Is more devolution for Stormont on the cards?

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Andy Burnham is on the cusp of becoming Prime Minister and in his policy speech last week he promised the biggest ever transfer of power away from Whitehall, describing the UK as one of the most over-centralised countries in the world. A new unit would be established in Downing Street and he offered to extend existing devolution settlements in Northern Ireland, Scotland and Wales.

The argument that decisions affecting local people are best taken locally is intuitively attractive and few would defend a system with a London-centric perspective. Burnham's underlying diagnosis is also correct, England is genuinely over-centralised, with regional mayors only now acquiring powers that Northern Ireland, Scotland and Wales have held for years.

However, Northern Ireland is not England and Stormont already possesses one of the most extensive devolution settlements of any region in western Europe. According to the Institute for Government, the Executive controls around ninety per cent of public spending here, but how well is the money being spent?

Northern Ireland has the highest per capita spend across all 12 UK regions, but it is difficult to see that reflected in the quality of public services. For example, in health, we have over half a million people waiting for a first outpatient appointment and an average waiting time of over a year. The Executive has also under-invested in areas such as waste-water infrastructure, which is heavily constraining economic potential. This list could go on.

Tax devolution is a different story. The Executive is responsible for raising about ten per cent of its own tax revenue, primarily through domestic and non-domestic rates, compared to approximately a fifth in Wales and a third in Scotland. Therefore, the argument on paper for greater tax devolution is strong. A government that spends tax revenue raised by others does not have the same incentives as a government obliged to tax and account for its own decisions. The block grant from Westminster reduces the pressure to address low productivity and therefore devolving revenue could give Stormont a direct stake in delivering higher economic growth.

However, devolving a tax also devolves its risk. At present the block grant, for all its faults, insulates the Executive as funding is broadly stable and is only loosely connected to local economic performance. Devolve a tax to Stormont and its revenue would rise and fall with the local tax base. Scotland's experience is important for any local Finance Minister, as the mechanism adjusting its block grant reduces Holyrood's funding whenever Scottish tax per head grows more slowly than the rest of the UK. For a smaller, slower growing economy, the exposure is disproportionate and there is a greater likelihood of losing ground rather than gaining it.

Devolving Corporation Tax has frequently been cited as one measure the Executive should seek to devolve, with a view to reducing the rate to match the level in Ireland. The legislation reached the statute book in 2015 but was never taken forward because the matching reduction in the block grant was (and is) considered to be unaffordable. The precise cost in 2026 is unknown but reasonable estimates have indicated it could be in the region of £800 million per year. Some commentators have suggested the Executive is already likely to overspend by approximately £1 billion this year and not even a single-year budget can be agreed. So where would the additional cost of lower corporation tax be funded from? Asking for a power is easy, owning the consequences of using it is not.

Many supporters of a lower Corporation Tax rate also point to the central role that policy had in creating the basis for Ireland's current economic success. This is well founded, but it is only one ingredient in the recipe. Successive Irish governments have also invested heavily in developing the skills of the labour market and more recently infrastructure investment has been increased significantly. In contrast the Executive are reducing skills investment, and the infrastructure deficit is not being addressed. Therefore, even with a lower corporation tax rate here, overseas investors would still face other constraints.

None of this is an argument against devolution, which remains the right basis for governing a place with distinct circumstances. It is an argument for honesty about where binding constraints exist. Our difficulty is not a shortage of powers but a persistent failure to use the powers already held to raise productivity, reform public services and grow the economy. A UK government promising to devolve authority away from Westminster may be precisely what much of England needs, but for Northern Ireland, the more valuable prize would be to use the levers we already have more effectively.

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