

Fiscal Powers Consultation response from the Chartered Institute of Public Finance & Accountancy (CIPFA) Northern Ireland Branch

Question 1

Do you think the Executive should be provided with more fiscal powers like the Scottish and Welsh administrations have? What are your reasons for saying that?

Yes as this will enhance local accountability in relation to how taxes are both raised and spent.

Question 2

Which taxes that the Commission recommends for devolution do you think that the Executive should seek to prioritise? Why do you say that?

The Executive should work on the principle of what has been proven to work in other devolved nations and where it is clear it does not cause an additional administrative burden locally, i.e. where existing economies of scale can be used e.g. with HMRC.

Question 3

What are your views regarding the timing for devolution of the taxes as recommended by the Commission?

Timing will be critical from three perspectives. Firstly in relation to the state of the economy, it would clearly be unwise to do it either during a recession or with one pending. Secondly, there is a strong need to have a stable government in place that can provide greater political continuity. Thirdly, Northern Ireland needs a clear longer-term strategy outlining priorities with a clear rationale for making tax changes that will pay for better public services.

Question 4

What are your views as to how the Executive could best make use of any additional fiscal powers? Should the Executive be seeking such powers to raise or lower certain taxes? Where might the Executive use taxes as policy levers to change behaviours? And do you think increased local taxation should be used to better fund public services in line with local needs and circumstances?

As publicly elected representatives, the Executive should have a clear plan of their tax raising and spending plans which reflect local circumstances and priorities. They should also be open and transparent in their decision making and ensure the relationship between taxes raised and public expenditure is clear and easily understood.

The use of any power to vary how taxes are raised should not be viewed in isolation. In particular existing policies should be considered at the same time, e.g. the existing policy on industrial de-rating should be reviewed if The Executive consider varying the level of corporation tax.

Finally should The Executive decide to use any new power to raise taxes, this should only be undertaken after a fundamental review of expenditure and government structures has taken place.

Question 5

What are your views on how any newly devolved fiscal powers might be administered?

As noted above it is our view The Executive should make use of existing tax administration arrangements to gain economies of scale and concentrate on those powers which are easier to vary but will make the maximum impact (the pareto principle).

Question 6

Are there any other issues related to fiscal devolution, perhaps not covered in the Commission's Final Report or where you have a different opinion, which in your view should be considered by the Executive?

A stable political environment will be key to enable these powers to be used successfully. However we feel this should not delay any enabling legislation so The Executive can start implementing these powers when they are ready to do so.

There is no reference to having a clear financial strategy in place, which we think it critical in advance of using any new fiscal powers. This would set out the priorities of The Executive, both in terms of spending, tax raising, and set out issues such as how reserves will be managed.

We note that borrowing powers are outside the scope of this consultation and feel this is a missed opportunity to review these.