

Wales in a Changing Union

**Second submission to the Silk Commission
from the
Changing Union Partnership
Finance and Funding Working Group**

1 First submission

In our first submission to the Commission in February 2012 our group drew attention to the following:

- the breadth of the consensus in favour of the reform of the Barnett formula on lines suggested by the Independent Commission on Finance and funding of Wales (IFCCW – the Holtham Commission), with technical aspects of its operation administered by an independent body at arm's length from both the UK Treasury and the devolved administrations
- the necessity of the reform of the formula as a pre-condition of consensus on the devolution of taxation powers
- that despite strong arguments for devolved taxation powers in the interests of accountability, Wales would be worse off under any combination of devolved taxation powers, unless it were also buttressed by the retention of a needs-based expenditure equalization system
- current confusion in the debate on Scotland surrounding concepts variously described as full fiscal autonomy, devo-max and devo-plus
- the absence of revenue and expenditure data for Wales comparable to that which exists for Scotland

Since then Parliament has passed the Scotland Act 2012 which grants extensive taxation and borrowing powers to the Scottish Parliament.

This further submission sets out our view on the devolution of specific taxation powers and the framework within which such devolution should operate. We believe that these recommendations could be applied whether or not Scotland votes to secede from the United Kingdom.

We remain concerned at the ad hoc nature of constitutional change in the UK. This concern extends to the ad hoc nature of many fiscal reforms. Any system of devolution of taxation powers should be based on clear principles, and transparent equity across the union - whether including Scotland or not - rather than on the vagaries of political leverage.

2 Taxation, accountability and good government

There is wide agreement, in Wales as elsewhere, that any democratic body charged with spending public money should also be responsible for raising a significant portion of that money. We share that view. The absence of taxation powers from the current devolution settlement in Wales is an aberration from international and British norms. International practice conforms with public finance theory in holding that bodies that spend money should, as far as practical, have to raise it. It is probably unique internationally to have a body with the power to make primary legislation (which local authorities do not have) as well spend money and yet have no power or responsibility for taxation. Even the smallest units of local government in Britain can raise some revenue.

We see no reason why a National Assembly and Welsh Government that can legislate on and administer core public services should be any different. Powers over expenditure only are more appropriate for delivery agencies than for a level of democratic government.

Those who oppose the devolution of taxation powers argue that there may be greater volatility in the Assembly's revenue and, therefore, increased risk. That is undoubtedly true, but such volatility, as long as it does not arise from defective policy or systems, would reflect the link between government and the realities of the economy in which it operates. Volatility can be managed with adequate short-term borrowing facilities and a degree of conservatism in financial planning.

Such risks do not outweigh the substantial benefits that would accrue. Taxation responsibility would encourage debate within and outside government about the true value and return of programmes and how they should be financed. It would force a better debate about means as well as ends. That, in turn, would encourage a more mature approach by civil society to questions of public policy in Wales, and perhaps greater policy diversity. It would also encourage more intense dialogue between government and business since there would be an additional revenue incentive to better economic performance, thereby sharpening focus on Welsh competitiveness.

In short, it should produce better government, forcing internal change and more rigorous prioritisation processes. There is some degree of public concern about the capacity of the Welsh Government and civil service to manage the extra burden of framing and administering taxation policy, and the cost of doing so. At present the Government is concerned purely with expenditure and is even relieved of the requirements for cash management since it draws funds from London as and when required.

Devolution of some taxation powers must bring about a reinforcement of the Finance function within the Welsh Government, but it is becoming clearer that this is, in any case, necessary. Arguably, the administration of European funds and the allocation of money for capital expenditure have both suffered from the lack of a more robust Treasury function within Welsh Government. Devolution of taxation powers would almost certainly prompt the development of that function to the benefit of Welsh Government as a whole. While this may involve some additional cost it is arguably part of the process of gaining maturity which an institution as new as the Welsh Government must go through.

3 The Scottish context – Independence, Devo-max and Devo-plus

Broadly, we can identify three scenarios for the future funding of the Scottish Government.

- If Scotland were to secede from the union, it would clearly have the fiscal autonomy of any other state, even if hedged around by the constraints of international markets and any UK or European currency union it might join.
- The concept of Devo-max, in so far as it has been defined at all, seems to suggest full fiscal autonomy while remaining in the union for the purposes of defence and foreign affairs. Some have seen considerable internal contradictions in this proposal, but we have not given the proposal consideration since, in the event of a 'No' vote in a Scottish referendum on independence, it is hardly likely to happen.
- Devo-plus is a more likely development, even in the event of a 'No' vote. Again, it is not precisely defined but, in whatever form, it is assumed to go beyond the proposals of the Calman Commission which have now been embodied in the Scotland Act 2012. This Act allows the Scottish Government to set a uniform Scottish income tax rate across all bands, and devolves stamp duty and landfill tax. The main characteristic of Devo-plus proposals is that the Scottish Parliament would receive more than 50 per cent of its finances from Scottish taxes and the significance of the block grant is much reduced. Certain taxes such as National Insurance contributions and, in one version, VAT remain UK-wide to finance UK government services supplied to Scotland, like defence and much of social security. Other taxes are either devolved to Scotland or their Scottish revenues are *assigned* to the Scottish Parliament without devolution of powers to alter the tax rates.

There does not seem to be much point in trying to anticipate the final form of devo-plus in Scotland since any such development will increase the asymmetry of fiscal arrangements within the UK and it will not be possible in any event fully to harmonise Welsh and Scottish arrangements. The finances of Wales and Scotland are very different. If North Sea oil is allocated on a geographical basis, the public sector deficit in Scotland is no worse than that of the UK as a whole and may be proportionately slightly smaller.

The Welsh deficit is much larger. In 2009 it was about £12 billion, around one quarter of Welsh GVA. For this reason the importance of the block grant will remain greater in Wales than in Scotland for the foreseeable future, hence the importance of its reform. The relative fragility of the Welsh tax base means that extensive tax revenue *assignment* would expose the Welsh government to considerable risk and volatility of revenues, without increasing their powers while still leaving them dependent on a block grant.

4 Taxation powers

Since the principal argument for tax devolution is accountability, it is important that the taxes devolved to the Welsh government account for a material proportion of its budget. Three taxes in Wales dominate all others in terms of revenue: income tax,

national insurance and VAT. Corporation tax and fuel duties come next but account for less than 10 per cent each of total receipts.

Tax	% of total tax receipts
Income Tax	30
National Insurance	22
VAT	21
Corporation Tax	9
Fuel Duties	7

Of the three large taxes, we are persuaded by the arguments of the Calman Commission in Scotland and the Independent Commission on Finance and Funding for Wales (ICFFW) that NICs are better not devolved given their strong association in the public mind with the welfare benefit system which is not devolved. An integrated system of social security is a very important element in the social union constituted by the UK and it is certainly in Welsh interests for that to remain so for the foreseeable future.

Devolution of VAT raises difficulties under EU law so one is driven to consider income tax as the outstanding tax to be devolved.

Income tax

We have considered whether Wales should adopt the system advocated by the Calman Commission for Scotland and enshrined in the Scotland Act 2012. This would allow the Scottish Government to set a single Scottish rate of income tax that would apply to both the basic and higher taxation bands. The ICFFW argued that this was not a desirable proposal. Instead it argued strongly that income tax devolution should entail control over basic and higher rates of income tax and not take the form of a single rate across the entire income tax base. Control over higher rates is necessary for the elasticity of the devolved tax base to be maximised with the chance that tax receipts could become more important relative to the block grant over time. This is an argument also much advanced in Scotland for moving beyond Calman.

We are persuaded by the argument of the ICFFW report that the inter-penetration of the economies of Wales and England would make it difficult or hazardous to raise higher rates of personal tax in Wales. Yoking marginal rates of tax together across all bands, as under the Calman and Scotland Act proposals, would therefore make it almost impossible to alter taxes at all.

Since, in any case, the Scotland Act proposal on income tax is likely to be superseded in any devo-plus scheme, we do not think it would be sensible to contemplate it for Wales simply on grounds of an unnecessary and probably shortlived symmetry with Scotland.

We therefore recommend devolution of the power to alter the tax rate on each income tax band independently. The argument that thresholds and tax allowances should not be devolved because it would increase the complexity of tax collection was accepted by both Calman and ICFFW but we note that no evidence is available on this beyond the reported testimony of HRMC. We certainly cannot produce counter-evidence but we believe it is worth exploring and testing the proposition.

Meanwhile if devolution is extended to tax rates, we accept the ICFFW argument that reductions in higher rates must be limited by a national concordat to prevent excessive tax competition. Their 3p limit seems reasonable. However we see no reason for such a limit on changes in the basic rate of tax, although we recognise a Welsh Government is unlikely to wish to alter the basic rate by more than that amount.

That leaves consideration of how much of the revenue from each income tax band the Welsh government should take. The ICFFW recommended 50 per cent. However that would mean the Welsh government received only some £2billion of revenue from income tax in a total budget of nearly £15 billion. At less than 15 per cent of total revenue that seems inadequate. It is even less than the share of budgets that local authorities generate from council tax – around 20 per cent. If all of current income tax revenue went to Wales, at nearly £5billion, devolved tax revenues would rise to about a third of the Welsh budget. That is a more impressive figure, more likely to enhance accountability, and likely to resemble more closely any Scottish arrangements under devo-plus.

Note that in principle, the Welsh and UK governments would still share the income tax base. Therefore if income taxes were raised in the UK, more revenue would be expected from Wales. The extra revenue would come automatically from a reduction in the block grant, since the original block grant would undergo a reduction equal to the Welsh tax base times the standard tax rates applied in the UK. If those standard rates increase, the deduction similarly increases and Wales receives a smaller block grant. Conversely if the UK reduces income tax rates, the value of the devolved tax base goes down, the reduction falls and the Welsh block grant rises. That enables Wales to cut its own taxes if it wishes so that Welsh residents pay the same taxes as elsewhere in the UK. The principle of sharing the tax base is therefore not altered if Wales takes all of the current tax points being levied.

We favour this approach in order to ‘future-proof’ tax devolution and enable a reasonable proportion of the Welsh budget to come from its own revenue. This would apply to taxation of earned income. Calman did not propose devolution of tax on investment income since it is believed this would greatly increase opportunities for tax avoidance. HMRC claimed that even withholding of basic rate tax on savings would be complicated by devolution. That claim should be probed though we are in no position to dispute it. The Calman Commission did suggest *assignment* of revenues to Scotland though that was not followed by ICFFW. The suggestion was resisted on the grounds it makes little contribution to accountability.

Clearly this is an area where a UK-wide solution would be preferable. The UK government and HMRC should set up a working group with the devolved administrations to investigate what is practical. We do not suggest that Wales should have devolved powers in this area in advance of such a settlement.

Other taxes

Business rates: These are a well-understood and transparent form of taxation and form part of a balanced portfolio of taxes, yielding close to £1 billion a year within Wales. The recent independent review of Business Rates commissioned by the Welsh Government and Chaired by Professor Brian Morgan, emphasises that the primary role of business rates is to raise funds to support the delivery of local services and the review recommends that the Silk Commission considers the case for the devolving of business rates to Wales.

Although it can be argued that many of the reforms that Professor Morgan suggests could be implemented under existing powers, we believe that the best path would be to devolve business rates now so that clarity on the issue can be quickly established. It would be another means of increasing the Welsh Government's focus on the economy.

Landfill Tax: Since this is now being devolved to Scotland, there is no practical reason why it should not be devolved to Wales. It has a clear connection to a policy objective within devolved environmental policies.

Stamp Duty: Since this is now being devolved to Scotland, there is no practical reason why it should not be devolved to Wales. It has a clear connection to a policy objective within devolved housing policies.

Corporation tax: The main concerns about the devolution of corporation tax relate to the inter-connectedness of the English and Welsh economies, the potential for distorting business activity across borders and the possibility of a 'race to the bottom' if the home nations were to compete to provide the lowest rates. It is also often forgotten that a reduction in corporation tax by any devolved administration implies a corresponding reduction in the block grant. Nothing is for nothing.

These are powerful arguments for retaining a single UK rate, although the experience of variations in corporation taxes in numerous border districts across Europe does not suggest that it is impractical. However, the case for devolving corporation tax to the Welsh Government would have to be reassessed if this tax were to be devolved initially to either the Northern Irish or Scottish governments. To prevent ad hoc arrangements based on political bargaining we believe that any proposals for devolving corporation tax within the UK should be placed within an overall framework that would both limit the quantum of change and be proportionate to economic need, as measured by relative GVA.

Aggregates Tax: This tax was considered for assignment of Scottish related revenues, amounting to about £50m per annum. Calman proposed its devolution, but it was not included in the Scotland Act 2012 because of a pending European court case. If there are no EU obstacles, there is no reason why this tax should not be devolved.

Air Passenger Duty (APD): The Calman Commission recommended that this tax should be devolved in Scotland, but the proposal was not included in the Scotland Act 2012, despite the fact that the Treasury had announced in February 2012 that it would be devolved to the Northern Ireland Assembly in respect of direct long haul routes from Northern Irish airports. The UK Coalition government says it is reviewing the position elsewhere in the UK. EU legislation on state aids is said to be a problem, although that does not seem to have prevented a decision in Northern Ireland. As with corporation tax, there may be a case for a wider UK framework, but in the absence of a wider proposal APD should be devolved to the Welsh Government to allow for a comprehensive approach to both transport and tourism.

5 Borrowing powers

The Welsh Government's lack of significant borrowing powers is now a major anomaly, following the inclusion of borrowing powers for Scotland in the Scotland Act 2012, and Northern Ireland's pre-existing borrowing powers arising from functions that are undertaken elsewhere by local councils. Under the recent Scotland Act the

Scottish Government will, from 2015-16, be able to borrow up to 10 per cent of their capital budget each year to fund additional capital projects, up to an overall limit of £2.2 billion. In future the Act envisages that this limit may be raised, but also specifies that it cannot be lowered.

Under the Act Scottish Ministers will also be able to borrow to finance current spending:

- a. within year, to provide the Scottish Consolidated Fund with enough balance to ensure cash-flow when taxes are devolved and to manage excessive in-year volatility of receipts
- b. across years, to smooth any differences between outturn receipts from devolved taxes and their forecast, up to a total of £500 million total current debt and
- c. on an annual basis borrowing will be capped at a level which is sufficient to deal with forecasting errors in normal times: £200 million. in order to manage volatility of receipts.

However, in June 2012 the Chief Secretary of the Treasury announced a consultation on the potential benefits and disadvantages of an additional power to issue bonds. The consultation will close on 22 September 2012. We are surprised and disappointed that this consultation is limited to Scotland - albeit that it arises from a clause in the recent Scotland Act - since all the questions it poses are also relevant to the Welsh Government's situation.

The consultation document exhibits customary Treasury caution, by stressing that any increase in Scottish Government borrowing will require spending cuts or tax increases elsewhere in the UK to stay within public sector net borrowing limits - themselves an *ad hoc* construct that is considerably more severe than in other major countries.

It is our view, stated in our first submission, that the governments of the devolved administrations should have significant borrowing powers that should extend to the power to issue bonds.

The absence of any rationale for these limits – which seem very low for a Government commanding a budget of the scale that the Scottish Government enjoys – flies in the face of the Westminster Government's obligation to create a system that will demonstrate equity across the nations. The Silk Commission should seek to fill this gap by proposing a formula for borrowing limits that can be applied across the devolved administrations, and which would generate limits that are more realistic.

For example, the prudent scale of borrowing is determined by capacity to service debt. Suppose that a limit is set on proportion of the budget to be devoted to debt servicing at a low level – say 1 per cent. Even with income restricted to the block grant, 1 per cent in Wales would make some £150 million a year available for servicing debt and in the Scottish case over £250 million. At present interest rates are very low and it would not be prudent to count on that continuing. If we suppose a coupon of 5 per cent, that implies Wales could carry total debt of £3 billion and Scotland some £5 billion, both sums trivial in relation to UK government debt of around £1000 billion. These numbers are illustrative rather than definitive but demonstrate the sort of formula and parameters that should be used.

There remains the question of whether borrowing powers should be dependent on the devolution of taxation powers. The ICFFW argued that the case for borrowing powers was undoubtedly strengthened by the existence of tax-varying powers. But it did not say that the former was wholly dependent on the latter. The Welsh Government is already having to construct innovative financial stratagems to augment legitimate and desirable capital spending without breaking the current rules. Borrowings powers would allow Wales to increase its competitiveness more quickly, by transparent means.

6 Taxation powers and a referendum

The Commission's terms of reference do not make any specific reference to the question of a referendum. All they ask is that the Commission recommend a package of powers that 'are likely to have a wide degree of support'. It is open to the Commission, therefore, to make no recommendation at all on whether a referendum would be needed or desirable before any of its recommendations are implemented, particularly on the devolution of taxation powers.

It is all too easy to make the case for the necessity of a referendum on taxation powers:

- precedent - the question was asked on the Scots in 1997;
- democracy – why shouldn't people be given a chance to express their view?
- legitimacy and stability – endorsement in a referendum will prevent negative sniping after the event.

Some will also argue that the devolution of taxation powers reinforces the UK's journey towards a quasi- or even a true federal system and that this requires something more than the endorsement of Parliament.

However, there are equally strong arguments for not requiring a referendum. The House of Lords' Constitution Committee, in its 2010 report on Referendums in the United Kingdom, concluded that there are significant drawbacks to the use of referendums, in particular the *ad hoc* manner in which they have been used, often as a tactical advice. The committee argued that referendums should be used only in relation to "fundamental constitutional issues", and that there should be 'a presumption in favour of questions posing only two options for voters'.

Although it also acknowledged that it is not easy to provide a precise definition of what constitutes a fundamental constitutional issue, it listed the following proposals as examples:

- To abolish the Monarchy;
- To leave the European Union;
- For any of the nations of the UK to secede from the Union;
- To abolish either House of Parliament;
- To change the electoral system for the House of Commons;
- To adopt a written constitution; and
- To change the UK's system of currency.

It was not intended to be a definitive list, but it provides a benchmark against which to judge other referendum proposals, including proposals that might emanate from this Commission.

If this Commission wishes to address the referendum issue, it must ask the following questions:

1. Is the devolution of taxation powers to a democratic body whose existence has itself been endorsed in a referendum, and whose powers have been further extended in a second referendum, a further fundamental constitutional issue?
2. Is it possible to construct a reasonable question in answer to which it is possible for voters to state a clear preference?
3. Is the issue of taxation powers a stand-alone issue or is it tied in any way to other issues?

Our own answer to the first of these questions is 'no'. If the case for taxation powers rests on the enhancement of the accountability of the Assembly and its related Government, then the devolution of taxation powers is by definition an improvement or refinement of the status quo, rather than a fundamental change in itself. Given the international norm for democratic assemblies, the grant of taxation powers can be seen more as the remedying of a constitutional defect rather than an innovation demanding an extraordinary approval beyond the endorsement of Parliament.

The Welsh electorate has had two opportunities to register its view: first, in 1997, on the creation of a democratic body that would have extensive executive powers to generate distinct policies for Wales, and second, in 2011, on the grant of primary law-making powers to that body. The fundamental step away from a unitary state was taken in 1997. The continued existence of the National Assembly and its Government, with full legislative competence, is now beyond doubt. Its financing has to be placed on a footing where the nature and quality of its accountability is not inferior to that of any other democratic assembly, not least the Scottish Parliament.

The American colonists staked their claim on 'no taxation without representation'. The reverse also holds water.

On the second question the answer must be 'yes'. Having asked voters whether they agreed or disagreed that there should be a Scottish Parliament, the 1997 referendum asked whether they also agreed or disagreed with the proposition that 'a Scottish Parliament should have tax-varying powers'. It would be possible to ask such a question in Wales.

But there is a problem. The purpose of a referendum is to obtain the fuller and direct engagement of the electorate in the issue in question. That was achieved in Scotland partly because the second question was allied to the first. The campaign embraced both issues. A referendum that focuses solely of the question of taxation powers is hardly likely to galvanise coherent campaign organisations, risking even lower turnouts than have been seen in previous polls.

A further problem lies in the third question, as to whether taxation powers are a stand-alone issue or not? The Commission's recommendation on finance and funding will surely deal with a number of different taxes and with borrowing powers, as does this submission. Are borrowing powers to be dependent on a positive vote on taxation powers?

By the end of its second phase the Commission may well be making recommendations for the further devolution of powers, possibly including policing and justice. It has even been asked to advise on whether the boundary between the National Assembly and Parliament should be modified in any way. How are these issues to be dealt with? Are we to have a referendum if it is suggested that any powers should be returned to Westminster? Is there any logic in holding a referendum on the grant of taxation powers to an Assembly that will have existed for a decade and a half, but not holding a referendum on a reduction of 25 per cent in the number of our Members of Parliament or the consequential change in the voting system for the National Assembly?

Presenting these arguments does not mean that we are blind to the likelihood that a decision on a referendum will, in the end, have more to do with perceived political advantage than any issue of principle. In the event that a referendum is held we believe that there is a strong case for a post-legislative referendum on the full package of measures proposed by the commission, rather than, as in 1997, a pre-legislative referendum when the details of what Parliament will decide are still unknown.

That said, we would recommend a presumption against a further referendum, to be reconsidered only if a public petition for one were to garner more than 500,000 votes, or one fifth of the electorate.

7 Conclusions and recommendations

(including recommendations from the 1st submission)

1. Any system of funding devolved administrations, including devolution of taxation powers, should be based on clear principles, and transparent equity across the union - whether the union includes Scotland or not - rather than on the vagaries of political leverage.
2. Any democratic body charged with spending public money should also be responsible for raising a significant portion of that money.
3. The absence of taxation powers from the current devolution settlement in Wales is an aberration from international and British norms. It is probably unique internationally to have a body with the power to make primary legislation (which local authorities do not have) as well as spend money and yet not have any power or responsibility for taxation.
4. The financing of the Welsh Government has to be placed on a footing where the nature and quality of its accountability is not inferior to that of any other democratic assembly, not least the Scottish Parliament.
5. To this end the UK Treasury and HMRC should commission work leading to the creation of detailed revenue and expenditure data for Wales, comparable with that available for Scotland.
6. Taxation responsibility will encourage debate within and outside Welsh government about the true value and return of programmes and how they should be financed. It will force a better debate about means as well as ends. That, in turn, will encourage a more mature approach by civil society to questions of public policy in Wales, and perhaps greater policy diversity.

7. Taxation responsibilities will encourage more intense dialogue between government and business since there will be an additional revenue incentive to better economic performance, thereby sharpening focus on Welsh competitiveness.
8. The finances of Wales and Scotland are very different. If North Sea oil is allocated on a geographical basis, the public sector deficit in Scotland is no worse than that of the UK as a whole and may be proportionately slightly smaller. The Welsh deficit is much larger. In 2009 it was about £12 billion, around one quarter of Welsh GVA.
9. The importance of the block grant will remain greater in Wales than in Scotland for the foreseeable future, hence the importance of its reform. Wales would be worse off under any combination of devolved taxation powers, unless it is buttressed by the retention of a needs-based expenditure equalisation system.
10. Retention of an unreformed Barnett formula system of funding the Welsh Government is not an option, whatever the outcome of a Scottish referendum. It should be reformed along the lines recommended by the ICFFW, as an essential ingredient in establishing a consensus on fiscal powers in Wales.
11. Pending a full reform of Barnett, the Government should place a floor under the Welsh block grant to ensure that the convergence mechanism does not reduce expenditure in Wales below that of the poorest English region.
12. Taxes devolved to the Welsh government must account for a material proportion of its budget.
13. All income tax revenue in Wales (excluding that on savings) should be devolved to the Welsh Government so that not less than one third of its income is derived from this source.
14. The Welsh Government should have the power to set the income tax rate separately in each of the tax bands. Reduction in the rate in the higher bands should be limited by national concordat to 3p in the pound. Thresholds and allowances should not be devolved.
15. Business rates should be devolved to the Welsh Government, so that a clear responsibility in this area is established, increasing the Welsh Government's focus on the economy.
16. Landfill tax and Stamp Duty should be devolved, as in Scotland.
17. If EU obstacles are removed Aggregates Tax should be devolved.
18. Air Passenger Duty should be devolved, unless there is a wider reform to benefit all regional airports.
19. To respond to the devolution of these powers the Welsh Government should take urgent steps to transform its current Finance department into a robust Treasury function.
20. To avoid a 'race to the bottom' any proposals for devolving corporation tax within the UK should be placed within an overall framework that would both limit the

quantum of change and be proportionate to economic need, as measured by relative GVA.

21. Borrowings powers would allow Wales to increase its competitiveness more quickly, by transparent means.
22. The Welsh Government should be granted immediately borrowing powers at least commensurate with those granted to the Scottish Government in the Scotland Act 2012. These powers should not in future be confined to loans from the Debt Management Office, but also include a capacity to issue bonds. Borrowing should be applied primarily to capital spending.
23. The UK Treasury's consultation on the power to issue bonds, arising from the Scotland Act should be extended to include Wales.
24. Borrowing limits for devolved administrations should in future be based on a formula that can be applied across the devolved administrations, and which would generate limits that are more realistic.
25. Cash management of the Welsh Government's funds should be devolved in order to encourage the efficient use of public funds, and avoid unnecessary repeated friction around year-end adjustments.
26. The granting of tax-varying powers to the National Assembly / Welsh Government does not involve change to a fundamental constitutional principle. There is, therefore, no in principle need for a referendum.
27. Wales is in danger of referendum fatigue. An unnecessary referendum that focuses solely of the question of taxation powers is not likely to galvanise a coherent campaign organisations, risking even lower turnouts than have been seen in previous polls.
28. A presumption against a further referendum to be reconsidered only if a public petition for one were to garner more than 500,000 votes, or one fifth of the electorate.