settlements that have been arrived at over the past several years—many years in some cases—there are all sorts of caveats to add. At the moment, Northern Ireland has what is, in theory, an independently determined welfare system, and indeed quite recently we all saw that being played out. As we also saw being played out, it has been until now—and in fact as a result of the negotiations which Theresa Villiers very brilliantly carried through—and remains the case now, that the welfare system, which is independent, is nevertheless the same, and that maintains a degree of manageability. The discussions about the fiscal framework envisage the possibility of the Scottish Government being able to supplement, at its own expense, welfare provisions provided in the UK as a whole but not to undo them. That is another way to achieve a manageable relationship. So I would say on welfare that there is a quite nuanced arrangement.

Finally on that, we are taking steps, and previous Governments have taken some steps, to allow local authorities within England to manage some parts of the welfare system and that, too, is manageable as long as it is within a framework that makes it manageable.

Q315 Lord MacGregor of Pulham Market: One of the concerns of the Welsh Government is that they would not have the resources necessarily to reach the level of welfare benefits on their own and, therefore, they would still seem to want welfare benefits as part of the UK system, to a large extent—with some degree of difference, as you have outlined, for Northern Ireland. Do you see that as a way forward?

Rt Hon Oliver Letwin MP: Yes. Whether you are looking at the Scottish, Welsh or Northern Irish situations, each in their own way maintains a pooling of risk, which is one of the great arguments we made in the Government's contributions to the referendum discussions in Scotland. I am not speaking here of one campaign or another, but the Treasury and DWP, and so on, produced papers during that referendum about welfare, and one of the arguments we made, I think pretty convincingly and dispassionately, was that there was a clear advantage to

the pooling of risk for welfare. Obviously, there are actuarial risks and risks of differential prosperity: all sorts of issues. One advantage of the union is that it enables us to pool those risks, and you only gain that advantage if either, as in Northern Ireland, a parallel system, funded as to its annually managed expenditure by the Treasury, can operate, or you have the same rules, set in the same way centrally, as is the case in both Scotland and Wales, but with the potential ability for the devolved Administrations to make adjustments at the edges. That element of the pooling of risk is very significant. Broadly, the same argument applies in general to the question of macroeconomic union.

Q316 Lord Cullen of Whitekirk: You met with us in July last year and gave evidence to the effect that, to the greatest possible extent, if people in any part of the union “express the desire and clearly have the capacity to take a greater share of power over their own affairs, we should seek means of answering that positively and give them that power”. Does that mean that you are committed to demand-led devolution? If so, what efforts have the Government made so far to understand the views of people in England and its regions over what powers should be exercised by different levels of government?

Rt Hon Oliver Letwin MP: If you inspect the record of the last five or six years, you can indeed see a pattern within England where two successive Governments have been very responsive to bottom-up demands for reallocating powers from central government to local areas at various levels. There is the whole process of city deals, transferring very considerable amounts of real power over important things such as the spending of money, from the centre to local areas, and, much finer-grained, the establishment of what is beginning to be an enormously significant phenomenon in neighbourhood planning where neighbourhoods have started taking power over something which also matters a great deal to them, which is how their built environments will look and feel over the years to come.

We have been very responsive to those sorts of demands and have tried to structure these things in a way that is, as you put it, demand-led, in the sense we do not say, “You must have this kind of city deal. You must have this kind of arrangement of your powers and your structures and one size fits all”. On the contrary, we have said, “We are open to bids, come along and tell us what you would like to do in your area, and, provided we can assure ourselves that you have really thought this through and that you have a plan that will stand a decent chance of working successfully, if that is where you would like to go, we will help you to do it”. Similarly, we have not said to every neighbourhood that they have to have a neighbourhood plan. On the contrary, we have said that anybody can. A couple of thousand

areas are already moving in that direction. I hope that many more will, but we are not going to force the pace.

It is also a feature of these things that in each of the various ways in which we have tried to transfer power we have tried to find means for democratic expression. It has been a feature of the most important city deals that they have included the establishment of an elected mayor, where there is a very perspicuous relationship between that mayor and the electorate. At the opposite end of the spectrum, a very important feature with neighbourhood plans is that it is not a cabal that is able to plan neighbourhoods, but, rather, it has to pass through a referendum of all the local inhabitants. So we have tried in each case to formulate ways of doing these things which mean that as they move forward there is a clear, democratic legitimisation of the decisions that are made.

The Chairman: There are a couple of supplementaries. Lord Judge.

Q317 Lord Judge: This is a question that is perhaps going to arise later, but this is a logical time to ask it. Has EVEL sorted out the West Lothian question?

Rt Hon Oliver Letwin MP: Especially talking to a distinguished jurist, I am very reluctant to engage in trying to define a given question, because I have seen so many different and conflicting accounts of what Tam Dalyell did or did not mean by what he said. Let me say exactly what I think EVEL does and, more to the point, or at least as much to the point, what it does not do.

Lord Judge: Please do.

Rt Hon Oliver Letwin MP: EVEL creates a power of veto for those Members representing English seats over legislation which affects England, as opposed to the UK as a whole—or, in the less usual case, for those Members representing English and Welsh seats over legislation affecting England and Wales as opposed to the UK. It is a power of veto. Perhaps it would have been better to call it “English vetoes for English laws” than “English votes for English laws”. So that is what it does. What it does not do is to deprive all or any of the Members of the House of Commons of the ability to vote on the Second Reading or Third Reading of legislation. So it also gives a veto to the House of Commons as a whole, or a majority of the Members of the House of Commons, over any legislation proposed for England, or England and Wales, just as we have always had for any legislation governing the UK. In other words, the effect of it is that legislation that affects England, to take that case, must always have had the support of a majority of the membership of the House of Commons as a whole and the support of Members representing English constituencies. I think that that is a very good way of trying to make sure that people in England do not feel that a House of Commons based on

Members from other parts of the country can impose legislation over the heads of the Members representing English constituencies that those Members would not wish to vote for.

Lord Judge: That is how I understood the answer, but we have had evidence that has criticised the entire structure of EVEL, on the basis that it is Westminster-centric and does not address a much wider problem of accountability. When you were answering Lord Cullen you told us about possible different democratically led structures. Are we going to end up in England and Wales with a series of different structures and different forms of devolution, or, at the end of it all, are we going to end up with specific arrangements in the larger areas and larger cities? What I am not clear about in my mind is whether we will end up with a whole series of different ways of running regions, because that would strike me as being extraordinary.

Rt Hon Oliver Letwin MP: Let me start by responding to the point you were attributing to others and then move on to your specific question.

Lord Judge: Yes, please.

Rt Hon Oliver Letwin MP: On the point attributed to others, there is quite a large number of people—serious people who think about these things deeply—who are, as far as the UK is concerned, federalists, who believe the right answer for England is to have an English Government and hence presumably an English Parliament, or at least the House of Commons sitting as if it were an English Parliament for various purposes, and then a UK Government and a UK Parliament, or a Parliament sitting as a UK Parliament for that purpose, in a federal structure. It is a perfectly recognisable, understandable and historically possible configuration. It is not one that I favour. It is not what this Government are setting out to achieve. It is not what EVEL does. Our view is that there is no need for an English Government. It is quite sufficient to ensure that MPs representing English seats can make sure that no legislation is passed over their heads.

I profoundly doubt whether a federal solution, which obviously can be made to work under many circumstances in many countries perfectly sensibly and efficiently, can really be made to work in a country that is as asymmetrical as ours. England is so much the greater part of the whole that I think we have to be particularly responsive to the concerns of other parts of the country if we want—to go back to the point made by Lord Lester—to bind the union together. I do not think that we should expect, so to speak, equal treatment. The very powerful bloc of England has to recognise that other parts of the country will have very particular concerns, but we need to make sure that there is not a system that enables Members from other parts of the

country to ride roughshod over the democratically expressed views of the English. I think EVEL, as constructed, answers that.

We then come to the separate, very interesting question you asked about the pattern of governance within England, in the relationship particularly between central government and the various constituent local governments, which are themselves in the process of changing in many cases, and beginning to think of amalgamating in one way or another. The answer is that it is an evolving pattern. I do not share your view that it is odd or in any way concerning if there are different arrangements in different parts of the country. On the contrary, I would be very concerned if we tried to have the same arrangements in all parts of the country, for the very same reasons that there have been differences all the way along.

Lord Judge: So a man who has a business in, say, Birmingham, which has structure A, who then goes to Manchester, which has structure B, and then goes to Leeds, which has structure C—that is all perfectly sensible, is it?

Rt Hon Oliver Letwin MP: Yes, I think so. For some years, since the Blair Governments, London has had a system of government which is fundamentally different from that of any other British city. I should admit to the Committee that, along with my colleagues, I was initially sceptical about this. I see you are sitting next to somebody who was one of those who proposed it. You were right and I was wrong. In London, I do not know who is going to be the next elected mayor. It may be someone of whom I approve or not, but it will be somebody Londoners have chosen, and it is a system that has worked well. I think London is a greater city now than it was then.

Lord Judge: Forgive me, but the question is not about London. That water has gone under the bridge, which is fine; we live with it. We are now looking to the future where there may be different structures in different cities or areas. My question is directed to how you run a business and what arrangements you have to make when you have interests in different parts of the country which are governed in different ways. How do you do it as an individual citizen when you are moving house, because your job has changed? That is what I am driving at.

Rt Hon Oliver Letwin MP: I see entirely what you are driving at, but that has been the case as between Manchester and London until now. I do not have the exact figures with me but there are very many businesses in Britain that operate in both Manchester and London, and have been operating perfectly well against a background of difference. As a matter of fact, the changes now envisaged in Manchester will make Manchester's governance, although different from London's, somewhat more like London's than it has been. What is going on in many of the other big cities at the moment will bring those into being rather more like London's

governance than at the moment. I do not think that it will be a problem, any more than it has been in these last years, for people to get used to those differences.

I am sure that there will be a different system emerging in many of the rural areas and, representing a rural area myself, I am glad of that. I think our best chance of prosperity in the rural areas of Britain in many cases does not arise from having exactly the same pattern as will apply in the cities. Rural areas are very different places. My experience of business, when I was in business and from dealing with businesses since, is that what business seeks is the best possible way of being able to conduct business in any given place, not uniformity. In fact, most of our British businesses are increasingly international in their outlook now, so they deal with very many different jurisdictions, and that is not a problem for them, either. You need to be sure that local government or national government, or whatever it is you are dealing with, has the right attitude to business, and that, of course, depends on who is elected and what their policies are, and not on the particular structure of government.

The Chairman: Baroness Taylor and then we must move on.

Baroness Taylor of Bolton: I will be brief, so I will not suggest we go back to the met counties proposals, which certain Governments introduced and other people were against, and which might have been very productive. I wanted to pick up on what Lord Cullen was talking about on demand-led devolution and what you said about not imposing from the centre any structures that should be there. You acknowledged that you are insisting on elected mayors, and many areas have made it clear in the past that they do not want elected mayors. Are you not imposing from the centre a particular structure in that respect?

Rt Hon Oliver Letwin MP: No, because to impose would be to say that from a certain date everyone shall have an elected mayor.

Baroness Taylor of Bolton: But you are saying you cannot have the new powers, in Sheffield for example, unless you have an elected mayor.

Rt Hon Oliver Letwin MP: There are various other aspects of our deals, yes. These are deals. We are saying, “We are open to bids. We are willing to transfer powers from the centre to the localities, but only under certain conditions. You have to choose. If you do not like our conditions you do not have to take the powers”. The reason for doing that is that we want to ensure that there is perspicuous democratic accountability where we have transferred significant powers.

Q318 Baroness Dean of Thornton-le-Fylde: I will pick up on your theme of devolved areas and possibly regions being able to choose, if they have the desire and the capacity. We have had quite a lot of evidence given to us by organisations that say that a better way of doing this

would be to have what they have termed a draw-down policy, whereby certain fundamental areas of national interest are retained at the centre, but other areas could be drawn down if there is a desire and suitability and capacity in the area—and the regions could be included in that. You would know exactly what was reserved. They would have the opportunity to draw down if they could fulfil all the criteria, which may not be the same everywhere. This would mean a new Act of Union and the devolved nations coming together and agreeing. I gather it is similar to what happened in Spain with the demise of Franco. They say this would be a better way than having what you appear to have at the moment, which is almost open season in the sense there are no clear criteria of defined reserved powers, and it is not clearly defined what can be devolved if people choose to. What is your view on that?

Rt Hon Oliver Letwin MP: I think that takes us back to the discussion we were having a little earlier about the Bingham commission. This is a desire for neatness that I do not share. Over the past many years, in practice, different parts of the kingdom have expressed various desires in different ways for various powers and Governments and Parliaments have been responsive to that. That is excellent, but, for the reasons I was illustrating earlier, I do not think that it would be advantageous to try to codify that in some kind of new charter that strictly delineates what will and will not ever be transferred. That is partly because, whatever one says about what will or will not ever be done, if it means for ever, that is probably the wrong thing to do because constitutions should be able to change over time, and if it does not mean for ever, why bother to codify it? Why not let it adapt gradually as our constitution has done for hundreds of years?

So there is a fundamental fork in the road here. As I say, there is a group of serious, well-intentioned, intelligent commentators who believe in neatness and codes and are worried about the fact that there is no basic law or written constitution which sits here to guarantee something or other; and then there is British history, which operates in the opposite way. One has to choose which way one thinks is the better route. I am on the British history side and, more importantly, so are the Government.

Baroness Dean of Thornton-le-Fylde: Can I put it to you that it is not as clearly defined as that? At the moment in Wales, for instance, people say, “We do not know what retained powers are”. We have a Scotland Act and legislation has been passed there. Scotland had a referendum. The Manchester powerhouse has had no referendum. A couple of weeks ago we were in Wales, and they made it clear to us that they want to have more control over what is happening in their nation, but there are areas that perhaps are being devolved elsewhere where they could not afford to meet the bill because of their individual circumstances. So I would

suggest, Chancellor, that it is not as clearly defined as some people wanting it rigid and some people wanting it completely open. It is about understanding where we are in our national devolution.

Rt Hon Oliver Letwin MP: I think the process that we are going through in Wales answers that set of concerns very properly, without the need for general codification. We are progressing towards legislation, one part of which is precisely to reformulate the relationship by establishing reserved powers. Of course, there are discussions and remaining points of disagreement, but, broadly, we are heading in a direction where the Welsh Assembly and the UK Government and Parliament will come to an agreement about the new shape of the relationship between the UK and Wales in that legislation. There are discussions going on about very important issues, such as the necessity test and so on, which need to be brought to a conclusion, but, broadly, we are heading in a direction where, as I say, there will be an agreement. It seems a very workmanlike way to settle that question in Wales. It does not need to be the same settlement as elsewhere and I do not think we need a code to codify what can be in the Wales Bill. We just get on and reach a consensus and settle the Wales Bill.

Q319 Lord Morgan: Could we consider the process by which further consideration of devolution of the different nations could take place? This Committee—I may say before I was a member of it—was very critical of the process adopted in relation to Scotland: the vow at the end of the referendum campaign, the very rapid timetable for the Smith commission and then draft legislation in January. In Wales there was a more measured reflection, particularly in relation to the Silk commission. Could you indicate what broad principles might apply to a future development of this kind?

Rt Hon Oliver Letwin MP: I am sorry that I sound as if I am so completely anti-Cartesian, but I think it is one of the advantages of the way we operate in this country that there is no set of rules about how you do this. If you are trying to hold the union together and you have a referendum, which we did in Scotland, it may be that coming out of that very vigorous and fertile expression of highly conflicting democratic sentiment, a new view emerges of what is necessary to hold the union together. It did emerge, and emerged on something close to a consensual basis—but not quite—and that became encoded in the Smith commission. That has led to legislation and now to this negotiation about the fiscal framework. I think the proof of the pudding will be whether it achieves a settlement that everyone continues to be happy with, that holds the union together and that continues to provide all parts of the union with a stable government and the rule of law and so on. If it does, I do not share the view that there is something wrong with the process. Just as it is wrong to think that one should look at whether

something works in theory rather than practice, it is wrong to look at whether the process is right. On the contrary, one should look at whether the conclusion was right, the substance of it, and what happened. If it was, it does not matter too much how we got there. You are right that the process has been somewhat different in all the constituent parts of the kingdom.

I draw the Committee's attention to the circumstances in Northern Ireland in this connection. If you tried to have a process which was going to work in the case of Scotland, Wales and England, which was imposed also on Northern Ireland, you simply would not have anything like the flexibility required to deal with the internationally and historically extraordinary, and different, set of concerns in the Province. This way—touch wood—we seem to be arriving at a perfectly reasonable settlement, which is preserving something fantastically valuable to us all: the peace and prosperity of Northern Ireland.

I resist the temptation to seek a uniform process. On the contrary, differences of process and approach are appropriate to different places, and the question in each case is not whether you arrive at the same destination or a theoretically perfect destination; it is whether it works.

Q320 Baroness Taylor of Bolton: Last time you were here you told us that there is a Cabinet constitutional reform committee, which I think you chair. It had only had one meeting when you were here before, so we would like to have an update on that. One of the things there is concern about, and you may have picked it up from the questions so far, is that you are responsible for constitutional reform and change, and I think there is concern that too many of the suggestions for that change are piecemeal and not co-ordinated and could have unintended consequences, whether we are talking about EVEL or some of the other issues that have arisen. How is that committee working and who is taking a long-term view of what kinds of problems we may be hitting further down the road, because we have so many piecemeal constitutional changes happening in a totally unco-ordinated way?

Rt Hon Oliver Letwin MP: I do not think they are unco-ordinated in the least, in the sense they are all things which are going on, and which are being discussed endlessly among a whole series of different people at differing levels: officials across many departments, Ministers in departments, and in various different settings. We are all extremely conscious of the fact that there are interactions. One of the reasons we have created a rather large constitution unit, headed by a second Permanent Secretary in the Cabinet Office who was one of the main participants in the Government's conduct of the referendum in Scotland, is to ensure that we are all alerted constantly to those connections and interactions. This is not the first, and it probably will not be the last, British Government who have engaged in a series of different constitutional reforms. If I take you back to the early Blair years, there was a lot of

constitutional reform going on then. I do not think it was unco-ordinated but there was no elaborate process of co-ordination, other than the useful and necessary co-ordination among Whitehall departments, which I think Whitehall is quite good at this in this context. As I say, I think it is useful to have this group of officials in the Cabinet Office and the wider UK Governance Group who are experienced in this and who spend their time making sure, on a week-by-week basis, that if there are issues which arise from interdependency they are brought to the fore. They also try to make sure that in our conduct vis-à-vis the devolved Administrations there is consistency, so the Secretary of State for Scotland is aware of what the Secretary of State for Northern Ireland is doing, and vice versa.

What we have discovered so far as formal decision-making is concerned is that, by and large, these decisions are so wide-ranging in their consequences across departments that they really need to be handled through the clearance processes of the home affairs committee. To go back to an earlier point raised by Lord MacGregor, the Department for Work and Pensions is not part of the constitutional affairs committee, but definitely needs to be consulted and involved in the various aspects of what is going on, for all the reasons we were just discussing. I use that just as one example; in fact, there are many. As it has turned out, we have used the home affairs committee as the means of going through the clearance procedures and making sure that all departments can see what is happening and alert us to any inconsistencies or dependencies that have not been taken account of. As it happens, I chair the home affairs committee, but it is a pure coincidence. It is not part of my role involving the constitution; it is just something I happen to do. When it reaches really important decisions, of course, as in any Administration, it will involve the Prime Minister as well. He does not sit on the home affairs committee, but, inevitably, when we come to any very major decision, it needs to involve him, and therefore some of these discussions have also gone on in Cabinet—and I think rightly.

What is important here is this engine room that has been created in the UK Governance Group so that we make sure that in all these discussions there is a group of people who are not focused on just one aspect or another of the scene but on the connections between them all, and that they alert us all to those things as we go forward. That is proving to be the best way of making sure that there is not an unintended consequence in one area from action in another.

Baroness Taylor of Bolton: I would remind you that when the Blair Government was introducing constitutional change, the ultimate responsibility lay with the Lord Chancellor, who had an overview and a committee that worked through that—and I think it is that overview function that we would be rather concerned about. Can you give us more details of

what you call the engine room, the Constitution Unit, because I think it would be interesting to know what civil servants are working on and how many? One thing you did not mention was how often the constitutional reform committee has actually met.

Rt Hon Oliver Letwin MP: It has only met on the one occasion I have described so far. I do not envisage it as being very likely that it will meet at all often because, as I say, we have used the home affairs committee for clearance processes rather than the constitutional affairs committee because it is better to involve all these other ministries in general.

Baroness Taylor of Bolton: Sometimes it is better to step back from the detail and take the overview.

Rt Hon Oliver Letwin MP: It is often necessary to do both, but I think it needs to involve broadly the whole array of domestic departments. It is too complicated a scene to be conducted simply by those departments that happen to have territorial jurisdiction or be involved, like the MoJ or the Home Office, in legal affairs. I would be very happy to write to the Committee and give you details.

Lord Judge: Arising from the answer you have just given, does it follow that the constitutional reform committee never gave a moment's attention to the views of this House about the way EVEL was being dealt with as a procedural matter in the House of Commons?

Rt Hon Oliver Letwin MP: EVEL is a very good case in point where we did indeed pay attention.

Lord Judge: Did the constitutional reform committee do so?

Rt Hon Oliver Letwin MP: Sorry, I thought you were asking the question, "Did the Government's constitutional reform committee attend to it?"

Lord Judge: Yes, of which you are the chair.

Rt Hon Oliver Letwin MP: Yes. My answer is that the EVEL proposition is a very good example of what I was describing to Lady Taylor: namely, that we came to the conclusion that it was better to consider all the representations which had been made to us and all the many complexities that arose, mainly in the home affairs committee and in discussion between Ministers outside committees. As a matter of fact, the one meeting of the constitutional reform committee was about the EVEL proposition—but, having had that meeting, we decided that we needed to involve many more ministries in those discussions than were available at the committee meeting, hence the movement over to the home affairs committee as the scene of the discussion.

Q321 Lord Brennan: The 2015 Conservative Party manifesto referred to the Smith commission on Scotland and the St David's Day declaration in Wales. It said that this

Government would implement equivalent change for England and, implicitly, Northern Ireland. We have heard a lot about asymmetry, and I do not want to challenge your concept of asymmetrical equivalence, but I would like you to tell us, for the next four years, what is left of that manifesto pledge in terms of a specific programme to implement if not equivalent then comparable change for England and Northern Ireland.

Rt Hon Oliver Letwin MP: It is very much under way. The transfer of powers, which has been agreed for a small number of cities so far, we hope to see expanded very widely—and not just cities, but, in differing ways no doubt, the counties, too. I hope that, by the time we get to the end of this Parliament, there will have been a very substantial transfer of power from central government to the constituent parts of England, just as there will have been by then a substantial transfer of power from central government to the devolved Administrations. As I say, that is by no means the limit of our ambitions in the sense that we are also progressing in trying to enhance the powers of much smaller units, neighbourhoods and parishes included, in order to try to get more of the power over how things go in a particular locality in the hands of the people in that locality.

Lord Brennan: That will include fiscal power?

Rt Hon Oliver Letwin MP: The city deals struck so far include very considerable transfers of control over money, yes—but, beyond that, the local government finance settlement, recently announced, augurs in a huge shift whereby, by the end of the Parliament, all parts of England will be raising their own money from their own business rates and will be hugely less dependent on central government for their revenue. That, of course, is at the end of a long process that began five years ago. It started with giving each of the local governments in Britain the universal powers of competence, which they are only beginning to explore the importance of, and a series of other changes that are turning them progressively from being, if I can put it this way, dependants and claimants into being much more independent, much more able to make their own decisions and much more accountable, therefore, to their own electorates for the decisions they make. The city deals are just an expansion of that idea, allied, as I mentioned, to this much more perspicuous relationship between the electorate and the single figure elected as the mayor. So we are seeing exactly what the manifesto set out: an equivalent set of changes in England which will mean that central government will be interfering less in the everyday lives of many of our citizens, who will have a much greater degree of control over their own affairs. We hope that one of the effects of that will be that people will take a much greater interest in elections locally, as they have in London for the mayor.

Q322 Lord Lester of Herne Hill: You have made it very clear, and I am grateful, that you do not like neatness, you do not like a charter, you do not like a code, and you do not really think that what we have now is in any way unsatisfactory. I am just a common lawyer. I want to test what you have been saying in the context of Northern Ireland, which you singled out in particular. We are the only country in the common-law world of Europe that uses the European Convention on Human Rights; everybody else uses constitutional instruments instead. As you know, the European Convention on Human Rights is not meant to be a substitute for a national constitution; it leaves massive discretion to the states to decide how to govern themselves. If you take Northern Ireland, the only limits on the powers of the Northern Ireland Assembly and Executive in the devolution settlement are either under EU law or under the convention, and the convention is largely a waste of time because it leaves so much discretion to the authorities in Northern Ireland. The practical consequences of what we now have are, first of all, that free speech does not operate in Northern Ireland in the way it does in England and Wales. As you know—had this last time—in Northern Ireland they will not accept the Devolution Act, so publishers have to face that. It has the consequence that women in Northern Ireland who need access to safe abortions cannot have them in Northern Ireland at the moment. You know that there was a constitutional challenge which is now being challenged by the Attorney-General. It means that there is no equal treatment and equal protection under the law without discrimination. You mentioned at the beginning your concern about the great tradition of the protection of rights. Surely what I have just said indicates that there is a serious problem with the system which will not be solved by a British Bill of Rights but needs addressing by the Government.

Rt Hon Oliver Letwin MP: I think we did more or less discuss exactly this last time and I am very conscious of your views about it. I have more faith than you do in the combination of the common law, the convention and the coming Bill of Rights. Beyond that, I do not believe that creating a written constitution is likely to resolve the issues that you are describing in a way that the combination of the things I have referred to does not already do. In the end, much depends on something else which I think you and I would agree about, which is the judges and the judgments they make under those textures of law. It would be foolhardy ever to claim that any system was perfect, but they do a pretty good job actually of protecting civil liberties in all parts of the country. I do not suppose that we will ever wholly agree about this.

Lord Lester of Herne Hill: Can you accept, at least, that the kinds of problems I have mentioned for publishers and for women in Northern Ireland and England are real, practical problems? They are not theoretical problems. I am not talking about Bentham versus

Descartes, I am talking about practical problems. Are these not serious practical problems that need to be addressed?

Rt Hon Oliver Letwin MP: It is certainly true that there is always a set of issues that arise for any given set of people that need to be taken very seriously, and that is what happens in our courts. That process will need to continue. I do not in any way diminish the importance of those sorts of issues. I just do not think that writing down a new set of principles in a constitution, which I think, at best, would look awfully like, in this respect, the ECHR or the Bill of Rights, would solve those problems.

Lord Lester of Herne Hill: Sorry to press you, but no court, however skilled and competent, could solve the problem where the Northern Ireland authorities' veto needed change. It cannot suddenly say, "Oh well, you've got to have a Defamation Act, the same as England and Wales". It is not the function of the courts to do that; it is a function of the Executive and the legislature to create a framework which works, gives equality without discrimination and guarantees fundamental rights. That is not the situation at the moment.

Rt Hon Oliver Letwin MP: As I say, I think we disagree about the extent to which the combination of the European Convention on Human Rights and the common law does that.

Lord Lester of Herne Hill: Thank you.

Q323 Lord MacGregor of Pulham Market: You have been talking about the extension of fiscal responsibility and policy responsibility to not just the city regions and the devolved nations but more rural areas and counties. Do you have any concerns that increasing that fiscal responsibility risks entrenching inequality by reducing the scope for the UK-wide redistribution of resources? We had this argument put to us particularly in Wales.

Rt Hon Oliver Letwin MP: No, I do not think that because in each case, whether we are talking in relation to the devolved Administrations or local administrations, by one means or another a very considerable amount of redistribution is being built in between the haves and have-nots. For example, when we are transferring control over business rates to the local authorities, an equalisation mechanism will be included in that so those that have greater revenues than their needs entail will pay money to those that have fewer resources than their needs entail. That is the starting position and then, after that, the decisions they make will lead to the consequences they themselves will have brought about—but at least equalisation will have been the base. There is already built into the local government finance system a series of adjustments under exceptional circumstances to reflect that occurring.

Similarly, in the discussions about the fiscal framework with Scotland, at the devolved administration level, although they have not yet been settled, the whole discussion has been

about—from our point of view at least—how to achieve a fair settlement to both parties, the Scots on the one side and the rest of the UK on the other. The starting position at the time of fiscal autonomy being granted is one that is the same as it was the day before, and there is no transfer detriment to either party. That is a very important principle. Of course, if we were not doing that, then, for example, the fact that the oil price has fallen dramatically since the referendum would have entailed some massive detriment to Scotland, but that is exactly what we are not going to see here as we are trying to achieve a fair settlement with no detriment to either side. So I am very convinced that it is possible, as long as we are all sensible about it, to ally to very considerable measures of autonomy degrees of equalisation that prevent the problem you are raising.

Lord MacGregor of Pulham Market: One of our witnesses said that reliance on locally raised funds would risk mainstreaming deprivation in poorer areas. You are obviously very much aware of that risk.

Rt Hon Oliver Letwin MP: Yes.

Lord MacGregor of Pulham Market: You are saying that in every one of these areas, whether it is to individual nations, big cities and so on, there is going to be built into the mechanism some way of dealing with that problem of redistribution of resources?

Rt Hon Oliver Letwin MP: Yes, which is, after all, as you will be well aware, a very long tradition. It has never been easy to arrange equalisation, and is not easy now, but at the same time I do not think greater degrees of autonomy make it more difficult.

Lord MacGregor of Pulham Market: Yes. But they put quite an emphasis on it because, with greater degrees of autonomy and not having redistribution done at the centre of government, it becomes more obvious and more difficult, in some senses, to achieve.

Rt Hon Oliver Letwin MP: I think in part some people are inclined to want to have their cake and eat it, to make their own decisions and be protected from the effects of those decisions, and they cannot do that. But if it is a question of achieving fairness at the starting position so there is equalisation, we are committed to that and are doing it.

Lord MacGregor of Pulham Market: I do not know whether it is possible at this stage, but it would be very interesting to have a note on how exactly the problem that you were describing, about the effect in Scotland of the much lower oil prices, could be tackled in any settlement.

Rt Hon Oliver Letwin MP: I do not think I can offer you that at the moment because that is absolutely a central part of the fiscal framework discussions which are going on—but, once they have reached a conclusion, you will see it plain as day.

Lord MacGregor of Pulham Market: Which will be very soon, I hope.

The Chairman: Staying on the same theme, can I bring in Lady Taylor.

Q324 Baroness Taylor of Bolton: I have a variation of the same question. I do share everybody else's concern about the fiscal framework, because we are going to have to pass the legislation possibly before we see the final outcome, and that ought to be a problem that concerns us all. In terms of fairness and redistribution, the same issues and questions can apply to income tax. How do you see the devolution of income tax developing in the future and what might be some of the consequences, as Lord MacGregor was talking about in another context?

Rt Hon Oliver Letwin MP: I do not think it matters very much which tax you are talking about; the principles remain the same. We are fulfilling the commitments of the Smith commission and elsewhere to the devolved Administrations, and I share your hope that they will get the fiscal framework agreed soon. We are carrying forward this substantial programme of transfer of resource and power to the English localities. In all cases, as we do so, we are conscious of the need for equalisation. Whichever taxes you are talking about in any given case at any given time, you want to start with that principle of tax that the fact that there has been a transfer of power does not imply that the people to whom the power is being transferred are either richer or poorer as a result; they are in the same position, and everyone else is in the same position. After that, once you have taken the power, the decisions you make will, among other things, affect your relative prosperity. That is in the nature of the case and then—and this is why perspicuous democratic accountability matters so much—it is up to the people of the place to elect governments that look after them better rather than worse.

The Chairman: We are now getting into territory that we have touched on sometimes quite extensively already, but I think it is still worth asking the questions.

Q325 Lord Norton of Louth: I have two questions focused on England and perhaps I could combine them because, clearly, there is a lot going on which you have outlined over English votes for English laws, English vetoes for English laws, and we have got the city deals, so the shape of the governance in England is changing. I am wondering if you can try and make some sense of that and what we are working towards. How do you see the shape of governance in England in, say, five or 10 years' time? How do we get there? We live in a liberal democracy and I was struck by your earlier answer when you were asked to define a constitution, you did it in purely liberal terms, so, in a sense, the democratic element, the people, was left out of that definition. In the context of city deals, on which we have heard quite a lot, you mentioned that they are deals, but who does the deals? How do you bring in

the public and civil society? Several of the witnesses that we have heard have felt that there has been a lack of transparency and they have not really been engaged. Some representatives of business have said they have not felt properly engaged in the process. How do you bring the people in? Your point was that, when you get there, there will be democratic elements, with elected mayors and so on, but it is getting from here to there. How do you bring the people, the public and civil society, into the process?

Rt Hon Oliver Letwin MP: In answer to the first part of the question, the direction is clear. We are trying to arrive at an England in which there is a great deal more power a great deal nearer to the people and less of it controlled further away from them. Exactly what powers reside exactly where is something which will evolve and continue to evolve. So far as the question of who is negotiating with whom is concerned, it is important that we should have sufficient confidence in locally elected governments and the nationally elected Government to hold those discussions and come to conclusions. Inside England, part of this is about recreating the faith in, and the importance of, electoral participation in relation to traditional local government. I resist what I think is increasingly a tendency in some quarters to be dismissive of traditional local government and to wish to see rule by plebiscite in each locality. On the contrary, what is important is to build back what was a very fine tradition of civic engagement by very serious people, many of whom still miraculously continue to operate in our local governments, and we can have more of that if we trust in them, have faith in them and give them real power. Therefore, we should be willing to negotiate with them and they should be able to establish things, but, of course, at the end of the day, they have to submit themselves to election. I think that if we have given them real powers in the meantime, there is a real chance that more people will turn up and decide who they really want to have governing them.

I speculate that we will see, for example, a very considerably enhanced turnout for the police and crime commissioners in this set of elections over what we saw in the last, because I think people have seen that they are not toothless but have real powers. So I trust these local governments, and it is worth trusting them. That does not mean that in every case all of them are perfect, any more than central government is always perfect, but, if we trust them, we will get better results.

Lord Norton of Louth: Coming back to the point about the shape that governments may take if we trust them also to reach agreements, there may be areas where agreement is not reached, and is there a danger of some areas being left behind in the process? What can we do about that? Coming back to my point about five or 10 years' time, are we going to see some

disparity where there is no agreed form relative to those areas where agreements have been reached quickly, there is something in shape and they are moving ahead?

Rt Hon Oliver Letwin MP: This is certainly a live issue. My own county of Dorset is one in which people are currently not agreed about the pattern, so I certainly recognise the force of your question. I think that what Greg Clark has shown us is that you can engender agreement much more frequently than people imagine. I do not know anybody, except Greg, who believed that he was going to be able to get all the housing associations in Britain into a voluntary agreement on right-to-buy. Of course, many members of the Committee may disapprove of the policy, but it was a remarkable fact that this was a group of people who, we were told, were never going to reach agreement and who reached an agreement. I recall people saying that it would be quite impossible to reach an agreement with Manchester and, if we did with Manchester, we certainly would not with any other major city, but agreements are being struck. So my sense is that once these agreements start to be made, although they will be more difficult to reach in some places than others—there are many histories and problems—in the end we probably will get to very high levels of agreement. I am very optimistic about that. It is really important we should operate in that way rather than imposing this from the centre. It is only in that way that, however much turmoil has been gone through on the way, people will feel that it is something which they have generated from below that suits their circumstances rather than something that somebody in Whitehall has designed for them.

Lord Norton of Louth: So you are proceeding on the basis that ultimately there will be fairly comprehensive agreement.

Rt Hon Oliver Letwin MP: At least very widespread, yes.

Q326 Lord Hunt of Wirral: Chancellor, you are giving us a much clearer picture now. Implicit in what you have said is the fact that, where there is leadership, as Greg showed, agreement follows. You are in a key co-ordinating role with a view to making sure there are no instabilities or sense of unfairness in any part of the country. You have also said there is no place for a one-size-fits-all, neat, theoretical box to fit everyone in. I suppose my experience in government during the 16 years I was a Minister was that, at the start, you had a clear vision. Provided that was clear enough, and quite often perhaps you were not able to specify it in sufficient detail, you had a clear vision. Will you be able to tell us that, when we approach the General Election in 2025, your clear vision has been realised—and, if so, what is it?

Rt Hon Oliver Letwin MP: Clearly, I cannot prejudge the outcome of the 2020 election; you are asking about a long way away. My hope is that even by 2020, let alone 2025, what we will

see is a country in which a large number of transfers of power from the centre to various bodies, devolved Administrations, local administrations, neighbourhoods, and so on, have been successfully achieved, that there is an acceptance of the settlements they have generated, and, above all, that the various governments of the various parts of the country are, therefore, governing well and in the public interest. As I say, in the end I am much more interested in getting to the point where people have good government over which they feel they have an appropriate level of control than I am in precise configurations and neatness. We are well on the way to that. There has been a considerable tendency in some quarters to become alarmed by the degree of change and in other quarters to bemoan the fact that it is not all happening at once, but I do not share either of these opposing views. It has been a process, it is proceeding at a reasonable pace, but not at breakneck pace. It seems to me to accord with the way we have done things over many years in this country.

Lord Brennan: Perhaps I can ask you a very general question in your role as chair of the constitutional reform committee, and it is particularly appropriate perhaps for you to answer it compared to other witnesses we have had. You talked about the constitution in this country, which is in a continuous mode of change, where you would eschew a uniform process because you think that these reforms generally seem to work in practice. Suppose they do not work in certain areas, particularly fiscal. Scotland is about to have the greatest income tax powers of any devolved Government in the world—or one of the greatest. Suppose it goes wrong. My question is, wherein lies the guardianship of the constitution in all this? Is it for the people to vote the wrongdoer out when perhaps they do not really understand the issue, especially financial? Is it to be put into the legislation that creates individual, separate systems: city development, or whatever? Is it for Parliament and Westminster, ultimately, to be the long-stop? How do the people have the reassurance in the plans that you are dealing with that there is guardianship within the nation?

Rt Hon Oliver Letwin MP: It is really the first of your alternatives that I would point to. To take the case of Scotland and fiscal autonomy, which is the most striking, once the fiscal framework is in place and Scotland has this enormous degree of fiscal autonomy, the people of Scotland will recognise that fact. I have very considerable faith in democracy to do that. I do not share the view that people do not understand things; I think people do understand things. Over time, I think they will vote for Governments whom they think are delivering a good outcome or vote against Governments whom they think are not. Democracy is never perfect and never immediate, but, over time, that is exactly what it does. If, over time, a Government of Scotland does not deliver what the people of Scotland feel they should be

delivering on the basis of the fiscal autonomy they have, they will vote in different Governments. At any time in the past when we have been reluctant as a nation to recognise the power of democracy to right the ship over time, I think we have taken the wrong turning. Some of us, in some cases in much grander capacities than me in a very lowly capacity, were involved in attempts to ensure in the 1980s that people in particular parts of the country were protected from local governments that sought to exact too high a tax. In retrospect, that was not the right approach. It is better to trust democracy. That is why now we say of local government that it is able to raise any council tax it wishes, but, if it goes beyond a certain point, it has to hold a referendum, so that there is a very perspicuous relationship to democratic accountability. That is a much better approach. The check in the end is democratic on what works and does not work as a policy within a framework.

When you come to the question of the framework itself, of course, just as we have seen over recent years, over time people will come to views about whether the framework is the appropriate framework and, if they come to change their view, gradually they will elect Governments and Parliaments in the various parts of the country that may make further changes. But for the time being, the settlement we are moving towards is one in which there will be so much democratic accountability that the practical problems that emerge will get righted.

The Chairman: We are running out of time. I wonder, Chancellor, if you could spare us five minutes so that I can ask Lord MacGregor to ask the final question.

Rt Hon Oliver Letwin MP: Of course.

Q327 Lord MacGregor of Pulham Market: I am actually in favour of EVEL, but we have heard a number of criticisms from our witnesses and I wonder if I could very quickly put four of them to you: that it has the possibility of creating two tiers or categories of MPs; that it can prevent a Government without an English majority being able to pass their Budget; that it would prevent a Scottish MP from becoming Prime Minister; and that it may undermine a strong foundation for the union.

Rt Hon Oliver Letwin MP: Let me take the first and fourth first. It does not create two tiers of MPs for the very reasons that I outlined in my first answer to Lord Judge. All MPs, or the majority of all MPs together, have to approve a piece of legislation, and that is the guarantee that every MP elected to Parliament is properly an MP and not some second-rate citizen. I know that some people who disagree with EVEL have tried to make the case that somehow the rights of some MPs are being trodden down. I do not think that is getting any traction because it is simply not true. We could, of course, have tried to introduce a kind of EVEL in

which, for example, Scottish Members simply were not allowed to vote. Then it might have been argued that it was creating a second class of MP, but it cannot be argued as things are at present. Therefore, to take the fourth question, I do not think it in any way undermines the union; in fact, I think it strengthens it. What it does is to say, “We are a single Parliament, we all vote together and have to be satisfied in the majority of any legislation, but there is a protection to ensure that the English cannot have legislation passed over the heads of the English MPs”. That is a very reasonable balance at a time when so much power is being devolved elsewhere and will strengthen the union.

For the same reason, I do not see the slightest reason why there should not be a Scottish Prime Minister. That Prime Minister would be a full Member of Parliament, able to vote like everybody else on all the legislation that comes before Parliament and, therefore, there is no inhibition to a Scottish Prime Minister, nor should there be.

That brings me back to your second question about a Budget. I think what is instructive here is our experience in coalition. It is perhaps slightly unfair, but I recall coming before this very Committee—I do not think any present member was a member then—shortly after the 2010 election, and great scepticism was expressed about whether it would be possible to manage the coalition because, it was said, conflicting interests within government would lead to people being unable to reach any kind of accommodation. Of course there will be differing views about whether the programme we followed was a good or bad programme, but I think I can claim honestly and accurately that we had a sensible, business-like relationship with one another and we conducted government in a perfectly orderly way. In fact, I think it was a more harmonious Government than many single-party Governments have been in the past. In just the same way, in the United States or in many other countries where there is a separation of powers, people, one way or another, come to understand how to negotiate and deal with these situations. I think we are rather better perhaps in the UK than in many other places. Therefore, if there were a situation in which there had to be negotiation about a particular piece of legislation affecting England that was material to the programme of the Government, there would be grown-up, business-like discussions and people would arrive at an agreement.

The Chairman: Chancellor, we have had a very long process of evidence-taking sessions for this inquiry and I am delighted that you have been given the last word. We shall study what you have said, just as we have listened very carefully to it. You have been extremely forthcoming and very informative. We are very grateful to you. Thank you very much.