

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cysylltiadau Rhynglywodraethol Cyllidol](#).

This response was submitted to the [Finance Committee](#) consultation on [Fiscal Intergovernmental Relations](#).

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## **Finance Committee, Senedd Cymru**

### **Call for Evidence: Fiscal Intergovernmental Relations**

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**February 2024**

1. Intergovernmental relations (IGR) are essential in any multi-level state. They serve various functions, *inter alia*, the management of policy overlaps and interdependencies, policy coordination and dispute resolution. IGR can take different forms: informal/formal bilateral/multilateral, vertical/horizontal and legal/political. In the whole, they tend to take place informally, but formal structures are crucial to facilitate regular interaction.
2. In the UK, little attention was paid to how relations between the UK and devolved governments would develop in the aftermath of devolution in the late 1990s, resulting in relatively weak and under-developed intergovernmental structures. In the 25 years since the inception of the devolved legislatures in Scotland, Wales and Northern Ireland, much has changed. In the intergovernmental arena, the original Joint Ministerial Committee (JMC) structures have been significantly overhauled and replaced by a three tier structure, undergirded by a commitment by all governments across the UK to work constructively in a spirit of mutual respect and trust.
3. Fiscal relations are one of the most important areas vis-à-vis IGR. Not only is this a topic that tends to generate most dispute, but particularly in the UK and the nature of devolved finances, there is significant interdependence between the UK and devolved governments.

### **Finance Interministerial Standing Committee (F:ISC)**

4. The F:ISC is one of the principal forums within the three-tiered IGR structure created in 2022. It sits alongside the Interministerial Standing Committee (IMSC) and deals specifically with 'the impact of economic and finance matters affecting the UK'.
5. Since its establishment, it has met six times (March 2022; June 2022; February 2023; June 2023; September 2023; January 2024) with meetings taking place in Cardiff, Edinburgh and London and chaired by the respective governments in these locations.
6. Notably, there is a 7 month gap between 2022-23 where no meeting took place. This is perhaps explained by the political turmoil the UK Government found itself in during this period. The F:ISC was not unique in this sense; several other IGR forums failed to meet during this period. Disappointingly, despite regular interaction in other forums, the Council, the top-tier forum to bring together the Prime Minister and First Ministers has not met since November 2022, despite its terms of reference requiring one meeting per year.
7. The terms of reference for the F:ISC note that the forum will typically meet once per quarter (though this could be more or less frequent). Beyond the gap noted above, there has been regular meetings. In this regard, the F:ISC can be considered somewhat effective. Regular interaction is a key element to build effective and successful IGR, normalising interaction, enhancing networks and crucially, building and maintaining trust between officials. Further, particularly in the context of fiscal policy, regular interaction should make the people involved much more aware of the interdependencies between governments, underlining the importance of coordination, cooperation and good communication.
8. Like other IGR structures, such as the IMSC and Interministerial groups, a significant strength of the F:ISC is the rotating chairs and locations of meetings. While a fairly small element, this makes intergovernmental interaction less hierarchical (a common criticism of the JMC

structures). In the six meetings that have taken place so far, two have been in Cardiff, two in Edinburgh and two in London.<sup>i</sup> Through the Secretariat, any government can submit an agenda item to be discussed at each meeting. This places the governments on a fairly equal footing and ensures an equal stake in building constructive relations and making IGR work.

9. In general, the F:ISC seems to be working well with no evidence of disquiet from government ministers. That said, as the committee is well aware, there is an issue around communication on the part of the UK Government as relates to budgets and fiscal announcements. Using the F:ISC as a principal (confidential) forum ahead of key events to discuss upcoming announcements with the devolved governments would seem a sensible solution. The absence of this engagement probably speaks to an undercurrent of mistrust by UK Government departments regarding interaction with the devolved institutions, as well as, a lack of knowledge about how devolution works.
10. A notable weakness of IGR in the UK relates to the lack of intergovernmental political culture found in other decentralised and federal states. Coordination and cooperation between governments tends to be the exception rather than the rule. In this regard, it is often pointed out that personalities and the mindsets of the people involved matter. For IGR to work effectively, there needs to be a willingness by participants to work together in a constructive manner, undergirded by a sense of parity of esteem. The terms of reference for the F:ISC are quite revealing in this regard, specifically the repeated references to the 'devolved administrations' rather than 'devolved governments' which is the case in the rest of the Review. 'Devolved administrations', sometimes abbreviated to 'DAs' is typical Whitehall language that tends to reinforce a hierarchy in UK governance structures with one (UK) Government and the rest mere administrations. This hints, therefore, at the continued dominance of the Treasury over the devolved governments in fiscal IGR. This is unhelpful and undermines the message of cooperation the Review seeks to emphasise. As a colleague and I have argued elsewhere, the experience of countries like Australia, Canada and Spain where IGR 'tend to be used to advance the central government's agenda rather than generating a true spirit of cooperation' show that having central government departments preside over IGR forums is a bad idea.<sup>ii</sup>

## Scrutiny

11. Parliamentary scrutiny of IGR is undoubtedly an important element in holding government to account. In most states, however, parliaments often have a limited role; IGR tend to be executive-dominated. The Review of Intergovernmental Relations offered very little with regard to parliamentary scrutiny, with no reference to concrete measures to facilitate parliamentary oversight. Below I offer a few suggestions on how scrutiny could be enhanced.
12. First, I would encourage committees to conduct inquiries into IGR on a more regular basis. Akin to my point above about regular interaction fostering trust between different governments, more regular IGR evidence gathering sessions by committees would underline the importance of IGR taking place but also reporting these outcomes in a transparent way. In this vein, it would make sense to hold hearings with ministers before/after each F:ISC meeting to discuss in detail the substance of intergovernmental interaction and potential topics to be raised.
13. I would also encourage the committee to invite more people to give evidence on intergovernmental topics. I am well aware that getting ministers to appear at committees is a difficult and onerous task, and an issue shared across the different parliaments.<sup>iii</sup> I do, however, think it imperative that UK Government ministers engage with parliamentary committees in the devolved legislatures. I am unsure whether there is merit in seeking to

pursue this in terms of a statutory basis, but I think a good start would be some form of agreement between the different governments and parliaments that ministers will find time in their diaries to engage with parliamentary committees in the devolved parliaments.

14. In addition, it might also be worth exploring the possibility of meeting with ministers in private hearings. While it is certainly logical that UK Government ministers should engage with finance committees in the devolved parliaments prior to important fiscal events, such interaction can be easily dismissed on the grounds of confidentiality. This may also be coloured by party politics. Private meetings might allay some of these concerns, but on topics where the subject matter is (politically) sensitive, finding the correct balance between scrutiny and confidentiality is no easy task.
15. Beyond evidence sessions, publications, such as minutes and communiqués published after meetings are an important tool of transparency. In light of the Review, intergovernmental forums have become much better at publishing fairly detailed communiqués. I am pleased to see the Finance Committee receives rather detailed updates from the relevant minister after F:ISC meetings. This is certainly an example of good practice. If possible, it may also be useful for the Committee to seek access to the detailed minutes of these meetings, which do not seem to be publicly available, and as noted above, these could be discussed in a private meeting with the relevant ministers should any queries arise.
16. The horizontal interaction in the form of the Interparliamentary Finance Committee Forum is also an example of good practice. Horizontal relations are rather strong in federal states like Canada and Switzerland, but underexplored in the UK. I would encourage the Committee to continue its engagement with this forum and seek to enhance opportunities for joint work between the various committees in the devolved legislatures. Indeed, there may be merit in pursuing opportunities for the Interparliamentary Finance Committee Forum to also work with committees in the UK Parliament to hold government to account more effectively. Indeed, joint committee hearings could be held with UK Government ministers, freeing up time for such ministers to attend one joint meeting between the various committees rather than several separate meetings.
17. Finally, parliamentary scrutiny of IGR would be enhanced via the establishment of a dedicated committee to examine IGR. I believe other committees would still be able to explore specific areas relevant to their remits, but a dedicated committee would certainly increase scrutiny.

### **Dispute Resolution**

18. The reform of the dispute resolution procedure in the Review of Intergovernmental Relations was a welcome development. It addressed previous criticism of the JMC structures whereby the UK Government served as both judge and jury in addressing disputes, even in cases where it was party to a dispute. This is no longer the case, and the dispute resolution mechanism is more formalised, managed by the Secretariat.
19. Notably, the F:ISC has its own dispute procedure. While this follows much of the same process as other disputes, grounds for raising a dispute in the F:ISC are more restricted. The Forum's terms of reference state 'all parties acknowledge that policy decisions on funding are strictly reserved to Treasury ministers, with engagement with the devolved administrations as appropriate. As outlined in the Statement of Funding Policy, funding disputes may only be raised where there is reason to believe a principle of the Statement of Funding Policy may have been breached.'. In essence, and much like previous JMC structures, the UK Government/Treasury remains the dominant partner.
20. The limited grounds for raising a dispute hint at the overbearing role the Treasury has in fiscal IGR. To ensure more collegial and cooperative IGR this will require greater effort on the part

of the Treasury to meaningfully engage with the devolved governments prior to, for example, changes to the Statement of Funding Policy.

21. To date, only the Northern Irish Executive has raised a dispute with the Treasury. There has been no published outcome and it was reported in the House of Lords in January 2024 that in light of the Executive being in abeyance the dispute was 'on pause'.<sup>iv</sup> Now the Executive is back up and running, more details on this are likely to be forthcoming.
22. The new procedure is certainly an improvement on the previous structure, but hitherto it remains untested. Whether the new mechanism is 'fit for purpose' remains to be seen.

### **Final Remarks**

23. The reform to IGR structures since January 2022 are certainly a significant move forward in enhancing the effectiveness of intergovernmental interaction in the UK. Sensibly, the new structures are less hierarchical and the commitment to more regular interaction is a welcome development to facilitate more constructive intergovernmental engagement.
24. One of the main challenges to more meaningful IGR in the UK relates to political culture. Despite 25 years of devolution, very little has changed in Westminster and Whitehall where a unitary attitude often prevails (evident in recent years in the repeated disregard for the Sewel Convention and muscular unionism strategy). A political culture, predicated on important principles and values such as, mutual respect, partnership, recognition and trust is often lacking.
25. The Review set out agreed principles by the governments across the UK. While the UK is not a federation, what it requires is a more federal political culture in which IGR are based on parity of esteem and meetings/negotiations are conducted in a spirit of cooperation and compromise. Institutions, structures, and processes matter, but so too does willingness to want to make them work.
26. There are evident issues around communication on the part of the UK Treasury vis-à-vis fiscal announcements. This is, in part, informed by the unitary political culture that characterises Whitehall engagement with the devolved institutions. I think it sensible for the committee to explore the extent to which the F:ISC can facilitate and enhance communication prior to fiscal events.
27. Finally, as I noted earlier, there is merit in strengthening horizontal cooperation among the various devolved parliaments. Interparliamentary Relations (IPR) can serve as an important avenue to further enhance relations between the different constituent units of a state. Further, in using IPR as a tool of scrutiny, the transparency of IGR can be enhanced. This is certainly an area in the UK that deserves much more attention, particularly given the executive dominated nature of IGR. In the absence of a territorially representative second chamber, which in many federal systems serves as an intergovernmental chamber, the various committees in the respective legislatures in Westminster, Holyrood, Cardiff and Belfast should play a more active role in scrutinising IGR. Enhancing IPR and building further links between committees and the legislatures would be a welcome development, facilitating opportunities for knowledge exchange, the sharing of best practice and giving voice to parliamentary issues.

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<sup>i</sup> The first meeting in March 2022 was chaired by the UK Government, though I am unsure if it took place in London or online.

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<sup>ii</sup> Paul Anderson and Johanna Schnabel. 2022. 'Review of intergovernmental relations: the new interministerial structures are a step in the right direction', *LSE British Politics and Policy*.

<https://blogs.lse.ac.uk/politicsandpolicy/intergovernmental-relations-review/>

<sup>iii</sup> See, <https://committees.parliament.uk/publications/34108/documents/187687/default/>

<sup>iv</sup> Baroness Penn, Intergovernmental Relations within the United Kingdom. HL Deb, Vol. 835, Col, 563.

[https://hansard.parliament.uk/Lords/2024-01-18/debates/EC6CEB7C-0864-4233-A71C-](https://hansard.parliament.uk/Lords/2024-01-18/debates/EC6CEB7C-0864-4233-A71C-4B85E0D730C6/IntergovernmentalRelationsWithinTheUnitedKingdom?highlight=dispute%20pause#contribution-1A7D1AA4-2D82-4126-A559-50FFFE35B02F)

[4B85E0D730C6/IntergovernmentalRelationsWithinTheUnitedKingdom?highlight=dispute%20pause#contribution-1A7D1AA4-2D82-4126-A559-50FFFE35B02F](https://hansard.parliament.uk/Lords/2024-01-18/debates/EC6CEB7C-0864-4233-A71C-4B85E0D730C6/IntergovernmentalRelationsWithinTheUnitedKingdom?highlight=dispute%20pause#contribution-1A7D1AA4-2D82-4126-A559-50FFFE35B02F)