YOUR SCOTLAND Scottanth





AND REFLECT, NOT JUST ON WHAT KIND OF COUNTRY WE ARE, BUT ON THE KIND OF COUNTRY WE COULD BE, THE KIND OF COUNTRY WE SHOULD BE. I AM COMMITTED TO A NEW CHAPTER IN SCOTTISH POLITICS, ONE IN WHICH THE STORY AND THE SCRIPT IS WRITTEN BY THE PEOPLE AND NOT JUST BY THE POLITICIANS.

ALEX SALMOND, FIRST MINISTER OF SCOTLAND, 14 AUGUST 2007

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ISBN 978-0-7559-8114-4

The Scottish Government St Andrew's House Edinburgh EH1 3DG

Produced for the Scottish Government by RR Donnelley B61368 11/09

Published by the Scottish Government, November 2009

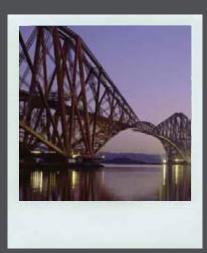
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No man has a Right to fix the boundary of the march of a nation; no man has a right to say to his country, "Thus far shalt thou go and no further".

Charles Stewart Parnell (1846-1891)

Scotland has a long and proud record of innovation and excellence in health and healthcare, with internationally recognised medical schools alongside world-renowned clinical and scientific research. Our National Health Service is one of which we can similarly be proud. By wisely using already wide ranging devolved responsibilities for health and wellbeing on behalf of the people of Scotland we have changed the landscape of and potential for improving health and health inequalities. Huge strides have been made in reducing waiting times and our strategies to improve coronary heart disease, stroke and cancer services, among others, have brought with them significant improvements for patients. What has been done is testament to what can be achieved and I am certain that with full powers and responsibilities in an independent nation we can and will achieve much more.

Deputy First Minister and Cabinet Secretary for Health & Wellbeing

ila Sturgeon



For far too long we have been at the mercy of financial and economic decisions taken outside Scotland. Under the current framework, key economic policy levers, including responsibility for supporting the economy during downturns and the operation of the tax system, are withheld from the Scottish Government. This cannot be in the best interests of the Scottish economy; not now and not for the long-term. Now is the time for change. In order for Scotland to achieve its full potential we must have greater responsibility for our own economy.

Cabinet Secretary for

Finance and Sustainable Growth



The current constitutional settlement places limits on Scotland's ability to fully capitalise on the economic benefits our education and skills system offers us. In particular our employment and benefits system must be structured to help as many people as possible from all parts of Scotland into sustainable employment. This can be best achieved by placing the needs and expectations of the people of Scotland at the heart of its design and operation.

Fian Dyly

Cabinet Secretary for Education and Lifelong Learning







Scotland's laws and justice system are unique. They have been established for centuries and been maintained through 300 years of an incorporating union. Under devolution with justice mainly devolved they continue to serve Scotland in a unique way appropriate to our country and its people.

We have confidence in the people of Scotland and they can be proud of Scotland's achievements. We want the Scotlish Government to be able to go further in the interests of the Scotlish people. We want to be able to tackle all aspects of crime and its causes.

Kenny MacAskell

Cabinet Secretary for Justice

Using our existing but limited powers, the Scottish Government has delivered much progress for our rural communities but there are numerous examples where the influence of an independent country would have brought much greater benefits.

When I attend European negotiations and witness the success of other similar sized nations, I appreciate more than ever how having our own voice in Europe would ensure the distinctive needs of our farmers, fishermen and our environment would be recognised.

Richard Lockhers

Cabinet Secretary for Rural Affairs and the Environment



We have legislated to remove the confusion of combined polls and developed proposals to clarify the conduct of Scottish elections.

Responsibility is currently split between Holyrood and Westminster. Giving Holyrood the responsibility for all elections in Scotland would bring accountability closer to the voter and restore confidence in the democratic process. We would lower the voting age to 16 and introduce STV for all elections so extending participation and democracy in Scotland.

Brice Ganford

Minister for Parliamentary Business







The National Conversation has demonstrated that there is a tremendous appetite for debate about Scotland's constitutional future. Across the country, people have considered and discussed a range of constitutional choices, from expanded devolution to independence. There are a wide variety of options to reform our constitution, but most people agree that the status quo is not delivering for Scotland. As Minister for Culture, External Affairs and the Constitution, I am immensely proud of Scotland's achievements since devolution, but I believe that independence presents the best opportunity for Scotland to flourish. It would enable Scotland to thrive internationally and culturally; Scotland would conduct itself on the world stage as an equal with other sovereign states. It would also give Scotland responsibility for all the policy tools required to promote sustainable economic growth.



Minister for Culture, External Affairs and the Constitution

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FOREWORD

The Rt Hon Alex Salmond MSP MP, First Minister of Scotland

Over the last two years more than 15,000 people have taken part in the National Conversation on the future of Scotland: at public meetings, in print and online. There have been other significant contributions: from experts, academics, journalists and think tanks on a range of subjects such as fiscal autonomy, energy and the environment, and Scotland in the world.

Two things are clear. First, that there is a demand in Scotland to consider and debate our national future. Second, that the current arrangements do not meet the ambitions of our nation. Ten years on from devolution, almost all agree that it is time to expand the responsibilities of our Parliament.

Ten years ago Donald Dewar said the Scottish Parliament was "a new voice in the land, a voice to shape Scotland, a voice above all for the future". He was right. But our Parliament is incomplete, unfinished. Its voice is muted or silent in many areas vital to our nation.

I believe that Scotland cannot fully flourish until it takes responsibility for itself: for its economy, taxes, and spending; for its rich and its poor; for its natural resources and its waste; for its old and its young; for its roads and its seas; for its place in the world, for peace and war, for ties of friendship and common interest with the other nations of the earth.

These are the matters with which normal, independent countries deal every day. They know the challenges and opportunities that come with that independence, as well as the responsibility.

Scotland and its people are more than capable of doing so, too. We would benefit from the opportunities. I believe it is time that Scotland reclaimed its place among the nations of Europe and the world. Other people have different views. It is now time for the voice of the people to be heard – in the referendum on Scotland's future we intend to hold in November 2010.

Alex Sel



CHAPTER 1

THE NATIONAL CONVERSATION ON SCOTLAND'S FUTURE

INTRODUCTION

- 1.1 In September 1997 the people of Scotland decided in a referendum to establish a Scottish Parliament, exercising their sovereign right to determine the form of their own government. In the same referendum the people supported tax varying powers for the Parliament. On 1 July 1999 the Scottish Parliament was formally vested with its full responsibilities.
- 1.2 Ten years on from devolution, the National Conversation has prompted extensive debate across Scotland on the options for the future of the country: continuing with the current situation; extending the responsibilities of the Scottish Parliament and Government; and independence for Scotland. A referendum on the options for Scotland's future would give the people an opportunity to have their say.

CURRENT CONSTITUTIONAL ARRANGEMENTS

- 1.3 The Scotland Act 1998 was the last major change to the government of Scotland within the United Kingdom (see Box 1). The Act devolved to a Scottish Parliament and Scottish Government all matters not reserved specifically to the United Kingdom: in practice domestic matters administered previously by the Scottish Office, such as health, education, justice, local government and agriculture and fisheries.³
- 1.4 The matters reserved to the United Kingdom included:
- matters seen as fundamental to the state: the Head of State, citizenship, foreign affairs, and defence and security
- matters regarded as needing a common regime across the United Kingdom, such as employment and business law, drug classification and firearms control
- matters that the United Kingdom Government thought should be organised across Great Britain or the United Kingdom, such as economic affairs, social security, and tax collection

- 1.5 Even the existing devolution settlement envisages changes in these devolved responsibilities. As only specified areas are reserved, anv new issues - such as climate change - fall within devolved responsibility. The existing list of reserved matters can be adjusted by order with the agreement of the Scottish and United Kingdom Parliaments, although there is no statutory mechanism for the Scottish Parliament to request action from the United Kingdom Parliament to alter the division of responsibilities.4
- The Scottish Government has taken 1.6 steps within its current responsibilities to further its purpose of focussing the Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. The Scottish Government has also addressed the economic and financial crisis through the Scottish Economic Recovery Plan, but the main policy responsibilities remain with the United Kingdom Government, notably the level of public debt and spending over the short term, advancing capital expenditure from future years, and the overall tax regime. The Scottish Government has been constrained in the fiscal stimulus package it can introduce, and the actions taken by the United Kingdom Government may not be best suited to Scotland. For example, the resources allocated to the temporary cut in Value Added Tax by the United Kingdom could have

- been used to increase the level of capital investment, helping to support a greater number of jobs in Scotland.
- 1.7 For devolution to be successful, the Scottish Government needs to work closely with the United Kingdom Government, the other devolved administrations and the European Union. The governments have worked well together on some issues: anti-terrorism measures; the swine flu outbreak; and Climate Change Bills in both the Scottish and United Kingdom Parliaments. Regular meetings of the Joint Ministerial Committees have been re-established. However, relations between the Scottish and United Kingdom Governments have been less successful on other occasions: negotiations for a Prisoner Transfer Agreement with Libya; delay in amending the law on human rights cases under the Scotland Act:5 exclusion of Scottish Ministers from the United Kingdom delegation to the Copenhagen Summit on Climate Change: and the United Kingdom Government's refusal to be flexible in funding capital projects, notably the Forth Road Bridge.

OPTIONS FOR THE FUTURE

- 1.8 The Scottish Government's white paper *Choosing Scotland's Future*, published in August 2007, identified three principal options:
- the current devolution scheme, with the possibility of further devolution on individual matters as occasions arise

- a package of specific extensions to devolved responsibilities, including fiscal autonomy, but short of independence. Such a package might need, or benefit from, the consent of the Scottish people in a referendum
- independence: Scotland would assume all the responsibilities and rights of a normal European state, including membership of the European Union and other international bodies, the ability to determine economic policy, including the currency, and full responsibility for defence and security.⁶
- 1.9 The Commission on Scottish
 Devolution (see Box 2) was set up in
 2008 by the Scottish Parliament and
 the United Kingdom Government.
 Its terms of reference excluded
 consideration of independence. It
 has proposed a package of changes
 to the devolution settlement. The
 main elements are:
- devolution of an element of income tax
- devolution of some other minor taxes
- limited borrowing ability for the Scottish Government
- devolution of responsibilities for drink driving limits, airguns and speed limits
- a formal role for Scottish Ministers in reserved policies on benefits and marine conservation
- reserving to the United Kingdom
 Parliament and Government a
 number of matters currently
 devolved (regulation of health
 professionals, definition of charities)

- The Commission also made a number of recommendations about inter-Governmental and inter-Parliamentary working.
- 1.10 Your Scotland, Your Voice discusses in detail the advantages and disadvantages of various constitutional options for Scotland's future. As the package proposed by the Commission on Scottish Devolution falls short of full devolution, the paper discusses the opportunities provided by both the Commission's proposals and more extensive devolution, as well as independence.

THE NATIONAL CONVERSATION

1.11 The National Conversation began in August 2007 with the publication of Choosing Scotland's Future. Over 5,300 people have attended more than 50 National Conversation events throughout Scotland. Some 500,000 have viewed the website. which provides video and audio records of meetings, access to documents, Ministerial blogs and an opportunity to comment.7 The National Conversation has been a unique programme of engagement with the Scottish public which has involved civic organisations, young Scots, black and minority ethnic communities, and individuals from all parts of the country. A full list of National Conversation events is at Annex A, and a list of organisations that have participated is at Annex B.8

Public events

- 1.12 The National Conversation has been an open, inclusive process intended to encourage debate, ideas and opinions. Events have been held from Glasgow and Edinburgh to Stornoway and Dumfries, National Conversation events were part of the Scottish Cabinets held across Scotland in the summers of 2008 and 2009, with the First Minister, the Cabinet, and other Ministers, on the platform. There have also been 130 National Conversation economybased sessions with community and business groups, attended by more than 6,500 people across Scotland.
- 1.13 The events gave members of the public the opportunity to present their own views, ask Scottish Ministers about their vision of Scotland, and to ask questions on local, national and international concerns. The events have illustrated how the constitution embraces everyday concerns such as the economy, employment, energy, benefits, housing, education and health. Quotes and comments from these events appear throughout this paper.
- 1.14 Civic Scotland has been a key part of the National Conversation. On 26 March 2008, the First Minister and the Cabinet hosted a meeting of over 120 representatives of civic society, acknowledging the importance of Scotland's civic institutions. National Conversation

- events have been hosted by the Scottish Council of Voluntary Organisations (SCVO), the Council of Ethnic Minority Voluntary Organisations (CEMVO), Young Scot and the Scottish Youth Parliament, and churches and faith groups.
- 1.15 There have also been National Conversation events outside Scotland. Ministers have debated these issues in London, Toronto and Dublin. The First Minister hosted a National Conversation seminar in Brussels, and the National Conversation paper on European and Foreign Affairs was later launched there.

The National Conversation website

- 1.16 The National Conversation has pioneered the use of new media within the Scottish Government, with regular blogs from Ministers and the opportunity for individuals from across the political spectrum to debate directly with the Scottish Government and each other. So far the National Conversation website has received over 500,000 hits, and almost 5,000 people have contributed to the National Conversation blogs from all perspectives and across the world.⁹
- 1.17 The website has also built up a record of the National Conversation as it has progressed, with video and audio records of meetings, transcripts of speeches, records of comments and questions and photographs.

Along with an interactive timeline of Scotland's constitutional story, the website has become a forum for debate, a resource for research and lasting evidence of the interest generated by the National Conversation as it has developed.

National Conversation policy papers

- 1.18 As part of the National
 Conversation, the Scottish
 Government has published a series
 of papers on different constitutional
 options for reserved and devolved
 policy areas. These papers include:
- Fiscal Autonomy in Scotland: The case for change and options for reform
- Europe and Foreign Affairs: Taking forward our National Conversation
- Opportunities for Broadcasting: Taking forward our National Conversation
- An Oil Fund for Scotland: Taking forward our National Conversation
- People and Communities: Taking forward our National Conversation
- Rural Affairs, the Environment and Climate Change: Taking forward our National Conversation

Very useful, you are to be congratulated for attempting to encourage debate. Folks have been given their chance to speak.

Wider debate

- 1.19 The National Conversation is not taking place in isolation. Constitutional reform is a major issue across the United Kingdom, prompted in part by public concern about the expenses system of the United Kingdom Parliament. The United Kingdom Government's response has been to launch its Building Britain's Future initiative, the aim of which is to rebuild trust in politics, as well as to respond to the recent economic crisis.10 Other organisations have launched initiatives in response to the expenses issue and the constitutional issues raised, for example, the Joseph Rowntree Trusts' POWER 2010 project.11
- 1.20 The United Kingdom Government has also continued its programme of work on the Governance of Britain, and is taking forward a Constitutional Reform and Governance Bill which would place the civil service on a statutory footing, among other measures.¹²
- 1.21 In Wales, the All Wales Convention published its report on 18 November 2009 recommending a referendum on extending the legislative competence of the Welsh Assembly. The Welsh Assembly Government's Independent Commission on Funding and Finance for Wales (the Holtham Commission) also published its first report on reforming funding of devolved government in Wales on 7 July 2009. 14

BOX 1: SCOTLAND'S CONSTITUTIONAL JOURNEY SINCE THE TREATY OF UNION

- 1. The Treaty of Union between the independent kingdoms of Scotland and England came into force on 1 May 1707. The Treaty created a unified Crown and a single Parliament for the new kingdom of Great Britain. Its other main provisions covered representation in the new Parliament and reciprocal measures of taxation and trade, and it preserved various Scottish institutions, notably a separate legal system. Separate legislation guaranteed the position of the Church of Scotland.
- 2. Some Scots challenged the Union from the outset, particularly as the advantages of free trade to English colonies and free access to English markets which took time to materialise were offset by the higher English taxes and duties now payable in Scotland.
- 3. Following the failure of the 1745 Jacobite rising, the issue of Scotland's place within the Union, and the stability of the succession to the throne, seemed settled. New imperatives of industrial revolution and Empire moved to the fore. Scotland played a full part in these British developments, but its nationhood was preserved by the separate institutions protected by the Treaty of Union.

- 4. In 1853, the National Association for the Vindication of Scottish Rights was formed. Although short-lived, this indicated growing interest in Scotland's position as a separate political entity within the United Kingdom, motivated in part by the pressure for Home Rule in Ireland, and by the challenges of governing the expanding British Empire.
- 5. The emergence of political interest in Home Rule for Scotland was accompanied by changes in the arrangements for Scotland's government, starting with the creation of the Scottish Office in 1885 and the appointment of the first Secretary for Scotland to represent Scottish interests in the United Kingdom Cabinet. This recognised that Scotland's distinctive culture, institutional and political identity required specific and full-time representation. However, no separate national democratic assembly was developed.
- 6. Scottish Home Rule took on greater currency with the formation of a Scottish Home Rule Association in 1886. In 1888 Keir Hardie adopted a Home Rule platform at the Mid Lanark by-election, and Scotland's constitutional position has remained a central political issue since then. Home Rule for Scotland was debated on many occasions in the United Kingdom Parliament, and a number of Bills were introduced. In 1913 a Home Rule Bill passed its Second Reading, but the First World War intervened before further legislative steps could be taken.
- 7. Following the First World War, the political relevance of Scottish Home Rule was maintained by various political parties and movements, and the Scottish National Party (SNP) was formed in 1934 from the National Party of Scotland (formed in 1928) and the Scottish Party (formed in 1932). The SNP won its first parliamentary seat at the Motherwell by-election in 1945, but held it for only three months.

- 8. Unionism dominated in Scotland following the Second World War, and in 1950 the Labour Party abandoned its support for Scottish Home Rule, although this remained an important issue in Scotland. The Scottish Covenant Association helped sustain popular interest in a Scottish assembly, attracting two million signatures between 1949 and 1950. However, the Association was not linked to any political party and failed to secure its objectives directly.
- 9. Scottish Home Rule returned as a key issue with the SNP's victory in the Hamilton by-election of 1967. Winnie Ewing won the seat with 46% of the vote, marking the emergence of the SNP as an electoral force and mainstream political party.
- 10. Since the Hamilton by-election, each of the main political parties has, at different times, committed itself to new constitutional arrangements for Scotland. In 1968 the declaration of Perth committed the Conservatives to Scottish devolution in some form, and in 1970 the Conservative government published Scotland's Government, which recommended the creation of a Scottish assembly. However, Conservative support for Scottish devolution declined, and the party opposed legislative devolution for Scotland through the 1980s and 1990s. Although the party campaigned for a "No" vote in the referendum of 1997, the Conservatives at both Scottish and United Kingdom level have supported the Scottish Parliament since it was established.

- 11. In 1969, the Labour Government commissioned a report into constitutional options for the United Kingdom. The Kilbrandon Commission did not report until 1973 by which time a Conservative government was in power. The Kilbrandon report recommended devolved assemblies for Scotland and Wales, which led eventually to devolution being put to the electorate in a referendum in 1979. The legislation required 40% of the total electorate to support devolution in the Scottish referendum; in the event only 32.9% supported the assembly, although this represented 51.6% of those who voted, and a majority of more than 77,000.
- 12. Following the election of the Conservative Government in 1979, devolution, and the concept of the sovereignty of the Scottish people, was taken forward first by the Campaign for a Scottish Assembly, and then, from 1989, the Scottish Constitutional Convention. In 1988 the Campaign for a Scottish Assembly published *A Claim of Right for Scotland* which asserted Scotland's cultural and historical legacy in putting forward its argument for a Scottish assembly. This was followed in 1995 by *Scotland's Parliament, Scotland's Right,* the Scottish Constitutional Convention's blueprint for a Scottish assembly, which became the basis for the settlement that was eventually enacted.
- 13. The Labour Party fought the 1997 general election on a platform that included a commitment to a referendum on Scottish devolution. The white paper Scotland's Parliament was published in July 1997, and its proposals were the basis for the pre-legislative referendum which was held on 11 September 1997. Over 74% of those participating supported the creation of the Scottish Parliament, and over 63% tax varying powers for the Parliament. The Scottish Parliament that reconvened in 1999 was based on the constitutional settlement in the subsequent Scotland Act 1998.

BOX 2: THE COMMISSION ON SCOTTISH DEVOLUTION

 On 6 December 2007, the Scottish Parliament passed a motion calling for the creation of an independently chaired commission to review devolution in Scotland. Chaired by Sir Kenneth Calman, the remit of the Commission on Scottish Devolution was:

To review the provisions of the Scotland Act 1998 in the light of experience and to recommend any changes to the present constitutional arrangements that would enable the Scottish Parliament to serve the people of Scotland better, improve the financial accountability of the Scottish Parliament, and continue to secure the position of Scotland within the United Kingdom.

Members of the Commission were drawn from Scottish civic society and the Labour, Liberal Democrat and Conservative parties. The United Kingdom Government largely provided the secretariat for the Commission. As the Commission's remit excluded independence, the Scottish Government declined to take part.

- 2. Over the course of its work, the Commission took evidence mainly in writing, although there were formal evidence sessions with members of representative organisations and twelve public meetings to allow members of the public to engage with the Commission directly. The United Kingdom Government provided written submissions to the Commission, while the Scottish Government provided factual information. The Commission published its first report in December 2008 and its final report in June 2009.
- 3. The final report, Serving Scotland Better: Scotland and the United Kingdom in the 21st Century, made 63 recommendations in four categories:
- strengthening financial accountability
- strengthening co-operation between the Scottish and United Kingdom Parliaments
- strengthening the devolution settlement
- strengthening the Scottish Parliament

Following publication of the final report, a working group, consisting of members of the political parties involved in the creation of the Commission, was established to take forward the recommendations.

4. The Scottish Parliament debated the Commission's final report on 25 June, passing a motion supporting its recommendations. The Scottish Government published its formal response to the Commission's recommendations on 9 November 2009. While not in favour of all the conclusions of the report, the Scottish Government does support a number of recommendations and has set out a mechanism for those proposals with widespread agreement to be implemented as soon as possible.



CHAPTER 2

THE OPTIONS FOR SCOTLAND'S FUTURE

INTRODUCTION

- 2.1 Devolution was never intended as a fixed arrangement: it was and is a process which should respond to political, economic and social circumstances over time to ensure that Scotland is well-positioned to address the challenges it faces and take advantage of opportunities. Nor does devolution need to be Scotland's final constitutional destination.
- 2.2 The tenth anniversary of the Scottish Parliament offers a suitable moment to consider these issues in depth, and invite the people to have their say on the next steps in Scotland's constitutional journey.
- 2.3 The National Conversation has identified many areas for further devolution, as well as the arguments around independence. The National Conversation has illustrated that the constitutional debate raises issues across the whole range of government activity and Scottish life, from economic policy,

- taxation and benefits, foreign affairs and defence to human rights, broadcasting and responsibility for airguns and drink-drive limits. In these and many other areas, decisions for Scotland are not made by the Scottish Parliament and the Scottish Government, but by their United Kingdom counterparts.
- 2.4 This paper covers many of the most important policy areas which would be affected by different constitutional arrangements. However, it is not exhaustive: it focuses on those areas where new constitutional arrangements, whether full devolution or independence, would provide the greatest opportunities to develop Scotland-specific approaches to particular issues.¹⁶ It also discusses significant areas of Scottish life which are already largely devolved, such as health, education and justice. The achievements in these areas since devolution illustrate the potential for Scotland to tackle its problems and promote its successes with the right responsibilities and opportunities.

- 2.5 The paper describes the opportunities that increased responsibility would provide for Scotland to develop policies to address its issues. The use made of these opportunities would depend on the policy choices of future Scottish Governments and the make up of future Parliaments. The examples in the paper therefore illustrate the benefits and challenges of these responsibilities, and are neither a programme for government nor commitments to future action.
- 2.6 There are four broad options for Scotland's future:
- the status quo: Scotland retains its current responsibilities with gradual evolution in response to particular events or pressures
- implementing the recommendations of the Commission on Scottish Devolution
- full devolution of the maximum range of responsibilities to Scotland while remaining in the United Kingdom (sometimes called "devolution max")
- independence: Scotland has all the rights and responsibilities of a normal independent state

CURRENT POSITION

2.7 Under the Scotland Act, amendments can be made to the legislative competence of the Scottish Parliament and the executive responsibilities of the Scottish

Government. While the devolved responsibility of the Scottish Ministers has been adjusted relatively frequently, extension of the legislative competence of the Scottish Parliament has been rarer.¹⁷

COMMISSION ON SCOTTISH DEVOLUTION

2.8 The Commission carried out a review of devolution, although it did not consider the possibility of independence, and was prevented by its terms of reference from examining some of the more significant options such as full fiscal autonomy.¹⁸ The Commission nevertheless proposed a package of alterations to the devolution settlement that embodied new principles, such as giving the Scottish Government a limited ability to borrow. It also recommended ways to improve the relationships between the Scottish Government and Parliament and the United Kingdom Government and Parliament. The advantages and drawbacks of their main recommendations are discussed in detail later in the paper.



2.9 The Commission did not make recommendations in a number of important areas including economic issues, employment and company law, and foreign affairs. The Commission's recommendations on benefits fell short of further devolution, but recognised the interest of the devolved government of Scotland in reserved policy making. Devolved competence could therefore be extended beyond the recommendations of the Commission.

FULL DEVOLUTION

2.10 Under full devolution the existing devolution framework would be retained, and Scotland would remain within the United Kingdom. The United Kingdom Government and institutions would continue to have responsibility for many matters, for example the currency and monetary policy, and decisions on peace and war. Full devolution would give Scotland more responsibility for domestic matters, and would extend the range of measures the Scottish Government and the Scottish Parliament could take to encourage greater sustainable economic growth. Nonetheless, there would be continued interaction with matters reserved to the United Kingdom, for example foreign affairs, defence, macroeconomic policy, some taxation and, possibly, social

protection and pensions. Existing areas of disagreement would continue. Improved intergovernmental relations, including enforceable principles of parity of esteem, would be required for Scotland to get the most out of its increased responsibility.

INDEPENDENCE

- 2.11 The Scottish Government's favoured policy is independence, which would bring all the possibilities of full devolution with the additional responsibilities that could not be devolved within the United Kingdom, such as foreign affairs and defence. Under independence Scotland would be responsible for:
- the economy, including decisions on the currency and the macroeconomic framework
- investment in education, enterprise and infrastructure including transport and housing
- the environment, energy and climate change
- the taxation and benefits system
- the full range of public services, including benefits and health
- foreign affairs, defence and security matters
- equality legislation and human rights
- the constitution and government of Scotland, including Parliament, the courts, local government

- 2.12 Independence would complete the responsibilities of the Scottish Parliament and Government, while allowing existing structures and services to continue. Aspects of an independent Scotland would be familiar: services and entitlements continuing to be delivered; pension and benefits continuing to be paid at a similar level as now. Services such as the NHS and education are already largely devolved, and so would continue in much the same form as they do now. Over time, the Scottish Government and Scottish Parliament could develop and implement Scotland-specific solutions.
- 2.13 As an independent nation, Scotland would be similar to other sovereign nations across the world. In recent years, many countries have gained independence, recognising that it is right that sovereign nations are responsible for their own decisions, while still working in partnership with other nations. At the moment, Scotland is a nation within a larger state, unable to speak for itself on all relevant matters. Independence would give Scotland the responsibility for making decisions about its future as part of an international, globalised environment, making a full contribution to the interdependent world.

I found this event very interesting ... it was refreshing to see that the Scottish Government want the people of Scotland to decide its own future - the Calman Commission, although it has some great ideas, is based on what three political parties want.

(Aberdeen Summer Cabinet, 18 August 2009)

I can see no way forward for the country other than full fiscal autonomy. But my question is, would it be better to do this and share some common resources as part of the United Kingdom (e.g. armed forces, embassies around the world, etc). Or can a case be made that this would be better done independently?

(National Conversation website, 18 November 2008)



How will independence benefit young people in Scotland?

(Inverness Summer Cabinet 5 August 2008)



CHAPTER 3

A WEALTHIER SCOTLAND

OVERVIEW

- 3.1 Sustainable economic development improves the quality of life, health and the environment to the benefit of all in society, while managing the resources of the planet for the future. It is one of the central goals of governments around the world, and is the overarching purpose of the Scottish Government.
- 3.2 A nation's prosperity depends upon everyone playing a part as workers, consumers, volunteers and business people. A government's role is to enable their success by investing in people and places, and tackling unnecessary obstacles to sustainable economic growth. There are a number of mechanisms governments can use to promote growth including:
- encouraging economic development through effective fiscal and monetary policy
- influencing economic, social and environmental objectives through legislation and regulation of labour and product markets
- investing directly in infrastructure and education

- In the modern interdependent world, these mechanisms are often coordinated internationally, most notably, in Scotland's case, through the European Union.
- 3.3 Under the current arrangements many of the key mechanisms to promote economic growth are reserved to the United Kingdom Government and other United Kingdom institutions. Some could be devolved to Scotland within the United Kingdom (for example, aspects of the tax system, as recommended by the Commission on Scottish Devolution).

What steps are being taken to mitigate Scotland, in particular against the effects of resource depletion? We are so dependent in every way now, that huge changes are needed to empower and re-skill future generations to create a resilient, sustainable community with confident, capable people able to meet the very challenging times they will face.

(Oban National Conversation event, 5 October 2009)

- 3.4 With independence Scotland would have full responsibility for promoting economic growth and improving Scotland's long-term competitiveness, including:
- designing a tax system to make Scotland a more attractive place for business growth and investment
- choosing a macroeconomic framework, including the operation of fiscal policy, best suited to the characteristics of the Scottish economy
- encouraging research and investment to spur growth in key sectors where Scotland has comparative advantages, for example in energy, food and drink, life sciences, financial services, creative industries and sustainable tourism

- borrowing responsibly for investment in key long-term projects, such as the Forth Road Bridge
- representing Scottish interests internationally: for example fishing policy in the European Union; duties on whisky in the World Trade Organization
- establishing a distinct population strategy, addressing the demographic and skills challenges that face the nation



ECONOMIC AND FISCAL POLICY

Introduction

- 3.5 The Scottish Government aims to create higher levels of sustainable economic growth and improvements in productivity, labour market participation and population, while building solidarity, cohesion and sustainability. An economic and fiscal framework that enhances Scotland's long-term competitiveness and ability to respond swiftly and decisively to short-term economic pressures and circumstances is vital to achieving sustainable economic growth.
- 3.6 For over a generation, the growth rate of the Scottish economy has been lower than that of the United Kingdom and other comparable European countries. In the 30 years to 2007, Scotland's average annual GDP growth rate was 2.0% - lower than the United Kingdom economy as a whole (2.4%) and well behind Ireland (5.3%), Norway (3.1%) and Finland (2.9%). As a result of being locked into a low-growth cycle for so long, Scotland now trails many comparable European countries across a range of economic indicators.20

Current responsibilities

- 3.7 The current devolution arrangements give the Scottish Government responsibility for a number of policy areas that affect Scotland's long-term economic performance, such as education, transport, planning and economic development. The Government Economic Strategy outlines how these are used presently to improve Scotland's sustainable economic growth rate.²¹
- 3.8 However, key elements of economic policy, including taxation, macroeconomic policy, science and innovation, social security, employment law and financial regulation lie outside current Scottish responsibilities.

Fiscal policy

- 3.9 The Scottish Parliament and Government are responsible for the allocation of much of public sector expenditure for Scotland: around £30 billion out of £50 billion.²² However, several key areas of Scottish public spending are reserved, for example defence spending.
- 3.10 In contrast to its spending autonomy, Scotland has very limited responsibility for raising money for public spending. Only three taxation instruments are devolved to Scotland: local taxation (currently the council tax); business rates; and the Scottish Variable Rate which can vary the basic rate of income tax by up to 3p.23 The vast majority of tax revenue raised in Scotland is set and collected at the United Kingdom level. For devolved matters, the United Kingdom Government then determines how much of this should be reallocated back to Scotland through the Scottish Block Grant and the operation of the Barnett Formula (see Box 4 on the Barnett Formula).
- 3.11 Scotland also has very limited ability to borrow. The Scottish Government can borrow only from the United Kingdom Treasury and for immediate cash-flow purposes. Unlike local

authorities, and indeed the Northern Ireland Executive and the vast majority of other comparable devolved governments, the Scottish Government cannot borrow for wider policy objectives, for example to meet pressures in an economic downturn or to fund capital projects like the new Forth crossing.²⁴

Macroeconomic policy

- 3.12 A balanced and supportive macroeconomic policy framework is key to fostering innovation, investment and job creation and in creating the right incentives, conditions and opportunities for economic growth.
- 3.13 There are two main instruments of macroeconomic policy:
- monetary policy: the use of interest rates, money supply and exchange rates to influence the level of money, credit and inflation in the economy
- fiscal policy: the framework for the management of government spending, revenue and borrowing

- 3.14 Monetary policy is fully reserved and conducted through the Bank of England. The Bank of England sets interest rates, conducts operations in the money markets and manages the United Kingdom's foreign exchange reserves. Its monetary policy remit is to deliver price stability, defined by the United Kingdom Government's inflation target of 2%.25 The inflation target is set for the United Kingdom economy as a whole, and does not allow variations in prices, demand, or economic cycles within the United Kingdom.
- 3.15 Overall responsibility for the operation of fiscal policy and the public finances is also reserved to the United Kingdom Government. The United Kingdom Government determines the framework for the conduct of fiscal policy and is responsible for the management of net borrowing, financial reserves and debt.

Industrial policy and regulatory framework

3.16 Other important economic policies levers are reserved to the United Kingdom Government, which remains largely responsible for the framework for economic regulation in Scotland. This includes responsibility for energy policy, including the oil and gas sector,

competition policy, company law, economic regulation of utilities (for example telecommunications), regulation of financial markets, consumer protection and product and trading standards; and policies affecting the labour market, including employment law and migration. These significant responsibilities have a considerable bearing on the performance and the growth potential of the Scottish economy.

Scotland within the current framework

- 3.17 Scotland's lack of financial responsibility has real economic consequences. Opportunities are limited to set competitive policies, particularly taxation, and to use the full range of fiscal and economic policy levers to complement the specific strengths of the Scottish economy and address any weaknesses. Commitments to invest in long-term infrastructure are also constrained by fiscal rules which are determined and revised by the United Kingdom Government and not the best interests of the Scottish economy.
- 3.18 In macroeconomic policy, the Scottish economy is subject to a range of 'one size fits all' fiscal policies which are set according to conditions across the United Kingdom as a whole, and do not aim

to meet Scotland's distinct needs. The ability to take short-term measures to stabilise the economy, through, for example, tax cuts or significant increases in public investment is severely constrained. The Scottish Government also cannot opt out of United Kingdom-wide policies where an alternative solution may provide a better outcome for Scotland.²⁶ In times of economic difficulty, the Scottish economy is affected by the policies of the United Kingdom Government, and the Scottish Government is limited in the meaningful actions it can take at the right time to address particular challenges faced in Scotland.

3.19 As set out in the Scottish Government Fiscal Autonomy in Scotland: the case for change and options for reform the current financial settlement does not provide the Scottish Parliament with the responsibility or the necessary mechanisms to boost Scotland's long-term competitiveness, or respond to short-term economic shocks.²⁷ It also fails to provide a framework which maximises efficiency, transparency or accountability. For example, within the current fiscal framework, policy initiatives which successfully increase economic growth in Scotland do not produce a corresponding increase in the tax revenue available to invest in Scottish public services. Any increase in tax yield would flow to the United Kingdom. The limited

- tax-varying opportunities provide little incentive to spend less than the block grant and few opportunities to spend more. More generally, the Scottish Government's budget is determined principally by changes in spending on equivalent programmes in England set by the United Kingdom Government and is not directly linked to the demand for public services of the Scottish population.
- 3.20 There is also no direct accountability between the taxes raised in Scotland and spending by the Scottish Government. In 2007/08, approximately 89% of the Scottish Government's budget was financed by a block grant.²⁸ The United Kingdom Government retains responsibility for the size of the Scottish budget through the allocation of this grant and the application of funding rules and guidelines.
- 3.21 Finally, fundamental decisions such as choice of currency and the overall balance of taxation lie outwith the remit of the Scottish Parliament. The Scottish Government cannot adopt macroeconomic policies to address the weaknesses of the current United Kingdom framework, such as the limitations of the financial regulation and fiscal frameworks.²⁹

Economic and fiscal recommendations of the Commission on Scottish Devolution

Macroeconomic policy

3.22 The Commission recommended that macroeconomic policy remain reserved to the United Kingdom Government, although there should be greater discussion between the Scottish and United Kingdom Governments on macroeconomic policy.³⁰ The Commission did not propose any changes to the current arrangements for monetary policy, the currency or financial regulation.

Fiscal policy

3.23 The Commission's terms of reference charged it with making recommendations to improve the financial responsibility of the Scottish Parliament. The Commission recommended that a greater share of the Scottish Parliament's budget should come from devolved taxation by the Scottish Parliament and the United Kingdom Parliament sharing the yield of income tax in Scotland. The Commission proposed that the Scottish Variable Rate should be replaced by a single Scottish rate of income tax, applying to the basic and higher rates of income tax. The basic and higher rates of income tax levied by the United Kingdom Government in Scotland would be reduced by 10p. Half the estimated income tax yield from savings and dividends in Scotland would also be assigned to the Scottish Government.

- The block grant from the United Kingdom Government to the Scottish Government should be reduced by an equivalent total amount. It would then be for the Scottish Parliament to supplement the block grant by setting a Scottish income tax and deciding the appropriate rate.
- 3.24 The Commission recommended that a number of minor taxes (air passenger duty, landfill tax, stamp duty land tax and the aggregates levy) should be devolved to Scotland, and the Scottish Parliament should be able to legislate, with the agreement of the United Kingdom Parliament, for new taxes which would apply in Scotland. The Commission's final report argues that these recommendations would give the Scottish Parliament real financial accountability, and strike a balance between accountability, equity and efficiency.
- 3.25 The Commission recommended that the Scottish Government should be given limited autonomy to borrow to fund capital investment. Under the proposals, Scottish Ministers would be able to borrow only from the United Kingdom Government, which would set the conditions and amount, therefore deciding the Scottish Government's ability to manage its finances and capital investment programme.

- 3.26 The proposals embody important principles:
- the Scottish Parliament should be accountable for some income tax in Scotland
- that this taxation should be linked to the level of public spending in Scotland
- that the Scottish Parliament should be able to levy specific taxes, directed at particular policy objectives
- that the Scottish Government should be able to borrow to invest in capital programmes
- 3.27 However, Scotland's budget would be a complex mix of a block grant, various devolved taxes, tax assignment, tax sharing and reserved taxes. The United Kingdom Government would still collect around 80% of all Scottish tax revenues. Key elements of fiscal policy, such as corporation tax, VAT, national insurance contributions, capital gains taxation, North Sea revenues and the key types of environmental taxation, would remain reserved to the United Kingdom Government. In addition, responsibility for key elements of the income tax system, such as personal allowances, tax thresholds, the tax rates on savings and dividends, the opportunity to establish tax breaks for particular groups such as pensioners, the selfemployed and young artists, would remain reserved. The Scottish Government would only be able to
- apply relatively broad brush changes to the income tax system, and even then, constraints on funding prior service commitments would limit the practical opportunities to deliver real policy autonomy. Targeted and potentially redistributive measures, open to the United Kingdom Government, through adjusting the structure of the income tax regime and its interaction with the wider tax and welfare system would not be possible. The Commission's recommendations would not improve financial clarity and transparency in Scotland, or significantly increase the autonomy of the Scottish Parliament.31 The block grant - set at the discretion of the United Kingdom Government would remain the most important factor in determining Scotland's budaet.
- 3.28 The particular taxation mechanisms proposed by the Commission could pose a risk to Scotland's public sector and to its economic performance: for example, the Scottish Government would be heavily reliant upon one single source of taxation rather than the range of taxes available to most governments. This would leave Scotland's budget more exposed than under the current arrangements. There is also a risk that the Scottish budget could be squeezed inadvertently following technical or administrative changes to the income tax system by the United Kingdom Government.

Full devolution³²

- 3.29 More extensive reforms of fiscal policy and responsibility have been proposed during the National Conversation.³³ Essentially these propose that there should be a greater linkage between the level of public spending in Scotland and the taxation decided in the country, and that the Scottish Parliament should make decisions over a wider range of taxes, for example inheritance tax or corporation tax. These models would increase the economic and other benefits of reform, and provide flexibility beyond that of the relatively limited Commission proposals. For example, Reform Scotland has proposed that the Scottish Government and the United Kingdom Government are each responsible for raising what they spend, with taxes allocated to or shared between them.34
- 3.30 Full fiscal autonomy would make the Scottish Parliament and Scottish Government responsible for raising, collecting and administering all (or the vast majority of) revenues in Scotland and the vast majority of spending for Scotland. A remittance or subvention from Scotland to the United Kingdom would be required to cover common United Kingdom public goods and services, such as defence and foreign affairs. The range of services paid for in this way would be subject to negotiation at the time of any revised settlement. In essence, this framework would be the maximum form of tax and policy devolution short of independence.



- **3.31** In practice, a number of factors are likely to limit the policy flexibility of a devolved Scottish Government even under full devolution:
- intra-national rules and guidelines, in particular, European Union laws governing taxation policy both between and within Member States
- rules/agreements with United Kingdom Government to align the Scottish Government's devolved policies to those of the United Kingdom
- continued reservations: key aspects of economic policy – such as financial regulation, employment and competition law – may remain reserved
- 3.32 It would be difficult to devolve monetary policy effectively while Scotland remained part of the United Kingdom as a common currency is a feature of a unified state. For example, if majority opinion in Scotland favoured joining the Euro, that would not be possible within the United Kingdom.

Afrek independence would the Scottish Government's ambition be for a high-rax, high-spend economy, or a low-rax, market-driven economy?

(Dumfries Summer Cabinet, 29 July 2008)

How will Scotland's taxes be affected in independence?

(Kirkcaldy National Conversation event, 16 May 2009)

Independence

Monetary policy

- 3.33 Under independence, Scotland would have the opportunity to choose the monetary framework and currency that best suited the needs of the Scottish economy. A larger currency union can offer some protection from financial market speculation, although countries forgo the ability to tailor monetary policy to their specific economic circumstances. Monetary union can also benefit economic integration and trade by eliminating exchange rate risk.
- 3.34 Scotland would continue to operate within the sterling system until a decision to join the Euro by the people of Scotland in a referendum when the economic conditions were right.
- 3.35 A monetary union necessarily limits monetary policy discretion and flexibility. Greater emphasis is therefore placed on fiscal policy to address the Scottish economy.

Fiscal policy

3.36 With independence, the Scottish Parliament would be fully responsible for fiscal policy in Scotland, including the collection of all taxes and government expenditures.35 The Scottish Government would be able to borrow freely in international capital markets, subject to market constraints.36 Ensuring the sustainability of public expenditure would be Scotland's own responsibility, as would managing the national budget over the short and long-term. It would, however, be for an independent Scotland to decide the taxation to be levied, the level of government borrowing and the level of public expenditure.

Where would an independent Scotland borrow from?

(Kirkcaldy National Conversation event, 16 May 2009)

- 3.37 Public sector borrowing and net debt are two of the most important and valuable tools of macroeconomic policy. This debt must be managed to ensure affordability and sustainability. A Scottish Government would have the opportunity to establish credible fiscal rules to guide policy, drawing on the lessons and experiences of other countries. Recent events, and in particular, the suspension of the United Kingdom fiscal framework, offer some important insights.
- **3.38** Independence would allow the Scottish Government to enhance Scotland's long-term competitiveness and better protect the economy during downturns.³⁷ This could be achieved, for example, through the creation of a Fiscal Commission suggested by the Council of Economic Advisers. 38 The fiscal framework under independence could make Scotland more attractive for business by simplifying the tax system and reducing corporation tax. Independence would also increase Scotland's ability to respond to changes in the economy through policies targeted directly at the Scottish economy, for example investment in capital, both physical and human, and research and development.

Financial regulation

- 3.39 Currently regulation of financial markets is reserved and is conducted through a tripartite agreement between the Treasury, the Bank of England and the Financial Services Authority although European regulations are of growing importance.³⁹
- **3.40** Independence would provide opportunities to:
- create a culture to ensure the success of Scottish financial services in the future
- ensure market and financial stability for the Scottish economy and fiscal policy
- maximise political accountability
- influence European Union and international policy from a Scottish perspective
- build on Scotland's strengths as a financial centre
- attract new institutions to the market



- 3.41 On independence, Scotland would need to choose institutional mechanisms for financial services supervision, to ensure an efficiently functioning market, financial stability and consumer protection This could be done through partnership arrangements with the rest of the United Kingdom or through its own financial regulator, like Ireland. The system chosen would need to reflect the lessons of the current financial crisis, for example greater international co-operation in regulation of the financial services industry. An independent Scotland could play a significant role in European and international developments and build its reputation as a global financial centre.
- 3.42 Independence would provide opportunities for new institutions such as a stock exchange. The Glasgow Stock Exchange merged with the London Stock Exchange in 1973, and subsequent attempts to create a Scottish Stock Exchange have failed. A Scottish Stock Exchange in an independent Scotland could help Scottish companies float, and provide an alternative approach to accessing private capital to assist growth.

BOX 3: SCOTLAND'S PUBLIC FINANCES

- 1. There has been considerable debate about Scotland's fiscal position and the contribution made by tax revenues from North Sea oil and gas production.
- Professor Alex Kemp and Linda 2. Stephen from the University of Aberdeen have estimated Scotland's geographical share of oil and gas production using the principle of the median line, that is, that all points on the dividing line are the same distance from the Scottish and rest of the United Kingdom coastline. Analysis based on this research has suggested that for most of the 1980s, Scotland's estimated fiscal balance was in substantial surplus. driven in part by the significant growth in North Sea revenues, at a time when the United Kingdom as a whole was building up substantial debt.40 Analysis also suggests that Scotland's estimated fiscal position deteriorated through the 1990s. However, since 2001/02, Scotland's public finances have recovered and its fiscal balance, including an illustrative share of North Sea revenue, is estimated to have been
- broadly in line with that of the United Kingdom and in the last three years measured the current budget balance has bettered it.
- The most recent Government 3. Expenditure and Revenue Scotland (GERS) demonstrates that Scottish public finances ran current budget surpluses in each of the three years to 2007/08 worth a cumulative £2.3 billion, when an illustrative geographical share of North Sea revenue is included.41 In comparison, the United Kingdom ran a current budget deficit in each of these years which was cumulatively worth £24 billion. Scotland's overall fiscal balance in 2007/08, which is the estimated current budget balance plus net capital investment, was a deficit of £3.8 billion (2.7% of Gross Domestic Product), similar to those for other OECD countries.⁴²
- 4. GERS takes the current constitutional and fiscal framework as given. Under alternative frameworks, Scotland's fiscal position would depend on the policy choices of the government of the day and the economic climate.

BOX 4: THE BARNETT FORMULA

- 1. The Barnett Formula is used by the United Kingdom Government to determine variations to the budgets of the Scottish Government, Welsh Assembly Government and Northern Ireland Executive. It was first introduced for Scotland in 1978 and has remained largely unchanged since, although since devolution it has been routinely subject to marginal adjustments to reflect population changes. These are given effect through the Statement of Funding Policy between HM Treasury and the devolved administrations, which is re-issued after each spending review.
- 2. Under the formula, increases or decreases in the Scottish Government's budget are determined by increases or decreases in spending in Whitehall Departments' spending on programmes which are devolved to Scotland, calculated using relative population shares. 43 These increases or decreases in Scottish, Welsh and Irish budgets are known as Barnett consequentials. This means that the total level of public spending in Scotland is largely determined by historic spending baselines, adjusted by reference to decisions on spending elsewhere in the United Kingdom and not linked to current economic conditions, the preferences or needs of the Scottish people. The formula also means that the Scottish budget depends on unilateral decisions by the United Kingdom Government on spending in England. For example, the implementation of efficiency savings across the United Kingdom Government, and reductions in Department of Health baselines in England in the 2009

- Budget, resulted in the Scottish budget being cut by £500 million in 2010/11.
- 3. The United Kingdom Government can also unilaterally decide not to pass to Scotland consequential increases from United Kingdom expenditure in a devolved policy area (known as "formula bypass"). For example, Scotland did not receive consequentials from the capital expenditure on urban renewal associated with the London Olympics or from the increase in prison expenditure in England in 2007, following the recommendations of Lord Carter's review of prisons.⁴⁴
- 4. There have been recent proposals to reform the method of funding the devolved administrations. The Scottish Government report *Fiscal* Autonomy in Scotland set out the shortcomings of the Barnett Formula as a funding mechanism, and the options for full fiscal autonomy for Scotland. The Commission on Scottish Devolution and the House of Lords Select Committee on the Barnett Formula both recommended that the current formula should be reviewed. The Welsh Assembly Government's Independent Commission on Funding and Finance for Wales (the Holtham Commission) made similar recommendations. However, no consensus has been reached on how an alternative system would operate, and the United Kingdom Government has indicated that it does not accept the need for reform, although the Joint Ministerial Committee (Domestic) is currently examining whether an adjudication procedure could be established to resolve areas of controversy.

BOX 5: LESSONS FROM THE CURRENT GLOBAL ECONOMIC SITUATION

1. The causes and the impact of the global economic slowdown have raised important, wider questions about the setting of economic policy in advanced economies. This is forcing a reappraisal of policy and institutional frameworks in several areas, including the role of the state; the scope of financial regulation; the objectives of monetary and fiscal policy; and the arrangements for international economic and financial coordination.

Monetary policy

- 2. Independent central banks have been generally charged with meeting inflation targets, mainly through interest rates. Some have broader objectives: the United States Federal Reserve promotes employment, stable prices and moderate long-term interest rates.
- 3. Recent events in the global economy have led to an element of reappraisal of the objectives of monetary policy. One of the main causes of the economic downturn was imbalances in the global economy. Finance from countries with high savings rates and current account surpluses, such as China and oil-producing states, flowed into developed economies including the United Kingdom and the United States, leading to low interest rates and a boom in credit, house prices, equity prices and trade deficits.

- 4. A number of commentators have questioned why such imbalances were allowed to develop over such a long period of time. This is based on the argument that central banks should target a broader measure of inflation when setting interest rates, by including asset prices or key elements of the macro economy such as the balance of payments.⁴⁵ However, central banks might require additional policy instruments to achieve dual objective of preventing asset price bubbles as well as controlling inflation. Mervyn King, Governor of the Bank of England, has emphasised that using one policy instrument to meet two objectives would involve a trade-off between achieving both objectives.⁴⁶
- 5. In time, the severity of the credit crunch may lead to a re-casting of the objectives of monetary policy to place greater emphasis on financial market and asset price stability.

Fiscal policy

- 6. The economic crisis has placed significant pressure on public sector finances, and illustrated problems with previous frameworks for managing fiscal policy.
- 7. A common criticism of some previous fiscal rules, such as those of the European Union, is that they lacked firm theoretical foundations and set targets that were largely arbitrary. Other fiscal rules, such as those for the United Kingdom, while grounded in economic theory, were open to interpretation and failed to ensure

fiscal restraint and saving during periods of stronger economic growth. For example, between 2001 and 2008, the United Kingdom economy grew 15% but public sector net debt almost doubled to £593 billion.⁴⁷ In 2008 the United Kingdom was forced to abandon its two fiscal rules, replacing them with a temporary operating rule.

- 8. In light of these criticisms, a number of options for fiscal reform have been put forward:
- fiscal rules that are legally binding. This approach is taken in many American states, but its rigidity raises wider social and economic challenges
- greater flexibility when setting fiscal rules. The European Union's revised Stability and Growth Pact now places greater emphasis on the economic cycle and the underlying health of the public finances
- greater independent oversight to assess compliance with the rules and provide projections for the public finances. The Council of Economic Advisers has recently advocated support for such a Fiscal Commission.

Financial regulation

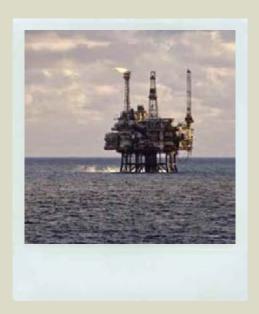
9. Regulation in the United Kingdom did not keep pace with innovation in the financial markets. Hence the disruption in sectors of the financial services market that were poorly or unregulated, including hedge funds and derivatives. Exposure in these complex instruments led to major

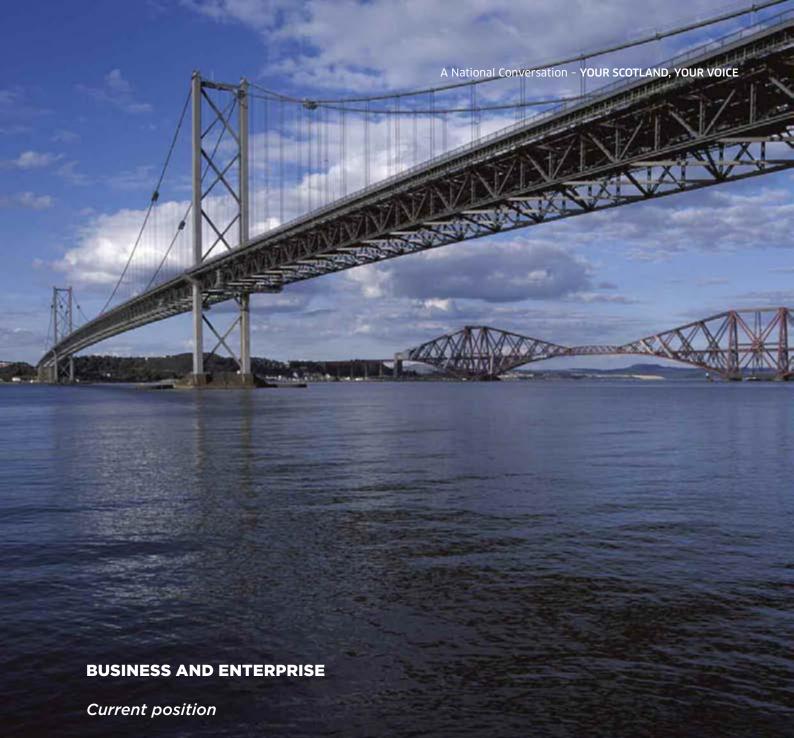
- losses for banks and damaged confidence throughout the financial system. Regulators did not identify the systemic risks caused by losses in one organisation spreading to others across the globe, and eventually the real economy.
- 10. The United Kingdom regulatory system did not prevent: businesses becoming overextended through excessive leverage and risk taking; over-reliance on wholesale funding; overdependence on risky products; and poor decisions over acquisitions. The United Kingdom Government has outlined proposed changes to the current regulatory framework in a White Paper.⁴⁸
- 11. A further lesson from the current crisis has been how to regulate and, if necessary, support multinational institutions, which while headquartered in one area, operate across jurisdictions. In the case of certain institutions, support has been international. For example, the Belgian, Dutch and Luxembourg Governments provided joint support for Fortis Bank.⁴⁹ The G20 Summit in April 2009 agreed to establish a Financial Stability Board to extend regulation and oversight to all systemically important financial institutions and to strengthen international regulation. In June 2009 the European Council agreed to establish a European System of Financial Supervisors and a new European Systemic Risk Board to implement the international model.

SOVEREIGN WEALTH FUND

- 3.43 An independent Scotland could create a sovereign wealth fund. based on Scotland's oil and gas reserves, to provide an effective mechanism to insulate the economy in times of economic instability and invest for long-term sustainability. Since 1980/81 approximately 90% of United Kingdom oil and gas revenues have been generated from an area that could be classified as comprising Scotland's geographical share of the current United Kingdom Continental Shelf. Substantial North Sea oil and gas reserves are yet to be extracted, and their value is likely to increase. The management of North Sea reserves would therefore be an important element of Scotland's public finances under a revised fiscal framework.50
- 3.44 Under the current constitutional settlement, all revenues from North Sea oil and gas production go to the United Kingdom Government and have been used to fund government expenditure or to lower taxation. An alternative approach is demonstrated by the Shetland Islands. Since the 1970s, Shetland Islands Council has been able to levy a royalty over every barrel of oil landed at Sullom Voe and invested the revenue in an oil fund. The fund is now estimated to be worth £180 million.⁵¹

- 3.45 A Scottish sovereign wealth fund would invest a proportion of the revenues from oil and gas production over the long term, creating a permanent source of revenue. The fund would support macroeconomic stabilisation and address unexpected short-term spending pressures, safeguarding Scotland's fiscal position. The fund could invest in low carbon sources of energy production, providing Scotland with new sustainable sources of energy.
- 3.46 The Commission on Scottish
 Devolution considered devolution of
 some element of oil and gas revenues
 to the Scottish Government, but,
 based largely on fluctuations in oil
 and gas prices, concluded that this
 would expose the Scottish budget
 to possible revenue fluctuations.⁵²
 However, the Commission's
 Independent Expert Group
 suggested that the creation of an oil
 fund can enhance intergenerational
 equity, protect a country's capital
 stock over time and mitigate the
 volatility of oil revenues.⁵³





- **3.47** Current devolved responsibilities are used to support enterprise and business in Scotland,⁵⁴ and to support the Scottish Economic Recovery Plan.
- 3.48 However, many of the key policy areas that contribute to enterprise and business remain reserved, for example company law, corporate insolvency, competition and consumers,⁵⁵ health and safety and employment rights. Under these arrangements, Scotland's growth has remained behind that of the United Kingdom in nine out of the past 10 years.⁵⁶

Enterprise and business recommendations of the Commission on Scottish Devolution

- 3.49 The Commission concluded that a separate macroeconomic policy for Scotland would affect what they saw as the benefits of the economic Union.⁵⁷ The Commission did not therefore propose any alterations to the Scottish Parliament and the Scottish Government's responsibilities affecting business and enterprise.
- or discuss the historic underperformance of the Scottish economy
 compared to the United Kingdom as
 a whole, nor the European
 dimension to economic Union, which
 guarantees the free flow of goods,
 services and people between
 Scotland, the rest of the United
 Kingdom and other member states.
- 3.51 The Commission did make recommendations on related issues: health and safety and insolvency.



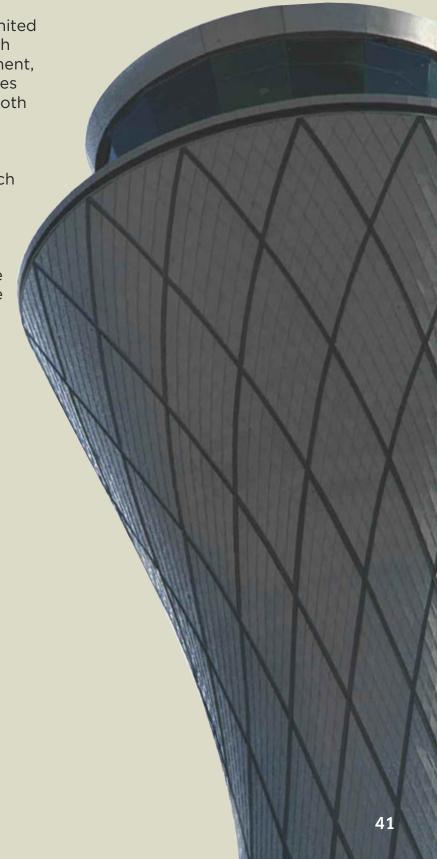
Health and safety

- 3.52 The Commission recommended a closer relationship between the Health and Safety Executive (HSE) in Scotland and the Scottish Parliament.⁵⁸ The Commission found no reason in principle why health and safety (or elements of enforcement) could not be devolved, but recommended that the current reservation should continue.
- the importance of devolved matters to health and safety in Scotland and would give some opportunity for Scottish interests and factors to influence HSE policy and operations. However, devolution beyond the Commission's proposal would provide clearer enforcement and remove boundaries to improve consistency.

Insolvency

3.54 The Commission's sole recommendation was that the United Kingdom Insolvency Service, with input from the Scottish Government, should be responsible for the rules for insolvency practitioners on both sides of the border.⁵⁹

3.55 As the Commission recognised, devolved Scots law governs much of the substance and procedure for insolvency in Scotland. By incorporating these matters into United Kingdom legislation, this recommendation would increase complexity and work against the purpose of devolution.



and health and safety. The Scottish Parliament and Government could be given responsibility in these areas to make Scotland an attractive environment for business and to promote sustainable economic growth.

Corporation tax

3.57 A major policy lever that could be devolved is corporation tax. The tax burden on small businesses in Scotland has been substantially reduced within existing devolved competence through the Small Business Bonus Scheme. A more competitive corporation tax could boost the economy, including foreign investment, research and development, and the siting of corporate headquarters. Corporation tax could be adjusted for small and medium sized companies, greater tax allowances could be given for targeted activities and the administrative process could be simplified. The United Kingdom (and hence Scotland) has the eighth highest corporation rate in the European Union; a number of European countries of comparable size to Scotland have already introduced significantly more competitive corporation tax rates. Within a full devolution framework, the Basque Country has used its responsibility for corporation tax to introduce a lower statutory rate to

the rest of Spain, and to put in place more competitive allowances for particular growth enhancing activities, such as investment in research and development. (see Box 7 on the Basque Country).

Independence

- 3.58 Under independence Scotland would have responsibility for the full range of policies to encourage enterprise and business growth, and the opportunity to address the factors which have contributed to the economic under-performance of the last 30 years.
- 3.59 Scotland would continue to be subject to international rules, such as European Union directives on competition and tax harmonisation. However, Scotland would act as an independent state in its relationship with the international economic, financial and business community, and would have a full voice in Europe.

Competition and consumers

- 3.60 Recent research indicates a lack of competition in markets in Scotland, with high prices relative to the United Kingdom in areas like transport, utilities, catering and leisure services. ⁶¹ Independence would allow future developments in competition and consumer policy to be based on Scottish political, social and economic interests, for example securing or sustaining comparative advantage. Responsibility for competition in Scottish markets, combined with an enterprise oriented fiscal policy, would:
- encourage businesses to improve their internal efficiency and reduce costs
- incentivise early adoption of new technology and other forms of innovation
- increase the international competitiveness of Scottish businesses and products
- 3.61 Scotland's geography raises issues for consumers in the islands or in rural areas, who enjoy far fewer choices in the products and services they use. 62 Consumer policy in an independent Scotland could be developed in the context of a set of key principles such as access, choice, safety, information, fairness, representation, redress, and education.

International trade

- 3.62 Scotland has long been an outward-looking trading nation, with strong global connections. Scottish business organisations work across the globe to increase international trade revenue through exports. They also seek to increase investment in Scotland and promote Scotland internationally as a vibrant place to live, work and do business with.
- 3.63 Scotland's biggest trading partner is the rest of the United Kingdom, with trade worth £26.1 billion in 2007.63 On independence Scotland and the rest of the United Kingdom would retain common interests and ties through shared history, geography and trade links. As a full member of the European Union, Scotland would continue to have access to its markets. Independence would enhance the opportunities for Scotland's wider international trade and investment, underpinned by foreign and fiscal policies dedicated to Scotland's political, social and economic interests. For example. Scotland's overseas representation is likely to focus on business and enterprise, rather than the projection of power.



The event in Melhose was
A National Conversation - YOUR SCOTLAND, YOUR VOICE

ATTENDED by a GOOD CRO.

SECTION of the Community

and the open format Leo

To informative discussion.

Tax collection

- 3.64 The overall tax burden is central to the competitiveness of the tax system, but the costs of compliance are also important. A study commissioned by HM Revenue and Customs in 2006 estimated that administration of United Kingdom corporation tax cost business £608 million, 70% of which was from Small to Medium Enterprises.⁶⁴
- **3.65** A simpler tax system in Scotland would reduce costs for businesses and government, reduce incentives for tax avoidance and noncompliance, and potentially increase revenue.65 Reporting of statutory accounts and tax calculations could be unified for smaller companies. The smallest companies might be assessed for tax on cash flow rather than accounting profit. Business leaders could be directly involved in the design of revised tax, regulation and enterprise systems for Scotland, avoiding the uncertainty surrounding recent United Kingdom announcements on capital gains tax.

BOX 6: SCOTLAND'S ECONOMY

- 1. Scotland has a diverse and open knowledge-based economy that provides employment for around 2.5 million people and generates total annual economic output of over £100 billion.⁶⁶ In addition, Scotland's offshore natural resources, including oil and gas, generated an estimated annual output of over £30 billion in 2008.⁶⁷
- 2. Scotland's economy has adapted well in recent decades to the forces of globalisation, and the structure of Scotland's economy has changed significantly. In common with many industrialised countries, the manufacturing sector has declined and the service sector has grown. In 1981, 479,000 people in Scotland were employed in the manufacturing sector; this had fallen to 220,000 in 2007. In contrast, between 1981 and 2007, employment in the service sector rose by 587,000, more than compensating for the fall in manufacturing employment.⁶⁸ The service sector now accounts for around 75% of employment in Scotland.⁶⁹ Scottish firms also continue to maintain and develop global competitive strengths in the manufacturing and engineering sectors through innovation and commercialisation of research.
- 3. The Scottish economy remains diversified with a number of sectors contributing to output, employment and exports. Scotland's goods and services are exported across the globe. Beyond the United Kingdom, the European Union and North America are the main export markets for Scottish firms.⁷⁰
- 4. To expand Scotland's areas of international comparative advantage, the Government Economic Strategy recommends building critical mass in a number of key sectors with high growth potential and the capacity to boost sustainable economic growth. The Scottish Government continues to support enterprises across Scotland in other sectors where action can be taken to overcome weaknesses in markets, and where particular businesses can make a significant contribution to the Scottish economy.

- 5. The energy sector makes a substantial contribution to Scotland's economy. In 2007, the energy sector employed directly 40,700 people, accounting for 23% of the total people employed in the energy sector in the United Kingdom.⁷¹ Scotland's oil and gas industry, based in Aberdeen, is one of the world's largest energy hubs, and is home to major European headquarters of global companies like BP and Shell. The industry body, Oil and Gas UK, estimates that in total the sector supports around 195,000 jobs in Scotland through its impacts on the supply chain, export activities and employee expenditure throughout the economy. Since 1976/77, production from North Sea oil and gas fields has generated more than £269 billion (2008 prices) in direct tax receipts to the United Kingdom Government.
- 6. In addition to the oil and gas sector, Scotland has considerable potential to develop renewable energy and low-carbon energy production, contributing to Scotland's targets to reduce climate change emissions. The sector is expanding rapidly in terms of new capacity and output, with electricity generation from renewable sources reaching 20% of gross consumption in 2007. The sector is estimated to employ 4,000 6,000 people, and there is scope for significant expansion over the next decade. Scotland's natural advantages, coupled with investment in new technologies, means that it is well-placed to be a major European centre for the production and export of renewable energy.
- 7. The financial services industry has a long history in Scotland, and it remains an important part of the economy. Edinburgh is one of Europe's largest financial services centres, and many of the world's major financial organisations have offices there. The industry employed directly 91,500 people in 2007.⁷³ Global turmoil in financial markets experienced since 2007 has created a challenging environment, but Scotland's strengths in financial services remain despite the pressure on the banking sector. Several financial services companies in Scotland continue to make announcements of expansion and investment plans.
- 8. Food and drink (including agriculture and fisheries) is a key sector in the Scottish economy. The contribution to economic output from food and drink manufacturing was £3.2 billion, of which over half was from the manufacture of beverages.⁷⁴ The spirits sector within drinks manufacturing, especially whisky, forms an important part of the sector's contribution to the Scottish economy in terms of value added and export potential. Agriculture and fishing provide further economic contribution along with the wider food and drink supply chain.⁷⁵

- 9. Tourism provides an important source of expenditure in Scotland's economy, and helps generate economic activity in some of the more rural and fragile areas of Scotland, sustaining communities economically and socially. Around 14.6 million tourists visited Scotland in 2008, and total expenditure on tourist trips stood at £4 billion.⁷⁶
- 10. The creative industries make an important contribution to Scotland's economy. Scotland's creativity has a strong international reputation. Scotlish art, film, fashion, music and literature is recognised throughout the world, as are the design and computer gaming industries. Creative industries have grown over the past 10 years in Scotland, and they are estimated to contribute £2.4 billion to economic output and account for 5% of Scotland's total exports.⁷⁷
- 11. The Life Sciences sector in Scotland is diverse, encompassing a range of industries including biotechnology and pharmaceutical companies, contract research organisations (CROs), medical device and diagnostic companies, along with specialist suppliers and support organisations. This sector employs over 30,000 people directly and indirectly in more than 600 organisations, with an annual turnover exceeding £3 billion and economic output of £1.3 billion.⁷⁸
- 12. Scotland's strong academic base is evidenced by the size, scope and international standing of Scottish higher education institutions, with four (Edinburgh, Glasgow, St Andrews and Aberdeen) among the world's top 150 universities. Directly employing some 35,159 full-time equivalent staff and teaching some 224,855 students, Scottish universities had a total turnover of £2.48 billion in 2007/08. Scotland has the highest ratio of cited research papers to Gross Domestic Product in the world and the impact of Scottish research is ranked second in the world, behind only Switzerland. Scottish universities attracted 33,520 international students in 2006/07, at 14.6% of the student body third in the Organisation for Economic Cooperation and Development behind Australia and the United Kingdom.
- 13. Scotland has a diverse economy which plays a dynamic role in the modern global economy. Scotland has responded to shifting global patterns to ensure that its workforce has the right skills and that its business infrastructure remains competitive.

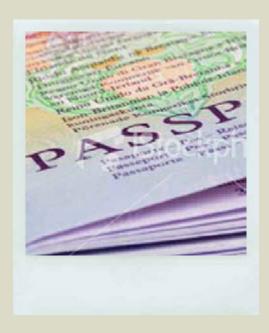
BOX 7: CORPORATION TAX IN THE BASQUE COUNTRY83

- 1. The Basque Country enjoys considerable fiscal autonomy, with wide ranging responsibilities over the collection of tax receipts and government expenditure, while remaining part of Spain. Its GDP per capita is approximately 30% higher than the Spanish average, and at the start of 2009 the Basque Country Government enjoyed a higher credit rating than the Spanish Federal Government.
- 2. The fiscal relationship between Spain and the Basque Country is governed by the *Concierto Económico*, or Economic Agreement consistent with the Statute of Autonomy (1977). Under this agreement, the Basque Country Government has the authority to vary most forms of direct taxation including income tax, corporation tax and taxation on wealth and capital gains, and has introduced a headline corporation tax rate of 32.5%, compared to the Spanish rate of 35%.
- 3. However, the Economic Agreement also contains a number of general principles which are designed to ensure a degree of harmonisation between the Basque tax system and that in the rest of Spain. Constraints therefore remain on the policy levers available to the Basque Country Government.

MIGRATION

Current position

- 3.66 Demographic change presents Scotland with challenges of growing the population and addressing the structure of the Scottish population, in particular those of working age. Population growth is a key driver of economic performance and Scotland has a population growth target to match average European population growth over the period from 2007 to 2017.84 The average age of the Scottish population is predicted to increase, with the working age population decreasing and a greater ratio of pensioners to persons of working age.85
- 3.67 The Scottish population is projected to decline in the mid-2040s, with the working age population projected to decline after 2020. The structure of the Scottish population is projected to change more rapidly, with older people accounting for a relatively higher share of the Scottish population. The dependency ratio the ratio of persons aged under 16 or over pensionable age to those of working age is projected to rise from around 60 per 100 in 2008 to 68 per 100 in 2033.
- 3.68 Immigration is currently reserved to the United Kingdom Parliament. For migrants from outside the European Economic Area, there is a points-based managed migration system which takes account of qualifications, age, salary, and language skills. For skilled migrants there is also a shortage occupation list. Some elements of the system reflect Scotland-specific circumstances, such as recognition of Higher National Diplomas as a qualifying criterion, and a separate Scottish shortage occupation list. However, the points based system operates at a United Kingdom level, with no substantial regional variations, which makes attracting the required number of migrants to Scotland more challenging, as Scotland has different population needs from most other parts of the United Kingdom.



Migration recommendations of the Commission on Scottish Devolution

- 3.69 The Commission recommended retaining the current reservation of immigration, but that active consideration should be given to agreeing sustainable variations to reflect the particular skills and demographic needs of Scotland. The Commission concluded that freedom of movement and employability argued for one system throughout the United Kingdom. However, the majority of submissions the Commission received on this issue called for greater flexibility and more responsibility for Scotland within an overall United Kingdom framework. Sub-state migration policies have been established successfully in a number of countries, including Australia and Canada.
- 3.70 The Commission's recommendation is a variation on existing arrangements, which allow Scotland to contribute to

overall United Kingdom immigration policy, but give it no formal role. The Commission would not give Scotland responsibility for its migration requirements for either economic or demographic reasons, as these would be subject to policy imperatives in other parts of the United Kingdom. Experience elsewhere shows that greater responsibility for Scotland to determine its own migration policy need not have the impact on the rest of the United Kingdom suggested by the Commission.

Independence

3.71 An independent Scotland would have responsibility for its own migration policy and its borders. Scotland faces different issues from the other parts of the United Kingdom, and migration policy could be tailored to address the economic challenges of demographic change. Immigration could also help address skills shortages in Scotland's labour market.

We really applaud and support the United Kingdom Home Office's points based system for immigration. But it is very unfortunate that it is not taking into consideration the regional differences in immigration attractions in England versus Scotland. Why not do a regional variation?

(Edinburgh CEMVO event, 22 April 2009)

- 3.72 Many nations use migration policies to address demographic problems. as well as addressing skills shortages. Both Canada and Australia give priority to potential immigrants with particular skills and experience. Quebec has its own immigration policies, established under the Canada-Quebec Accord on Immigration, which requires, amongst other things, that immigrants can speak French or English. A Scottish migration scheme could both place particular importance on required skills and give priority to immigrants who assist in meeting the demographic challenges, for example young people or families with children.
- 3.73 Citizens of European Union member states are entitled to freedom of movement within the single market. As a full member of the European Union, Scottish borders would remain open to European Union nationals, just as Scots are free to move throughout the European Union.
- 3.74 Scotland's immigration system should also support the country's commitment to human rights. Like immigration, asylum policy is currently the responsibility of the United Kingdom. On independence, Scotland could take into account economic and demographic needs, as well as human rights and justice, when considering asylum applications. Responsibility for the immigration and asylum system would allow Scotland to provide greater security to asylum seekers awaiting the outcome of their application and ensure a fairer and more humane asylum system.

BROADCASTING

3.75 Broadcasting is a key part of national life, expressing Scottish culture to domestic and international audiences. The broadcasting industry also makes an important contribution to the economy.

Current position

- 3.76 Broadcasting is a reserved matter.
 All decisions about broadcasting which affect Scotland are taken by the United Kingdom, including related matters such as the television licence fee, broadcasting spectrums, funding and regulation.
- 3.77 In 2008, only 3.7% of the BBC's network television programmes were made in Scotland, while STV is now obliged to produce only 1.5 hours of non-news programming per week, a reduction from three hours prior to January 2009. The Scottish Broadcasting Commission expressed strong concerns about the state of

public service broadcasting in Scotland, and identified a number of areas where viewers felt that there should be a better choice of programming relevant to Scotland.⁸⁷

Broadcasting recommendations of the Commission on Scottish Devolution

3.78 The Commission made one recommendation relating to broadcasting: that the appointment of the Scottish member of the BBC Trust should be the responsibility of Scottish Ministers, subject to the normal public appointments process. This recommendation could be implemented immediately without the need for legislation. Although it would not directly affect broadcasting in Scotland, the proposal would give the Scottish Government influence over parts of the broadcasting framework with a particularly Scottish element.



Why is broadcasting a reserved issue? I ask specifically because I am interested in Gaelic broadcasting where the broadcasting side is reserved and the Gaelic side is devolved. This causes some odd situations.

(Dundee Summer Cabinet, 30 June 2009)

Full devolution

- 3.79 Further devolution would provide opportunities for Scotland to have responsibility for different parts of its broadcasting framework, while remaining within the overall United Kingdom framework, including the BBC and Ofcom. Examples of such an arrangement include Catalonia, which is responsible for Catalan broadcasting, while the Spanish government is responsible for Spain-wide broadcasting.⁸⁸
- 3.80 Additional responsibilities could include: new public service broadcasting bodies, such as the Scottish digital network recommended by the Scottish Broadcasting Commission; ensuring that Scottish culture and interests were better represented through television and radio programming; responsibility for appointments of board members of MG Alba (the organisation responsible for the output of BBC Alba). Under further devolution Ofcom could be charged with taking the lead in setting commercial, public service networks nations and regions obligations to Scotland and ensuring they were met.
- 3.81 The majority of funding for public service broadcasting in the United Kingdom comes from the TV licence fee (for the BBC) and advertising. The United Kingdom also provides funding of £98 million for S4C in Wales from general taxation revenues, in addition to the programming subsidy provided by broadcasters which is worth approximately £25 million. Further devolution should be accompanied by a negotiated arrangement for funding public service broadcasting in Scotland. Scotland could, for example, be allocated a share of TV licence revenues and revenues generated from licensing broadcasters and other telecommunications operators to use spectrum.



Independence

- 3.82 Independence would mean full responsibility for broadcasting in Scotland. Impartiality and political independence of broadcasters. including a national public service broadcaster (based initially on the existing staff and assets of BBC Scotland), would remain a key principle. There would be various options available for the funding of a Scottish national broadcaster. This would ensure that an independent Scotland had a high-quality, impartial national public service broadcaster which reflected Scottish life, culture and interests.
- 3.83 An independent Scotland should not lose the range and quality of broadcasting options received currently, and indeed should seek an enhanced broadcasting service. For example, Scotland should continue to access BBC and other broadcasters from the United Kingdom and there should be no obstacles to Freeview, satellite and cable services being available in Scotland on a similar basis to now.
- 3.84 Independence would allow a regulatory system that prioritised issues of particular importance for Scotland, such as making available additional spectrum for new channels. A Scottish broadcasting regulator would also safeguard the quality and impartiality of Scottish public service broadcasters within European regulations.

3.85 Independence would also provide the opportunity to rationalise channel 3 licensing arrangements. Following a merger between the Border and Tyne Tees local news service, viewers in the South of Scotland now receive 'local' evening news programmes which are broadcast from Gateshead.89 Independence would make it easier to establish licensing arrangements which would better serve Scottish viewers, including a single nationwide licence, or the creation of further licences to allow more regional broadcasting.

Broadcasting industry

3.86 The Scottish broadcasting industry employs 2,400 people and is worth around £111 million to Scotland's economy. Independence would provide opportunities to develop the industry further. The Scottish Government could take a range of steps to attract inward investment. as have countries like Ireland and Canada. It is likely that this would in turn generate further investment in the Scottish broadcasting industry. including further spending on programming. Additional investment of this kind would bring improved choice for Scottish viewers and would allow broadcasting, along with the other creative industries, to make a significant contribution to economic growth in an independent Scotland.



CONCLUSION

- 3.87 Addressing Scotland's historic underperformance, and encouraging sustainable economic growth is one of the key challenges that face the nation. A number of different policy areas contribute to this goal, but many of the major mechanisms open to independent states economic and fiscal policy, monetary policy, international trade are currently reserved to the United Kingdom Government.
- 3.88 Some of these matters could be devolved within the United Kingdom, for example aspects of the taxation system or employment law. However, any level of devolution would leave Scotland within the overall macro-economic policies of the United Kingdom and its international position on economic matters, especially in the European Union.
- 3.89 Independence would give Scotland full responsibility for its own economic performance, and for all the policy mechanisms to encourage the optimum level of development.



CHAPTER 4

A FAIRER SCOTLAND

OVERVIEW

- 4.1 Scotland has a strong tradition of striving for a fairer and more inclusive society, combining equality of opportunity to thrive and excel, with support for those in need.
- 4.2 There are a number of important areas of government policy that should build on those traditional Scottish values. Welfare support and benefits should be responsive to the specific needs of individuals and the country: its economy, housing, geography and demographics. People should be supported back into work, and those who cannot work should not be abandoned to a lifetime of poverty and struggle. Those who suffer from disadvantage or discrimination should be protected.
- 4.3 Under the current devolution settlement, the major systems for providing social justice the taxation and benefits systems are reserved to the United Kingdom, as is the legislation to protect and promote equalities.

- 4.4 The Commission on Scottish Devolution recognised the close relationship between devolved policy, for example on poverty and housing, and the reserved benefits system. The Commission recommended a formal but very limited role for the Scottish Parliament and Government in these matters. Devolution of greater responsibility for benefits would allow more integrated policy to tackle poverty in Scotland, but would also require devolution of taxation, and full financial responsibility for Scotland.
- 4.5 With independence Scotland would be responsible for addressing all of these issues, and for designing and implementing a taxation and benefits system integrated with other policies on skills, education and family support to address issues of poverty and exclusion. Scotland would also be responsible for ensuring that all its citizens are treated fairly and equally, and enjoy the full protection of the law.

WELFARE AND BENEFITS

Social inclusion and poverty in Scotland

4.6 Around one in six people in Scotland are living in relative poverty - that is, their income is so far from the norm that they face difficulties participating effectively in society. This means that around 840,000 Scots live in poverty, including 200,000 children and 200,000 pensioners.90 Poverty levels in Scotland are better than the United Kingdom as a whole, but the United Kingdom is above the average for other European Union countries for child and pensioner poverty.91 Inequalities in health, education and employment opportunities are passed from one generation to another: children who grow up in poverty are more likely to have children who suffer from poverty, repeating the cycle.92

Current position

4.7 Scotland is responsible for a number of services which influence employment prospects and life chances, including education, training, skills, healthcare and childcare. However, the major mechanisms for addressing poverty – social security benefits, tax credits, the minimum wage and employment support – are reserved to the United Kingdom Government.

4.8 In important areas Scotland cannot design or deliver policies to address its social needs. For example, Scotland cannot determine eligibility for, nor set the levels of, benefits, and cannot supplement existing United Kingdom schemes for particular social objectives - for example supporting students or providing child care - without the recipient risking the loss of existing United Kingdom benefits or tax credits. Equally, Scotland cannot opt out of changes by the United Kingdom Government which are not appropriate for Scotland, for example broad market areas for Housing Benefit not suitable for Scottish conditions.93 Scotland is also constrained in developing devolved policies where there are connections with the reserved benefit system, for example local government taxation. The United Kingdom Government withdrew Attendance Allowance from those receiving free personal care, adding £30 million a year to the costs borne by the Scottish Government.





Welfare recommendations of the Commission on Scottish Devolution

4.9 The Commission concluded that the welfare system should continue to be reserved, as it ensures common social citizenship throughout Great Britain, and the complexity of the social security system could lead to difficulties in devolving any one element.

4.10 The Commission recommended:

- Scottish Ministers, with the agreement of the Scottish Parliament, should be able to propose amendments to the Housing Benefit and Council Tax Benefit systems in Scotland connected to devolved policy
- a formal consultation role should be built into the commissioning process for welfare to work programmes to take into account the views of the Scottish Government
- the Deprived Areas Fund should be devolved to the Scottish Parliament
- the United Kingdom Government should explore devolving the discretionary elements of the Social Fund

- 4.11 These recommendations recognise the close link between devolved policies and the reserved benefits system, and embody an important principle: that the Scottish Government has a legitimate interest in the development and delivery of these policies in Scotland. However, the recommendations do not give Scotland a substantive role in decision making. There is no obligation on the part of the United Kingdom Government to accept Scottish proposals, even when these have been agreed by the Scottish Parliament.
- 4.12 Devolution of the Deprived Areas
 Fund would enable Scotland to plan
 and spend in a more integrated and
 strategic fashion, but there is no
 commitment to a Deprived Areas
 Fund beyond 2011. Similarly,
 devolving elements of the Social
 Fund would present opportunities
 to align the funding better with
 Scottish priorities.

Full devolution

- 4.13 Full devolution would allow Scotland to develop a benefits system guided by a number of key principles to eradicate poverty and reduce income inequalities:94
- a fair and transparent benefits system, sympathetic to the challenges faced by people living in poverty and providing confidence in the security of their income

- benefits, tax credits and employment support systems working in harmony to support those who can move from poverty through work, with financial benefits for working that are significant and sustained
- transitional support into employment should be transparent, responsive, quick and effective, so successful employment is not undermined by financial uncertainty
- for those that cannot work, benefits must provide a standard of living which supports dignity, freedom and social unity
- 4.14 It would be possible for Scotland to develop a devolved benefits system within the United Kingdom. In Northern Ireland social security, child support and pensions are devolved and there is a separate National Insurance Fund.
- 4.15 However, for full devolution of the benefits system, there would need to be appropriate levels of fiscal autonomy in Scotland. It would be difficult for Scotland to take responsibility for the levels of and eligibility for benefits without being responsible for any resulting costs, or being able to take advantage of any savings. In turn, this would require Scotland to have substantial responsibility for raising its own taxes and designing a system to meet both welfare and wider economic needs.95 This seems unlikely while the United Kingdom has a one-sizefits-all welfare system.96

Independence

How do you propose to fund pensions, national insurance, benefits etc on independence?

(Haddington National Conversation event, 28 September 2009)

- 4.16 Independence would give Scotland responsibility for the taxation and benefits system. On independence benefits, tax credits and the state pension would continue to be paid as now in an independent Scotland. It would be for future Scottish administrations to deliver improvements to the system, designed for Scottish needs.
- 4.17 In both 2006/07 and 2007/08, a smaller percentage of government revenue was spent on welfare in Scotland than in the United Kingdom as a whole: spending on social protection accounted for 34% of total government revenue in the United Kingdom, but 33% in Scotland, including a geographic share of North Sea revenues.⁹⁷
- 4.18 A range of factors would affect the design and delivery of a taxation and benefits system for an independent Scotland, including the overall effect on the economy; the balance between reasonable taxation and minimum standards

- of care and guarantees of income; incentives to earn and work; and the cost to public finances. These all need to be balanced with the economic circumstances and the priorities and needs of the nation at any given point. For example, the support that might be offered to home owners during a recession might differ from that offered at other times.
- 4.19 The welfare system of an independent Scotland could also be guided by the key principles to eradicate poverty. For example, a new system of benefits would avoid poverty traps, where little or no financial benefit is gained from employment because means-tested benefits are withdrawn. Those attending training courses or doing voluntary work to improve their employment prospects would not be penalised by losing benefits. Reductions in benefits to reflect people's improved circumstances would be set to match policy objectives, and integrated with the overall taxation system.
- 4.20 The welfare system could be integrated and different forms of support be made complementary. For example, free child care or personal care would not result in the loss of a corresponding cash benefit. Similar decisions could be made on payments for a particular purpose for example to support children being cared for by relatives which currently result in the loss of other payments to support income.⁹⁸

- 4.21 An independent Scotland could develop its own flexible approaches to social issues, such as preparing people to return to work, or bringing together local and national services to meet the different needs of different individuals. A one-size-fitsall rule-based system cannot take account of the diversity of individuals' wishes and needs. For example for some lone parents a voluntary approach to removing barriers to employment may well be more appropriate than current United Kingdom proposals for obligatory skills training when children reach a certain age.
- 4.22 A key element of the welfare system is that people are able to understand easily what benefits they are entitled to, and how to access the support available. Greater integration in an independent system would improve people's confidence and their understanding of their entitlement. This would address the current level of take up, estimated at 78-88% for income support; 61-70% for pension credit; 80-87% for housing benefit; 62-68% for council tax benefit; and 52-60% for job-seekers allowance.⁹⁹

HOUSING AND REGENERATION

Current responsibilities

4.23 Many responsibilities for housing and regeneration policy are devolved, including funding, land-use planning, tenancy rights, housing quality, property law and regulation of landlords. Significant progress has been made since devolution, including homelessness legislation, measures to improve the condition of housing stock in the social and private sectors, and introducing the first national mortgage support scheme for homeowners at risk from repossession. Scotland's housing differs from the rest of the United Kingdom: there is still less private housing and a higher proportion of socially rented stock; housing has been more affordable than the United Kingdom average and the housing market less volatile; Scotland's climate affects approaches to energy efficiency and fuel poverty; and there is a different legal system.

What would the Scottish Government do to address carers' problems financially, were we to have independence?

(Melrose Summer Cabinet, 28 July 2009)



4.24 However, important policy mechanisms such as inheritance tax, Stamp Duty and social security system are reserved to the United Kingdom. The distinctive features of the Scottish housing landscape mean that an approach which may be appropriate in other parts of the United Kingdom will not necessarily deliver for Scotland.

Housing recommendations of the Commission on Scottish Devolution

4.25 The Commission recommended:

- that Stamp Duty Land Tax should be devolved to the Scottish Parliament, with a corresponding reduction in the block grant
- Scottish Ministers, with the agreement of the Scottish Parliament, should have scope to propose new arrangements for

Housing Benefit and Council Tax Benefit when these are connected to devolved policy changes

Stamp Duty

4.26 Responsibility for Stamp Duty would be a useful addition to Scottish housing and economic policy. Applying Stamp Duty rates to individual properties within bulk purchases could encourage institutional investment in the private rented sector. Stamp Duty could be used to achieve wider objectives such as incentivising energy efficiency. Stamp Duty holidays could relieve stressed markets. However, if only limited taxes are devolved, it would not be possible to adjust other taxes or borrow to compensate should the base of those taxes fluctuate, as Stamp Duty has recently.

Housing benefit

4.27 The wide array of social security benefits and tax credits available in the United Kingdom are interdependent. Housing benefit is a passport to other benefits such as income support. Changes to any element of housing benefit are likely to impact the coherence and the cost of the overall benefits system. The role recommended for Scotland may be more apparent than real.

Independence

4.28 As in other areas, housing and regeneration policy would benefit most from the increased fiscal and economic responsibilities that independence - or full devolution - would bring to Scotland. Housing, particularly the social rented sector, also relies heavily on Housing Benefit to fund initiatives and responsibility for this would assist integrated and focused decision making in Scotland.

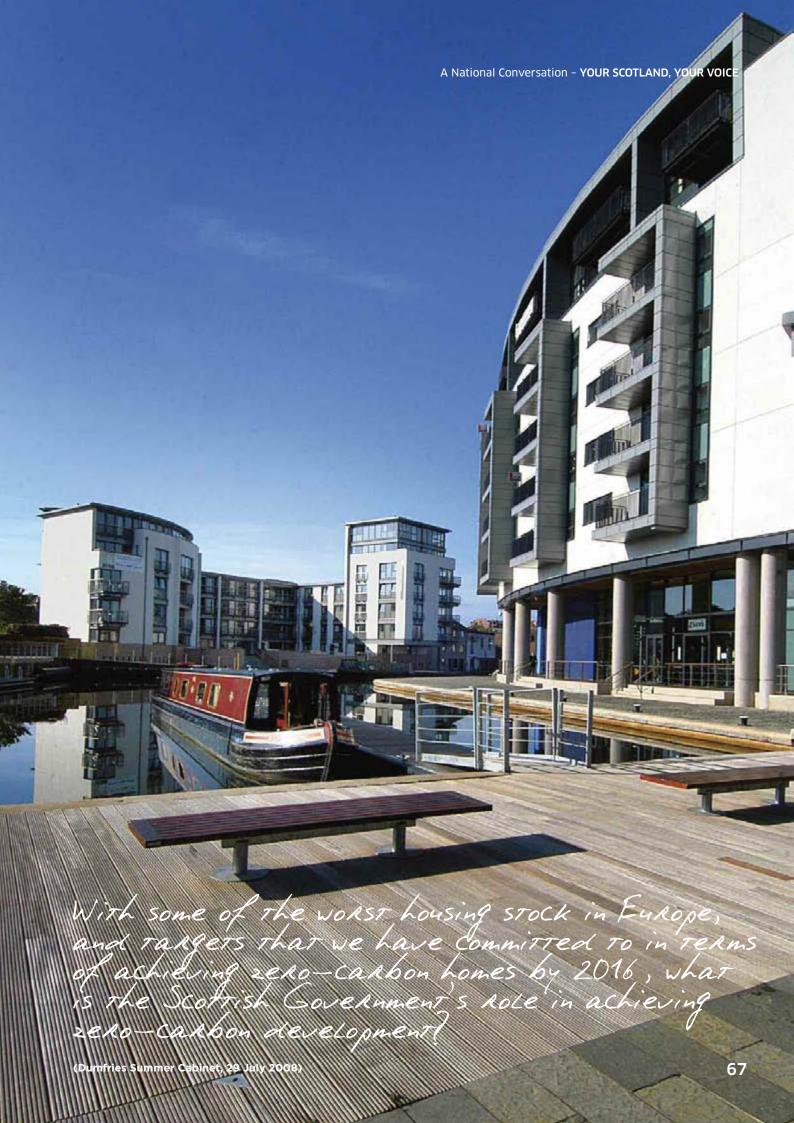


Taxation

4.29 Scotland has experienced a lack of housing, particularly affordable housing. One fiscal mechanism that might address this issue in rural areas is Inheritance Tax. The beneficiaries of a will often need to sell quickly to pay the Inheritance Tax, moving stock from the rental market and reducing options for those who cannot or do not want to buy. This problem affects Scotland disproportionately because of the high proportion of rural areas compared to the rest of the United Kingdom. Responsibility for Inheritance Tax and other taxes would allow Scotland to address this issue.

Funding housing policy

4.30 There are two distinct streams of housing policy being implemented in Scotland, one set at a United Kingdom level through the benefits system and one set at a Scottish level. For example, the Scottish Government subsidises the social housing sector by providing development grants to build new low-cost homes for rent. Housing benefit currently meets about twothirds of the total rents in the sector, or £1 billion a year. Any significant changes to housing benefit affect both tenants and the devolved policy on investment in social housing in Scotland. As housing benefit decisions are taken for the United Kingdom as a whole, Scotland has little influence on the overall balance between these sources of funding.



How can the government truly facilitate an equal, equitable Scotland in which racial equality is maintained?

(Edinburgh CEMVO National Conversation event, 22 April 2009)

EQUAL OPPORTUNITIES

Current position

- 4.31 Equal opportunities is largely reserved to Westminster. There are two exceptions which enable Scottish Ministers to:
- encourage equal opportunities
- place duties on Scottish public bodies, and cross-border bodies with responsibility for devolved matters, requiring them to make arrangements to ensure they are operating within the law
- 4.32 Since devolution. Scottish Ministers have used these responsibilities to advance equality in Scotland. It has also been possible to pursue different policies within the context of the legal framework. For example, equality provisions have been incorporated into Scottish legislation on housing, education and local government. The Scottish Parliament has introduced legislation on hate crime. The Scottish Government's policy on improving community relations with asylum seekers differs from that of the United Kingdom Government. Scottish Ministers have placed a duty on Scottish public authorities to report on equal pay.

4.33 The Equality and Human Rights
Commission is a United Kingdom
body operating in Scotland with a
Scotland Committee and Scottish
Commissioner. It is a statutory body
with responsibility for equality and
human rights, but only reserved
human rights matters in Scotland.
The Scottish Human Rights
Commission has responsibility for
devolved human rights matters.

Equality recommendations of the Commission on Scottish Devolution

4.34 The Commission did not recommend new arrangements. However, the Commission's recommendation that the Scottish and United Kingdom Parliaments discuss and agree common social rights could potentially include reference to equality.

Full devolution

4.35 Evidence to the Commission advocated devolution of equal opportunities, as responsibility for equality legislation should not be separate from key devolved policies such as health, education, housing, family law, mental health, local government and justice. There are particular differences in Scotland's demographics and geography and its experience of discrimination and inequality, such as sectarianism.

Devolution of equal opportunities would allow legislation on equality as it applied to devolved matters. Equality legislation passed in Scotland would not apply to reserved matters such as employment, and consideration would need to be given to areas where there are reserved and devolved responsibilities, such as transport.

Independence

- 4.36 Scotland is an increasingly diverse nation and its people have differing needs and experiences. Taking responsibility for equal opportunities within an independent Scotland would allow equality legislation to be promoted and enforced. Equality legislation would be developed in the Scottish policy context and to ensure coherence with legislation in other areas such as health, education and housing. In an independent Scotland, it would be possible to establish clear lines of accountability, and to determine distinct mechanisms for securing, promotion and enforcement of equal opportunities.
- 4.37 To follow international best practice in equal opportunities Scotland would continue current United Kingdom commitments to European legislation and a range of International conventions such as the UN Convention on the Elimination of Discrimination against Women (CEDAW) and the UN Convention on the Rights of Disabled People. With independence, Scotland could implement the requirements of these conventions taking account of the Scottish context.

CONCLUSION

- 4.38 Under the current devolution settlement the major tools to promote a socially just society remain reserved to the United Kingdom. While it would be possible to devolve to Scotland responsibility for aspects of the benefits system, or a role in United Kingdom policies, full devolution would require Scotland to take responsibility for its finances and its taxation system to ensure an integrated approach to those requiring support. The recommendations of the Commission on Scottish Devolution fall far short of this level of competence for Scotland.
- 4.39 With independence Scotland could address the needs of all in society, combining reliable and transparent support from benefits with opportunities for training, support for housing and child care, and taxation incentives integrated within an overall system that did not impose financial barriers to those returning to work. Scotland could also ensure that it took account of the diverse needs of its population, promoted equality and addressed the barriers which prevent people from playing a full role in society, that its most vulnerable groups, and those suffering discrimination, received protection and that international standards for equality were upheld.



CHAPTER 5

A GREENER SCOTLAND

OVERVIEW

- the lives of the people of Scotland and supports tourism, agriculture, fishing and aquaculture. The first decade of devolution has seen legislation on climate change, improving the environment and tackling flooding. Scotland has developed an approach to national parks, land reform and nature conservation designed for Scottish circumstances, and distinct from approaches in the rest of the United Kingdom.
- 5.2 Scotland could play a leading role in addressing the challenge of climate change and meeting European targets for renewable energy through its potential in wind, tide and wave power. Scotland's remaining reserves of oil and gas support an infrastructure and technical expertise that could play a leading role in the development of future low-carbon technologies, as well as providing capital to invest in developing renewables technology.

- transport regulation and waste remain reserved. Many environmental, agriculture and fishing matters are the subject of international, particularly European Union agreement, where Scotland has no voice outwith the policies of the United Kingdom Government.
- 5.4 Further devolution could provide Scotland with mechanisms to develop its potential, for example responsibility for regulation of the marine environment could allow Scotland to encourage offshore renewables and carbon capture and storage technology. However, the need to work internationally, and the central role of the European Union in environmental matters, means that only independence would allow Scotland to make a full contribution and make the best use of its experience and potential.

ENVIRONMENT, AGRICULTURE AND FISHERIES

Current position

- responsibilities for its natural environment, natural resources, fisheries, and rural communities. Important areas in which the Scottish Parliament and the Scottish Government have exercised these responsibilities include:
- climate change
- marine issues
- fisheries and aquaculture
- agriculture
- waste
- including fisheries, agriculture, pollution and climate change are subject to decisions made in international bodies, including the European Union and the United Nations. The European Union also provides access to a common market for Scottish farmers, fishermen and businesses, as well as funding opportunities to rural communities, and regulations so that food is safe to eat.
- 5.7 The Scottish Parliament and Government are responsible for implementing European Union decisions within devolved areas, but Scotland is represented at the European Union as part of the United Kingdom. This can lead to

anomalous situations. For example, Scotland is among the largest sea fishing nations in Europe and the Scottish fleet is responsible for landing 66% of the total United Kingdom volume of fish. Scotland is also the European Union's largest producer of farmed Atlantic salmon and is a globally significant salmon producing country in its own right. The Scottish Parliament and Government are already responsible for both sea fishing and aquaculture. However, the United Kingdom Government still takes the lead in European Union negotiations on these matters.

Climate change

5.8 The Climate Change (Scotland) Act 2009 is the most ambitious climate change legislation anywhere in the world. The Climate Change Delivery Plan sets out what needs to be done now and in the medium and longterm to achieve the necessary emissions reductions. Scotland cannot deliver its emissions targets by acting alone. For example, targets for the European Union Emissions Trading Scheme, the largest carbon trading scheme in the world, are set at European Union level. The main responsibilities for energy policy and regulation are reserved to the United Kingdom Government, as are fiscal levers to tackle climate change, including Vehicle Excise Duty, Fuel Duty, and Landfill Tax.

Marine issues

5.9 Responsibilities for Scotland's coasts and seas are divided between Scottish Ministers and the United Kingdom Government, with different rules within and beyond 12 nautical miles. Fishing is fully devolved out to 200 nautical miles. Regulating oil and gas and shipping is reserved even within inshore waters. The Crown Estate, a reserved body, determines the use of the seabed, and coastguard services are run by the Maritime and Coastquard Agency, an executive agency of the United Kingdom Government. Scotland has executive (but not legislative) responsibility for marine renewables. Legislative and executive competence for marine nature conservation and installations at sea are devolved, but only out to 12 nautical miles. Despite recent agreements the underlying fragmented nature of responsibilities does pose a risk to the successful management of marine issues, for example supporting the emerging wind and tidal energy industry in Scottish waters.¹⁰¹

Fisheries

5.10 The Scottish Government manages fish stock quotas and the activities of the Scottish fleet, including number of days spent at sea, wherever they fish within European Union limits. It can also regulate inshore fisheries by all United Kingdom vessels within the 12 nautical mile territorial water limit around Scotland. The registration of fishing vessels is a reserved function. Scotland has been at the forefront of measures to support fish stock sustainability through, for example, the conservation credits scheme.¹⁰² However, quota management and licensing cannot readily be adapted to Scottish needs as long as they are tied into a one-size-fits-all approach to United Kingdom fisheries management.



Waste

5.11 Scottish recycling rates are increasing, and Scotland has met its share of the 2010 European Union Landfill Directive target 18 months ahead of schedule. However, regulation of the design and content of packaging is reserved, which prevents Scotland taking its own steps to prevent and reduce waste by designing in reusability and recyclability.

Environmental recommendations of the Commission on Scottish Devolution

5.12 The Commission made a number of recommendations relating to the environment.

Environmental taxation

5.13 The Commission recommended that Landfill Tax and the Aggregates Levy are devolved. Landfill Tax is a tax on the disposal of waste and the Aggregates Levy is a tax on the commercial extraction of rock, sand and gravel. Devolution of these taxes would allow Scotland greater opportunities to design integrated waste and other environmental policies, for example by employing both higher Landfill Tax and landfill bans which are being examined in a Scotland-led project. However, key environmental taxes, such as Vehicle Excise Duty and Fuel Duty, would remain reserved.

Marine and nature conservation

5.14 The Commission recommended review of the effectiveness of legislative agreements between the United Kingdom and Scottish Governments on the marine environment, and that marine nature conservation should be devolved to the Scottish Parliament at the earliest opportunity. This would allow fisheries and marine conservation to be managed in an integrated way. However, regulatory responsibilities would remain divided for marine planning, mineral deposits and marine renewables.

Crown Estate

5.15 The Commission recommended that the United Kingdom Government should consult Scottish Ministers and more actively exercise powers of direction under the Crown Estate Act 1961. The Commission also proposed that the appointment of a Scottish Crown Estate Commissioner should be made following formal consultation with Scottish Ministers. These recommendations would offer Scotland a role in the management of the seabed by the Crown Estate. However, the more significant issue - that revenues collected from Scottish coastal businesses by the Crown Estate bring very little visible benefit to Scotland - would remain.

Animal health and welfare

5.16 The Commission recommended that funding for policy relating to endemic diseases in animals should be devolved, while responsibility for funding exotic disease outbreaks should be retained at a United Kingdom level. At present, policy on animal health, including response to exotic disease outbreaks is devolved, but the budgets are held by the United Kingdom Government. One of the lessons learnt from Scotland's response to the foot and mouth disease outbreak in 2007 was that the separation of policy responsibility from financial responsibility, as recommended by the Commission, is unsustainable.¹⁰³ Full devolution of the animal health budget would bring responsibility for that budget and animal welfare policy in line, and allow devolved budgets to support improvements in animal health and welfare in Scotland, to reduce animal disease and support increased sustainable economic growth of the livestock farming sector.

Food labelling

5.17 The Commission recommended that regulations of food content and labelling should be reserved, where separate devolved arrangements would place a burden on the manufacturing, distribution and supply of foodstuffs to consumers. However, this recommendation would separate responsibility for food labelling from devolved responsibilities for health, nutrition and food policies. Food labelling in Scotland is also governed by European Union legislation and already reflects the single European market.



Full devolution

Would there be scope for an independent Scotland to have a distinct policy on fuel duty that reflects the needs of a rural economy? I'm thinking particularly in relation to the farming, haulage and fishing sectors that we have in the Borders.

(Jedburgh National Conversation Event, 29 April 2009)

5.18 Full devolution could bring benefits to Scotland beyond those envisaged by the Commission.

Fisheries

5.19 By agreement, quota management and vessel licensing arrangements have been overseen by the four United Kingdom Fisheries Administrations acting jointly. As policy objectives and fleet structures across the United Kingdom have diverged, the current joint management arrangements have constrained the Scottish Government's ability to put in place arrangements tailored to Scottish circumstances. Greater management flexibility under full devolution would allow Scottish Ministers to adapt fisheries management measures to meet the specific needs of the Scottish industry. Such an arrangement would avoid disagreements between the Scottish Government and the United Kingdom Government on, for example, quota management.

Rural and environmental taxation

5.20 The viability of rural areas and the Scottish Government's ability to assist their economic recovery could benefit from fiscal autonomy. For example, Scotland could tailor fuel and vehicle excise duties to take better account of Scottish circumstances, balancing the need to reduce emissions against the desire to support rural and remote communities. Specific tax incentives could be given to landowners who let whole farms to new entrants to farming, or relief from Stamp Duty Land Tax for new entrants taking up leases. Such measures could encourage new farmers and increase enterprise in agriculture, food production and land management in Scotland.

Independence

5.21 Independence would allow Scotland to be a full member of various international organisations, including the European Union. This would place Scotland in a stronger negotiating position on rural and environmental issues.



Relationship with the European Union

- 5.22 Currently the representation of Scottish interests in the European Union relies entirely on the political goodwill of the United Kingdom Government, without any external check or remedy. Where there are differences of view on policy, for example on reform of the Common Agricultural Policy (see Box 8) or genetically modified crops or products, the United Kingdom
- Government will vote contrary to Scottish preferences. Independence would give Scotland a full voice in Europe.
- 5.23 Similarly, independence would offer Scotland, as a leading fishing nation, the opportunity to argue directly for replacement of the current Common Fisheries Policy, through, for example, promoting repatriation of sea fisheries management to the coastal Member States.





(Dundee Summer Cabinet, 30 June 2009)

Climate change

- 5.24 Scotland is a key player in energy policy at both United Kingdom and European Union levels. The United Nations Framework Convention on Climate Change (UNFCCC) is the basis on which international agreement on climate change is negotiated. The meeting in Copenhagen in December 2009 aims to deliver a successor to the UNFCCC Kyoto Protocol. A new international agreement would help Scotland and Europe as a whole deliver
- greater emissions reductions. An independent Scotland would make its own contribution to such international agreements (see Box 9).
- 5.25 The Scottish Government works in constructive collaboration with the United Kingdom Government, the Welsh Assembly Government and the Northern Ireland Executive on climate change. Such collaborations could continue and expand on independence, both within this group, and within the European Union.

BOX 8: SCOTLAND IN EUROPE - REFORM OF THE COMMON AGRICULTURAL POLICY (CAP)

- 1. The United Kingdom and Scottish Governments have fundamentally different views on reform of the CAP. The United Kingdom Government's policy, on which devolved administrations were not consulted, is that the entire "First Pillar" of the CAP, which delivers income support for farmers through the Single Farm Payment and markets interventions for certain products, should be phased out.¹⁰⁴ The Scottish Government believes that this approach would seriously jeopardise large parts of Scottish agriculture. About 85% of Scotland falls under the European Union's category of "Less Favoured" agricultural land, where profitability is by definition lower than on better quality land. The proportion of "Less Favoured" land is considerably lower elsewhere in the United Kingdom.
- 2. The United Kingdom Government's position on the "Second Pillar" of the CAP also differs from that of the Scottish Government. The Second Pillar is designed to ensure delivery of public goods where there is market failure. While environmental public goods are an important part of the Second Pillar, the United Kingdom Government position fails to take account of other rural public goods which are important for Scotland, including the maintenance of flourishing communities in remote areas.
- 3. This difficulty is brought into focus in European Union negotiations, where Scotland's position can be heard formally in the Council of Ministers only if it aligns with the United Kingdom position. This leaves some of Scotland's most vulnerable areas at a serious disadvantage. An independent Scotland would have the same voice as other member states.

BOX 9: INTERNATIONAL CLIMATE CHANGE NEGOTIATIONS

- 1. Scotland's share of global emissions is small, and Scotland's most important contribution at a global level is to demonstrate strong leadership and demonstrate that the pathway to a successful low carbon economy is achievable.
- 2. The Scottish Parliament has passed world-leading climate change legislation, a key illustration of the positive leadership and contribution Scotland can make to meeting global challenges. Scotland could be at the centre of international discussions, such as the Copenhagen climate change summit, supported by Scotland's environmental organisations. However, Scotland's official attendance at such events depends on the agreement of the United Kingdom Government.
- 3. With independence, Scotland would be able to play a full role in a subject in which it has much to offer. The experience of a nation with both oil and gas reserves, significant carbon capture and storage potential and the ability to develop substantial renewable energy capacity would add to the voices on this issue of global concern, to the benefit of the debate on tackling climate change within Europe and across the world.

The RESULT is a horch porch which... is inhibiting TRANSPORT integration in Scotland and the integration of TRANSPORT in energy and Climate Change policies.

(Scottish Association for Public Transport response to the National Conversation, September 2008)

TRANSPORT

Current position

- 5.26 The majority of transport functions are devolved, and distinctive Scottish policies aim to create a well-connected, safe and reliable transport system which underpins business and economic growth.
- 5.27 A number of transport functions remain reserved to the United Kingdom:
- roads: regulation of roads, vehicles and drivers; national speed limits, and renewable Transport Fuels Obligation
- rail: Great Britain-wide rail network issues, standards and regulation frameworks, representation of passenger interests and complaints, and cross-border franchises
- marine: marine policy, regulation and security
- air: economic, security and safety regulation, international representation

5.28 The experience of enhanced rail devolution (see Box 10) demonstrates the opportunities of devolving responsibility for transport policy, and focussing on Scottish needs.

Transport recommendations of the Commission on Scottish Devolution

5.29 The Commission makes only one recommendation affecting transport in Scotland. Among its recommendations on taxation (discussed in more detail at paragraphs 3.22 - 3.28), the Commission proposed that Air Passenger Duty (APD) should be devolved to the Scottish Parliament. Devolved APD could be reduced, providing an incentive for airlines to expand direct connections to Scotland, benefitting the Scottish economy and reducing air travel connections within the United Kingdom. This is an example of the scope to use fiscal policy to encourage economic activity, and the principle of the Commission's recommendation could bring benefits in other areas of taxation.

Independence

5.30 Independence - or full devolution - would offer allow Scotland to integrate fully all transport policies and initiatives. Scotland would also have responsibility for the overall public financial framework, which could benefit transport through borrowing and taxation policies.

Borrowing

5.31 Greater borrowing autonomy for the Scottish Government would allow more flexibility in the pace and priorities of Scotland's capital expenditure programme, and provide an alternative source of financing for major infrastructure projects when required. For example, phasing the funding of the new Forth crossing would allow existing capital budgets to take forward more projects at the same time as bridge construction.

Transport taxes

5.32 Other taxes directly linked to transport could be devolved, beyond the APD recommended by the Commission on Scottish Devolution. Fuel duty, APD and vehicle excise duty accounted for just 5% of Scottish tax revenue in 2007/08, but they are important policy instruments to influence behaviour and achieve economic objectives.

- 5.33 With responsibility for fuel duty, Scotland could press the European Union for a derogation to apply a lower rate of fuel duty in rural areas, recognising accessibility and price disadvantages faced by Scotland's remote and island communities. The French government has introduced a lower rate of duty in Corsica under a similar system. The United Kingdom Government has not pursued such a policy for Scotland although the Commission on Scottish Devolution acknowledged the case for the Scottish and United Kingdom Governments 'to pursue a derogation limited to the outlying parts of the Highlands and Islands'. 106
- 5.34 Responsibility for fuel duty would also enable the Scottish Government to respond to the pressures faced by Scottish businesses due to Scotland's geographic position.



BOX 10: DEVOLUTION OF RAIL SERVICES

- 1. Until the Railways Act 2005 rail investment was decided at United Kingdom level, and Scottish projects competed for funding in a United Kingdom Government hierarchy. Since 2006 devolved responsibility for investment decisions has allowed the Scottish Government to target investment in the Scottish rail network to meet Scottish objectives, from improving connectivity to meeting climate change targets.
- 2. For example, in July 2007 the Scottish Government specified on behalf of Scottish rail passengers and freight users industry deliverables to secure the most positive outcomes for Scotland. Different priorities from the United Kingdom included a focus on faster journey times to benefit business, resulting in substantial planned investment in the Glasgow to Edinburgh line and from Inverness and Aberdeen to the central belt.





Nuclear, tidal, wind, clean-coal are, in varying proportions, ingredients for energy. The Scottish Government is against nuclear energy, so is there any confident assurance that other remaining sources are adequate to meet present and future demands, and within reasonable timescales?

(Melrose Summer Cabinet, 28 July 2009)

ENERGY

Objectives of energy policy

- 5.35 Energy policy encompasses both supply of energy, and developing the energy sector in Scotland's economy, including renewable energy and climate change targets.
- 5.36 The Climate Change (Scotland) Act 2009 introduced a statutory target to reduce emissions in Scotland by 42% by 2020. 50% of Scottish electricity consumption should come from renewable sources by 2020, with 31% by 2011, and, in line with European Union-wide targets, 20% of all energy use should come from renewable sources by 2020.
- 5.37 Scotland has a competitive advantage in energy: natural and geographic opportunities in wind and wave and tidal generation; and

established expertise in the oil and gas and power generation industries. Scotland is estimated to have 25% of Europe's offshore wind resource, 10% of Europe's wave resource and 25% of its tidal resource, which would make a significant contribution to a low carbon future for Scotland and Europe. Energy will be a key sector in Scotland's sustainable economic growth over the next 30 years and beyond.

Current position

5.38 The major policy responsibilities for energy are reserved, including the regulation of energy markets, regulation and taxation of the oil and gas sector and the promotion of Scottish interests at European Union level. Grid access is also reserved, and the current grid charging system works against the development of clean, renewable energy in Scotland. 5.39 Scottish responsibilities in relation to energy are limited to the promotion of renewable energy and energy efficiency. Through the planning system, the Scottish Government can also influence decisions relating to investment and the energy mix.

Energy recommendations of the Commission on Scottish Devolution

5.40 The Commission did not recommend any improvements to the current responsibilities for energy, either to encourage development of Scotland's renewables or to maximise the benefits of oil and gas to Scotland.

Oil and Gas

5.41 The Commission established an Independent Expert Group to examine the issue of North Sea taxation and revenue. This reported that there would be economic opportunities from devolving responsibility for North Sea taxation, although there could also be challenges. The Expert Group also identified the benefits of a Scottish oil fund. However, the Commission itself concluded that oil and gas revenues should remain reserved and did not recommend a Scottish oil fund.

Other Energy Matters

5.42 The Commission considered electricity generation and supply issues and made no recommendations in this area. On transmission charging, the Commission noted that this was an issue for many of those who gave evidence, but did not consider the subject was within its remit.

Full devolution

5.43 There are a number of areas of energy policy which could be devolved, despite the conclusions of the Commission on Scottish Devolution.

Renewables

5.44 The Scottish renewables target requires the right infrastructure. including harbours, test facilities, heat networks and upgrades to the grid. These require co-operative working across the public and private sectors, and major investment. The Fossil Fuel Levy fund is collected in Scotland to promote renewable energy, and currently stands at £174 million. A decision by the United Kingdom Government means that this fund cannot be invested in renewables without a corresponding reduction on the Scottish block grant. A devolved Fossil Fuel Levy fund could be invested to encourage the renewable energy sector in Scotland, helping to meet renewables targets in Scotland and across the United Kingdom.

Carbon Capture and Storage

5.45 Carbon Capture and Storage (CSS) is a technology in which Scotland has a number of significant advantages including academic expertise, considerable offshore storage capacity and the potential to utilise the skills and infrastructure of our existing oil and gas and power engineering sectors. There are a number of outstanding potential CCS projects which could be developed in Scotland. Giving greater powers to Scotland, such as ensuring that funding raised from the proposed United Kingdom Government levy on generation to fund CCS projects is allocated directly to Scotland, would provide an opportunity to assist the development of such projects and ensure that Scotland can be seen as a leader in the development of this emerging sector. In addition, CCS is currently regulated by a number of bodies including Scottish Ministers, the United Kingdom Government, and the Crown Estate. Devolving all offshore licensing, including oil and gas licensing, to Scotland would create a seamless regulatory framework for low carbon-based energy activity in the Scottish

Oil and gas taxation

- 5.46 Oil and gas remain an important sector in the Scottish economy.

 With further devolution the Scottish government could encourage development in a number of key areas:
- improving depletion rates and promoting enhanced oil recovery
- worldwide marketing of Scottish oil services expertise
- sustainable use and decommissioning of the oil and gas infrastructure (including for CCS)
- encouraging diversification of skills from the sector into low carbon opportunities such as CCS and marine renewables
- better use of fiscal revenues, including a sovereign wealth fund
- 5.47 The taxation regime is an important factor in maximising investment and production in the sector. The current taxation regime is made up of three parts: petroleum revenue tax: charged at 50% on profits from fields approved before March 1993 (when the tax was abolished for new fields); corporation tax: now charged at an effective rate of 50%; and license fees paid by operators to the United Kingdom Government to explore and extract oil and gas from specified areas.

As energy security issues climb to the top of the geopolitical security agenda, how will this impact on Scotland's energy security in the coming decaded

87

5.48 It is in Scotland's interests to develop an oil and gas taxation regime that balances revenues, environmental objectives on decommissioning and re-use of the infrastructure, and incentives for continued development and exploration in the North Sea. Remaining reserves may have a wholesale value of between £650 billion and £1.1 trillion. Full devolution of the North Sea tax regime would allow the Scottish Government to work with industry to develop a fiscal regime that met these objectives and ensured an appropriate level of taxation on a valuable and non-renewable resource.

Independence

5.49 Independence would give Scotland the advantages of full devolution and bring responsibility for important areas such as energy regulation and engagement with the European Union.

Energy regulation

regulation would address Scotland's specific needs in transmission of energy, encouraging renewables and energy efficiency, promoting trade with the rest of the United Kingdom and further afield within European Union rules. The Commission on Scottish Devolution considered the issue of electricity supply and concluded the current model of a

- United Kingdom-wide market was the best way ahead to ensure security of supply and allow consumers access to a competitive and modern energy market, as well as ensuring that obligations and targets are met. However, there are a number of examples where independent countries can operate a common electricity transmission and distribution system, such as the pooling arrangements that exist between a number of Nordic countries.¹⁰⁹ A single electricity market now exists between the Republic of Ireland and Northern Ireland, demonstrating that agreements and co-operation between individual countries on energy market regulation is possible.
- 5.51 Under the current United Kingdom system, there are higher charges for connection and use of the United Kingdom electricity grid for generators furthest from the main United Kingdom centres of demand, favouring generation in the south of England. Scottish generators produce 12% of United Kingdom generation, but account for 40% of the transmission costs, or about £100 million per year more than their proportionate share. This is a reserved matter, and Scotland cannot reform this regime even though it discriminates against Scottish generators and acts against the delivery of renewable energy targets. With independence Scotland

would have its own voice in any wider pooling structures to ensure that its interests were promoted.

Engagement with Europe

- 5.52 Scotland has a major contribution to make to European Union and international energy policy. Scotland is in a unique position with its extensive experience of the oil and gas industry and its significant potential to develop renewable and carbon capture technology. Scotland will play an important role in meeting Europe's energy security and climate change needs in the decades ahead. Scotland has also made innovative proposals for the future of the energy sector in Europe, for example on a supergrid across Europe centred on the North Sea.
- already made substantial progress in recent years in engaging actively with Europe on energy issues and has made energy a long-term priority for European engagement. Experience on low carbon energy research and development show that an active role for Scotland strengthens the United Kingdom's energy objectives within the European Union. However, only under independence could Scotland play a full part in European Union energy policy.

CONCLUSION

- 5.54 Scotland has a rich natural heritage, which, along with energy production, plays an important role in the economy. Much of the policy that affects its environment, agriculture and fisheries comes from the European Union and is therefore effectively reserved to the United Kingdom. Energy policy is also reserved, as is much regulation of transport.
- 5.55 It would be possible to devolve further responsibility to Scotland for some of these matters, for example particularly taxes on waste and transport. However, the challenges of climate change, energy supply and food security mean that international organisations, especially the European Union, are likely to continue to develop as the most important forums for decision making on environmental and energy matters in the future. Only independence would give Scotland a full voice in these international discussions, and allow its expertise and potential to be represented properly.



CHAPTER 6

A HEALTHIER AND SMARTER SCOTLAND

OVERVIEW

- Scotland has a long history of distinctive education, children's services and health systems within the United Kingdom. Devolution has shown the potential that greater autonomy gives Scotland to bring improvements to these systems, while preserving their traditional features. Free personal care for the elderly and the ban on smoking in public places have been landmark achievements of the Scottish Parliament. Scotland's health service has maintained its integrated structure while reducing waiting times, and public health legislation has been modernised. In education, the Curriculum for Excellence has modernised the schools system, while legislation has given greater rights to those requiring particular support for learning.
- 6.2 Independence would allow health and education to build on the achievements of devolution, integrating the support offered with important reserved matters, particularly the benefit and taxation

system, and contributing to tackling wider issues of poverty, ill health and economic inactivity in Scottish society.

HEALTH

Current responsibilities

From its inception, and in particular since devolution, the NHS in Scotland has been largely independent from the rest of the United Kingdom, and shaped by different patterns of need and geography. Such differences have defined the provision of free health care in Scotland, and the NHS in Scotland today is markedly different from that in England and Wales. Scotland has a long-standing integrated healthcare system. General Practitioners refer patients to a treatment centre within their own Board area or elsewhere if the required service is not provided locally. There is no competition, or internal market, operating across the NHS in Scotland.

- 6.4 Responsibility for the provision of health care is almost entirely devolved and there have been significant achievements over the last ten years: a reduction in waiting times through more efficient ways of working: better workforce planning: more investment in new diagnostic equipment; the development of the single patient record. Prescription charges are being phased out to ensure that all patients have access to the prescriptions they require. Public health legislation has been modernised through the Public Health etc. (Scotland) Act 2008. Scotland led in the United Kingdom with legislation to ban smoking in public places.
- directly to other policy objectives: growth in the Scottish economy through investment in medical and life sciences technology, and continuous improvement in its healthcare services; developing a highly skilled workforce with increasing productivity levels; and improving the health and wellbeing of the working age population.
- 6.6 Relatively few areas related to health are reserved. Those which are include: regulation of the main health professions; misuse of drugs; medicines, medical supplies and poisons; embryology, surrogacy and genetics; and abortion.¹¹¹

Health recommendations of the Commission on Scottish Devolution

6.7 The Commission made one recommendation directly affecting health matters: that regulation of all health professions should be reserved. The Scotland Act reserves to the United Kingdom regulation of health professions which existed when the Act was passed. Regulation of any new health profession has been devolved. If the regulation of all professions was reserved there would be no guarantee that the differences in Scotland's health structures and systems would be taken into account, as there would be no statutory imperative for the United Kingdom Government to seek agreement to its regulatory regimes.

What further steps
are planned to develop
our Mealth Service as
a public service in
which healthcare
workers United
Kingdom-wide would
be proud to work?

(Paisley National Conversation event, 14 September 2009)

Full devolution

6.8 Scotland already has responsibility to provide health care responsive and relevant to the needs of people in Scotland, and free at the point of delivery. However, Scotland does not have responsibility in areas that could be used to help reduce the negative health effects of smoking and alcohol misuse. For example, alcohol misuse is one of the most serious health problems facing Scotland, and it also has significant social and economic consequences. Responsibility for some key mechanisms to address this issue such as taxation levels on alcohol and the advertising of alcohol remains reserved to the United Kingdom.

Independence

6.9 With devolution Scotland has demonstrated its innovative approach to public health and to the delivery of healthcare. Scotland has maintained a high quality service based on a traditional national model. and avoiding market led innovations that have been introduced elsewhere in the NHS. Independence would ensure that Scotland had full responsibility for the entirety of its health system, including the few health policy areas reserved to the United Kingdom, and, wider policy areas which could support health policies in the economic and social fields.

- 6.10 Under independence, cross-border cooperation in health could be enhanced.
 In some areas, co-operation has arisen
 out of necessity, requiring a sharing of
 scarce resources or consistency of
 approach to complex issues; in others,
 it has arisen because of the benefits
 co-operation has brought for both the
 people of Scotland, and the rest of the
 United Kingdom.
- 6.11 The allocation of organs for donation and transplantation is carried out on a United Kingdom-basis, which ensures the best match between donor and recipient can be achieved. This arrangement could be maintained in an independent Scotland to ensure equal access for every citizen in the United Kingdom who requires a transplant. Likewise, there are United Kingdom-wide arrangements for the commissioning of specialist health services for conditions or treatments that are so rare or specialised that no single United Kingdom country could sustain them alone. Similar agreements exist on a European Union basis. These arrangements are

managed on behalf of Scotland by the National Services Division of NHS National Services Scotland, to ensure that the people of Scotland have access to such rare and specialised services when they need them.



BOX 11: FREE PERSONAL CARE¹¹²

- 1. Free Personal and Nursing Care has been one of the most high-profile Scottish policies since devolution. Over 50,000 vulnerable older people in Scotland are currently receiving assistance through the scheme. Around 42,000 people are now receiving personal care services at home at no charge allowing them to remain in their own homes and live independently for longer. 9,600 self-funders in care homes are receiving a weekly payment of £153 towards their personal care and around 6,100 of these self-funders are also receiving £69 per week towards their nursing care costs. The balance has shifted from residential care to supporting people in their own homes for long as possible.
- 2. The implementation of free personal care illustrated a difficulty of implementing devolved policy which interacts with the reserved benefits system. The United Kingdom Government withdrew Attendance Allowance from those people in care homes receiving free personal care. The Scottish Government had to ensure that these individuals are not disadvantaged financially as a result at a cost of £30 million a year.

BOX 12: SMOKING BAN

- 1. On 26 March 2006, Scotland became the first part of the United Kingdom to introduce comprehensive legislation to ban smoking in enclosed public places. The legislation has been hailed not only as the most important piece of public health legislation since the introduction of the NHS but as a defining moment in devolution. It is widely acknowledged that the leadership shown by the Scottish Parliament encouraged smoking bans elsewhere in the United Kingdom.
- 2. The legislation was preceded by an innovative work programme to raise awareness of the health risks of passive smoking, research current smoking policies, gather international evidence about the health and economic impact of smoking bans, and to test public opinion by a major public consultation through a number of routes. This provided a wealth of evidence, including of public support, on which to base the ban.

EDUCATION AND CHILDREN

Current responsibilities

- 6.12 Scotland has long had its own education system, with a distinctive curriculum framework, qualifications and examination system, and compulsory periods of education. The quality of Scotland's Universities is recognised internationally (see Box 6). Scotland has its own systems of pre-school education, childcare, children's services, a children's hearings system, social work and youth work. With devolution in 1999, the Scottish Parliament gained legislative responsibility for this education system.
- 6.13 Successive Scottish Governments have used devolved responsibilities to improve the Scottish education system, including the Curriculum for Excellence, the biggest reform of the Scottish education system for a generation. Legislative action has

- been taken to strengthen the rights of parents and young people with additional support needs, and planned provisions will update and strengthen the consultation practices and procedures for proposals that affect education services, such as the closure of schools.
- 6.14 However, the current constitutional settlement places limits on the action that can be taken in Scotland to improve the lives of children and young people. In particular, the benefits and tax credits system is not responsive to Scotland's specific needs and is organised on a United Kingdom-wide basis.

Children recommendations of the Commission on Scottish Devolution

6.15 The Commission made only one recommendation concerning children services: that in dealing with the children of asylum seekers, the relevant United Kingdom



- authorities must recognise the statutory responsibilities of Scottish authorities for the well-being of children in Scotland.
- 6.16 This recommendation reflects recent practice. Scottish and United Kingdom Governments have regular discussions about statutory duties to promote the well-being of children seeking asylum in Scotland. Since January 2009 all United Kingdom Borders Agency staff and contractors have been operating under a statutory Code of Practice to keep children safe from harm, and will be subject to a new statutory duty from the autumn to safeguard and promote the welfare of children. When children are detained at Dungavel, an agreement exists between the Borders Agency and the local authority to ensure that children are given the help and support they need, though the Scottish Government remains opposed to any such detention of children.

Independence

6.17 Independence - or full devolution - would allow children's services to be integrated with support through the tax credit and benefits system. For example, support with the costs of childcare (demand-side funding) is reserved to the United Kingdom Government and is funded through the tax credit system, while childcare provision (support-side

spending) is devolved to the Scottish Government. Parents find this split of responsibilities confusing and there is widespread criticism of the way the tax credit system works. If the Scottish Government had responsibility for supply and demand side funding for childcare it could construct progressive support for the costs of childcare, which is simple and accessible for parents.

CONCLUSION

6.18 The achievements in health and education since devolution demonstrate the potential for Scotland to flourish when it has full responsibility and can develop and implement policies to meet particular Scottish priorities and needs. Independence would allow Scotland to bring a similar approach to all areas of government activity, as well as integrating existing health and education services in wider mechanisms to support and develop the people of Scotland.





CHAPTER 7

A SAFER SCOTLAND

OVERVIEW

- 7.1 Scotland requires a legal system that supports a safe and just society, and tackles societal issues like drug and alcohol misuse and violence, including domestic and sexual violence. Human rights, liberties and equalities should underpin Scottish society, ensuring justice and tolerance for everyone, and protecting the rights of citizens against the state, and reflecting and protecting the diversity of society, tackling issues of sectarianism and discrimination.
- 7.2 Scotland has a proud legal tradition, securing the basic rights of the citizen within an effective justice system. Much of this system has been devolved, but important areas remain reserved: laws to tackle drugs, firearms and terrorism; the legal machinery for safeguarding the human rights of Scottish citizens; and important parts of the judicial system: aspects of the United Kingdom Supreme Court and many tribunals.
- 7.3 The Commission on Scottish
 Devolution recognised that the
 principle of devolution would place
 responsibility for these matters in
 Scotland, but only followed this
 argument to its conclusion in their
 recommendations on airguns, drink
 driving limits and speed limits. There
 is a separate criminal jurisdiction in
 Scotland, and responsibility for the
 whole body of criminal law could
 now be devolved to the Scottish
 Parliament as the legislature for
 that jurisdiction.
- 7.4 Independence would give Scotland full responsibility for its court system, its approach to international obligations of law and rights, and allow Scotland to protect the human rights of its citizens, guaranteeing their position within and against the state.

CRIMINAL AND CIVIL JUSTICE

Current position

- 7.5 The Scottish legal system has long been distinct from that in the rest of the United Kingdom. Its integrity and independence were secured in the Acts of Union, and administrative responsibility for running the justice system remained in Scotland. Devolution also gave Scotland legislative responsibility. The Scottish justice system has its own court system; different professional legal bodies (the Law Society of Scotland and the Faculty of Advocates); its own legislation; its own police forces; its own independent prosecution, headed by the Lord Advocate; its own prison and criminal justice social work services.
- 7.6 Scotland has used its devolved responsibilities to tackle a range of long-term societal problems, and to reform the system itself. These initiatives demonstrate the principle of devolution: problems which are endemic to Scotland are tackled in Scotland, by a coherent legislative, policy and judicial framework to tackle offenders, and reduce offences.

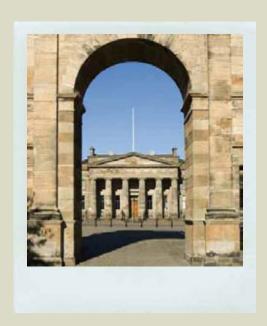
How is this government going to make Scotland safe for us to live in!

(Kilmarnock National Conversation event, 1 June 2009)

7.7 Although the justice system in Scotland is largely devolved, there are several important areas which are reserved to the United Kingdom: terrorism, legal safeguards for human rights, drugs, firearms, alcohol taxation, drink-driving limits, and some jurisdictions of the United Kingdom Supreme Court. If the Scottish Parliament were responsible for these areas there would be a more fully integrated justice system, with no gaps in the administration of justice in Scotland.

Justice recommendations of the Commission on Scottish Devolution

- 7.8 The Commission recommended that Scotland should be responsible for:
- the regulation of airguns
- licensing and control of controlled substances for the treatment of addiction
- drink-driving limits
- the national speed limit in Scotland¹¹³



- 7.9 Several of the Commission's recommendations reflect long-held views of the Scottish Parliament. For example, the Scottish Parliament has called for a lower drink-driving limit: legislative responsibility would allow the Scottish Government's Road Safety Framework to be taken forward. The Scottish Parliament has also called repeatedly for responsibility for the regulation of airguns, which are a particular problem in Scotland, accounting for half of all firearm offences in 2007/08.
- 7.10 There would remain limitations in the areas affected by the Commission's proposals. The Scottish Parliament could make laws on airguns, but not on other firearms. It would not be able to set differential drink-driving limits for certain groups of drivers, such as young drivers or commercial drivers. It would be able to set a national speed limit in Scotland, but would be unable to set related penalties.

Independence

7.11 A comprehensive justice system that tackles societal problems is essential for any nation. Despite the strengths of the Scottish criminal justice system, gaps and anomalies remain, preventing the full integration of law and accountability. There is no reason why all aspects of the legal system should not be fully devolved to Scotland, given its existence as a distinct and independent jurisdiction, but such a decision is dependent on the United Kingdom. Independence would ensure that full responsibility for justice matters rested within Scotland.

Drugs legislation

7.12 Much of drugs policy is already devolved, including the national drugs strategy, funding arrangements for drug treatment services and the organisation of delivery structures. However, classification of drugs and regulation of offences and penalties is reserved, as are the statutory functions of the Advisory Committee on the Misuse of Drugs, which reviews the classification of drugs and advises Ministers.

How does the government intend to increase the service of help in rehabilitation to young people who have alcoholf drug dependency and are involved in criminal activity, to bring them back into society?

(Melrose Summer Cabinet, 28 July 2009)

Firearms legislation

7.13 Responsibility for all firearms legislation would allow the firearms regime to be made consistent, easier to understand and easier to enforce. The Scottish Parliament would be better able to protect communities from illegal or irresponsible use of firearms, as it has with knives and other offensive weapons. A coherent firearms policy for Scotland would make it easier for legitimate firearms users to go about their activities, supporting the economic contribution of shooting sports and related industries. The risk of cross-border traffic in illegal firearms can be addressed in the same way as it has been for differences in the law on knife licensing and alcohol sales.



JUDICIARY AND THE COURTS

Current position

- 7.14 The Acts of Union guaranteed continued autonomy for Scotland's legal system. Scots Law, and the principal institutions administering it, have remained separate and distinct for the last 300 years. The principal effect of devolution was to give the new Scottish Parliament responsibility for maintaining a large proportion of the statute law (Acts of Parliament) which the Courts implement. The major reserved matters are some jurisdictions of the new United Kingdom Supreme Court and many reserved tribunals under the auspices of the new United Kingdom Tribunals service.
- 7.15 The Supreme Court was established in October 2009 and its judges are appointed on the recommendation of the Prime Minister. It sits as a Scottish Court to hear appeals from civil cases arising in Scotland, and also hears criminal cases where human rights are at issue, although most final appeals relating to criminal cases continue to be heard by Scottish courts. This split in the final jurisdiction on criminal matters risks inconsistency and confusion. The Supreme Court is required to include judges from each United Kingdom jurisdiction, but a clear majority of its judges are from

England and Wales. It is not clear if the new arrangements will safeguard the continued distinctiveness of Scotland's legal system or the coherence of Scots law as a body of law.

- 7.16 The United Kingdom Tribunal
 Service was created in 2008. Certain tribunals it administers sit in
 Scotland as British institutions, handling cases that would otherwise be heard by the Scottish Courts. The creation of the UK Tribunal Service was intended to rationalise the system in England and Wales but has in some cases added a further layer to the framework for administrative justice in Scotland.
- 7.17 Other reserved judicial matters include the remuneration arrangements for senior judges and the appointment of Scotland's most senior judges are still made on the recommendation of the Prime Minister, on the nomination of the First Minister.

Courts recommendations of the Commission on Scottish Devolution

7.18 The Commission considered the complexity of the tribunal system in Scotland, and the development of a split in the criminal law. On both matters, it found evidence of concern, but the Commission concluded both to be beyond its remit and made no recommendations.¹¹⁵

Full devolution

7.19 Full devolution would allow the concerns found by the Commission on Scottish Devolution to be addressed. In particular, the Supreme Court could have a Scottish Chamber, with a majority of judges expert in Scots law and practice, which was the responsibility of the Scottish Parliament. Such a Chamber could be properly integrated into the Scottish legal system, addressing the concerns about splits in the criminal law. Devolution of all tribunals would allow a Scottish tribunal service to be established, integrated into the Scottish court system and ensuring greater efficiency. Full devolution would also allow Scotland to introduce rational criteria, consistently applied, to the allocation of iurisdiction between the courts and tribunals.

Independence

7.20 The judicial branch is one of three pillars of government in most states. An independent Scotland would continue its tradition of a robust judiciary holding the executive and Parliament to the law, as well as administering and dispensing criminal and civil justice in the normal way. Scotland would need to consider the architecture of the court system, in particular whether there was a need for a Scottish Supreme Court on the United Kingdom model, or

- whether existing Scottish court structures would suffice. However the functions of a supreme court in interpreting the legal aspects of the constitution would remain the function of the Scottish judiciary.
- 7.21 The Scottish legal system would continue its traditional openness to the positive influence of other jurisdictions, particularly the Courts of European institutions. The principal difference would be that Scotland's legal system would decide how to use these external influences, including the rich jurisprudence of the rest of the United Kingdom and the Commonwealth, rather than having some crucial decisions made by judges from other jurisdictions.

HUMAN RIGHTS AND RESPONSIBILITIES

Current position

incorporated the European
Convention on Human Rights into
United Kingdom domestic law by
requiring public authorities to act in
accordance with the Convention
rights. The Scotland Act provides
that Scottish Ministers cannot act
incompatibly with any of those
rights and that the Scottish
Parliament cannot legislate
incompatibly with those rights.

7.23 These statutes are reserved. The United Kingdom Parliament still claims competence to legislate in ways which are incompatible with the European Convention on Human Rights and the human rights of Scottish citizens can therefore be encroached upon by Westminster without reference to the Scottish Parliament and Government. Greater protection has been given to the human rights of Scottish citizens in some devolved areas than has been the case in England and Wales, for example on the retention of fingerprints and DNA samples. However, the Scottish Parliament and Government cannot protect against threats to those rights if the matter is reserved, for example the introduction of identity cards.

Human rights recommendations of the Commission on Scottish Devolution

7.24 The Commission did not consider the wider issue of human rights, their place in the governance of Scotland, and the responsibility of the Scottish Parliament to protect the human rights of its citizens from legislation in the United Kingdom Parliament.

Independence

- 7.25 With independence, Scotland could properly entrench the human rights of Scottish citizens in the constitutional framework of the nation. This approach would reflect international best practice, and the international commitments Scotland has undertaken as part of the United Kingdom. Instead of regarding human rights as a burden on the government, an independent Scotland could take a positive approach to the place of rights in its political and legal system, guaranteeing the position of the individual against the state.
- 7.26 As an independent state, Scotland would generally inherit current international obligations, and it would be for the Government and Parliament to consider how these were taken forward in the future. including, for example, the domestic protection of the rights under the jurisdiction of the European Court of Human Rights, Independence would also give Scotland the ability to choose how to implement international obligations in areas which are currently reserved in a way sympathetic to local legal traditions, and national concerns.

CONCLUSION

- 7.27 Scotland's legal system has long been a distinctive feature of the nation. Devolution has provided the opportunity to update and modernise some of its features, and direct the system to addressing societal problems that has faced Scotland. However, some of the most important of these drugs, firearms, aspects of alcohol policy remain reserved.
- 7.28 The recommendations of the Commission on Scottish Devolution would provide some further responsibilities to Scotland, but not in these central areas. The principle of devolution should apply to the justice system as a whole, and give full responsibility to the Scottish Parliament as the law making body for this jurisdiction.
- 7.29 Independence would also give Scotland responsibility for its whole judicial system; and for the framework of fundamental rights for its citizens.





CHAPTER 8

A STRONGER SCOTLAND

OVERVIEW

- 8.1 A defining feature of an independent state is its voice on the world stage: in a wider international organisation, such as the European Union or the United Nations; or in bilateral discussions with other nations, neighbours and trading partners. Influencing others, representing the views and interests of its people, is a key aim of governments across the world in this global and interdependent age.

- 8.2 Scotland's international relations have three principal dimensions:
 - relations with the European Union
- relations with the wider international community and other international organisations
- relations with the rest of the United Kingdom

Given the European Union's role in many areas of government, Scotland needs adequate representation within the European Union to negotiate directly for its own interests. Scotland already has a distinct, if limited, voice on the international stage, both as a nation in its own right and as part of the United Kingdom. Scotland has close ties with the rest of the United Kingdom, from geography, from social and historical bonds, and through institutions, such as the monarchy, and would maintain these on independence.



SCOTLAND IN THE WORLD TODAY

Current position

- 8.3 As a nation within the United Kingdom, Scotland has maintained an international profile. People from across the globe have connections to Scotland; Scottish culture. manufacturing and produce are well-known throughout the world; and events such as Scotland Week and Homecoming 2009 place Scotland, its heritage and its contribution to the modern world on the global stage. Since devolution, Scotland has developed a more formal international role, for example contributing to international development, particularly in Africa.
- 8.4 Under the current constitutional settlement, foreign affairs are reserved to the United Kingdom for formal international purposes, for example membership of the European Union. Scottish Ministers can make representations on issues of particular interest to Scotland only through the United Kingdom

delegation. They can attend meetings only with the agreement of the United Kingdom Government, and must adhere to the agreed United Kingdom position. Similar arrangements apply to other international negotiations which affect devolved matters, such the Copenhagen conference on climate change and the Nuclear Non-Proliferation Treaty Review Conference.

SCOTLAND'S FUTURE ROLE

External relations recommendations of the Commission on Scottish Devolution

8.5 The Commission recognised the importance of the European Union to Scotland, and made several recommendations to strengthen the role of Scottish Ministers in formulating the United Kingdom's position, both generally and where particular Scottish interests are involved. The Commission also recommended that there should be a presumption that Scottish Ministers should be part of the United Kingdom



delegation when devolved issues are being discussed, and, similarly, that there should be a presumption, when practicable, that Scottish Ministers should be able to speak in support of the United Kingdom position.

- 8.6 These recommendations potentially strengthen the opportunity to reflect Scottish concerns in Europe.
 However, Scottish Ministers would still require the agreement of the United Kingdom Government to be able to speak, and would not be able to deviate from the United Kingdom position.
- 8.7 The Commission also made a number of recommendations designed to improve relations between the Scottish Government and the United Kingdom Government within devolution. These included strengthening the Joint Ministerial Committee in various ways, such as increasing the frequency of its meetings and increasing parliamentary scrutiny of its proceedings. The Commission
- also made several recommendations to improve the relationship between the Scottish Parliament and the United Kingdom Parliament. These included more formal channels of communication, particularly where legislation involves both devolved and reserved matters, and the appearance of the First Minister and the Secretary of State for Scotland before relevant committees in the United Kingdom Parliament and the Scottish Parliament respectively.¹¹⁶
- Some of these recommendations 8.8 could improve the relationship between the Scottish Government and the United Kingdom Government, particularly those that would genuinely improve the effectiveness of the Joint Ministerial Committee. It should be noted, however, that any improvements to the relationship between the Scottish Government and the United Kingdom Government should ensure that Ministers are held properly accountable to their own Parliament for the exercise of their respective responsibilities.

Full devolution

- 8.9 Scotland could not play a full role in international affairs without independence. However, experience from other countries shows that, even within the current arrangements, Scotland's international role could be enhanced.
- 8.10 Devolved governments from both Belgium and Spain have a right to attend meetings of the European Union Council of Ministers when matters within their responsibilities are being considered. Similarly, representatives of the German regions sitting in the upper chamber of the German parliament have a key role in determining the German position for European Union discussions of matters within their sole competence.
- 8.11 Full devolution could give similar rights of attendance at Council of Ministers meetings to Scottish, Welsh and Northern Irish Ministers, instead of having to rely on the goodwill of the United Kingdom Government. Where devolved interests predominate, a Scottish Minister could speak for the United Kingdom as a whole. This principle applies to other international conferences and meetings, for instance Scotland could also have a right of attendance at the International Climate Change Negotiations in Copenhagen.

Independence

Scotland in Europe

- 8.12 An independent Scotland would continue membership of the European Union, fulfilling the responsibilities which membership brings, and maintaining its political, economic and social links to Europe. As a nation within the United Kingdom. Scotland is already actively involved in, and influencing, the European Union, is governed by European Union law, and is responsible for transposing European Union law into Scots law for devolved subjects. However, as part of the United Kingdom, Scotland is less fully involved in European Union policy-making. Scotland derives a range of benefits from being part of the European Union, including access to the largest single market in the world. Full membership of the European Union would allow Scotland to participate fully in European affairs, and ensure that Scottish interests were represented. Settling the details of European Union membership would take place in parallel to independence negotiations with the United Kingdom Government, and would cover areas such as number of MEPs and weight in the Council of Ministers.
- 8.13 Scotland would represent its own national interests within the European Union, in the same way as other member states,¹¹⁷ influencing directly the overall direction of European

- Union policy, as well as raising Scotland's profile as a responsible and active European nation.
- 8.14 As a full member of the European Union, Scotland would have greater representation across the European Union's various institutions and bodies. Within the United Kingdom, Scotland has six MEPs, but independent countries of a comparable size to Scotland, such as Denmark, have thirteen MEPs as representation is calculated so that there are proportionally fewer MEPs for larger member states than for smaller ones. An increase in the number of Scottish MEPs would widen the range of committees on which they could serve, further increasing Scotland's influence. Scottish Government Ministers would sit on the Council of the European Union, the organisation's principal decision-making body.
- 8.15 An independent Scotland would also have greater representation on other European Union bodies, including the Economic and Social Committee and the Committee of the Regions. As a full member, Scotland would be eligible to serve as President of the Council of the European Union, which rotates on a six-monthly basis between all members. Scotland would have a strong and consistent voice in Europe to argue for its own national interests, as well as representing Scottish views on wider European Union matters.
- 8.16 In an increasingly globalised world, membership of organisations such as the United Nations, the Commonwealth, the World Health Organisation, the Organisation for Economic Co-operation and Development and the World Trade Organisation would cement Scotland's place in the international community. Through these organisations, Scotland could promote its national interests globally, representing the views and interests of its people, and engaging with other states as an equal partner. Scotland would also play a full role in considering and addressing issues like peace and war. reconciliation and climate change. As part of the United Kingdom, Scotland already has links to such organisations, but is not a full member of most. Independence would enable Scotland to play a full role in each of these organisations, with the same rights and responsibilities as all other full members.
- 8.17 As part of the global community, an independent Scotland would establish a diplomatic service, as well as a government department to deal with international affairs. Scotland has already established its own offices in certain strategic overseas locations (Brussels, Washington DC and Beijing) to represent key interests. Through Scottish Development International, which promotes Scottish international trade and inward investment, Scotland also has a presence in 21 other locations. Scotland would be well-

placed to build a strong diplomatic service, promoting Scottish political and economic interests, as well as Scottish culture, and offering protection to Scottish citizens. This would be an important element of Scotland's full role in the international community.

Scotland and the United Kingdom

8.18 On independence, relations between Scotland and the rest of the United Kingdom would be conducted on an equal footing between two sovereign governments. This should lead to an improved relationship between the Scottish Government and the United Kingdom Government, which is sometimes strained by the devolution settlement, particularly around areas of contention. While areas of difference would exist - as is common between neighbouring nations - independence would remove ambiguities and



- disagreements over areas of responsibility, allowing the development of a stronger partnership between the Scottish Government and the United Kingdom Government.
- 8.19 Independence would require intergovernmental machinery to manage a new relationship and to gain maximum benefit from the Scotland-United Kingdom partnership. Existing structures, such as the Joint Ministerial Committee, should serve as a useful model. Other existing bodies, such as the British-Irish Council, would remain relevant after independence (see Box 13).
- 8.20 A new partnership between the Scottish Government and the United Kingdom Government would support cross-border institutions and bodies which continue to exist after independence. There would also be benefits to Scotland and the United Kingdom retaining a strong political relationship when dealing with the European Union.
- 8.21 As equal sovereign states, Scotland and the United Kingdom would be able to work together in a strong partnership on areas of mutual interest and advantage. An intergovernmental mechanism should be created to help manage this relationship. This would help ensure that areas of common interests were reflected and advanced in European Union decision-making.

BOX 13: BRITISH-IRISH COUNCIL

The British-Irish Council currently consists of: two sovereign states the UK and Ireland; the three devolved administrations of Scotland, Wales and Northern Ireland; and the three Crown Dependencies of Jersey, Guernsey and the Isle of Man. Arising out of the Agreements underpinning the peace process in Northern Ireland, the Council is a forum for finding and progressing areas of collaboration between all the member administrations to develop policy solutions to common challenges. Each Member Administration has an equal voice at the Council, and decisions are taken by consensus. It would therefore make no difference to the Council's composition or operation if Scotland were to become a sovereign state. It would continue as a valuable means of exchanging experience and opinions, and agreeing future work to benefit all the administrations represented. The Council provides a good model for positive inter-governmental relationships in which mutual respect is paramount, and Scotland will continue to support its consolidation. The next stage of this is to secure a standing Secretariat, which can then provide the Council with a secure base for its further development.

Who will qualify for citizenship of Scotland should when it becomes independent?

(Written response to the National Conversation, August 2007)

8.22 Citizenship in an independent Scotland will be based upon an inclusive model. Many people in Scotland have ties to the rest of the United Kingdom, including familial, social and economic connections. An independent Scotland could recognise the complex shared history of Scotland and the United Kingdom by offering shared or dual citizenship. As a member of the European Union, Scottish citizens would have free access across Europe.

Scotland's defence, security and resilience

- 8.23 Scotland is currently unusual as a nation in that it does not have responsibility for matters of national defence. The Scottish Government, unlike those in other nations, is unable to determine the levels of spending on defence, or indeed how much of that spending occurs in Scotland; it is unable to decide on whether our young men and women are sent to participate in conflicts such as the Iraq war; and Scotland is unable to decide whether or not nuclear weapons are based on our territory. That is the defence status quo for Scotland, with these issues and others decided outwith Scotland.
- 8.24 A central function of government is to ensure the security of its citizens and to protect them, their property and way of life against threats.

 Governments also plan and act to ensure that society can withstand and react to major emergencies, whether natural or man-made.

- 8.25 Working to ensure the security of its citizens and protect their prosperity and way of life against internal and external threats is a normal and natural function of government and one carried out effectively by every other nation state in the European Union. Other partner nations have the full range of responsibilities including defence, security and resilience, each of which plays an interlocking part in ensuring the security of citizens.
- 8.26 The security of any state can be threatened by hostile states, terrorism and serious organised crime. Security is also affected by technological change, climate change, migration, competition for resources and international poverty. Societies also need to be resilient to other risks, such as extreme weather, pandemic disease, utilities failure, and industrial action.

8.27 These challenges require a range of responses: traditional policing of serious crime; the use of intelligence and technology to assess threats; planning for recovery from serious incidents; and appropriate military capabilities and partnerships. Such practical measures should be complemented by core values, such as respect for human rights and the rule of law.

Current position

8.28 National security and defence are currently reserved, as are emergency powers.¹¹⁹ Other aspects of security and resilience planning, such as policing and local authority contingency planning, are devolved. In practice, there is considerable overlap in these functions. For example, although national security is reserved, Scottish Police forces, funded by and answerable to the Scottish Parliament, implement many aspects of counter-terrorism strategy in Scotland. In the event of a catastrophic emergency in Scotland, the United Kingdom Government would be able to impose emergency regulations and a regional emergency co-ordinator under reserved emergency powers but the planning would rely on devolved agencies such as local authorities and NHS health boards.

8.29 Almost all decisions about defence and security are taken by the United Kingdom Government, with no formal role or consultation with the Scottish Government or Parliament. Most prominently, decisions about the deployment of United Kingdom Armed Forces, for example to Afghanistan or Iraq, are solely for the United Kingdom Government. Decisions about defence procurement and defence facilities within the United Kingdom can have a significant impact on Scotland's economy. Neither the Scottish Parliament nor Government has any formal role in these considerations and there is no requirement for them to be consulted or even informed. The decision remains entirely within the United Kingdom Government, as do decisions on testing depleted uranium weapon systems in Scotland, and basing the United Kingdom's nuclear deterrent on the Clyde.

Commission on Scottish Devolution

- 8.30 The Commission concluded that national defence and security are irreducible functions of the State. 120 The Commission was of the view that all parts of the United Kingdom must remain joined together for defence and national security and there should be "no risk of a lack of clarity" over responsibility.
- 8.31 The Commission did not discuss the existing relationship between defence, security and resilience, nor the current overlap of reserved and devolved policy responsibility, funding and agencies. It noted, in the context of Inter-Governmental relations, that existing arrangements for coordination in emergencies were well developed and had been tested most recently in the outbreak of the Influenza A virus (sub-type H1N1). However, the Commission noted that these were pragmatic arrangements and that Ministers from devolved administrations participated by invitation of the United Kingdom Government.¹²¹ The Commission made no recommendations to put these arrangements on a more formal footing for future clarity.

Full devolution

- 8.32 National security and defence are seen as central to the functions of a nation-state, and therefore difficult to devolve to Scotland within the United Kingdom. The experience of other countries suggests that defence policy would almost certainly remain reserved to the United Kingdom Government. However, there are improvements to the overall arrangements for defence, security and resilience that could be made to enhance the effectiveness of current arrangements.
- 8.33 The reservation of emergency powers could be removed, to emphasise the need for the United Kingdom and devolved administrations to work together in emergencies. In practice, the Scottish Parliament and Government would have a role in the exercise of the emergency powers, particularly in devolved areas. To recognise this, the ability to make regulations could be exercisable by either Scottish or United Kingdom Ministers as appropriate, on the model of shared and community law powers under the Scotland Act. 123
- 8.34 Scottish Ministers could be given a more formal role on significant decisions affecting Scotland, for example the closure of a military base, particularly where these decisions have significant economic impact, or the units support civil authorities in Scotland (such as search and rescue detachments and bomb disposal units). Scottish Ministers could be consulted on such proposals, and disagreements could be taken to an inter-Governmental machinery, perhaps the Joint Ministerial Committee.
- 8.35 Taking the country to war is the most serious decision the United Kingdom Government can take. Under current proposals the United Kingdom Parliament would gain a formal role in decisions to deploy United Kingdom Armed Forces overseas. 124 Extending this principle and consulting the other national Parliaments and assemblies would recognise the supreme importance of such a decision to the United Kingdom, and its constituent nations.

Independence

- 8.36 Independence would give Scotland full responsibility for matters of defence, security and resilience, like other nations. Independence would allow Scotland to decide an approach to these issues that best fits the national interest, based on internationally accepted objectives for defence and security policy:
- to uphold national sovereignty and secure the territorial integrity of the country
- to secure internal security in the face of threats and risks
- in partnership with other nations, to help to prevent and resolve conflicts and war anywhere in the world
- in partnership with other nations, to further peaceful development in the world with due respect for human rights

- 8.37 There are a number of key tasks that similar nations undertake to support these key objectives:
- securing territorial integrity
- working with other nations to ensure regional security
- developing partnerships with other nations to support peace, build confidence and stability in other parts of Europe and the world
- supporting agencies responsible for civil emergencies and security
- responding to domestic and overseas threats to security
- ensuring the nation is prepared to deal with any domestic emergency
- ensuring appropriate and responsible care for veterans

There would be a range of choices to be made for Scotland's independent defence and security policy, including the size and cost of Scotland's defence capability, international defence alliances and its general approach to defence and international affairs.

What defence strategy would an independent Scotland adopt?

(Jedburgh National Conversation event, 29 April 2009)



- 8.39 Each of these defence options has opportunities and costs (although current United Kingdom Government defence spending in Scotland is proportionately lower than in the rest on the United Kingdom - see Box 14), and there are different models from similar countries in Europe, and beyond. Given the importance and complexity of the issues involved, an independent Scotland would require a strategic defence review to formulate and propose national priorities for defence, and the longer term objectives and structure of Scotland's armed forces. Similar defence reviews have taken place at a United Kingdom level.
- 8.40 On accession to the Nuclear Non-Proliferation Treaty, an independent Scotland would become a Non-Nuclear Weapons State, taking on the commitments of the treaty to work for nuclear non-proliferation and promote a nuclear weapon-free world. The United Kingdom's nuclear deterrent would not continue to be based in an independent Scotland and a Scottish Government would need to work in partnership with the rest of the United Kingdom to ensure an appropriate transition and relocation.
- 8.41 An integrated approach to defence, security and resilience would allow an independent Scotland to protect its own citizens, while further

developing the expertise and capability to play a full part in international efforts to address terrorism, and other threats, and respond to natural and man made disasters, continuing the prominent global role that Scots have played over many years.

Alliances

- 8.42 An independent Scotland would have choices regarding its membership of international alliances. For example, countries such as Norway and Denmark are members of NATO whereas countries such as Finland and Ireland are not. Scotland, and this is the stance favoured by the SNP, could co-operate with international alliances such as NATO through its Partnership for Peace programme while not being a member.
- 8.43 Whatever the outcome of a strategic defence review, an independent Scotland's closest allies would remain its current partners in the United Kingdom. Continued defence co-operation on training, basing and procurement arrangements would benefit both Scotland and the other nations of the United Kingdom.

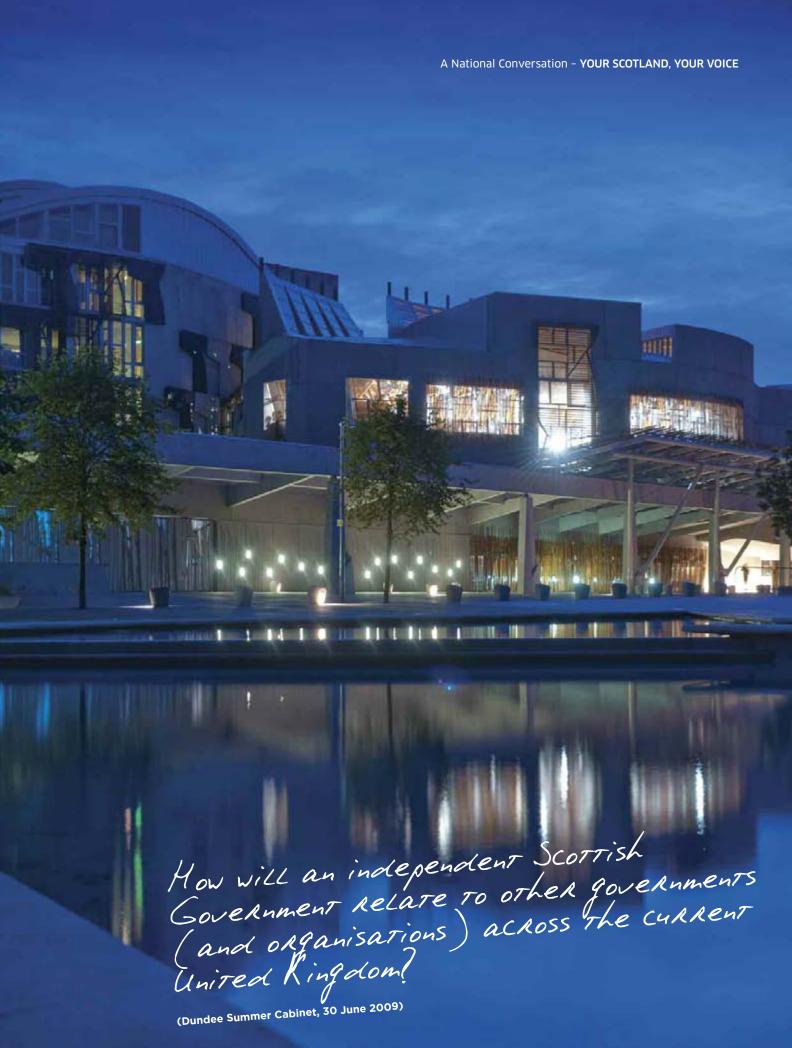
BOX 14: DEFENCE SPENDING

- 1. The United Kingdom currently spends a higher proportion of GDP on defence than almost any other European country (2.4%)¹²⁵ although the level of United Kingdom Government defence spending which takes place Scotland is lower. This expenditure is used to achieve global reach, and conduct overseas deployment (such as Iraq and Afghanistan) as well as maintaining the nuclear deterrent.
- 2. An independent Scotland, following defence models similar to other European countries, could choose to focus on non-nuclear domestic defence and security and specific overseas peace-keeping operations. Scottish-based defence industries could benefit from any joint procurement arrangement with the rest of the United Kingdom, as well as wider export opportunities.
- 3. Defence spending is intended to benefit the whole of the United Kingdom, through providing security and stability, but defence spending also has a positive economic impact on the regions and countries where it takes place. For example, military procurement and defence facilities directly support employment, and the wider economy, in the regions they are based. However, Scotland receives a proportionally lower direct economic benefit from United Kingdom Government defence spending than it might expect. Actual direct Ministry of Defence expenditure in Scotland over the five years to 2006/07 was some £4.3 billion less than the population based apportionment of defence spending to Scotland over the same period.¹²⁶
- 4. Ministry of Defence employment in Scotland has fallen from 24,200 in 1997 to 17,900 in 2009, a proportionately larger fall than across the Ministry's activities outside Scotland. Consequently, Scotland's share of Ministry of Defence personnel has fallen from 7.0% to 6.5% over this period. The number of jobs supported by Ministry of Defence expenditure in Scotland has also fallen in recent years. In 2007/08 Ministry of Defence expenditure supported 6,000 jobs in the Scottish economy, down from 10,000 in 2003/04.¹²⁷

CONCLUSION

8.44 Only independence would give Scotland a full voice in international organisations, especially the European Union, and responsibility for its own security and defence policy. This voice would represent Scottish interests, and ensure that Scotland fulfilled its potential to contribute to debates on economic matters, energy, fisheries, the environment and on matters of peace and war.







CHAPTER 9

A MODERN SCOTLAND

OVERVIEW

- 9.1 Devolution has given Scotland a modern democratic Parliament, open and accessible to the people, and elected on a proportional basis. Coalition and minority governments have held office successfully, demonstrating the adaptability of the Scottish political parties to new ways of working together and governing.
- 9.2 The Scottish Parliament and Government have taken a range of decisions that have affected each and every citizen of Scotland, and have demonstrated that Scotland can govern itself effectively. The Scottish Parliament and the Scottish Government have both become central parts of Scottish life. People in Scotland routinely trust these institutions more than their Westminster counterparts, and look to them to make the decisions which affect Scotland.¹²⁸
- 9.3 Democracy in Scotland is underpinned by key principles such as power sharing and participation, which make Scottish governance distinct from the rest of the United Kingdom. The Scottish Parliament provides genuine access for the people, through the legislative

- process and the Petitions Committee, which make the Parliament responsive, and helps maintain accountability. The Scottish Government has pioneered innovative consultation on significant policy making. Both have demonstrated a commitment to engaging with the whole of Scotland by taking parliamentary committees and the Scottish Cabinet out of Edinburgh and around the country.
- 9.4 These features of today's Scotland indicate the direction for an independent Scotland: a modern country where the democratic process provides transparency and accountability. Independence for Scotland would bring these advantages to the whole range of government activity, including all the key issues currently dealt with by the United Kingdom Parliament and Government in their traditional way.
- 9.5 Responsibility for decision making within Scotland is shared between central and local government based on mutual esteem and respect.

 Scotland should encourage a culture of responsibility and independence at all levels, with decisions being taken at the right level to reflect specific local needs, as well as those of the nation as a whole.

CONSTITUTION AND GOVERNMENT

The founding principles of the Scottish Parliament

- 9.6 Those establishing the Scottish Parliament deliberately set out to build a modern system of governance, particularly compared to the United Kingdom. A Consultative Steering Group was set up to consider how the Scottish Parliament would operate, 129 and indentified founding principles to govern the relationship between people, parliament and the state in Scotland:
- power sharing
- accountability
- access and participation
- equal opportunity
- **9.7** The Scottish Parliament has successfully put into practice the principles on which it was founded:
- the petitions system makes the Parliament accessible and improves accountability
- the legislative process gives civil society and individuals significant opportunities to participate before and during the formal Parliamentary processes

- both parliamentary committees and the Scottish Cabinet take the process of government to all parts of the country
- participation and engagement is built into work of government, parliament, local government and wider public sector
- 9.8 The electoral system has also played an important role in opening up government in Scotland and in sharing responsibility between the executive branch and the Parliament itself. The proportional voting system has ensured that the Scottish Parliament more closely reflects the views of the people of Scotland, and that parties have had to form Parliamentary majorities in new ways, either through coalition or through issue-by-issue negotiations by a minority government. These advantages have now been introduced to local government in Scotland.



Current position

- 9.9 Aspects of the constitution, including the United Kingdom Parliament and the Union of the Kingdoms of Scotland and England, are reserved to the United Kingdom institutions by the Scotland Act. The system of government that has been successfully built up over the last ten years is, therefore, subject to amendment or even abolition by the United Kingdom Parliament.
- 9.10 Also reserved are fundamental laws which underlie the existence and actions of the Scottish Parliament and the Government, most obviously most of the Scotland Act and the legal mechanisms for safeguarding human rights in Scotland. These can also be altered by the United Kingdom to affect the competence of the Scottish Parliament. For example, the Scottish Parliament cannot legislate in a way incompatible with human rights. However, while the United Kingdom Government can be expected to comply with its international obligations, legally the United Kingdom Parliament could amend the mechanisms for protecting human rights, altering the fundamental relationship between the legislature and the citizen. There are some safeguards, in that the

- Scottish Parliament itself should be consulted and agree to any variation in its responsibilities. However, this is a constitutional convention, not a rule of law, and relies on the United Kingdom Parliament exercising self-restraint in its use of its responsibilities.
- government is already largely devolved to Scotland. Scottish Ministers are elected to set the direction of policy and the overarching outcomes that the public sector in Scotland is expected to achieve. Local government has responsibility to develop services which deliver outcomes in ways that reflect local priorities. The Scottish approach to local government is based on mutual respect and partnership, based on key principles:
- central and local government are equal partners at the centre of governance in Scotland
- local authorities are democratically constituted bodies with autonomy to deliver in the best way that they see fit for their local communities
- central and local government should work together to develop policy and agree the financial settlement associated with delivery of policy priorities

Constitutional recommendations of the Commission on Scottish Devolution

9.12 One recommendation of the Commission is that the Scottish Parliament could be permitted by the United Kingdom Parliament to legislate on a one-off basis in relation to reserved matters. This mechanism might improve the efficiency of the legislative process when Scottish legislation involves reserved matters. At present, reserved issues have to be dealt with separately by means of an order in the United Kingdom Parliament. There are potential advantages in being able to include such provisions directly in Acts of the Scottish Parliament.

9.13 However, the Commission does not develop this concept fully. A more useful proposal would be that the Scottish Parliament decides when it should acquire competence over an issue, recognising its position as the elected national assembly of Scotland. This would follow the model of the 1931 Statute of Westminster for the Dominions, such as Canada and Australia.

Full devolution

9.14 Full devolution of constitutional affairs would mean that the Scottish Parliament was responsible for all of its procedures and its own competence. The Parliament could therefore adjust its electoral system. or its membership, or its statutory Committee structure. Perhaps more importantly, it could decide to acquire competence over issues currently reserved to Westminster. This could be either a unilateral process, or the United Kingdom Parliament could agree to proposals, similar to the system under the Government of Wales Act 2006. With full devolution Scotland could have its own civil service, similar to Northern Ireland.

- 9.15 Full devolution on this model would recognise the position of the Scottish Parliament as the elected, democratic voice of a sovereign Scottish people, enabled to determine the best form of government for the nation. It might be that certain amendments to the responsibilities of the Parliament, for example on foreign affairs, require negotiation and agreement with the United Kingdom. A significant package might need or benefit from the direct agreement of the people in a referendum.
- 9.16 Recognising the sovereignty of the Scottish people with a devolved Parliament which can alter the settlement itself would be compatible with Scotland remaining within the United Kingdom. Sovereignty would only lead to independence if the people of Scotland wish.

Independence

9.17 An independent Scotland would be responsible for its entire constitution, from the Head of State to the rights of individual citizens, subject to international obligations such as European Union membership.

- 9.18 The current constitutional arrangements, with the Queen as Head of State of an independent Scotland, a Scottish Parliament and Government modelled on the existing institutions, and continued membership of the European Union, would provide a robust and tested constitutional framework for Scotland in the event of the transition to independence. Some adjustments would be needed to the relationship with existing United Kingdom bodies where new partnership arrangements were agreed.
- 9.19 An independent Scotland could consider further progress, for example removing the religious discriminatory aspects of the succession to the throne, or formulating and agreeing a fully codified and written constitution. These issues would be decided within Scotland, either by the Scottish Parliament, or, as at the moment for major constitutional change, through a referendum.



ELECTIONS

Current position

- 9.20 Responsibility for elections to the House of Commons, the European Parliament and the Scottish Parliament is reserved; responsibility for local government elections is devolved, although the franchise for these elections is reserved.
- 9.21 There are now four different voting systems in use in Scotland. First past the post for United Kingdom Parliamentary elections; the additional member system (AMS) for elections to the Scottish Parliament; single transferrable vote (STV) for local government elections; and a closed party list system for elections to the European Parliament.

Election recommendations of the Commission on Scottish Devolution

- 9.22 The Commission recommended that the responsibilities of the Secretary of State for Scotland relating to the administration of elections to the Scottish Parliament should be devolved, which would transfer administrative responsibility.

 Legislation for Scottish elections would continue to be the responsibility of the United Kingdom Parliament and Government.
- 9.23 The Gould Report into the combined local government and Scottish Parliamentary elections of 2007 was clear that fragmentation of responsibility was a major factor in the problems encountered. The Gould report concluded that the Scottish Parliament should have full responsibility for the Scottish Parliamentary elections. The Commission's recommendation would actually lead to further fragmentation of decision-making risking greater problems.

Full devolution

9.24 Full devolution of Scottish
Parliamentary elections would bring
accountability closer to the people

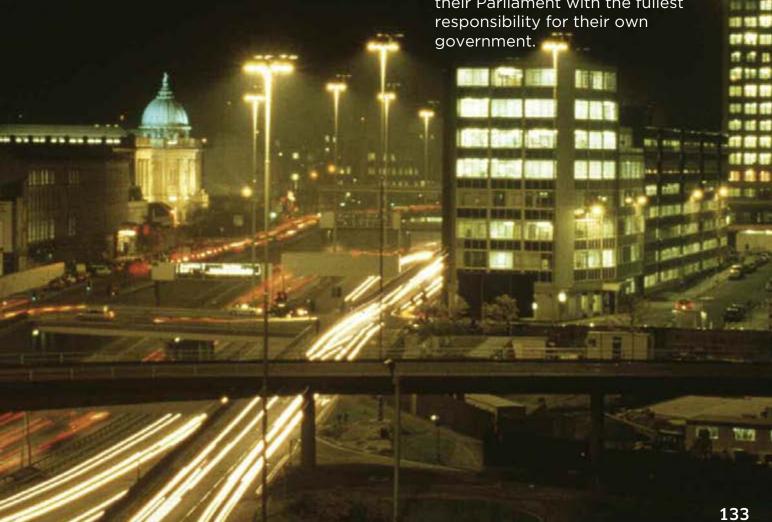
of Scotland. With full devolution of responsibility for elections, the Scottish Parliament could consider the most appropriate voting system – perhaps STV in line with Scottish local government elections – and the voting age. The Scottish Parliament could also examine more imaginative ways to increase voter participation following its decision to decouple local government and Scottish Parliamentary elections.

Independence

- 9.25 The main electoral effect of independence would be that Scotland no longer returned Members of Parliament to Westminster. Scotland would no longer use the first past the post system for any of its elections, and would use only proportional voting systems.
- 9.26 Scotland would also be free to choose its system of electing Members of the European Parliament, which is currently decide by the United Kingdom. The method chosen would depend on the number of MEPs Scotland secures in negotiation, which is likely to be more than the current six (Denmark, of comparable size to Scotland, has 13 MEPs).

CONCLUSION

- 9.27 It has long been a part of Scottish constitutional tradition that the people of Scotland should be able to decide their own constitutional arrangements. However, the Scottish Parliament does not currently have the responsibility for determining the best way of governing the nation, as aspects of the constitution are reserved to the United Kingdom.
- 9.28 The sovereignty of the people of Scotland could be recognised legally and constitutionally within the United Kingdom if the Scottish Parliament had full responsibility for determining its own functions and role, as well as its structure and elections, consulting either or both the Scottish people (by way of referendum) and the United Kingdom Parliament. There are precedents for such a model. However, independence would provide the Scottish people and their Parliament with the fullest responsibility for their own



CHAPTER 10

CHOOSING SCOTLAND'S FUTURE

INTRODUCTION

- of its achievements over the last 10 years. The Scottish Parliament has introduced innovative and successful reforms, making a real difference to the lives of the people of Scotland. Two-thirds of those living in Scotland now want the Scottish Parliament to have more responsibilities and 70% want it to have the most influence over the way Scotland is run.¹³¹
- 10.2 This paper provides a vision of the further opportunities for Scotland if the Scottish Parliament's responsibilities were extended in order to allow for independence. The current economic situation reinforces the arguments for ensuring that Scotland can determine its own economic policies. The international situation raises important and relevant issues of peace and war. The crisis in British democracy shows the potential for a better system of government for Scotland, which might be an example for the rest of the United Kingdom.
- 10.3 The debate about the way forward for Scotland encompasses a wide

range of views and that range of views should be heard: and not just the views of the political and civic establishment – everyone in Scotland should be given the opportunity to have their say.

INVOLVING THE PEOPLE

- in the democratic process is a central tenet of modern Scottish society. The Claim of Right of 1989 reaffirmed an ancient Scottish tradition which asserts that it is the people of Scotland that are sovereign.
- 10.5 During and after the restoration of the Scottish Parliament, the nation has sought to be defined by a more inclusive form of democracy than that which prevails in the United Kingdom Parliament. Indeed the founding principles of the Scottish Parliament include access and participation, principles that the Parliament has worked assiduously to embed into its day to day work. The Scottish Parliament is now one of the most open and accessible Parliaments in the world.

- 10.6 The Scottish Government is similarly committed to encouraging the participation of the people in shaping policy. This is evident than in the way in which the Scottish Government has approached the issue of Scotland's constitutional future.
- 10.7 The National Conversation has been an exercise in participative democracy. The whole process has allowed the people of Scotland to express their views on the future direction of the nation, from public events held in all parts of Scotland, to publication of policy papers and an online portal where anyone could leave comments and join in the debate.
- 10.8 The next step is to ensure that the whole of Scotland can give its view on the extension of the responsibilities of the Scottish Parliament. The Scottish Government proposes that a Referendum should be held in Scotland in 2010 to allow that view to be heard.



A NATIONAL REFERENDUM

As the speakers said, it is the decision of the Scottish people as to what road they want to take. It should not be politicians who make this decision.

(Haddington National Conversation event, 28 September 2009)

10.9 The Scottish Government believes that the future prosperity and development of Scotland is best served by becoming an independent country, a view shared in the Scottish Parliament by the Scottish Green Party. The Scottish Government favours a referendum which presents a clear choice between achieving that aspiration and the current devolution settlement.

The Scottish Government's preferred option

- 10.10 Under independence Scotland would assume the rights and responsibilities of a normal sovereign state. This would include all decisions on economic and fiscal affairs, currency, the constitution, foreign affairs, security and defence. Scotland would be recognised as a state by the international community and be part of the European Union as a full member state.
- 10.11 The opportunities and challenges of independence for specific policy areas have been described in this paper and have been the subject of debate and discussion in Scotland for many years. Those who favour this vision of Scotland will be able to indicate their support for Scottish Ministers seeking to extend the responsibilities of the Parliament to allow for independence to be achieved.

Current devolution settlement

- 10.12 It is accepted that some voters do not wish Scottish Ministers to take any steps to seek to extend the responsibilities of the Scottish Parliament.
- 10.13 Therefore there will be an opportunity for those who do not support any extension of current responsibilities to express that view in the referendum.

A multi-option referendum

- 10.14 However, despite the Scottish
 Government's preference for a
 single choice, it acknowledges that
 there is support within Scotland for
 a range of positions seeking a
 variety of increased responsibilities
 for the Scottish Parliament. During
 the National Conversation such
 support has been heard at town
 hall meetings, and the National
 Conversation policy papers have
 included information on at least
 two such options.
- 10.15 The Scottish Government also accepts that a multi-option referendum might be more likely to command the support of other parties in the Scottish Parliament, if they are consistent with their previous positions on the matter, and it would enjoy a measure of support within the country. The Scottish Government can also see some democratic advantage in posing more than one question.
- 10.16 However there is a problem in deciding what the other option should be. It has been suggested since the Commission on Scottish Devolution reported in June 2009 that its recommendations should be placed before the Scottish people. Those who sponsored the Commission have refused to allow that to happen. In addition, the proposals not only fall short of being a coherent package, but they also fall short of the increase in responsibilities that would normally be seen as requiring referendum

consultation. Furthermore there is some doubt as to whether the parties who previously supported the Commission process are still unanimously in favour of the fiscal proposals.

- 10.17 There is a further problem in suggesting that the Commission recommendations form an option in a referendum. As both the Scottish and United Kingdom Governments support many of the recommendations, and as the Scottish Government has published an approach which would implement legislative changes within a matter of months, providing the United Kingdom Government agrees, many of the proposals could be implemented well before a referendum could be held. The Scottish Government is also working to attempt to facilitate, with the United Kingdom Government and the Scottish Parliament, early progress on nonlegislative Commission proposals regarding Scottish Parliamentary Procedures and inter-governmental relations.
- 10.18 However, there is an alternative set of proposals which would seek to extend the responsibilities of the Scottish Parliament, short of independence. Contributions to the National Conversation have indicated support for a range of proposals which reduce the reservations of policy areas under the Scotland Act, but do not

- eliminate them all. For example, the devolution of broadcasting, taxation and benefits could form elements what has been called "Devolution Max".
- 10.19 Unfortunately the various proponents of this approach have yet to bring it forward in a form in which it could provide the basis for a question in a multi-option referendum, although the inclusion of the concept in the National Conversation policy papers, and in this paper, will have helped that process.
- 10.20 The Referendum Bill will be introduced into the Scottish Parliament in early 2010. There will therefore be an opportunity during the Bill process for one or more of the opposition parties in the Scottish Parliament to bring forward such a proposal. If it were brought forward, the Scottish Government would be prepared to consider it as a serious option for inclusion in a multi-option referendum. Accordingly the Referendum Bill will be constructed so that the Scottish Parliament can, if it so chooses, offer the Scottish people the opportunity to vote for a proposal about further devolution of other responsibilities to the Scottish Parliament as part of a multi-option referendum, even though the Scottish Government does not favour this option and will not campaign for it.



- 10.21 A referendum is essential because the Scottish Government believes that this debate cannot be restricted to the Scottish Parliament. The National Conversation has allowed the people to articulate their views, and it is now time for them to be invited to express those views in a formal way.
- 10.22 The Bill as introduced will provide the detailed framework for holding the referendum and will contain the precise form of the ballot paper for the choice described in paragraphs 10.10 10.13 above. The referendum will be held on a similar model to 1997, but with additional provisions to govern the scrutiny of the process through an independent commission, the levels of finance that can be spent during the

campaign, and the mechanism for the count. The arrangements will conform to or exceed the best international practice.

THE NEXT STEP

10.23 The Scottish Government intends to bring forward the Referendum Bill early in 2010. The Scottish Parliament will be invited to pass the legislation.

ANNEX A NATIONAL CONVERSATION EVENTS

DATE	EVENT
14 August 2007	Launch of National Conversation and publication of Choosing Scotland's Future by First Minister Alex Salmond
22 October 2007	Scottish Government summit: Scotland's future without nuclear weapons
30 November 2007	First Minister delivered St Andrew's Day lecture on national days and the National Conversation
11 December 2007	Deputy First Minister Nicola Sturgeon gave evidence to the Europe and External Relations Committee of the Scottish Parliament on the National Conversation
11 December 2007	First Minister delivered the Playfair lecture on Scotland, Europe and the National Conversation
4 February 2008	First Minister Alex Salmond opened Scotland in the World at the University of Aberdeen
13 February 2008	First Minister Alex Salmond at Trinity College Dublin
26 March 2008	Phase 2 of the National Conversation launched with over 100 representatives of Scotland's civic institutions at the University of Edinburgh
1 April 2008	First Minister Alex Salmond at the University of Virginia in USA
23 April 2008	First Minister Alex Salmond continued the National Conversation in Brussels
3 May 2008	Minister for Parliamentary Business Bruce Crawford addressed Churches without Walls conference
19 June 2008	Action of Churches in Scotland Together
20 June 2008	Minister for Parliamentary Business Bruce Crawford at Scottish Council of Voluntary Organisations
29 July 2008	Scottish Cabinet in Dumfries
5 August 2008	Scottish Cabinet in Inverness

DATE	EVENT
7 August 2008	Young Scot meeting in Dumfries
13 August 2008	Scottish Cabinet in Pitlochry
26 August 2008	Scottish Cabinet in Skye
30 August 2008	Young Scot meeting in Inverurie
8 September 2008	Scottish Council for Voluntary Organisations in Uist
10 September 2008	Minister for Schools and Skills Maureen Watt in Airdrie
20 September 2008	Young Scot host meeting in Irvine
28 September 2008	Scottish Council for Voluntary Organisations in Perth
29 September 2008	Scottish Council for Voluntary Organisations in Castle Douglas
14 October 2008	Scottish Council for Voluntary Organisations in Inverness
10 November 2008	Deputy First Minister Nicola Sturgeon and Minister for Parliamentary Business Bruce Crawford in Stornoway
12 November 2008	National Discussion Day at the Jam House in Edinburgh with feedback from 5,000 Young Scots who completed online questionnaires
27 November 2008	Scottish Government's St Andrew's Day debate at Holyrood
19 January 2009	Cabinet Secretary for Justice Kenneth MacAskill and Minister for Public Health and Sport Shona Robison in Dundee
23 February 2009	Minister for Transport, Infrastructure and Climate Change Stewart Stevenson in Banff
23 March 2009	First Minister Alex Salmond, Cabinet Secretary for Finance and Sustainable Growth John Swinney and Minister for Transport, Infrastructure and Climate Change Stewart Stevenson in Arran
30 March 2009	Council of Ethnic Minority Voluntary Organisations in Glasgow, hosted by Deputy First Minister Nicola Sturgeon
22 April 2009	Council of Ethnic Minority Voluntary Organisations in Edinburgh, hosted by Cabinet Secretary for Education and Lifelong Learning Fiona Hyslop

DATE	EVENT
29 April 2009	Cabinet Secretary for Rural Affairs and the Environment Richard Lochhead and Minister for Culture, External Affairs and the Constitution Michael Russell in Jedburgh
13 May 2009	Cabinet Secretary for Education and Lifelong Learning Fiona Hyslop and Minister for Parliamentary Business Bruce Crawford in Stirling
18 May 2009	Council of Ethnic Minority Voluntary Organisations in Dundee, hosted by Cabinet Secretary for Finance and Sustainable Growth John Swinney and Minister for Parliamentary Business Bruce Crawford
1 June 2009	Cabinet Secretary for Justice Kenny MacAskill and Minister for Children and Early Years Adam Ingram in Kilmarnock
16 June 2009	Minister for Culture, External Affairs and the Constitution Michael Russell and Minister for Schools and Skills Keith Brown in Kirkcaldy
16 June 2009	First Minister Alex Salmond and Minister for Culture, External Affairs and the Constitution Michael Russell in Livingston
22 June 2009	Council of Ethnic Minority Voluntary Organisations in Aberdeen, hosted by Minister for Housing and Communities Alex Neill and Minister for Environment Roseanna Cunningham
23 June 2009	Council of Ethnic Minority Voluntary Organisations in Inverness, hosted by Minister for Housing and Communities Alex Neill and Minister for Environment Roseanna Cunningham
29-30 June 2009	Scottish Cabinet meeting in Dundee, followed by National Conversation event
27-28 July 2009	Scottish Cabinet meeting in Melrose, followed by National Conversation event
3-4 August 2009	Scottish Cabinet meeting in Stornoway, followed by National Conversation event
17-18 August 2009	Scottish Cabinet meeting in Aberdeen, followed by National Conversation event
31 August – 1 September 2009	Scottish Cabinet meeting in Glasgow, followed by National Conversation Event
8 September 2009	Minister for Culture, External Affairs and the Constitution Michael Russell launched Europe and Foreign Affairs paper in Brussels

DATE	EVENT
14 September 2009	Cabinet Secretary for Education and Lifelong Learning Fiona Hyslop and Minister for Community Safety Fergus Ewing in Paisley
28 September 2009	Minister for Culture, External Affairs and the Constitution Michael Russell and Minister for Transport, Infrastructure and Climate Change Stewart Stevenson in Haddington
28 September 2009	Minister for Culture, External Affairs and the Constitution Michael Russell hosted Expressing and Exercising Scottish Sovereignty seminar at the University of Edinburgh
30 September 2009	Council of Ethnic Minority Voluntary Organisations in Edinburgh, hosted by First Minister Alex Salmond
5 October 2009	Minister for Community Safety Fergus Ewing and Minister for Transport, Infrastructure and Climate Change Stewart Stevenson in Oban
19 October 2009	Cabinet Secretary for Health and Wellbeing Nicola Sturgeon and Minister for Schools and Skills Keith Brown in Hamilton
26 October 2009	Cabinet Secretary for Justice Kenneth MacAskill and Minister for Housing and Communities Alex Neill in Dalkeith
2 November 2009	Video conference with Minister for Culture, External Affairs and the Constitution Michael Russell and Minister for Schools and Skills via University of the Highlands and Islands network, linking Orkney, Shetland, Fort William, Thurso and Dingwall
9 November 2009	Cabinet Secretary for Finance and Sustainable Growth John Swinney and Minister for Children and Early Years Adam Ingram in Ayr
9 November 2009	Minister for Culture, External Affairs and the Constitution Michael Russell delivered lecture on the debate about Scotland's constitutional future at Constitution Unit, University College London
16 November 2009	Cabinet Secretary for Justice Kenneth MacAskill and Minister for Environment Roseanna Cunningham in Port Glasgow
19 November 2009	Minister for Children and Early Years Adam Ingram and Minister for Housing and Communities Alex Neill in Bishopbriggs
24 November 2009	Scottish Council on Deafness, Glasgow, with Deputy First Minister Nicola Sturgeon

In addition, the Minister for Enterprise, Energy and Tourism held 130 National Conversation economy-based events with a wide variety of groups throughout Scotland.

ANNEX B ORGANISATIONS CONTRIBUTING TO THE NATIONAL CONVERSATION

Many individuals and organisations have attended or been represented at National Conversation events, including the following:

Aberdeen Airport

Aberdeen and Grampian Chamber of

Commerce

Aberdeen City Council

Aberdeen College

Aberdeen Council of Voluntary

Organisations

Aberdeen Greenspace

Aberdeen International Centre

Aberdeen Performing Arts

Aberdeen Tenants Association

Aberdeenshire Council

Addaction

Adult Protection Committee

Afasic Scotland

All Saints Church Glasgow

Anderston Sanctuary Tenants &

Residents Association

Angus Council

Angus Housing Association

Apex Scotland

Appin Community Council

Arac

Ardler Village Trust

Ardlochrig Tenants and Residents

Association

Ardrossan Community Council

Argyll & Bute Council Argyll Technologies Armadale Community Council

Armadale Community Education

Association

Armour and Partners
Armstrong Landforce

Arran Adventure Company

Arran Ferry Committee

Arran Haulage

Arran High School

Arran Windpower Ltd

Ashley and Broomhill CC

Aspire 2gether

Association of Scottish Community

Councils

Athelstaneford Parish Church

Auchtermuchty and Strathmiglo

Community Council

Autism Argyll

Autism Rights

Avich & Kilchrenan Community Council

Avr Careers Centre

Ayrshire & Arran Alcohol and Drug

Action Team

Ayrshire Housing

Baker Tilly Tax and Accounting Limited

Ballantrae Community Council

Banff and Buchan College

Banner Residents Association

BDA Council

BEAR Scotland

BEEM & East Lothian Resident & Tenants

Panel

Befrienders

Belhelvie Community Council

Berwickshire Housing Association

Better Government for Older People

Black and Ethnic Minorities Infrastructure

in Scotland (BEMIS)

Blackridge Community Council

Blairgowrie & East Perthshire Tourist

Association

Bon Accord Free Church of Scotland

Border Curling Development Group

Borders Common Riding Association

Borders Family History Society

Borders Independent Advocacy Service

Borders Sport and Leisure

Bower, Halkirk-Westerdale and Watten

Parishes

Boys Brigade

Braidhouse

British Deaf Association

Broomhill Community Council

Broxburn Academy Parents Council

Broxburn Family Centre

Brunton Court Tenants Group

Buccleuch Group

Burns Festival Trust

Cairn Valley & District Community

Council

Calderwood Community Council

CalMac Ferries Ltd

Cameron Riddell Associates

Capability Scotland

Cardonald College

Cassillis Estate

Castle Tenants & Residents Association

Cathedral of St Mary's of Assumption

Catherine's Country Kitchen

Central Buchan

Centre for Stewardship

Certex Accounting

Chair Caderwood Community Council

Changing Places

Cherry Road Centre

Christ Church

Church of Scotland

Citizens Advice and Rights Fife

Citizens Advice Bureau

CL Research

Clackmannanshire Council

Clyde Gateway URC

Clyde Valley Community Council

Clydebank College

Coal Industry Social Welfare

Organisation

COAST

Comhairle nan Eilean Siar

Community Integrated Care

Community Learning and Development

Community Links

Convenor Orkney Islands Council

Cornbank Primary School

Cornerstone

Cowal Community Hospital

Craigengillan

Cranshaws, Ellemford & Longformacus

Cranston Nurseries Ltd

Crescent Moon Music Ltd

Crofters Commission

Currie & Brown United Kingdom Limited

CXR Biosciences Ltd

Dairsie Community Council
Datec Technologies Limited

David MacBrayne Ltd

Deans Community High School

Playgroup

Dougarie Estate

Drongan Tenants and Residents

Association

DSL Business Finance

Dumfries & Galloway Federation

Dumfries and Galloway Constabulary

Dumfries and Galloway Council
Dunbar Community Council

Dunbar Parish Church

Dundee and Angus Chamber of

Commerce

Dundee City Council

Dundee College

Dundee Voluntary Action

Dunmure Community Council
Dunpender Community Council

East Ayrshire Council

East Lothian & Midlothian Community

Health Partnerships

East Lothian & Midlothian Community

Partnership

East Lothian Council

East Lothian Fishermen's Association

East Lothian Public Partnership

East Lothian Tenants and Residents

Panel

East Renfrewshire Council

Edinburgh Pharmaceutical Processes Ltd

Ednam, Stichill & Berrymoss Community

Council

Eildon Group

Ellon and District

Emergency Care Centre Emtelle United Kingdom Ltd

ENABLE

Ettrick & Yarrow Community Council

Fairbridge

Fairlie Community Council

Falkirk Council

Federation of Small Businesses

Fife Council

Fife Scottish Youth Parliament

Fife Youth Forum

Fios

Fire Brigade Union Tayside

Fisherton Church

Floors Makerstoun Nenthorn & Smailholm

Community Council

FOANSLAG Tenants and Residents

Association

Forestry Commission Scotland

Fort Soafield and Wallacetown

Fort, Seafield and Wallacetown

Community Council

Free Church of Scotland

Friends of the West Highland Lines

Society

Furnance Community Council
Fyvie Homecoming Festival

GATE

Gavinton, Fogo & Polwarth Community

Council

Girvan Community Council

Glamis Castle

Glasgow Chamber of Commerce

Glasgow City Council Glasgow College of Arts Glasgow Metropolitan College

Glasgow Works Glenburn Surgery

Gordon & Westruther Community

Council

Govan C Residents Association

Grampian Police

Grandparents Apart Self Help Group

Kilmarnock

Guthrie Group Ltd Hairmyres Hospital Halliday Fraser

Hamilton Old Parish Church Hamilton Park Racecourse

Hamilton Trinity Parish Church

Harlow Hadden Consulting Engineers

Harris Tweed Authority

Headtown

Hebrides Alpha Project

Highland Alternative Energy

Highland Council

Highland Theological College Highlands and Islands Enterprise

Hillhouse Hitrans

HMP Peterhead HMP Kilmarnock Homestart Glasgow

Horizon Housing Association

Housing Initiative for Arran Residents

Houston Community Council Howood Community Council Hunterhill Community Council

lain More Associates Inclusion Scotland Institute of Directors Institute of Local Television

Inverurie and District Islands Book Trust

J Rutherford (Earlston) Ltd

Jedburgh Alliance

Jedburgh Community Trust

Jewel & Esk College John Wheatley College Justice and Peace Scotland Keep Scotland Beautiful

Kelso Library

Kennoway Community Council

Kibble Education Centre Kilmarnock College

Kinetic Group

King's Park Community Council Kinross-shire Residents Association

Kirkcaldy High School

Kirkcaldy West Community Council

Labour Party

Lanarkshire Chamber of Commerce

Langside College

Largo Area Community Council Lauderdale Development Trust

Lead Scotland North Lewis Sports Centre

Lilliesleaf Ashkirk & Midlem Community

Council

Lilliesleaf Poultry

Living Streets Scotland

Loch Lomond and the Trossachs National

Park

Lochaber GoPark

Longside & District Community Council Lothian and Borders Fire & Rescue

Lothian and Borders Police

Lothian NHS Board

Maclay Murray & Spens LLP

Mains of Tarryblake Mann Judd Gordon

Manor, Stobo & Lyne Community Council

Maritime and Coastguard Agency
Maxwellton Court Tenant Association

Medical Research Council

Meldrum, Bourtie Daviot Community

Council

Mellerstain Trust

Melville Housing Association

Methihill Primary School Parent Council

Methodist Church in Scotland

MG Alba

Midlothian & East Lothian Chamber of

Commerce

Midlothian Council

Midlothian Tenants Org Midlothian Youth Platform

Molendinar Community Council

Momentum Scotland

Moray Council

Moray Firth Coastal partnership

Mossblown & St Quivox Community

Council

Mountain Rescue Association

Museum nan Eilean Napier University

National Trust for Scotland

Network of Community Councils

Newcastleton, Development, Tourism &

Leisure Group NHS Borders

NHS Fife

NHS Forth valley

NHS Grampian

NHS Greater Glasgow NHS Highland Board NHS Lanarkshire

NHS Orkney NHS Shetland NHS Tayside

NHS West Lothian North Ayrshire Council North End First Responder North Glasgow College North Lanarkshire Council

Northern Lights Regional Network

Nungate Tenants Residents Association

Oban Community Council

Oban High School
Oil and Gas Academy

Old Aberdeen Community Council

OLMC Parish Banff Orkney College Orkney Council

Outer Hebrides Fisheries Trust
Paisley South Housing Association
Paisley West Community Council

Parent Council West Calder High School

Partick United Residents Group

Partners in Advocacy

Pearce Institute

Peebles Community Council Peeblesshire Federation

Penicuik Town Hall

Penumbra Youth Project
Perth & Argyll Conservancy
Perth and Kinross Council

Perthshire Chamber of Commerce

Peterhead North and Rattray Peterhead South and Cruden

Planning Together

Portlethen & District Community Council

Positive Solutions Positive Steps

Pöyry Energy (Aberdeen) Ltd Prestwick and District Branch

Procurator Fiscal Service

Prospective Parliamentary Candidate

Queen Margaret University Racial Equality Council Rathbone United Kingdom

RBS

Re-Gen North

Renfrewshire Council
Renfrewshire CVS

Richmond Fellowship Scotland

Riddrie Tenant and Resident Association

Rosemount Flexi Centre Roses Charitable Trust

Rothera Group

Royal Burgh of Selkirk and District

Community Council Royal National Mod

Royal Scottish Geographical Society

Salvation Army

SAMH

Sandback Community Council Sandwick Community Council

School Leaders Scotland

Scotland Transerv

Scottish Agricultural College

Scottish Agricultural College Farm

Business Services

Scottish Association of Local Sports

Councils

Scottish Auto Cycle Union

Scottish Beef Cattle Association

Scottish Borders Chamber of Commerce

Scottish Borders Council Scottish Borders Elder Voice Scottish Borders Environment

Partnership

Scottish Borders Social Enterprise

Chamber

Scottish Borders Tenants Organisation Scottish Business in the Community Scottish Council for Development and

Industry

Scottish Council of Jewish Communities

Scottish Council on Deafness Scottish Crofting Foundation

Scottish Enterprise

Scottish Episcopal Church

Scottish Flood Forum

Scottish Genealogy Research Scottish Health Council Borders

Scottish National Heritage Scottish Natural Heritage

Scottish Pre-School Playgroup

Development Worker Scottish Prison Service

Scottish Qualifications Authority
Scottish Tenant Farmers Association
Scottish Traditional Boat Festival

Scottish Water

Scottish Youth Parliament Scottish Youth Theatre

Seabird Centre

Selkirk Regeneration Group

SEPA

SEStran

Shell

Shetland Islands Council

Shieldhall Tenants and Residents

Association

Skills Development Scotland Smithy Croft High School Smithy House Associates Soroba Young Family Group

South Ayrshire Council
South Lanarkshire Council
Springfield Community Council

SPT SRPBA SSPCA

St Benedicts Church St John's Church

St John's Episcopal Church

St Mary's Church St Patricks Church St Philamena's Primary

Stirling Council

Stirling Smith Art Gallery and Museum

Stirling University

Stornoway Amenity Trust Strathclyde Fire & Rescue Strathclyde Forensics Strathclyde Hospital Strathclyde Police

Strichen and Tyre Church

Stirling Council

STUC TACTRAN

Tarbert & Skipness Community Council

Tay Screen

Tenants & Residents Association of

Kemnay

Tenants and Residents Association

The Bridge
The Cyrenians
Theatre Hebrides
Third Sector Hebrides

Thornfield House
Thurso Community Council

Tilhill Forestry Ltd
Todd Associates
Trade Union Council
Transition Arran
Traquair House

Trinity Church

Troon St Meddan's Parish Church

Trustee Reform Scotland

Tullibody, Cambus & Glenochil

Community Council

Turriff and District Heritage Society

Turriff Community Council
Tweeddale Sports Council
Tyron Parish Hall Committee

University of the Highlands and Islands

Lews Castle College

Unison

UNISON Lanarkshire Health Branch

Unite

University of Abertay
University of Dundee
University of Dundee
University of Strathclyde

University of the West of Scotland

University of Abertay

Uphall Community council

Video Goodwill

Visit Scotland

Voluntary Sector Strategy Group Volunteer Centre West Lothian

Walking Support

Wallyford Community Council

West Church

West End Community Council

West Lochfyne Community Council

West Lothian College West Lothian Council

West Lothian Drug & Alcohol Service

West Lothian Drug Actions Team

West Lothian FSB

West Lothian LEADER Coordinator

West of Scotland Housing Association

Westburn Village Neighbourhood Council

Western Isles Health Board

Western Isles Library Service

Westhill & Elrick Community Council

Westhill and District

Westhill Community Council

Whitehall Theatre

Willow Wood Community

Wireless Infrastructure Group

Word Fringe

Young Scot

The following organisations also made formal written submissions to the National Conversation:

British Energy

Ecas

Educational Institute of Scotland Glasgow Caledonian University

Institute of Chartered Accountants of

Scotland

Institute of Local Television National Trust for Scotland

Reform Scotland

Scottish Association for Public Transport

Scottish Competition Law Forum

Scottish Consumer Council

Scottish Federation of Housing

Associations

Scottish Refugee Council

Statistics Commission

University of Edinburgh

West Lothian Council

ENDNOTES

- "We, gathered as the Scottish Constitutional Convention, do hereby acknowledge the sovereign right of the Scottish people to determine the form of Government best suited to their needs, and do hereby declare and pledge that in all our actions and deliberations their interests shall be paramount." Owen Dudley Edwards, *Claim of Right for Scotland* (Polygon, 1989).
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Scotland is steadily and surely shrugging off its unenviable reputation as the sick man of Europe. To do that has involved taking courageous decisions and backing these up with necessary legislation - such as leading the way in banning smoking in enclosed public spaces; delivering free personal care; and our current legislative proposals which include measures to further reduce smoking, such as banning cigarette vending machines, and to tackle alcohol misuse through the introduction of minimum pricing. I am absolutely certain that we can and should continue to lead the way in taking appropriate measures to improve the health of the people of Scotland, now and in the future. Only with full independent powers and responsibilities will we able to do so. This includes control over taxation and benefits which are vital if we are to reduce poverty and low income, and eliminate the health inequalities which plague Scotland. Such powers will enable us to more fully determine and shape the continuing improvements we need if Scotland's people are to live longer, healthier lives.

Minister for Public Health and Sport













The Scottish Government continues to encourage, nurture and build a supportive business environment. We recognise that effective businesses are the key to delivering accelerated and sustainable economic growth. With greater autonomy and in an independent Scotland, we would have the opportunity to put in place new initiatives such as lower corporation tax to give companies in Scotland a new competitive edge and to attract new businesses to Scotland. Constitutional reform would also give Scotland responsibility for developing our vast energy resources, including our oil and gas reserves and our huge potential in renewables and carbon capture.

> Minister for Enterprise, Energy and Tourism



Scotland's ambitious and comprehensive climate change legislation establishes this country as a global leader in developing a low carbon economy. We recognise the contribution that Scotland must make to reverse the carbon polluting impacts of the first industrial revolution and the economic opportunities for those who move quickly into the next. We are doing all we can within the powers available to us to transform our domestic performance and to influence the conduct of international negotiations. With the powers properly available to an independent nation state. we would enhance our international contribution and move more rapidly towards the more successful and just low carbon economy we want to see.

Minister for Transport, Infrastructure, and Climate Change

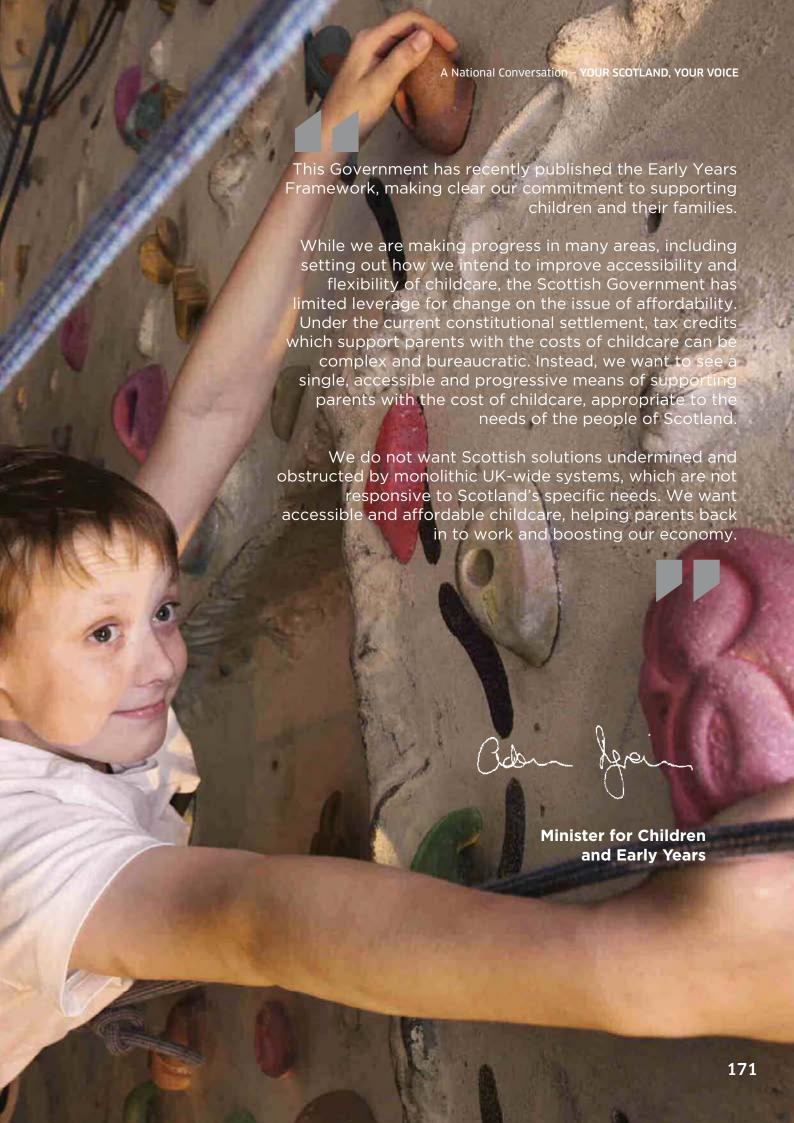
To create the sort of country of which we can all be proud to be a part, we need an education system within which our children and young people will be equipped to succeed personally, socially and economically in the modern world. This goes beyond education. For example, aspects of the UK tax credit and benefits system impact directly on the lives of some of Scotland's most vulnerable children and young people, such as those with disabilities. Constitutional reform will allow us to fully align all of Scotland's public service systems to work with the third sector, communities and parents to help enable current and future generations to thrive.

Mha

Minister for Schools and Skills

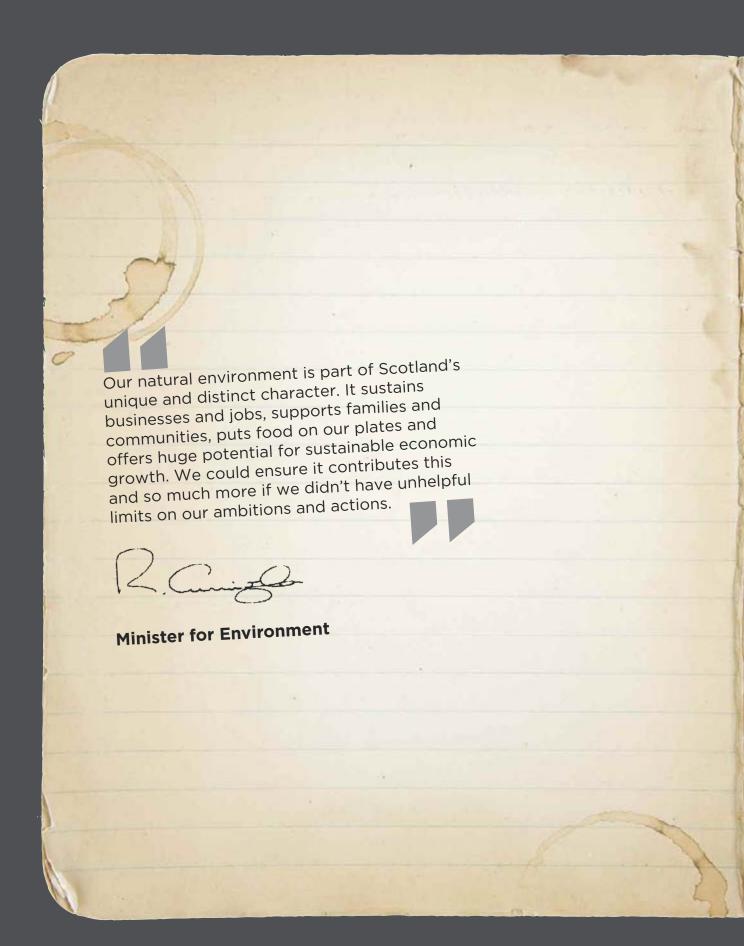














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For more information on the National Conversation please email joinin@anationalconversation.com or visit the National Conversation website at www.anationalconversation.com

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ISBN 978-0-7559-8114-4

RR Donnelley B61368 11/09



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