1. The Smith Commission’s recommendations on fiscal devolution, broadly taken forward in Chapter 2 of the UK Government command paper *Scotland in the United Kingdom: An Enduring Settlement*, are unlikely to be a reliable guide for Scotland’s future fiscal framework, for three reasons:

- A number of the signatory parties to the Smith agreement have now moved away from the agreed position established in November 2014.
- Scotland is not the only moving part in the UK’s territorial financial arrangements; developments in other parts of the UK may render these wider arrangements, and Scotland’s part in them, unstable.
- The debate in the run-up to the 2015 UK election appears to be further calling into question both the Smith Agreement and the stability of the wider system of territorial financial arrangements.

2. While the Smith Commission report was a consensus report, it has not proved to be a stable consensus across the participating political parties. Already at the press conference launching the report on 27 November 2014 the SNP representative indicated that while endorsing the report’s proposals, his party would continue to press for significant additional powers. The SNP has since confirmed its pursuit of full fiscal autonomy (renamed ‘full financial responsibility’) in its 2015 general election manifesto.

On 25 January 2015 William Hague MP announced the Conservative Party’s proposal on English Votes for English Laws (EVEL). This renounced the commitment in the Smith report that all MPs ‘will continue to decide the UK’s Budget, including income tax’. This movement away from Smith was confirmed in the Conservative Party’s English manifesto of April 2015. And in February 2015 the Labour Party, in a joint announcement of the Scottish Labour leader Jim Murphy and former Prime Minister Gordon Brown, gave us the ‘Vow-Plus’, a commitment to move beyond the Smith report to enhance the Scottish welfare powers set out in the report. Against this background it seems less and less likely that the draft bill set out in *Scotland in the United Kingdom: An Enduring Settlement* will be a good guide to any post-general election legislation that takes forward Scottish devolution.

3. My colleague David Bell has described the system of territorial funding in the UK as ‘descending into chaos’ as separate and uncoordinated processes have produced proposals for change in:

- Scotland (the Smith Commission tax and welfare powers, building on the Scotland Act 2012 powers that will not be fully implemented until 2016);
- Wales (the Silk Commission’s tax proposals, plus an apparent commitment by the current Prime Minister to set a ‘Barnett floor’, a guaranteed minimum level of funding, for Wales);
- Northern Ireland (with a Bill to introduce a Northern Ireland rate of corporation tax enacted in March 2015)
In addition significant devolution of funding is now also proposed for parts of England as 'city-region' devolution unfolds, initially in Greater Manchester. These changes render the keystone of the current arrangements – the Barnett formula – much more complex and intransparent.

For Scotland the Barnett formula is in addition already set in 2016 to become less significant in determining the level of the Scottish Parliament's budget as the fiscal powers set out in the 2012 Scotland Act come fully on stream. The 'consequential' effects of UK government spending decisions on services in England comparable to those devolved in Scotland will as a result have smaller consequences (and will have smaller consequences still if the Smith powers are implemented). With these changes, and those in Wales and Northern Ireland, Barnett begins to wither on the vine.

3. The UK election is adding further to these uncertainties. Election manifestos and campaign debate have confirmed the moves away from the Smith consensus noted above. In addition we are seeing the emergence of what in the USA would be called 'pork barrel' politics as territorial representatives seek to win specific benefit for their territory from general taxation. This 'pork barrel' politics is facilitated by the unlikelihood of either the Labour Party or the Conservatives winning a parliamentary majority and therefore being dependent on other parties to secure a parliamentary majority vote to establish either in government. For examples, senior figures in the Northern Ireland Democratic Unionist Party have suggested that the price of the DUP's support would be a boost to the annual budget of the Northern Ireland Assembly of £1 billion. Plaid Cymru in Wales have an equivalent figure of £1.2 billion. These, if secured, would be non-Barnett allocations, that is straight transfers from the UK Exchequer to the devolved institutions. The SNP, also anticipating an opportunity to win concessions for its support in establishing a UK government, has argued for a significant increase in spending at the UK level and, with that presumably a consequent increase in the Scottish Parliament’s budget.

It appears that the SNP envisages that increase flowing as conventional Barnett consequentials, though it is not clear how far this takes account of the further reductions in consequential effects that any Smith powers extending beyond those of the 2012 Scotland Act would bring (or others as any wider ambition of 'phasing in' full fiscal responsibility might be achieved). What is clear is that the Barnett system is both being eroded already (as tax powers are devolved in different parts of the UK), and would be subject to significant additional challenge if the election outcome does bring a UK version of pork barrel politics.

4. The parameters around Scotland’s fiscal framework will not be clear until the new UK Government’s approach to territorial financial arrangements is clear. It is quite likely that these will not faithfully use the Smith agreement as a template for Scotland’s arrangements. It is quite likely too, as different arrangements for different parts of the UK bed in, and perhaps as post-election bargaining produces outcomes demanded by parties whose support is needed to establish a parliamentary majority, that there will be more asymmetry, more ad hoc arrangements concluded in bilateral deals, and less overall transparency.
The Barnett formula is set in all circumstances to become a less important part of the system. Against this background it will be all the more challenging to achieve effective and transparent scrutiny of block grant calculations and adjustments and all the more important for there to be effective arrangements for intergovernmental working and effective arrangements for both expert and parliamentary accountability and scrutiny of outcomes of intergovernmental agreements.