

Key Issues for the Fourth Assembly

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Service

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

The Research Service provides expert and impartial research and information to support Assembly Members and committees in fulfilling the scrutiny, legislative and representative functions of the National Assembly for Wales.

Research Service briefings are compiled for the benefit of Assembly Members and their support staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public. We welcome comments on our briefings; please post or email to the addresses below.

An electronic version of this paper can be found on the National Assembly's website at: www.assemblywales.org/bus-assembly-publications-research.htm

Further hard copies of this paper can be obtained from:

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Key Issues for the Fourth Assembly

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Foreword



Welcome to the Fourth Assembly and to this specially prepared publication from the National Assembly's Research Service.

We know how important it is for Members to have access to timely, accurate, impartial and authoritative information and we have developed a range of services based on our experience of working with Members over the past decade to help meet this need. Our team of experienced researchers come from a range of professional and work backgrounds and we work with as many stakeholders and sources outside the Assembly as possible, to be able to provide Members with the most up-to-date and definitive information.

This publication sets out some of the key issues likely to matter to Members in this Fourth Assembly. It shows the kind of work we can do on your behalf – providing expert analysis using a wide range of sources in a succinct and readable format, capturing the key points without the need to wade through pages and pages of briefing. Hopefully it provides a glimpse of what we can do, but it's not all. Last year we answered over 4,000 confidential enquiries from Members and we also provide detailed briefings and advice in support of Assembly committees; research support for individual Members developing pieces of legislation as well as a broad range of topical research papers and quick guides.

Members can use us in different ways depending on what's needed – it could be asking one of our specialists for a confidential, impartial briefing on a policy topic; discussing the complexities of financial scrutiny with our finance specialists; making use of the detailed briefings we prepare in support of committees; requesting briefing or seeking clarification on a complex constituency issue; speaking to our European specialist based in Brussels; or making use of the Library as a quiet work space, to read the newspapers, or to get advice on the best sources of information.

We work on behalf of the National Assembly to support Members in their strategic scrutiny and legislative roles, and to help with issues raised by constituents. Our service works on the principles of impartiality and independence, and we treat requests from Members of all parties equally, objectively, and in confidence.

We look forward to working with you over this Fourth Assembly.

A handwritten signature in black ink that reads "K. Potter". The signature is written in a cursive, flowing style.

Kathryn Potter
Head of Service

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Research Service: An overview

We are an independent team of policy and information specialists with substantial experience in both the policy areas we work and in the operation of the Assembly. We offer impartial, accurate, timely, confidential and expert research and information designed to help Members be well informed in the many aspects of a politician's role.

How do we support Assembly Members?

Our services are intended to provide the information Members need when they need it, saving Members' time by analysing, selecting and advising on information to identify what is important and by responding to Members' deadlines wherever possible.

We are available to speak directly to Members and their staff or Members can submit individual requests for information through our enquiry service which is confidential:

- we provide research briefings and expertise to support Members in the scrutiny of legislation, policy and finance;
- we provide briefings to support Members in committee;
- we answer enquiries connected with Plenary or committee business and with constituency work;
- we offer research support to Members in developing and bringing forward proposals for legislation;
- we publish a range of proactive research outputs to help Members contribute to open and well informed debate; and
- we publish tailored online information including 'how to' guides and constituency toolkits to help Members and their staff provide a quick response direct to constituents.

Who are we?

The Research Service consists of:

- three research teams providing specialist advice on specific areas of policy;
- a research team providing specialist finance and statistical information;
- a research team providing advice on the Assembly, the constitution, UK and EU legislation (in conjunction with the EU Office), elections and referendums;
- a Library providing a full range of reference and information services; and
- an EU Office in Brussels providing advice, information and assistance on EU issues including support with visit programmes.

What can Assembly Members ask for?

- A confidential, impartial briefing on a **specific topic or policy** area;
- advice on the complexities of **budget and financial scrutiny**;
- a detailed briefing in support of **Plenary or committee work** ;
- **reliable statistics** to lend weight to a point an Assembly Member wants to make in debate;
- briefing or clarification on a **complex constituency issue**;
- information relating to the **executive powers** of the Welsh Ministers and of UK Ministers and the **legislative powers** of the National Assembly for Wales;
- advice about **Assembly business** and proceedings, legislative and policy **developments in Westminster** which impact on Wales, developments in other **devolved legislatures** or **cross national/international** comparative information;
- research support in developing and bringing forward **proposals for legislation**;
- information regarding the impact of legislation or policy on **different groups of people**, e.g. women, children, older people and men;
- direction and advice on the availability of sources of information;
- a literature review or analysis of existing research findings;
- assistance in drafting **Freedom of Information requests** and analysis of the information you receive;
- access to electronic resources, books, newspapers and periodicals;
- **maps** of constituencies, electoral regions and other areas at a variety of scales;
- assistance with **visit programmes to Brussels**; and
- information for speeches, visits or media appearances.

How to make a request

We are available to speak directly to Assembly Members and their staff who can submit individual requests for information by:

- **visiting our enquiry desk in the Library**;
- **calling extension 8097**;
- **emailing Research.Enquiries@wales.gov.uk**

Our **Research Service Enquiry Request** form is available from our **intranet pages** and in the Library.

The specialist researcher assigned to your enquiry will contact you to discuss your request and agree a deadline with you. Your enquiry will be treated as strictly confidential.

Research for committees can be arranged through the chair or clerk of the committee.

For more information about our services, please consult our **Statement of Service Standards**.

What do we publish?

Our publications are compiled principally for the benefit of Assembly Members, but we make these publicly available wherever possible via our **internet pages**. Print copies are available from the Library.

Research papers cover topics of current interest within the Assembly e.g. on a policy area likely to be debated or raised by constituents; or provide regular briefing on selected subjects such as monthly unemployment briefings and constituency profiles. We also cover Assembly Bills and Bills of the UK Parliament relevant to Wales.

Quick guides give a short overview or explanation of a variety of topical or more technical subjects. Recent quick guide topics include 'Coastal erosion and sea level rises', 'Fuel poverty' and 'Steps to a referendum on further powers'.

What monitoring services do we provide?

Progress of Assembly Bills provides a continually updated summary of the progress of Assembly Bills with links to the relevant documents and further explanatory information.

Key events in the development of the National Assembly for Wales provides a timeline to key events in the development of the Assembly.

The National Assembly for Wales and devolution in Wales: A bibliography gathers together some of the most important works to offer a balanced picture of the evolution of the Assembly and devolution in Wales to the present day.

Library services

The **Library** provides a comfortable modern reading room and access to official publications, reference books, newspapers, periodicals and electronic resources.

Workstations are available and staff are on hand to help you find the information you need.

If we do not hold a publication we can usually purchase it or borrow it from another library. We welcome suggestions for new resources.

For more information about the Library please see our booklet: **Library: A Guide**

Online resources accessible from the intranet

Carefully selected information sources relevant to your work are available on our intranet pages. Included within these pages are a series of tailored 'how to...' guides and an electronic constituency casework toolkit to help you provide quick responses to questions and queries from constituents. Our **intranet pages** include:

- quick access to a wide variety of **key information sources** relevant to the work of the Assembly;
- a **toolkit** to help with constituency casework, including resources designed to quickly locate funding sources and welfare benefits;
- electronic **newspapers** and **periodicals**;
- subscriptions to a variety of electronic databases e.g. **GRANTfinder**, **LexisLibrary**, **Justis Parliament** and **Newsstand**;
- a **library catalogue** – including full-text links to all electronically available documents within the library collection; and
- a **weekly update of new publications**.

Training and support

We are happy to introduce you to our services and facilities. We also offer training and guidance on how to find information and use specific resources. Please contact our enquiry desk.

Library opening hours

The Library is on the 3rd floor, Tŷ Hywel, Cardiff Bay.

Our opening hours are:

In sitting weeks:

Monday - Thursday	08.30 - 18.00
Friday	08.30 - 16.00

In recess:

Monday - Thursday	09.00 - 17.00
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Feedback on our services

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Chapter 1 – **The new Assembly**

- The 2011 election
- The composition of the Fourth Assembly

The 2011 election

Owain Roberts and Martin Jennings

Despite securing their highest ever share of the vote in an Assembly election, Labour did not gain an outright majority of the 60 seats available.

Although Labour remained by far the largest party group in the Assembly and experienced significant increases in their popular share of the vote across Wales, they did not gain a clear majority. Labour returned 30 seats – a number on a par with their 2003 totals and their joint best Assembly electoral performance to date.

It was also the Conservatives' strongest electoral showing in Assembly elections, with an increase in their number of seats from 12 to 14. As a result, they are now the main opposition party to Labour in the Assembly, leapfrogging Plaid Cymru to second place.

For both Plaid Cymru and the Liberal Democrats, it was their worst performance in an Assembly election. The Liberal Democrats were reduced to five seats, down one on their 2007 total. Plaid won a total of 11 seats, four less than they won at the previous Assembly election.

For the first time since the 1999 Assembly election, no independent candidates were elected. No gains were made either by any of the smaller parties.

Decreased turnout

Despite hopes that voter turnout for the Assembly election would increase as a result of holding the referendum on changing the electoral system for the House of Commons on the same day, the overall turnout for the Assembly election was 2 percentage points less than in 2007. Around 950,000 people cast valid votes in 2011, a turnout of 41.4 per cent

compared with the 43.4 per cent who turned out to vote in 2007.

This still places Assembly elections behind turnout levels for recent UK general elections, where the corresponding turnout figure for the 2010 election was 65.6 per cent.

Votes and swings

Labour won 42.3 per cent of the constituency vote, their highest ever in Assembly elections and up 10.1 per cent on their 2007 constituency vote share. Their share of the regional vote also increased to 36.9 per cent, up 7.2 per cent from 2007.

Labour received a higher proportion of the vote than was seen in the 1999, 2003 and 2007 Assembly elections. It was Labour's largest share of the vote in Wales in any election since the 2005 UK general election.

Although there was a substantial increase in Labour's vote nationally, there was considerable variation between seats. Some top Labour targets, such as Carmarthen West and South Pembrokeshire, did not change hands, whereas some requiring much larger swings than the national average, such as Cardiff Central, did.

The Conservatives also saw an increase in their vote share, albeit by a smaller margin than Labour's, polling 25 per cent in the constituencies and 22.5 per cent in the electoral regions.

Plaid Cymru's share of the vote was its lowest ever at an Assembly election, decreasing to 19.3 per cent of the constituency vote and 17.9 per cent of the regional vote. The Liberal Democrats' share of the vote also dropped to their lowest ever Assembly levels, polling 10.6 per cent in the constituencies and 8 per cent in the regions.

Party gains

A number of constituency and regional seats changed hands between the main parties during the election.

Labour regained the constituency seats of Blaenau Gwent, Llanelli and Cardiff North – seats they held at various stages following the 1999 and 2003 elections. They also gained Cardiff Central for the first time ever at an Assembly level.

The Conservatives also won the Montgomeryshire and Aberconwy constituencies for the first time at the Assembly level. They also gained two additional regional seats; one each in the South Wales West and South Wales East electoral regions.

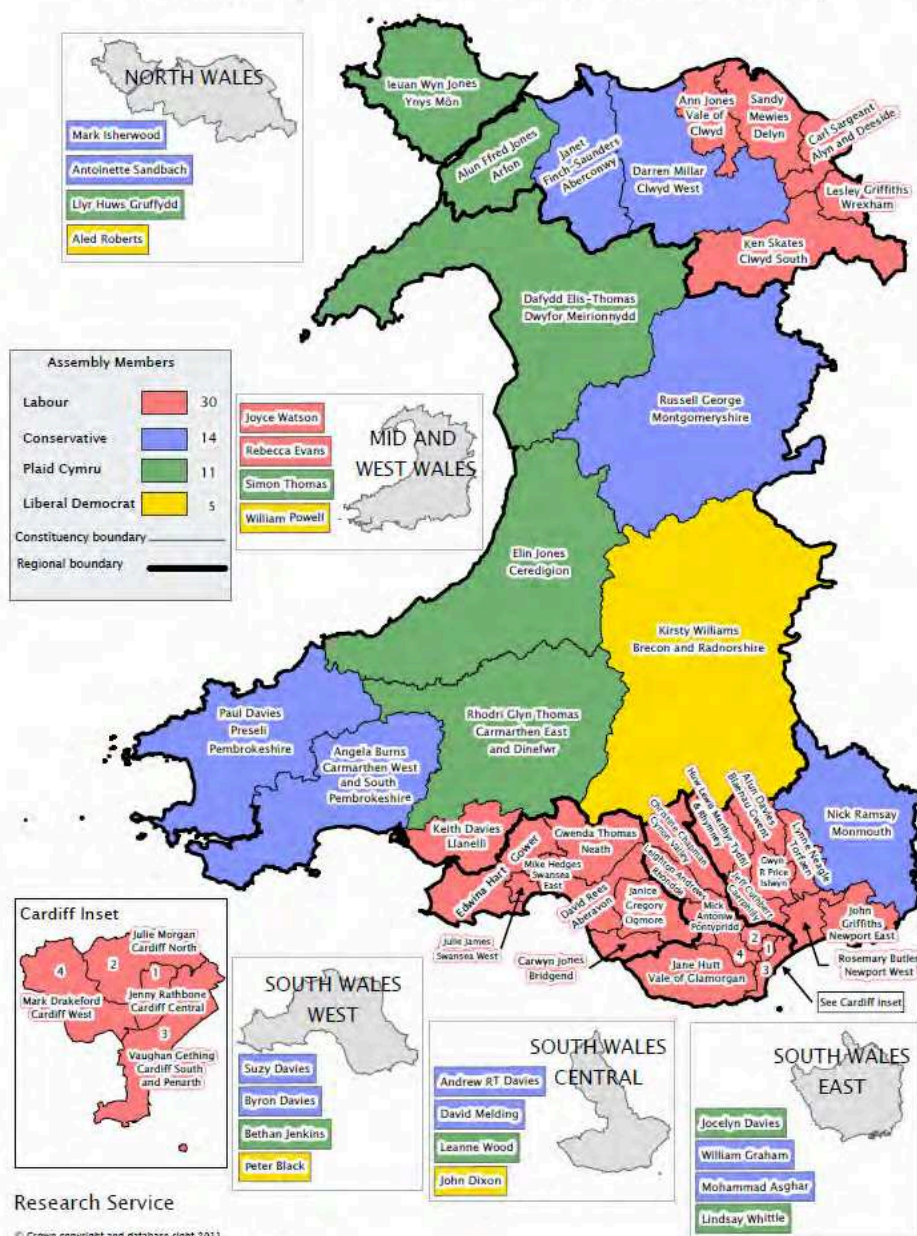
The Liberal Democrats did not gain any additional constituency seats, but gained two regional seats in both the Mid and West Wales and South Wales Central electoral regions following the loss of Montgomeryshire and Cardiff Central. Plaid Cymru did not gain any additional constituency or regional seats.

The next Assembly election

As a result of the UK Government's proposals to introduce fixed-term parliaments of five years for the House of Commons, the date of the next Assembly election may be moved by a year to 5 May 2016 to avoid the UK general election taking place on the same day. This change will be confirmed once the *Fixed-Term Parliaments Bill* completes its legislative progress through both Houses of the UK Parliament.

For the first time therefore, the Fourth Assembly term is projected to last five rather than the usual four years.

Assembly Members: Fourth Assembly



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The composition of the Fourth Assembly

Dr. Alys Thomas and Martin Jennings

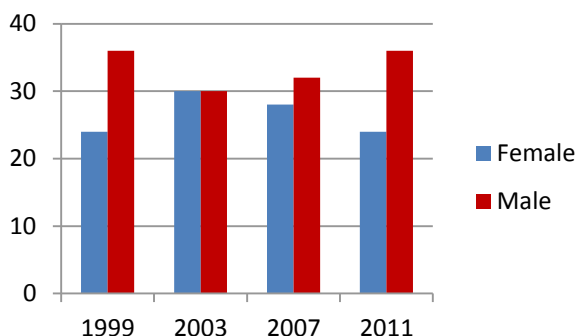
A quarter of Assembly Members did not seek re-election in the 2011 election, resulting in the largest turnover of membership since the Assembly was created in 1999. What changes has this brought to the make-up of the Assembly?

At the 2011 election, 15 Assembly Members in the Third Assembly – 25 per cent - did not seek re-election. This has contributed to the largest turnover of membership since the Assembly came into being. Further changes, arising from the election itself and seats changing hands between political parties, means that of the 60 Assembly Members, 23 are new members.

Gender and BME representation

In the first Assembly election in 1999, 24 women and 36 men were elected. This was seen as significant as women's political representation in Wales had been historically low in both the UK Parliament and at local government level. The 2003 election delivered an exact 50:50 split between women and men leading to the Assembly being hailed as the world leader in equal representation. The Third Assembly had 28 women and 32 men.

Male / Female split following each Assembly election



Source: Research Service

The Fourth Assembly has seen a fall in female representation to the same level as that of 1999 with 24 female and 36 male Assembly Members.

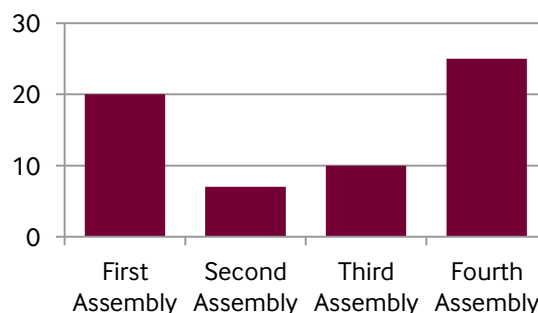
The estimated Black and Ethnic Minority (BME) population of Wales is around two per cent. The

first two Assemblies had no BME Assembly Members and the first BME Assembly Member was elected in 2007. In the Fourth Assembly there are two BME Assembly Members.

Political experience

There are 20 Assembly Members in the Fourth Assembly who were first elected in 1999. Seven Assembly Members were first elected in 2003 and ten in 2007.

Breakdown of when current AMs were first elected to the Assembly



Source: Research Service

New Assembly Members bring political experience with them from other walks of life. Sixteen new Assembly Members are or have served as councillors, including three that have been council leaders. Other new Assembly Members include two former Members of Parliament and two who have worked as special advisers to Welsh Ministers.

Of significance, given the enhanced powers of the Fourth Assembly in respect of legislation, is an increase in Assembly Members with a legal background. There were four Assembly Members with legal expertise in the Third Assembly, this has risen to eight in the Fourth Assembly.



15:27



Chapter 2 – Devolution and governance

- Welsh devolution: The settled will?
- Barnett reform: Future funding for Wales
- Wales and Westminster
- A Welsh jurisdiction?

Welsh devolution: The settled will?

Owain Roberts

In 1999 devolution was hailed as ‘the settled will of the Scottish people’ but the closeness of the Welsh result left devolution contested. Does the 2011 referendum result finally deliver the ‘settled will of the Welsh people’?

The emphatic nature of the Yes vote in the referendum on 3 March 2011, albeit on a low turnout, not only completed the National Assembly’s transition to a full legislature, to many it has ended the contested nature of Welsh devolution. Has devolution therefore become the settled will of the Welsh nation?

Lifting the ‘shadows’ of 1979 and 1997

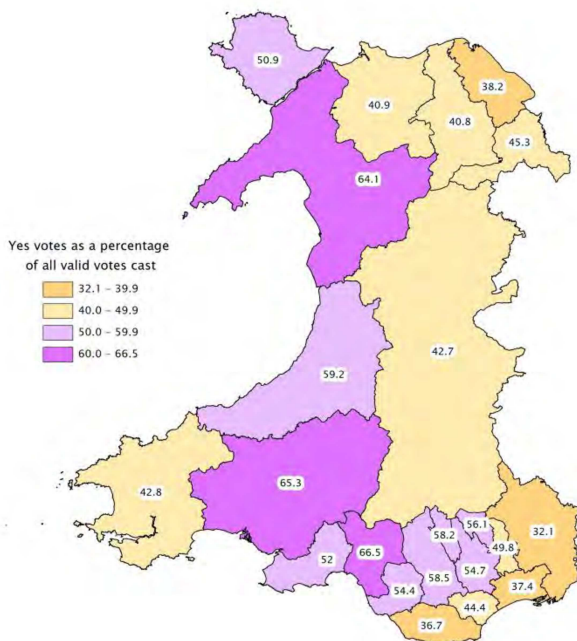
Such conclusions could not be taken from the previous referendums concerning Welsh devolution held in 1979 and 1997.

In 1979, the proposal for a National Assembly was resoundingly rejected by the Welsh public who were hostile to the most minimal of self-government.

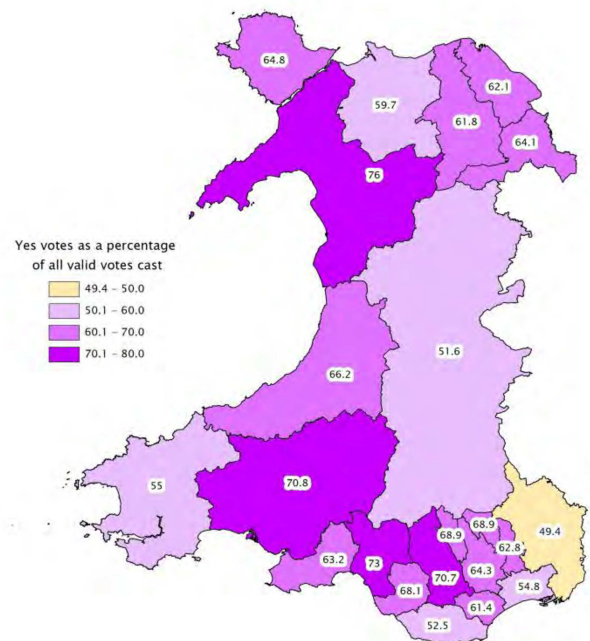
Although such attitudes had changed dramatically by 1997, Wales remained divided down the middle on devolution. The people of Wales voted for a National Assembly, but they did so with a narrow and half-hearted mandate given by a bare majority of those who turned out to vote. By contrast, the creation of a Scottish Parliament in 1997 was supported by a margin of four to one. It could be argued, therefore, that unlike Scotland, devolution remained contested in Wales.

In 2011, the way in which Wales made its choice seemed unequivocal. 63.5 per cent of voters were in favour of further powers to the National Assembly, the exact same percentage that voted in favour of tax-raising powers for the Scottish Parliament in 1997.

1997



2011



Source: Digest of Welsh Local Area Statistics 2000 and the Research Service
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Source: The Electoral Commission and the Research Service
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Wales united

The 2011 result also demonstrated that support for further devolution and the strengthening of the National Assembly had evened out geographically across the country.

Support for devolution has evened out across the country

All but one of the 22 local authority areas had voted Yes. Even the single area that voted No – Monmouthshire – did so by only the narrow margin of 320 votes.

The strength of the Yes vote varied relatively little across the country. The geographical divisions between east-west and north-south, so apparent in 1997, seemed to have disappeared. Surprisingly, a higher percentage of people in the north-eastern counties of Wrexham and Flintshire voted Yes than the inhabitants of Cardiff.

Not only was the overall result in 2011 clear; it was one in which Wales seemed very much united.

A full endorsement?

Perhaps comparing the 2011 result with previous polls concerning the creation of the National Assembly is misleading. In contrast to the stark choices faced by voters in 1979 and 1997, some have argued that the Welsh people were not asked to pass judgement on a fundamental constitutional question in 2011.

As a result, it is difficult to know whether the 2011 result was an emphatic endorsement of the record of the National Assembly and successive Welsh Governments since 1999, or simply a placid recognition that devolution in Wales is here to stay.

In addition, although the overall result of the 2011 referendum was decisive, the turnout in comparison with the previous referendums was significantly lower. Only 35.2 per cent of registered voters took part, and while this was not quite as low as some had feared, it was still much lower than the 50.1 per cent who voted in 1997 and the 58.8 per cent who took part in 1979.

Turnout in 2011 was much lower than in 1997 and 1979

Perhaps that the most striking element of the 2011 referendum therefore was the level of apathy apparent amongst the Welsh public.

Future dynamics

Despite this, the result of the referendum is likely to be hugely consequential for devolution in Wales. In particular, commentators have noted that the nature of the result will create a momentum and dynamic that will bestow a new legitimacy on the National Assembly which was not provided by the 1997 referendum.

Along with the planned reduction in Welsh MPs from 40 to 30 by the date of the 2015 UK general election, and a commitment by the UK Government to consider the proposals of the Holtham Commission, will there now be a shift in political focus from Westminster to Wales?

Barnett reform: Future funding for Wales

Dr. Eleanor Roy

The Holtham Commission found that Wales is currently underfunded by around £300 million per year. Is it time to address the thorny issue of funding devolution via the Barnett formula, what are the alternatives and what would this mean for Wales?

The Barnett formula

The Barnett formula is a non-statutory mechanism, by which changes to the funding of the devolved administrations are determined, based on changes to spend in UK Government departments and population share.

Barnett has been criticised over the years on the basis of accountability, equity and fairness. These criticisms and calls for review culminated in 2008, with the formation of the Calman and Holtham Commissions in Scotland and Wales, respectively.

Calls for review

In Scotland, the Commission on Scottish Devolution (Calman) had a wide remit to review the experience of Scottish devolution, including the funding of devolution and alternatives to the current arrangements. The Independent Commission on Funding and Finance for Wales (Holtham) had a somewhat narrower remit and was tasked with reviewing the funding of devolution as it relates to Wales.

Calman and tax devolution

In relation to funding devolution, the Calman recommendations focused mainly on tax devolution, including:

- the reduction of basic and higher rates of income tax by 10p and using this to form a new Scottish income tax rate;
- devolution of a number of other taxes; and
- a corresponding reduction in the block grant to offset tax revenues.

Holtham and the 'Barnett floor'

The Holtham Commission found that:

- under current arrangements Wales is underfunded by some £300 million per year;
- fair funding for Wales should be on the basis of relative need; and
- as reform to a needs-based formula would take time, they suggested the immediate implementation of a 'Barnett floor' as an interim measure, to prevent any further underfunding of public services in Wales.

In the longer term, the possibility of tax devolution was proposed, similar to that endorsed by Calman, but tailored to meet the specific requirements of Wales.

Time for change?

The Third Assembly unanimously endorsed a motion calling for the immediate implementation of a funding floor by the UK Government, followed by wider reform of the funding formula. The issue of tax devolution has been agreed to be a matter for the people of Wales as the First Minister has stated that this would require a further referendum.

There appears to be no great political appetite for tax devolution in Wales

Should the issue of tax devolution arise in the future, it is generally agreed that the arrangements would have to be tailored to meet

the specific socio-economic circumstances of Wales. For example, tax revenues likely to be raised in Wales are significantly different from those in Scotland, and the risks inherent in tax devolution would be different from those applicable to Scotland.

Barnett floor

The Holtham Commission suggested the implementation of a Barnett floor, as a mechanism to place a threshold under the current funding to Wales and prevent further underfunding of public services in Wales.

It was suggested that this could be achieved by multiplying any positive increments allocated to Wales by 114 per cent. This could be simply added to the calculation already in place under the Barnett formula. Thus, any increase in spend to a UK Government department would be multiplied by:

- the comparability factor;
- the population share; and
- 114 per cent.

For example, if there was an increase of £100 million in the planned spend of a UK department, whose activities are 90 per cent devolved, and the latest estimates of the Welsh population as a proportion of the English population are 5.79 per cent. Combining these elements with the implementation of the 114 per cent floor mechanism would give a positive consequential to Wales of £5.9 million, as opposed to £5.2 million without the floor:

With floor: $100 \times 90 \times 5.79 \times 114$

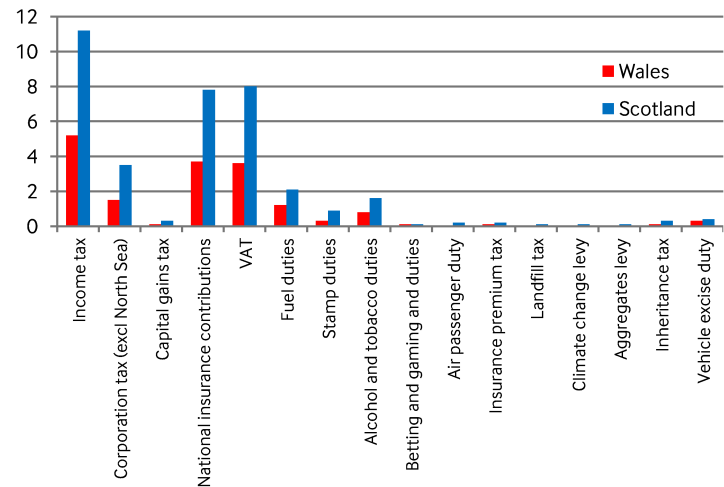
Without floor: $100 \times 90 \times 5.79$

As Wales is already moving to a position where it is underfunded in comparison to what it would receive via English funding formulae, it was considered to be inappropriate to apply the 'floor' in the event of negative funding allocations to Wales.

Barriers to Barnett reform?

The current UK Government have stated that Barnett reform is not a priority, as their focus is on reducing the deficit.

Revenues raised by UK-wide taxes, 2007-08 (£ billions)



Source: GERS and Holtham Commission

Historically, there have been political reasons for avoiding Barnett reform. Part of this relates to the notion that moving to a needs-based mechanism would potentially have a detrimental effect on the Scottish block. With the introduction of the *Scotland Bill* in November 2010 and the move towards tax devolution in Scotland, this potential barrier may be removed and allow for reform of the formula as it is applied to Wales.

Recent events and a way forward?

The UK Government stated that in the event of a Yes vote in the recent referendum on legislative powers for Wales that it would 'establish a Calman-like process' for Wales.

The Chief Secretary to the Treasury (Danny Alexander) confirmed that discussions should commence between HM Treasury and the Welsh Government regarding the Holtham proposals. Although he has stated that wider reform of Barnett was not a priority at this time, he also indicated that the proposal for a 'Barnett floor' would be considered.

Wales and Westminster

Dr. Alys Thomas

How will the relationship between Wales and Westminster develop in the Fourth Assembly?

Although there is a formal machinery of intergovernmental relations between Wales and Westminster, it is only part of the story. The actual process is dynamic and reflective of relationships both within political parties at different ends of the M4 or between Governments of a different political hue.

Intergovernmental machinery

Since the advent of devolution in 1999 there have been formal mechanisms in place to facilitate relations between the devolved administrations in Wales, Scotland and Northern Ireland with the UK Government. These take the form of an overarching Memorandum of Understanding (MoU); concordats agreed between UK departments and the devolved administrations and Devolution Guidance Notes.

The MoU also provides for the Joint Ministerial Committee (JMC), a forum which brings together UK Cabinet Ministers, including territorial Secretaries of State, with the First Ministers and Ministers of the devolved administrations.

The formal machinery of intergovernmental relations is only part of the story

The JMC fell into abeyance and did not meet in plenary between 2001 and 2008. Gordon Brown tasked the then Secretary of State for Wales, Paul Murphy with its revival. Arguably, the impetus for the JMC meeting was absent with Labour in power at Westminster and dominant at Holyrood and in Cardiff. That changed in 2007 when the SNP formed a minority Government in

Scotland bringing a fresh dynamic to intergovernmental relations, with the new First Minister, Alex Salmond, welcoming the opportunity for structured relationships between the UK Government and the devolved administrations.

The 'Respect Agenda'?

The dynamic was transformed once again in May 2010 as the Conservative / Liberal Democrat coalition came to power at Westminster. The new UK Government has sought to cast its approach to relationships with the devolved institutions as the 'Respect Agenda' and undertaken to treat the JMC with a 'new seriousness'. The Prime Minister signalled his intent with early visits to the devolved legislatures. However, the 'Respect Agenda' has not been without controversy as critics point out that decisions such as holding the AV referendum on the same day as devolved elections and affecting a clash of elections in 2015 demonstrated a lack of respect to the devolved bodies. This raises the question of whether the JMC can provide a robust forum for managing devolution with different parties in power.

Furthermore, a new phenomenon has emerged in this novel political climate – a collective approach by the devolved administrations. In October 2010, the First Ministers of Wales, Scotland and Northern Ireland put their names to a joint declaration opposing the UK Government's approach to the economy. A further declaration on the economy was issued in advance of the JMC meeting in February 2010. It remains to be seen whether this approach by devolved administrations will pay dividends in

the medium term and will be sustained into the future.

A Secretary of State for nations and regions?

The idea of doing away with territorial ministers and replacing them with a single minister for nations and regions has been around for some years. However, the Yes vote in the March 2011 referendum seems to have injected new life into the debate and the House of Commons Public Administration Select Committee recently recommended that the posts should be reviewed. The main argument in favour is that the territorial Secretaries of State do not have enough to do. The role of the Wales Office regarding Legislative Competence Orders will not exist in the Fourth Assembly. Unsurprisingly Secretaries of State past and present have mounted a stout defence of their role as a key element of the intergovernmental infrastructure.

Secretaries of State past and present have mounted a stout defence of their role as a key element of the intergovernmental infrastructure

Should the post of Secretary of State for Wales cease to exist questions would be raised about the future of the Welsh Affairs Select Committee, its terms of reference being to examine matters within the responsibility of the Secretary of State for Wales (including relations with the National Assembly for Wales). Would a new select committee be established in order to scrutinise the newly combined Secretary of State?

The number of Welsh MPs will also fall from 40 to 30. Looking beyond the next Westminster

election, if the Welsh Affairs Select Committee is retained, populating it with Welsh members could be problematic. Currently the membership is twelve and must reflect party balance and it has two members who sit for English seats. This raises questions about the consequences of fewer Welsh MPs and whether this will impact on the Assembly.

The Parliamentary Voting System and Constituencies Act 2011

The Parliamentary Voting System and Constituencies Act 2011 will reduce the number of MPs in the House of Commons from 650 to 600 by the date of the next UK General Election.

The number of Welsh MPs will fall from 40 to 30. This will not however affect the number of Assembly Members which will remain at 60.

A Welsh jurisdiction?

Dr. Alys Thomas

The Yes vote on 3 March 2011, which gave the green light to expanding the Assembly's legislative powers, has strengthened calls for a separate Welsh jurisdiction. What are the pros and cons?

Why a Welsh jurisdiction?

The Acts of Union of 1536 and 1543 abolished Welsh law and provided that Wales should be subject to English law. Now that the Assembly has been making distinct Welsh laws since 2007 and has expanded its legislative competence from May 2011, is the next logical step the creation of a separate jurisdiction?

Since the Yes vote in the referendum on 3 March 2011 calls for a separate Welsh jurisdiction have strengthened from some quarters. One argument is the suggestion that nowhere else in the world do two primary law making bodies exist in the same jurisdiction. Another is that as a discrete body of Welsh law grows, it is becoming increasingly difficult to make the single 'England and Wales' legal jurisdiction work and, without a separate jurisdiction, is the Welsh devolution model sustainable? Parallels are drawn with Northern Ireland which is a separate legal jurisdiction but is based on common law principles and has clear similarities with England and Wales.

Why not?

The case against a separate jurisdiction is that Welsh laws are inextricably linked with those of England and there are considerable practical implications. For example, would decisions of the English courts be binding in Welsh cases? Would a separate legal profession need to develop?

The assertion that the differing body of law emerging in Wales requires separate jurisdictions is disputed because common jurisprudence, system and procedure allow courts to work in different territories. The courts of England and Wales are fully competent to decide cases involving the laws of England and Wales and the laws of Wales only.

Without a separate jurisdiction, is the Welsh devolution model sustainable?

What is a 'jurisdiction'?

A jurisdiction is the territory or sphere of activity over which the legal authority of a court or other institution extends.

England and Wales currently form a single jurisdiction – one upshot of this is that a Westminster Act will be described as having an 'England and Wales' territorial extent even if the provisions apply only to England.

Consolidation and a Welsh statute book

Although many of the legal profession in Wales would oppose the creation of a separate jurisdiction, there is, however, a growing concern about the need for the consolidation of legislation pertaining to Wales. The current situation, involving the development of Acts of Parliament making different provision for England and Wales and then being amended separately and by different legislatures, is felt by some to be unsustainable for the evolution of accessible and comprehensible laws. A suggested solution is to consolidate legislation into a series of major Welsh Acts, for example relating to local government or education, which would make the law in Wales – and in England – easier to comprehend.

A suggested solution is to consolidate legislation into a series of major Welsh Acts

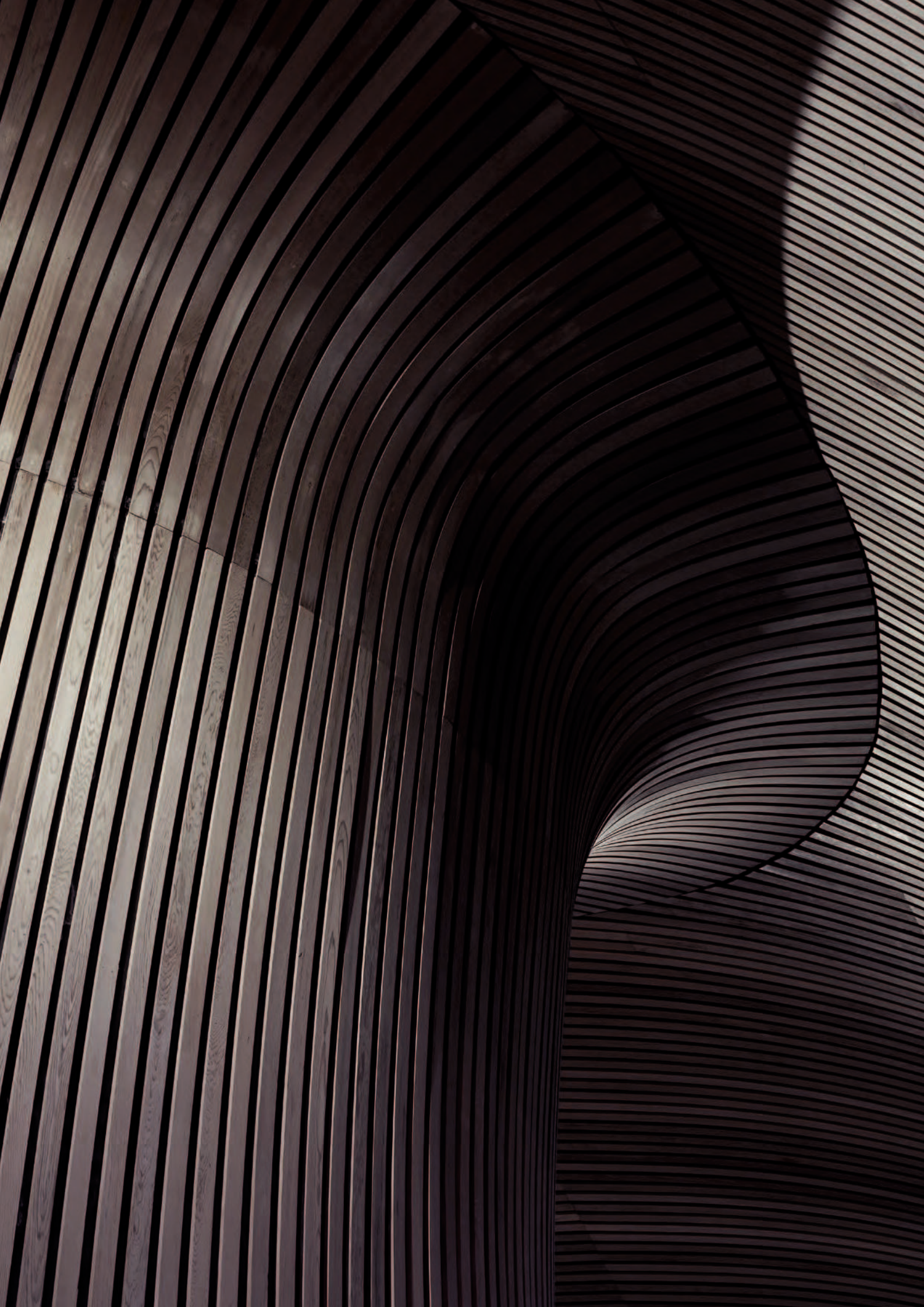
On a similar theme, committees in Cardiff and Westminster have heard evidence from the legal profession and other civil society groups that there is a need for a Welsh statute book which would provide a single comprehensive reference source for legislation impacting on Wales.

A Welsh statute book may provide a single comprehensive reference

A Welsh legal personality?

Despite differing views about a separate legal jurisdiction there is widespread agreement that since devolution Wales has been acquiring a distinct legal personality in terms of the administration of justice. Wales now stands alone as an administrative unit within the legal system of England and Wales which is co-extensive with the territory of Wales. The Presiding Judges have become the Presiding Judges of Wales and within Her Majesty's Court Service there is a separate administrative unit, HMCS Wales, with its own director.

The Administrative Court is the place where the courts come into the most direct contact with the acts of devolved institutions in Wales because it hears challenges to the legality of the acts of public bodies. Its role has been evolving since 1999 but since 2009 it is administered by a team based in Cardiff. Once proceedings have been assigned to Wales, the proceedings will normally be both administered from Wales and determined by a judge of the Administrative Court at a suitable court within Wales.



Chapter 3 – Economic development and transport

- Understanding economic performance
- Recession and unemployment
- Tackling youth unemployment
- Closing the digital divide
- Energy costs and fuel poverty in rural Welsh communities
- How are we going to pay for our future transport infrastructure?
- East-west or north-south?
Strategic priorities for a Welsh transport infrastructure

Understanding economic performance

Ben Stokes

Discussions on the economy often focus on Wales' performance relative to the UK in terms of two main statistics: GVA and GDHI. There is no escape from these acronyms when looking at the economy but what can they really tell us about how Wales is performing?

GVA – an imperfect indicator?

Wales has the lowest GVA per head of all the devolved countries and English regions, standing at 74.3 per cent of the UK average. This is nothing new - it has been the lowest in the UK for over a decade. Areas within Wales also sit at the bottom of the GVA per head league tables. The areas of West Wales and the Valleys (62.6 per cent), and the Isle of Anglesey (55.2 per cent) both sit at the bottom of the table for their respective geographical categories within the UK.

There has been a lower rate of GVA per head growth in Wales compared to the UK in almost every year since 1995. The gap was particularly wide in the late 1990s, which explains the high rate of relative decline in Welsh GVA per head over that period.

Recession

The recent recession has undoubtedly hit Wales hard. Nevertheless, there are some positives that can be drawn from the latest GVA figures. For instance, the rate of decline in GVA per head between 2008 and 2009 was slightly smaller in Wales as compared to the UK, and was the fifth smallest rate of decline out of the twelve devolved countries and English regions.

There are, however, a number of reasons why GVA per head could be seen as an imperfect indicator of economic performance. For example, it measures the economic output produced in an area and divides it by the number of residents in that area. Therefore, estimates of

GVA per head will be low in areas with significant levels of outward commuting and high resident populations and vice versa.

Also, as it measures the economic output produced in an area, per head of population, comparisons between areas can be unduly influenced by demographic differences, such as in the proportion of children or people of retirement age (who generally produce little economic output).

Given these concerns GDHI is often presented as an alternative measure of economic performance.

Regional **Gross Value Added (GVA)** is an income-based measure of the economic output of an area, mainly composed of the wages and profits earned as a result of production.

Gross Disposable Household Income (GDHI) is an estimate of what a household has to spend or save after tax and housing costs have been deducted from their earnings and benefits payments.

GDHI – an alternative measure of economic performance?

GDHI per head in Wales is the third lowest of the twelve English regions and devolved countries currently standing at 87.9 per cent of the UK average.

Over the last year GDHI per head in Wales increased by 2.6 per cent between 2008 and

2009, compared to a 2.5 per cent increase for the UK as a whole.

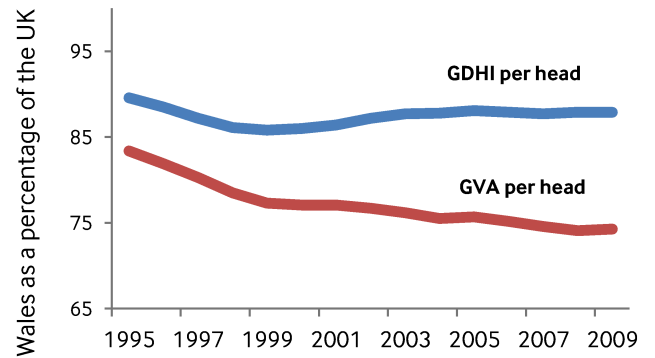
Wales saw the fourth largest percentage increase in GDHI per head out of the devolved countries and English regions between 1999 and 2009. As shown in the chart, GDHI per head in Wales has improved relative to the UK average over the last decade while GVA per head has continued on a downward trend.

Whilst GDHI shows Wales in a more positive light than GVA when comparing it to other regions of the UK we are not technically replacing like for like. Given the inclusion of benefits payments within the calculation of GDHI it is perhaps a better measure of living standards than GVA, but less satisfactory as a measure of economic performance.

GVA and GDHI: What do they show at the local level?

Whilst at an all-Wales level the headline-grabbing GVA and GDHI statistics can be persuasive, they don't by any means tell the whole story of how the Welsh economy is performing, particularly at the local level.

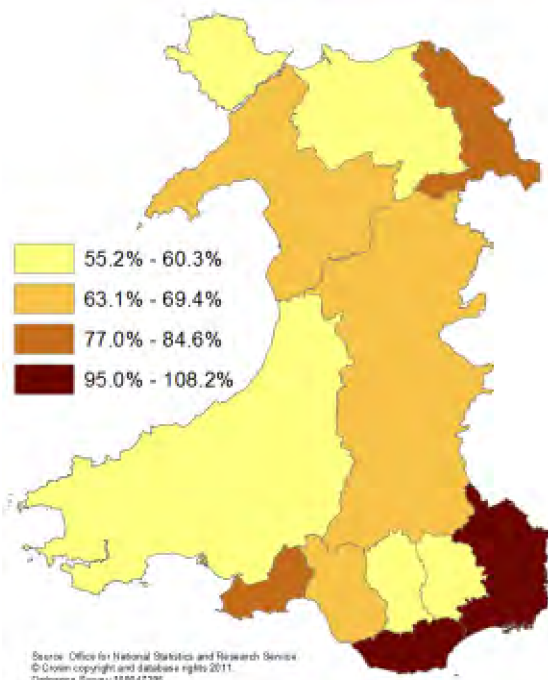
Relative to the UK average, GVA per head in Wales broadly continues to decline, while GDHI per head has improved slightly over the last decade



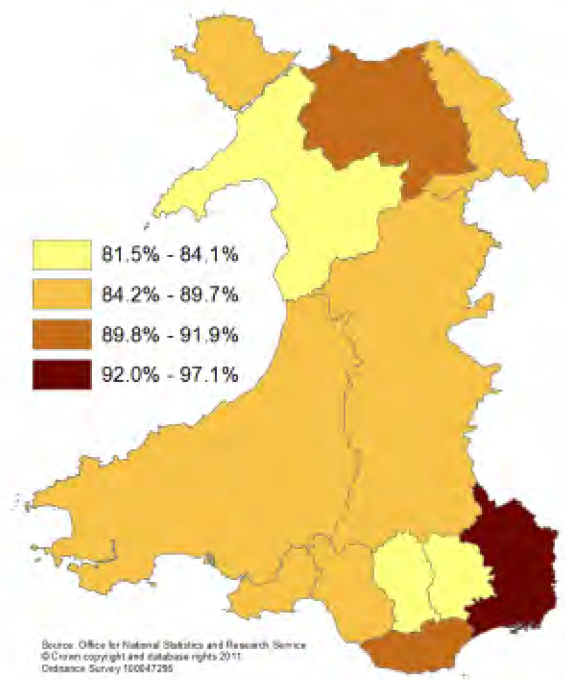
Source: ONS

The GVA and GDHI figures can paint a mixed and sometimes conflicting picture in terms of the performance of the local economies within Wales. In order to try and really understand what is going on, and to monitor how the economy is faring in this uncertain post-recession period, we would need to look at a wider range of economic indicators – for example employment, unemployment and inactivity rates.

GVA per head as a percentage of the UK average



GDHI per head as a percentage of the UK average



Recession and unemployment

Leon Goberman

The recession has caused unemployment to rise in all constituencies, but this increase has not been distributed equally.

From the second quarter of 2008, the UK economy shrank at a speed not seen since the 1930s. This caused unemployment to quickly increase in every Welsh constituency. Some constituencies with initially low levels have seen unemployment double. At the same time, some constituencies with relatively high levels of unemployment prior to the recession have seen large additional increases.

Recent history tells us that the impact of recessions on unemployment in Wales tends to be long-lasting. After the recession of 1979–81, claimant count unemployment did not return to 1979 levels before the next downturn in 1990. After the recession of 1990–91, it took more than six years for the count to drop below 1990 levels.

Measuring unemployment

The claimant count records people in receipt of Jobseekers Allowance (JSA). These are the most timely and detailed figures available at a constituency level.

The official International Labour Organisation (ILO) measure of unemployment is broadly based on the number of people who do not have a job, but are looking for one. This gives a more rounded picture of unemployment levels than the claimant count, as many unemployed people do not receive JSA.

However, ILO unemployment is not available in the same detail as claimant count.

What impact has the recession had on claimant count in Wales?

In May 2008, 40,936 people were claiming JSA. However, by January 2010, the claimant count had more than doubled to reach 83,174 people. This rapid rate of increase was broadly similar to that of the United Kingdom as a whole.

The count has since fluctuated. In March 2011, it stood at 74,850 people.

Which constituencies have been the most affected?

In March 2011, the constituencies with the highest rates of claimant count were Blaenau Gwent (6.7 per cent of the resident population aged between 16 and 64), Merthyr Tydfil and Rhymney (6.1 per cent) and Cardiff South and Penarth (5.6 per cent).

However, the greatest percentage point increases in claimant count rates since May 2008 have been in Cardiff South and Penarth (2.9 percentage points), Cardiff West (2.6 percentage points) and Cynon Valley (2.5 percentage points). The claimant count rate has doubled, or more than doubled, in twelve constituencies. All other constituencies have seen increases of at least 45 per cent.

The absolute increase in claimant count since May 2008 has been unevenly distributed throughout Wales. The most affected constituencies on this basis have been Cardiff South and Penarth (+ 1,894 people), Cardiff West (+ 1,444 people) and Newport West (+ 1,301 people).

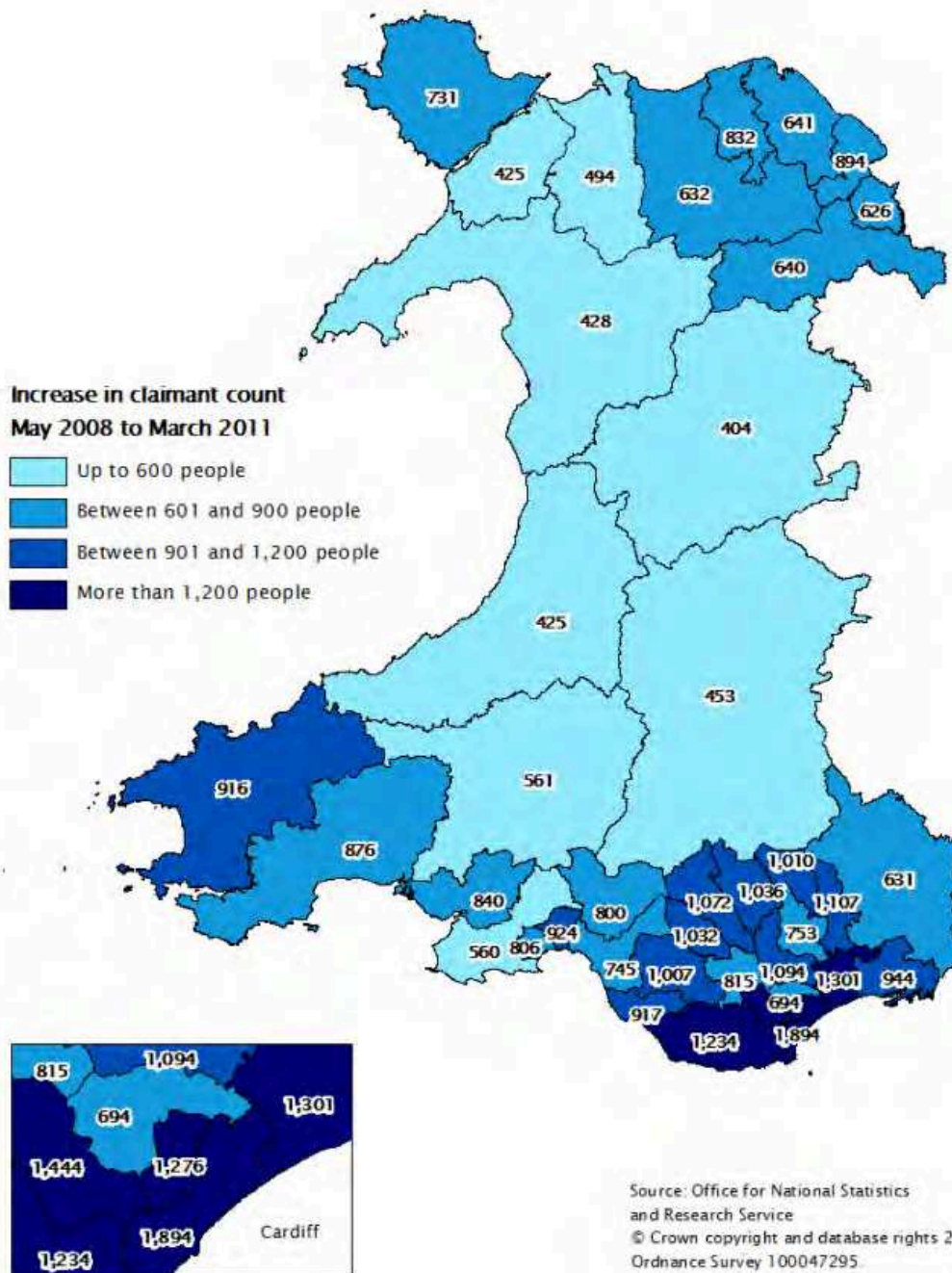
What does this mean for Wales?

Higher levels of claimant counts have impacted on communities across Wales. They are no longer confined to a relatively small number of constituencies.

Wales has a relatively high dependence on public sector employment. The current pressures on public sector expenditure are expected to continue for a number of years. This could mean that if unemployment in the UK trends downwards, unemployment in Wales may not

reduce as quickly as in some other nations and regions.

Although social security is not a devolved matter, the Welsh Government has some economic development responsibilities that could potentially assist in reducing the level of unemployment. These include the further development of skills and infrastructure, encouraging innovation and making Wales a more attractive place in which to do business.



Source: Office for National Statistics and Research Service
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Ordnance Survey 100047295.

Tackling youth unemployment

Martin Jennings

Young people make up just under half of the 115,000 people of working age unemployed in Wales, despite being just a sixth of the total working age population. The multiple negative effects of long-term youth unemployment make this a vital issue for the incoming Welsh Government.

Recent trends

The recession has hit young people in Wales hard. In October 2009-September 2010, there were 50,500 people aged 16-24 who were unemployed. This is 14 per cent of the whole age group and shows a 12,700 increase on two years ago. In this period, young people made up 44 per cent of the 115,000 people of working age unemployed in Wales. This is higher than the equivalent figure for the UK, which stands at 37 per cent.

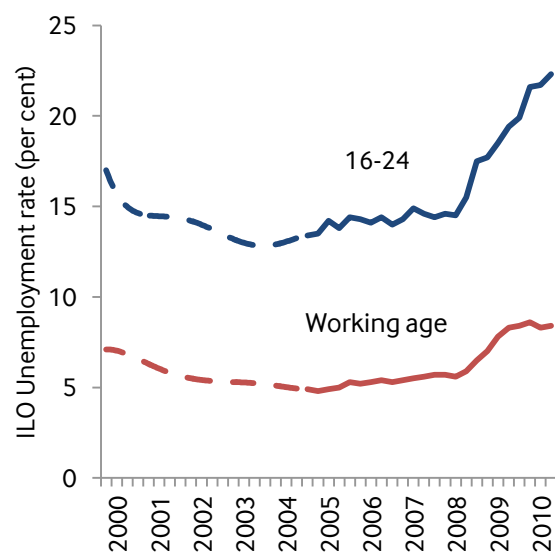
These figures are based on the International Labour Organisation (ILO) definition of unemployment, a count of jobless people who want to work, are available to work, and are actively seeking employment, rather than claimant count.

Youth unemployment numbers in Wales have risen in every quarter since July 2007–June 2008: this has not always been the case for total working age unemployment. The youth unemployment rate, that is the proportion of those economically active who are unemployed, has been consistently well over double that of the working age population over the past ten years. This gap has increased considerably over the last year or two.

Reasons for the increase

There are a number of reasons why recessions may have a deeper impact on younger people, such as:

- job vacancies are reduced, so there is less opportunity to find employment for those entering the job market;
- younger staff may be more likely to lose their jobs. Employers may retain more experienced and trained employees as they have invested more and they may be more expensive to make redundant; and
- job losses in this recession have been less than predicted by economists, suggesting that firms have attempted to retain staff capacity. Firms may therefore be slow to build up staffing during a recovery.



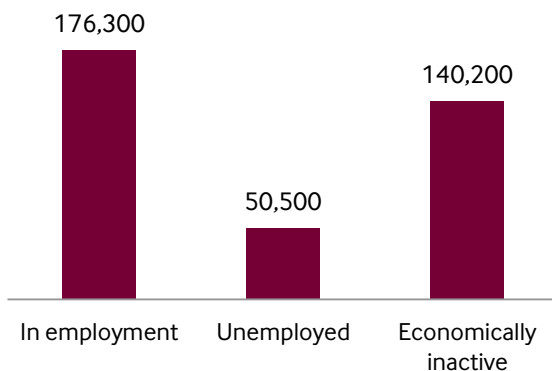
Source: ONS

Economic inactivity

Not all people of working age are seeking employment. Unemployment rates exclude those who are 'inactive' in the labour market. 37 per cent of people aged 16-24 are inactive; five years ago this figure was 31 per cent. A large

proportion of these will be in full-time education, two-thirds in the case of the UK.

16 to 24 year olds in Wales



Source: ONS

Impact of youth unemployment

Long term youth unemployment has a number of detrimental effects, for both the individual and society. In particular, youth unemployment:

- is a failure to take advantage of Wales' productive potential;
- reinforces intergenerational transmission of poverty;
- may encourage illegal alternatives to raising income and other disruptive behaviours;
- could lead to disenchantment of young people who do not feel they have the same opportunities as other adults;
- sustained youth unemployment can lead to lower future earnings.

Addressing youth unemployment

Promoting youth employment and employability requires an integrated effort that includes action in the areas of education, skills development, the job supply and support for young, low-income entrepreneurs. These initiatives require participation from central and local government, business, the third sector and other non-governmental organisations.

Welsh Government policies

The last Welsh Government implemented a package of measures to address rising youth unemployment. These measures were aimed at improving opportunities and breaking the negative unemployment cycles for the most disadvantaged young. Some examples are:

- the 14-19 Learning Pathways 2002 policy aimed to increase the number of learners who are fully engaged in learning and also progress to post-16 learning;
- the 2009-10 Young Recruits programme which was set up to create additional opportunities for young people to access quality apprenticeship places. The Pathways to Apprenticeship Programme in Wales was set up to ensure that young people are able to access high quality skills training in the absence of apprenticeship opportunities being offered through employment; and
- the 2011 Traineeship Programme for those aged 16-18 and Steps to Employment for those aged 18-plus who are not in employment, education or training.

Many of these policies are too recent for their success to be accurately measured yet. Assessing their impact on youth unemployment will be an important issue in the Fourth Assembly.

Future outlook

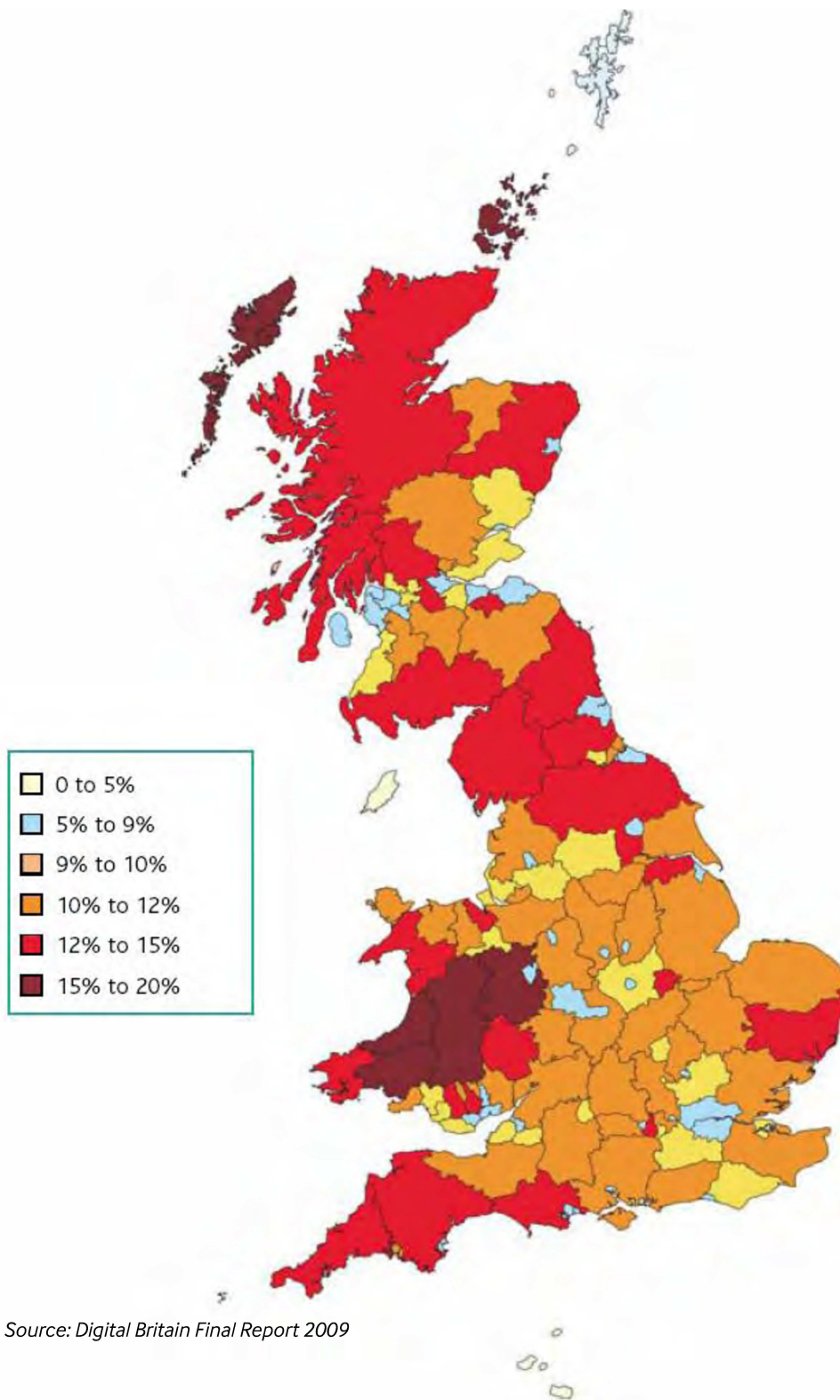
With the full impact of the cuts in the public sector yet to impact on Wales, and the risk of a slow recovery or further recession, it will be vital for the new Welsh Government to ensure that an integrated set of policies are in place to halt the increase and bring down the numbers of youth unemployment.

Closing the digital divide

Robin Wilkinson

The digital divide between Wales and the rest of the UK continues to narrow. However, significant disparities still exist between levels of broadband access both within Wales, and between Wales and the UK, challenging policy-makers to act now to prevent further exclusion.

Percentage of lines unable to support up to 2 Mbps connection speeds



Source: Digital Britain Final Report 2009

Broadband internet is no longer a luxury, but an integral part of modern life. However, many people in Wales either have slow connection speeds, or no access at all. Consequently, where

Broadband connection speeds

- 2 Mbps: the sort of speed needed to access the BBC iplayer;
- 30 Mbps: at this speed you can download an average music track in about 1.5 seconds;
- 50 Mbps: at this speed you can download an average music track in about a second.

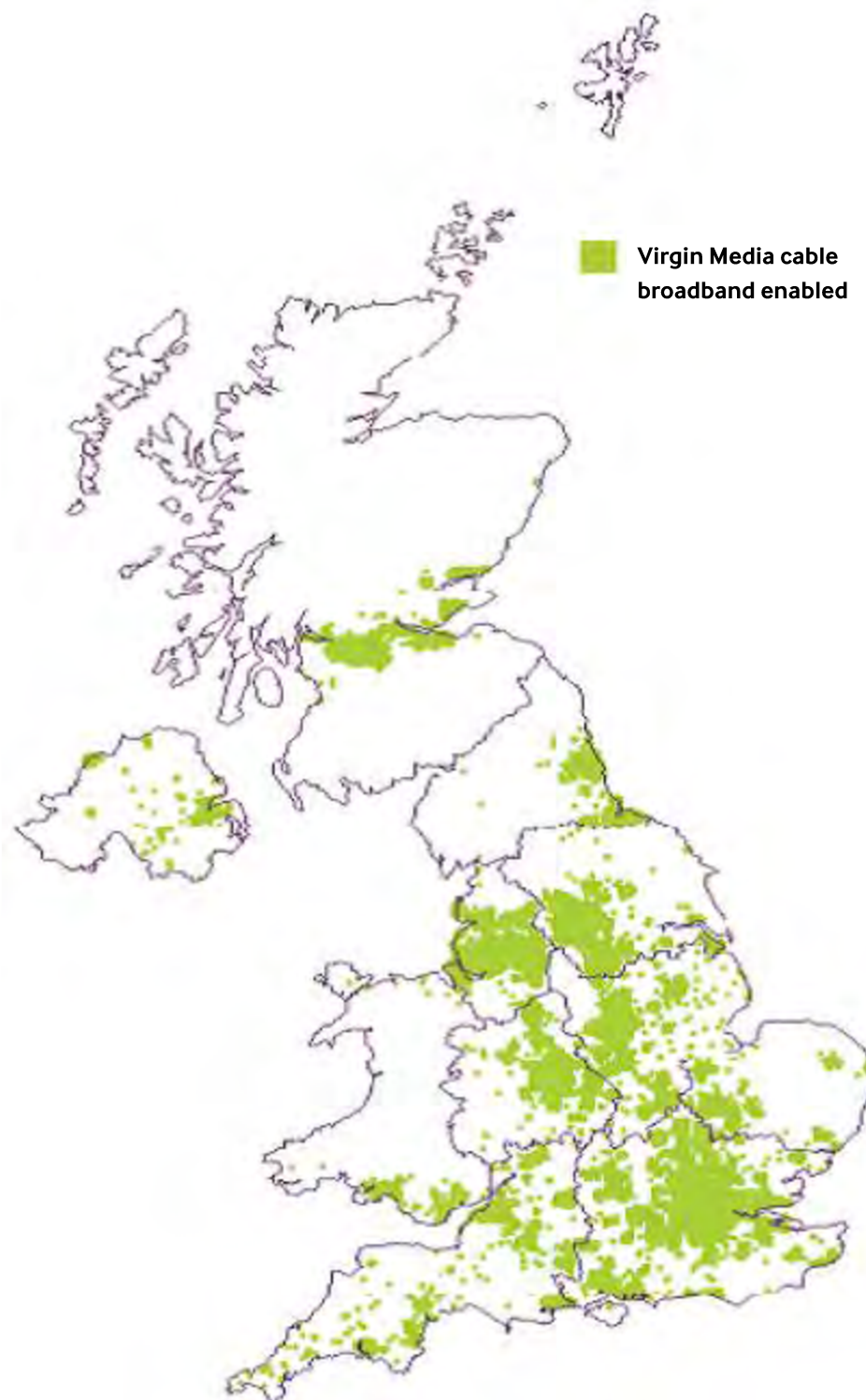
broadband could be a powerful egalitarian tool which provides opportunities and services regardless of location, there is a risk it could magnify existing inequalities if its distribution remains uneven.

A divided Wales

Broadband take-up in Wales has increased rapidly from 25 per cent in 2005 to 64 per cent in 2010. However, this positive headline figure hides a series of inequalities.

In Wales, there are two main ways to access fixed-line broadband: BT's copper telephone

Availability of Virgin Media's cable broadband



Source: Ofcom/Virgin Media, September 2009

network and Virgin Media's cable network. With copper lines, the signal deteriorates the further you are from the local exchange.

However, whilst people living in 'not spots' struggle to achieve basic broadband provision, talk has turned to 'next generation broadband', where optical fibre provides customers with far greater connection speeds, currently up to 50 Mbps. As the map indicates, Wales is poorly provided by Virgin Media's cable broadband network. Furthermore, coverage of the 3G mobile phone network – an alternative means of accessing broadband – is also significantly lower in Wales than the UK average.

Left to the market it seems that the digital divide within Wales will perpetuate or even increase, as the cost of deploying broadband in remote rural areas creates an unattractive business case for the private sector.

Broadband benefits

The digital divide means Wales and Welsh businesses are potentially missing out on the well-documented benefits that fast internet connectivity brings.

Ironically, those with most to gain from online services – businesses in rural Wales that would benefit from increased access to

customers, farmers who could submit grant applications online and people in remote communities who find it hard to access public services – are those poorest served by the current infrastructure.

Furthermore, areas with poor broadband access are often areas with relatively low economic activity, presenting a further barrier to development of these areas.

Broadband benefits:

- in 2008 eCommerce comprised 21 per cent of total turnover of businesses in the UK (the second highest figure in the EU);
- in 2007 91 per cent of basic public services for citizens in the UK were fully available online;
- pupils who use the internet for educational purposes are more likely to out-perform those without web access by around a quarter of a GCSE grade in each subject.

Closing the gap

Policy-makers are taking steps to address this. The previous Welsh Government set itself the target of achieving basic broadband for all in 2011 (ahead of the EU target of 2013). It is aiming for 30 Mbps broadband for all businesses by 2016, and all households by 2020 (in line with the EU's aim for 30 Mbps broadband for all by 2020). The UK Government is yet to announce detailed connection targets, but has stated that Britain should have the best broadband network in Europe by 2015.

The Welsh Government is also currently undertaking a procurement exercise for next generation broadband provision, and intends to

provide less than 50 per cent of the total costs from a mixture of public, private and EU funds. Timing and targeting of public investment will be of crucial importance, to avoid chilling investment from the private sector, and therefore wasting public money.

Furthermore, the Welsh Government will want to maximise the funding available from the UK Government and the EU; the former Deputy First Minister stated in early 2011 that funds on the table from the UK Government were less than half of what he felt Wales deserved.

The challenge for the future Welsh Government is therefore to act promptly to address the digital divide without stifling private investment. This is only half the battle however, as the use of broadband currently mirrors other socio-economic inequalities. Digital inclusion must also be addressed if broadband in Wales is to deliver on its egalitarian promise.

Energy costs and fuel poverty in rural Welsh communities

Gareth Thomas

With rising energy prices and higher household energy costs, what can be done to reduce levels of fuel poverty amongst households in rural Wales?

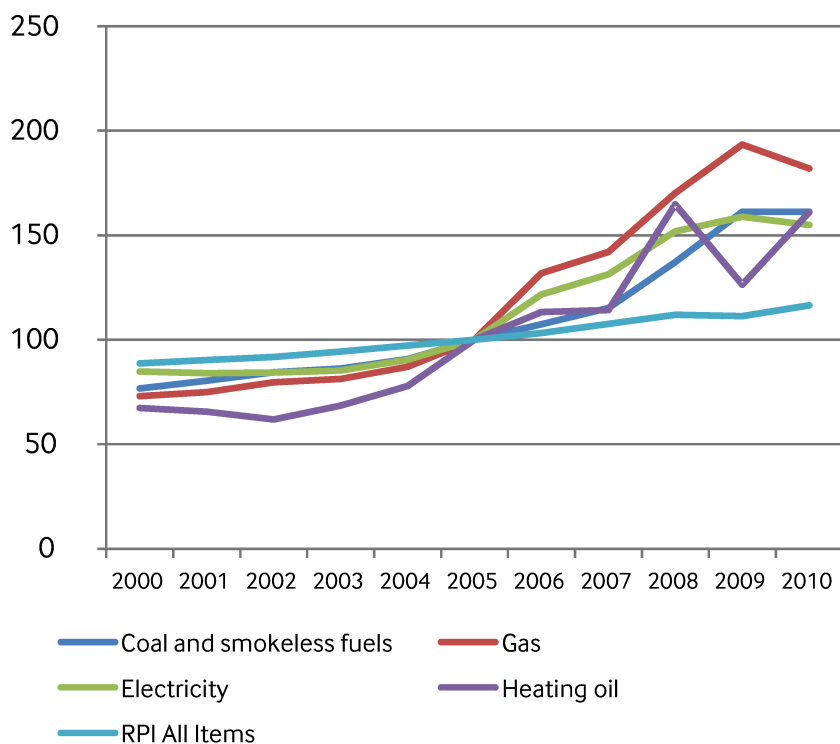
While domestic gas and electricity prices fell at the end of the last century, increases in wholesale energy costs, costs of environmental programmes and investment in network infrastructure have contributed to rising energy prices for most of the last decade.

During the winter of 2010, five of the six major UK energy companies announced increases in domestic gas and / or electricity prices, sparking a Retail Market Review from Ofgem, whose findings were published in March 2011 along with details of the action it believes needs to be taken in consumers' interests.

How have rising energy costs impacted upon rural Welsh communities?

Rural households often use fuels other than gas to heat their homes as they are more likely to be off the gas mains network. In 2010, consumers in the south Wales electricity distribution area paid up to £25 more than the British average, and consumers in north Wales paid up to £13 more than the British average. The south Wales electricity distribution area includes a number of very sparsely populated areas such as the mountainous areas in mid Wales, which increases electricity distribution costs.

UK Retail Prices Index: Real Fuel Price Index, 2005 = 100



Source: DECC

Households off the gas mains network are more likely to use liquefied petroleum gas (LPG) or heating oil to heat their properties, which significantly increases their expenditure on heating costs.

Heating oil costs are particularly affected by crude oil prices. These increased between 2004 and 2008, and have started to rise again from the second half of 2009 due to a rise in crude oil prices.

Fuel poverty: Definition

A household experiences fuel poverty if it spends more than 10 per cent of its income on fuel use to maintain a satisfactory level of heating.

Why are fuel poverty levels higher in rural communities?

In 2008, 332,000 households in Wales were estimated to be fuel poor, an increase of 194,000 households since 2004.

In rural Wales the proportion of households in fuel poverty was 42 per cent in 2008; almost double that of fuel poverty in urban areas, which was 22 per cent.

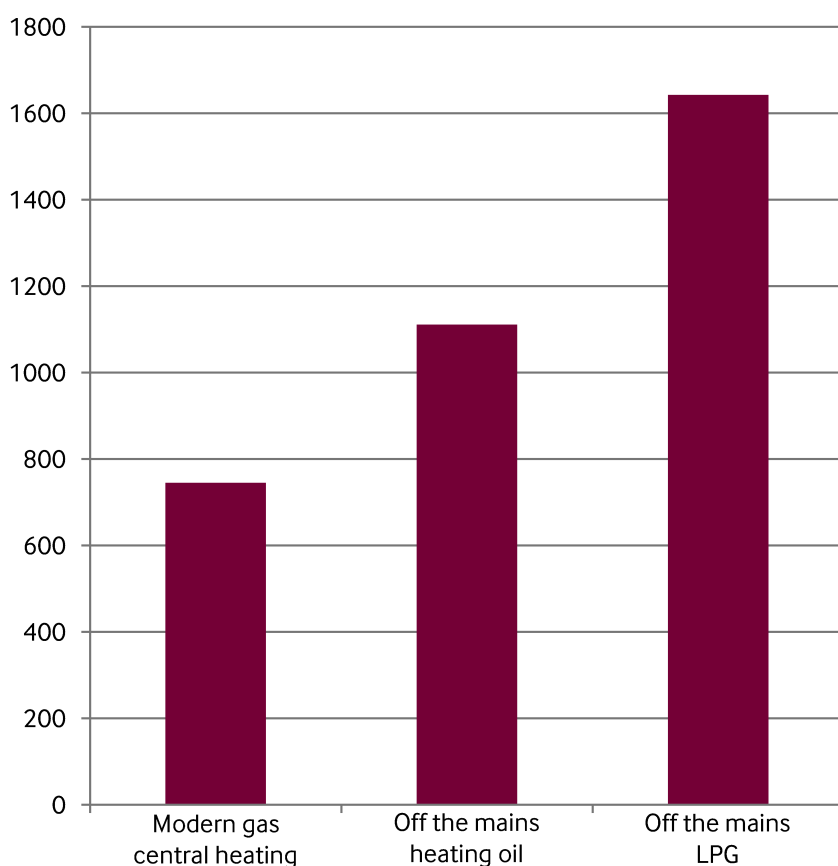
Fuel poverty levels in rural Wales are almost double those in urban areas

Key factors affecting fuel poverty

- Income levels;
- Energy efficiency; and
- Energy prices.

These factors impact significantly upon levels of fuel poverty in rural households, and contribute to higher levels of fuel poverty. Research suggests that 25 per cent of households in rural Wales live on below 60 per cent of UK median income.

Average 2010 annual heating cost for a 3 bedroom semi-detached house in Wales by method of heating (in £)



Source: NEA Cymru

Rural residents are also more likely to live in older, larger dwellings, which are often harder to heat, and only able to benefit from a narrower and generally more expensive range of energy efficient technologies.

Rural communities are more likely to be off the gas mains network, which increases the likelihood of a household being in fuel poverty, and increases the cost of installing energy efficiency measures. In 2008, 44 per cent of Welsh households off the gas mains network were in fuel poverty, compared with 23 per cent of households connected to the network.

Will current initiatives help to reduce rural fuel poverty?

Ofgem believe that it is unlikely that energy prices will return to the comparatively low levels of the start of the twenty first century. In light of this, questions arise as to what can be done in Wales to reduce levels of fuel poverty in rural communities.

As energy prices and income and benefit levels are non-devolved areas, direct action from the previous Welsh Government to tackle fuel poverty has generally focused on energy efficiency measures through programmes such as the Home Energy Efficiency Scheme (HEES) and Arbed. It has also provided advice to householders on maximising income levels and on how to minimise energy costs through these schemes and the Nest scheme.

It has been suggested that, as supplier funded energy efficiency measures tend to focus on the more cost-effective urban areas; rural areas are often not reached by these measures.

The HEES scheme, which ran until March 2011, was acknowledged by the Welsh Government to have been less successful in assisting fuel-poor households living in hard-to-treat rural properties, and received criticism for failing to provide solutions in rural areas. The scheme was replaced by the Nest fuel poverty scheme in April 2011, and will target hard-to-treat rural homes as part of its whole-house approach to improving energy.

It remains to be seen whether this new scheme will address the needs of rural communities and if a more targeted approach to rural fuel poverty will prove to be a more effective one.

How are we going to pay for our future transport infrastructure?

Graham Winter

Further investment to improve roads and railways in Wales will be vital to the regeneration of Wales' economy but public sector funding for such schemes will be drastically reduced over the next few years.

The case for investment

The lack of investment in high quality and sustainable transport infrastructure is a key concern to the business community in Wales. The economic case for targeted new infrastructure is strong and can offer very high returns. Smaller projects which unblock 'pinch-points', plus schemes to support public transport in urban areas are likely to offer the very highest returns, sometimes higher than £10 for every pound spent.

The last Welsh Government's Economic Renewal Programme called for a new emphasis on investment in road and rail improvements across Wales as an important way of regenerating the economy after the recent downturn.

The economic case for targeted new infrastructure is strong and can offer very high returns

Future plans

The last Welsh Government's National Transport Plan published in 2010 contains an ambitious programme of road enhancements that are to be built over the next five years to 2015 such as:

- further improvements to the A470 north-south Trunk Road;
- dualling the A465 Heads of the Valleys route by 2020;
- a package of measures to provide relief for the M4 in south-east Wales.

Rail enhancements in the plan include:

- removing major line capacity constraints between Wrexham and Chester and in West Wales near Gowerton;
- further investment to improve the capacity of the Valleys Lines network.

Most of these schemes will depend on capital funding from the Welsh Government. When railway lines are improved and platforms are extended then money also needs to be found to pay for the extra train services and rolling stock that is needed following the capital investment.

There are also proposals for future large-scale investment in the railways, such as electrification of the south Wales mainline and of the Cardiff and Valleys Lines that will not go ahead without substantial funding from the UK Government. This is because responsibility for such schemes is not devolved to Wales at the moment. The cost of the electrification of the south Wales mainline from Didcot via Bristol to Cardiff is likely to be at least £700 million or closer to £1 billion if the project does eventually go all the way to Swansea.

Looking beyond this, public bodies in Wales have joined forces as the Great Western Partnership to campaign for a completely new high speed railway line to carry trains at speeds of at least 200 mph from Wales and the west of England to London and so on to the rest of Europe. The cost of such a line would be many billions of

pounds including an expensive new Severn Crossing or tunnel.

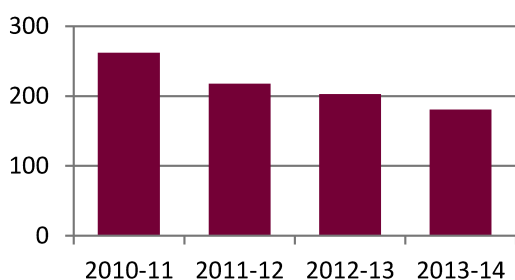
Comprehensive Spending Review

The in-coming UK Government's comprehensive spending review of last autumn had a knock-on impact on the Welsh block grant so that the money available for road and rail schemes is likely to be severely squeezed over the next few years. The budget set by the last Welsh Government included a reduction of more than 35 per cent in real terms capital expenditure on transport over the next three years.

The money available for road and rail schemes will be severely squeezed over the next few years

European Union money has been used in eligible areas to supplement transport budgets but will not be able to compensate for the budget reductions in the next few years.

Reduction in the Transport Capital budget (£ millions)



Source: Welsh Government

Where else could the money come from?

At present the Welsh Government cannot directly borrow money but local authorities can.

Different ways of funding transport projects using private finance are not new. Part of the A55 Trunk Road was improved and the Newport

Southern Distributor Road was built under the Private Finance Initiative. The last Welsh Government did not favour the use of private funding initiatives for transport projects until towards the end of its term in office when it started to look on them more favourably.

Two options for future transport funding:

Private Finance Initiative (PFI) – a form of Public Private Partnership (PPP) where the private sector provides an asset against an agreed specification of required outputs prepared by the public sector. The private sector is responsible for designing, financing, constructing, maintaining and operating the infrastructure. The public sector pays for the project over a number of years.

Road Pricing – charging directly for the use of roads. Examples include traditional methods using toll booths on toll roads, as well as more modern schemes of electronic toll collection such as the London Congestion Charge.

The last Scottish Government has set up the Scottish Futures Trust to come up with novel funding models. So far the Trust has a couple of models working. One of these is Tax Incremental Financing, which is a 'US style' tool that lets local authorities borrow money for regeneration and infrastructure against their future income from business rates.

It is clear that the new Welsh Government will need to adopt a strategic approach to alternative models of financing transport infrastructure, including various forms of Public Private Partnership or road pricing, if it wants to deliver the National Transport Plan over the next few years and future transport projects in the longer term.

East-west or north-south?

Strategic priorities for a Welsh transport infrastructure

Andrew Minnis

The economic and social importance of transport in Wales is widely accepted. However, should the priority be east-west links with England and beyond, or should a balance be struck with improved connections between north and south?

Key Welsh transport links



Source: Research Service

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Ordnance Survey 100047295

The Welsh transport network is a product of geography and history. A mountainous centre, the location of coalfields, and the importance of economic connections to English industrial centres has concentrated population and industry on the north and south coasts of Wales.

The busiest transport corridors in Wales are the east-west routes of coastal north and south Wales which form part of the strategic trans-European transport network. Trunk road and rail links join the port of Holyhead to Manchester and Liverpool, while the south western ports are linked to the cities of south Wales, southern England and, ultimately, Europe.

East-west road and rail links also join Aberystwyth to the English midlands, while the Heart of Wales line connects Swansea with Shrewsbury. However, these are less in demand as a result of sparse population densities in the central region.

As the main population and economic centres in Wales are in the north and south, with transport links focused on links to the UK and beyond, demand for north-south links is also comparatively low. The main north-south transport network currently includes:

- a north-south trunk road network, which forms a figure '8' and links the four corners of Wales;
- the Welsh Marches railway line, which links north and south coast destinations via Shrewsbury and Crewe; and
- a daily return air service between north and south Wales.

The economic and social impact of transport

According to the 2006 Eddington Report, the economic benefits arising from transport include:

- economic growth through increased production / consumption of goods and services, and improved productivity;
- an improved response to structural economic change; and
- improved quality of life through, for example, availability of leisure time.

More recently the role of transport in tackling Welsh social exclusion has been acknowledged. The 2008 Welsh Index of Multiple Deprivation identified Powys, Ceredigion, Pembrokeshire, Carmarthenshire, Gwynedd and Monmouthshire as the most deprived local authorities in Wales in terms of access to services. Transport planners have been urged to consider both access to services and jobs throughout Wales to tackle these issues.

The case for developing north-south links

Those who support balancing north-south and east-west priorities argue the need to develop north-south links has increased in the last decade. The establishment of the National Assembly, and other national institutions, in south Wales has refocused Welsh social and political life and increased demand for north-south travel.

Further, north-south journey times, critical for businesses in mid Wales and those trading domestically within Wales, are unsatisfactory. Significant economic benefits would result from reduced journey times, with knock-on health and road safety benefits through reduced stress and risk of accidents.

Finally, reduced travel times and costs will improve employment prospects for the rural population, and improve the access to services in mid-Wales necessary to help reduce deprivation.

Strengthening east-west routes

Those who prioritise east-west links consider better connections between north and south Wales to be a longer term objective.

Significant 'pinch points' and a lack of resilience in road and rail networks on both key east-west corridors currently hamper key economic links outside Wales, and must be addressed to equip Wales for future demand allowing the economic and population centres of north and south Wales to sustain the Welsh economy.

The integration of Welsh and English freight networks creates dependence on strategic east-west corridors. Inadequate road and rail links have prevented full exploitation of Welsh ports as economic hubs. Moreover, the inadequacy of Cardiff International Airport, which has relatively poor overland access and has seen steady decline in usage in recent years, increases Welsh dependence on air infrastructure outside Wales. Thus, surface links to Heathrow, Manchester and other English airports will be of considerable importance for many years.

Finally, commentators who prioritise east-west links suggest there is a risk of unforeseen consequences from north-south transport infrastructure improvements, intended to promote regeneration, which do not fully consider wider social, economic and spatial policies. For example, they argue that transport improvements intended to develop services in deprived peripheral regions can actually centralise those services as they become easier to reach from the peripheral areas.

The challenge for the next Welsh Government is to balance both perspectives in the context of real terms capital spending cuts in transport of more than 35 per cent between 2010-11 and 2013-14.





Chapter 4 – **Reforming public services**

- Is the Welsh economy over-reliant on the public sector?
- Local government in Wales: Time for a change?
- The state of welfare

Is the Welsh economy over-reliant on the public sector?

Dr. Eleanor Roy and Martin Jennings

Public sector spending is set to fall by over 10 per cent in real terms over the next four years. This is likely to hit the Welsh economy particularly hard, as the proportion of the workforce employed in the public sector is far greater in Wales than the UK average.

Impact of the Comprehensive Spending Review

Over the next four years the Welsh block grant is forecast to reduce by £2 billion, or 12 per cent in real terms. Capital allocations are set to fall by over 40 per cent, whilst revenue will reduce by 8 per cent in real terms.

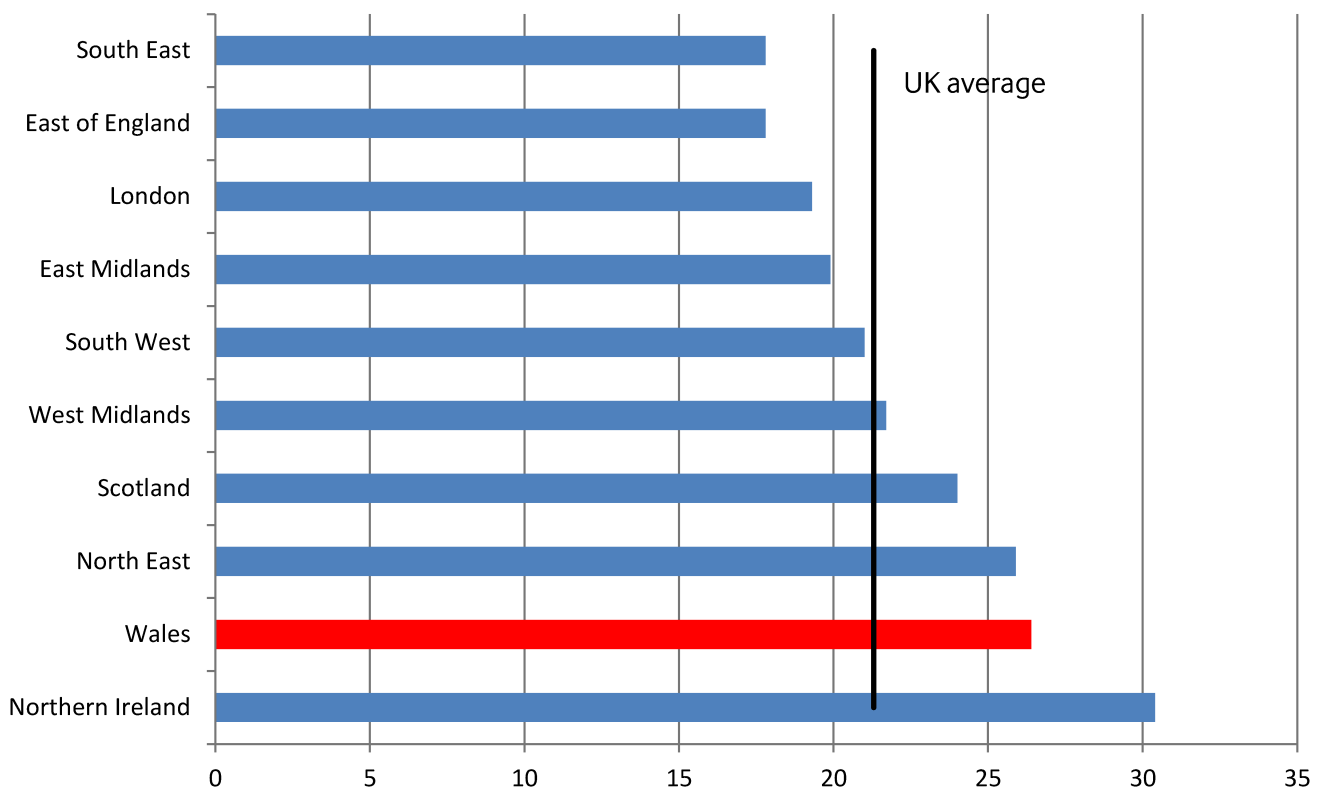
These reductions in spending will directly impact on public sector staffing and there will be considerable knock-on effects on the wider economy, for example, the large fall in capital could have a significant impact on the

construction industry. There would need to be considerable growth in private sector employment to balance these reductions.

Welsh economy

The Welsh economy appears one of the weakest of the UK regions. The latest statistics on regional GVA demonstrate that in 2009 Welsh GVA dropped 2.2 per cent in comparison to that in 2008. Welsh GVA is the lowest GVA per head of all the UK regions.

Public sector employment as percentage of total workforce, October – December 2010



Source: ONS

Future growth prospects are also uncertain. A recent report forecast average growth over the next 10 years for Wales at 1.6 per cent, compared to 2.2 per cent across the UK.

Public sector employment

The Office for Budget Responsibility's most recent forecast estimates that public sector employment in the UK will fall by around 400,000 between 2010-11 and 2015-16.

The last Welsh Government estimated that around 30,000 public sector jobs would be lost in Wales as a result of the reductions to public spending.

The public sector in Wales employed 342,000 people in the fourth quarter of 2010. This makes up 26.4 per cent of total workforce in Wales, compared to 21.4 per cent for the UK as a whole. This is second highest of all the UK regions.

In addition to those employed within the devolved public sector, there are a number of UK-wide agencies with a proportionally large presence in Wales, over which the Welsh Government has no control.

For example, the Driver and Vehicle Licensing Authority, Companies House, UK Statistics Authority and the Identity and Passport Service. There have already been significant cuts in staffing at Companies House and the Identity and Passport Service. It will be crucial for the new Government to minimise the impact of public sector cuts on the Welsh economy.

Local government in Wales: Time for a change?

Rhys Iorwerth

Local authorities are facing increasing pressures to collaborate. Does this mean that we might see another reorganisation in local government soon?

Public sector reform has been high on the agenda of Welsh Ministers since the early days of devolution.

In contrast to the competition-led approach adopted for local services in England, reform in

Wales has always focused on the need to collaborate, with joint working between public bodies seen as key to efficiency.

Propelled by the economic climate, the drive for collaboration has taken a step change in recent months. For local authorities, joint working is now talked of as a necessity.

The last Welsh Government consistently and forcefully denied that wholesale reorganisation of local government was on its radar.

Yet with Ministers able to exert increasing pressure on authorities to work together, there are plenty who would argue that it is time to look again at whether the structure of local government in Wales needs altering.



Source: Research Service
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Ordnance Survey 100047295.

Is there a case for reorganisation?

There have been critics of the 22-authority structure since it was created in 1996. The current financial situation has only served to heighten the arguments that the number of authorities should be cut. The critics' main line of reasoning would be:

- the current structure is unsustainable. There are 22 authorities delivering and duplicating the same services. Many are too small to achieve any significant efficiencies and economies of scale;
- collaboration, as advocated by past Welsh Ministers, is not a solution. It needs initial funding and time, and is merely a means of avoiding the fact that reorganisation is required. The collapse of the South East Wales Shared Service project in 2010 – which aimed to bring ten local authorities together to share back office functions – showed the difficulties of collaborating successfully;
- although the Beecham report did not support reorganisation in 2006, it said that councils had to make considerable progress on joint working by 2011 or reorganisation would be back on the agenda. Many would contest whether such progress has been made; and
- ultimately, reorganisation is the only way of securing efficiencies in the longer term.

Local Government (Wales) Measure 2011

The Local Government (Wales) Measure 2011 has recently given Welsh Ministers powers to amalgamate councils and to issue statutory guidance on collaboration, while the Simpson report in March 2011 made several recommendations proposing that further joint working arrangements between authorities should be introduced.

What about those who oppose?

Opponents would argue that reorganisation should not even be thought of in such testing times. They would claim that large scale structural change would surely be a waste of effort and resources.

Furthermore, the recent Simpson report states clearly that change should be through collaboration rather than reorganisation, due to the continuing need for services to be organised locally. Although collaboration is not easy, and although it may have suffered in the past due to a lack of political will, recent steps taken by Welsh Ministers will mean that authorities will be obliged to comply. With such drive, collaboration can be made to work.

A collaborative approach

First advocated in 'Making the Connections' in 2004, the Welsh Government's vision of joint working between public bodies was endorsed by the Beecham report in 2006 and has been reasserted in numerous strategies since.

The financial crisis of 2008 seemed to convince Ministers that collaboration had to be made to work.

The Simpson report also suggests that the energy involved in reorganisation is so great it would distract authorities from focusing on service delivery. This is backed by the fact that the Beecham report did not oppose the collaboration model as long as improvements would be made.

Is the focus in the right place?

Other commentators have suggested that to focus exclusively on reorganisation is to miss some of the main issues involved. Professor Steve Martin, for instance, has talked of the need to try and find a service-by-service solution, as the optimum size council for certain services would be very different to the optimum size for others (compare waste management and education). In some cases, smaller rather than larger bodies might be preferable.

There are also correlating issues that might be more pressing, such as the fundamental nature of the relationship between central and local government, and the variation in the services delivered by different authorities in different areas.

In whichever form, local authorities across Wales spend around £4 billion a year on their services. Whether they will continue to do so within the current structures remains to be seen.

Local authority populations

Welsh local authorities vary hugely in terms of the populations they serve.

While Cardiff Council serves around 325,000 residents, other councils such as those in Anglesey and Blaenau Gwent serve only 69,000, and Merthyr Tydfil only 56,000.

The state of welfare

Hannah Johnson

As the UK Government begins the biggest overhaul of the benefits system in 60 years, how will Wales cope with the impacts?

Wales has the highest dependency on welfare in Britain, with nearly 19 per cent of the working age population on benefits, compared to the British average of 15 per cent.

The UK Government's package of reforms will alter the fundamental principles of the welfare system, changing it from a structure that supports social solidarity into one that provides a greater incentive to work than to stay on benefits. The primary aim of the reforms is to ensure that people who are unemployed and on benefits do not receive more than average earnings.

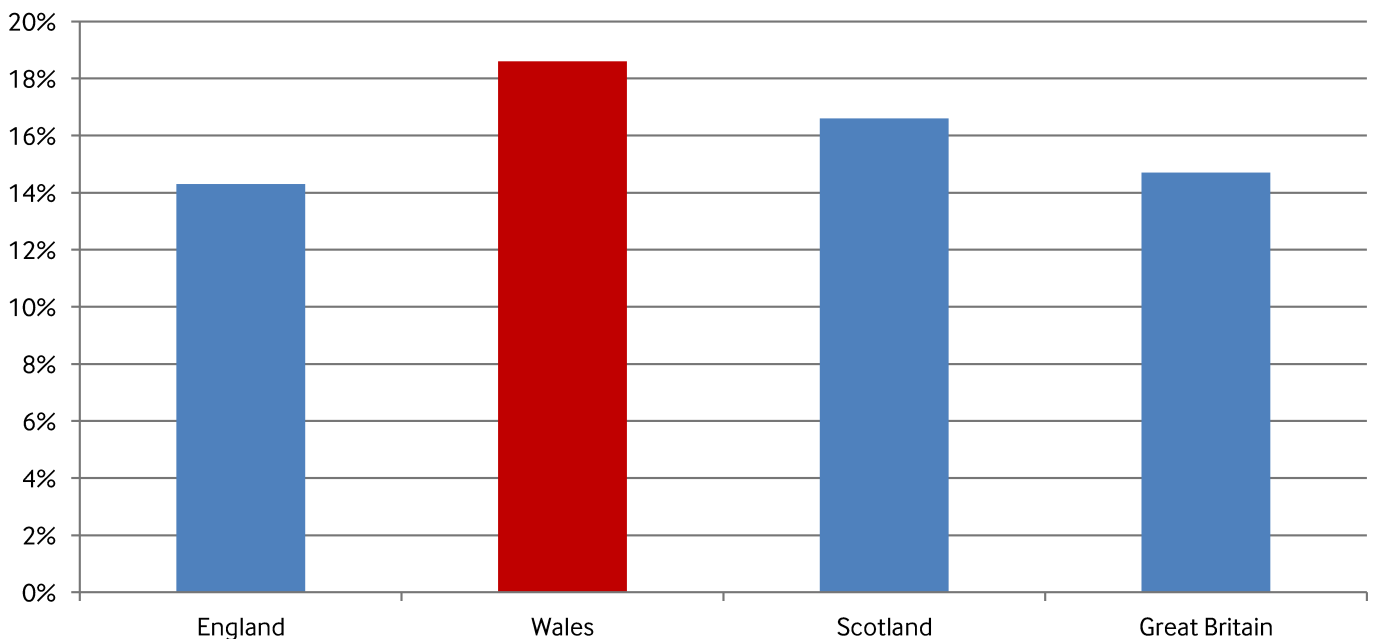
This has raised questions about the shortage of jobs, an issue that is more pronounced in some parts of Wales than in Britain as a whole.

Currently there is an average of 5.7 claimants for every Jobcentre vacancy in Britain, but in parts of south Wales this figure is as high as 17.

When these figures are coupled with Wales' higher than average reliance on public sector jobs and large population of disabled and older people, it is evident that welfare reform is likely to be high on the political agenda in Wales for some time to come.

Currently there is an average of 5.7 claimants for every Jobcentre vacancy in Britain, but in parts of south Wales this figure is as high as 17

Percentage of working age population on benefits



Source: DWP

UK welfare reforms

The UK Government's reforms intend to simplify the benefits system, save money on administration and improve work incentives.

The *Welfare Reform Bill 2011* introduces:

- a single 'universal credit' to come into force in 2013;
- tax changes to enable people to keep more income;
- changes to the Disability Living Allowance (DLA);
- a review of sickness absence levels;
- sanctions for those refusing to work, including a maximum three year loss of benefits; and
- an annual benefit cap of about £26,000 per family.

Will it work in Wales?

There has been criticism over the lack of detail in the UK Government's reforms, and it has been said that they over-simplify a necessarily complex system.

The move away from collective provision to individualism may not sit comfortably alongside many existing Welsh Government policies, which are more concerned with social justice and inclusion.

The issue the new Welsh Government may have to address is their lack of access to devolved legislative levers in influencing welfare policy, which means that efforts will have to be concentrated on using levers that they do have access to, such as economic development and social welfare, in order to respond to the effects of UK Government policy. The limits of devolution mean that Scotland and Wales have 'social policy parliaments' that do not have influence over social security.

Universal credit

The major proposal for reform is the introduction of a new benefit from October 2013, to be known as universal credit.

- universal credit will replace a range of existing out of work benefits and in work tax credits, including Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, and Tax Credits.
- universal credit will be a single, monthly, household payment, which will be withdrawn at a uniform rate of 65 pence for each pound of net earnings for claimants who are in work (known as a 'taper' rate). For certain groups an amount will be 'disregarded' from their earnings before the taper applies.

A greater impact in Wales?

Changes to certain benefits are likely to have a greater impact in Wales than in England because of different demographic and economic factors.

Wales has the highest percentage of disabled people in Britain, and nearly 10 per cent of the entire working age population are on Employment and Support Allowance (ESA) or Incapacity Benefit (IB)

Long term sick and disabled people in Wales may particularly feel the effects of the reforms. Wales has the highest percentage of disabled people in Britain, and nearly 10 per cent of the entire working age population are on Employment and

Support Allowance (ESA) or Incapacity Benefit (IB).

The welfare reforms have a particular focus on moving people off incapacity benefits, and all claimants will be reassessed in order to more effectively target support. The UK Government is also hoping to achieve a 20 per cent reduction in Disability Living Allowance (DLA), replace it with a Personal Independence Payment (PIP) and reassess all claimants. If the reassessments in Wales lead to a large number of people moving from disability and incapacity benefits onto Jobseekers Allowance (JSA), this could significantly increase the number of jobseekers chasing vacancies.

The reforms will also affect housing. The Welsh Government's impact assessment of the housing benefit changes noted that private sector claimants in Wales who began claiming after 2008 will lose an average of £9 per week. This will affect 48,530 claimants, and 78 per cent of these people will lose between £5 and £15 a week. After the introduction of universal credit, housing benefit will be abolished and the housing element of universal credit will be administered centrally by the Department for Work and Pensions instead of by local authorities; some have argued that this could lead to a loss of local housing market knowledge.

Welfare devolution

The centralisation of the welfare system appears to contrast with the UK Government's drive for localism. As the devolved administrations of Wales and Scotland face higher unemployment, greater numbers of disability benefit claimants and areas with high ratios of jobseekers to vacancies, the case for welfare devolution (or localisation) has been suggested by groups such as the Institute for Public Policy Reform (IPPR).

Although the Scottish Government is calling for some powers over benefits to be devolved, and welfare is already devolved in Northern Ireland, no such plans are on the agenda in Wales. It remains to be seen how the Assembly deals with the UK Government's proposals and how they will impact on policy decisions in the fourth Assembly.



Chapter 5 – Education

- Paying for higher education
- Has devolution delivered for students?

Paying for higher education

Anne Thomas

While some have argued that access to higher education should be on the basis of the individual's potential to benefit not on their ability to pay for it, Wales also needs a competitive and strong higher education sector. To what extent can the public purse afford to fund both?

The challenges

Universities are facing serious funding challenges. The Higher Education Funding Council for Wales (HEFCW) announced a 5.1 per cent decrease in funding for teaching and research in 2011-12 compared to 2010-11.

Although income from student fees will increase, there is a limit on funded student places. Income from increasing numbers of non-EU students is an important source of revenue. Other funding issues include an increasingly competitive international market for higher education and research grants. Interestingly, charitable donations to Welsh universities increased by £2 million in 2009-10.

This is happening at a time of intense public debate on university funding and student support in all parts of the UK.

Restructuring higher education

The higher education sector in Wales has been challenged to implement major structural change including:

- a massive reduction in the number of Welsh higher education institutions from eleven to six institutions by 2013;
- a regional approach to planning delivery and fundamental reform of higher education governance;
- greater collaboration between higher and further education; Universities Heads of the Valleys Institute (UHOVI) is an innovative example; and

- new ways of delivering Welsh medium higher education, led by the Coleg Cymraeg Cenedlaethol.

Will student numbers increase?

There are a number of factors that will affect the numbers of students in future. Limits on the numbers of undergraduates recruited by higher education institutions now exist in all parts of the UK. This is to manage the demand from eligible undergraduates for statutory student support.

There was a 5 per cent decrease in accepted applicants to Welsh universities in September 2010 compared to a year earlier. In addition, commentators predict that some young people may see investment in higher education as a potential gamble and may choose government / employer funded apprenticeships or on-the-job training.

Widening access

Widening access to higher education is still a policy priority and has been set as a condition of charging maximum fees. Support for students from lower income households is currently available through bursaries and grants, including the Assembly Learning Grant.

Student debt

The sector's need for income from student fees has to be considered alongside individual student debt. The annual survey of 2,000 UK students for university guide Push found average yearly debt had increased by 5.4 per cent to £5,600 per year of study. Average debt

levels for students starting university in September 2010 are £25,000.

Changes to tuition fees in England

Following recommendations in the Browne report, tuition fees in England will increase up to a maximum of £9,000 in September 2012. Loans will take longer to be repaid under the new system, however monthly repayments will be smaller which could be similar to a graduate tax. Some research suggests that over two thirds of the universities in England would like to charge the maximum fees.

Approximately 16,000 Welsh domiciled students study in England. If English universities were to charge average tuition fees of £7,000, the cost to the Assembly Government of providing increased tuition fee loans to Welsh students is estimated as an additional £70 million by 2015-2016. If Welsh universities don't increase their fees to similar levels, there could be significantly increased competition for places or conversely Welsh higher education might be seen as cheaper and potentially of an inferior quality.

Tuition fees policy in Wales

In February 2011, the previous Minister announced higher fees, although he set the basic fee level at £4,000, compared to £6,000 in England. He also announced a non-means tested tuition fee grant for all Welsh domiciled students, regardless of where they study, for the fees increase above current fee levels.

It is estimated that average student debts in England could rise to around £38,000 when the new system is introduced in September 2012. Three accountancy firms have estimated that some students borrowing £39,000 for a three-year course could pay back up to £83,000 in total, in cash terms.

Graduate earnings

Latest figures from the Office for National Statistics show that people with degrees earned an average of £12,000 a year more than non-graduates over the past decade.

However, not all degrees are of equal value. Research shows that some degree subjects appear to have little impact on earnings on average when compared to the earnings of people qualified to A level standard, while other degree subjects earn a substantial earnings premium.

The cost to the Welsh government

A government commitment to fund additional student fees above the present level for Welsh domiciled students would incur significant costs.

The previous Welsh Government provided detailed financial modelling based on average new fees of £7,000 in response to Freedom of Information requests. This estimates the cost of a non-means tested Tuition Fee Grant for Welsh domiciled students to cover the additional costs of increased tuition fees, starts at around £30 million in 2012-13 but potentially rises to over £180 million by 2015-16.

The dilemma

The political dilemma is how best to balance the cost to government budgets with the cost to the individual student and still provide the foundations for a strong and competitive higher education sector.

Has devolution delivered for students?

Siân Hughes

The Welsh Government has pursued distinctive education policies, but recent evidence has shown that pupils' standards are falling further behind their UK and international counterparts.

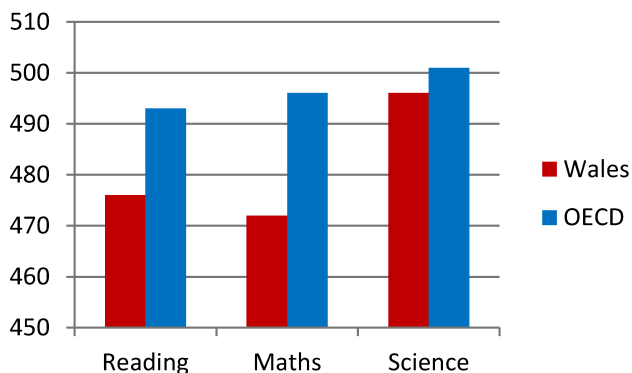
Since 1999, successive Welsh Governments have developed distinctive education policies. These include:

- a commitment to the comprehensive education system;
- the introduction of the Foundation Phase;
- learning Pathways for 14-19 year-olds;
- the introduction of the Welsh Baccalaureate; and
- the abolition of school performance tables and compulsory testing at the end of Key Stages 1-3.

While there has been a rise in the standards of examination results, serious problems have become apparent in the education system in Wales.

Two significant publications have shown that standards in Wales are not all that they could be

Wales and OECD mean PISA scores



Source: NFER

PISA

PISA is an internationally standardised assessment that surveys 15-year-olds in the principal industrialised countries. Every three years it assesses how far students near the end of compulsory education have acquired some of the knowledge and skills essential for full participation in society.

How is Wales performing?

In a double whammy, two significant publications have shown that standards in Wales are not all that they could be. Estyn's 2009-10 annual report summarises educational progress over a period of six years and concludes that:

- improvements in standards in education have been slow;
- one in three schools is underperforming;
- the performance gap between Wales and England has grown;
- systems to track learners' progress are not good enough;
- literacy and numeracy skills are not being developed fully.

The OECD Programme for International Student Assessment (PISA) tested and compared Welsh pupil's skills in reading, maths and science with other countries.

The results were disappointing. Of 67 countries, Wales ranked 38 in reading, 40 in maths and 30 in science. Not only were Wales' students performing worse than UK counterparts and below the OECD average (significantly below the

average in reading and maths), the results were worse than they were in 2006.

Where did it go wrong?

The Minister for Children, Education and Lifelong Learning at the time said that the results could not be blamed on socio-economic or bilingual factors or on relative funding differences, in particular he highlighted the following issues:

- failure of leadership throughout the system;
- too much learner choice and a need to focus on strategic subjects and key skills;
- complacency;
- a search for alibis instead of learning from best practice;
- a lack of focus and weak policy implementation from the Department for Children, Education, Lifelong Learning and Skills (DCELLS);
- fragmentation of local education authorities;
- lack of robust teacher assessments; and
- lack of school governors' accountability.

A formidable agenda for the future

The previous Minister published a twenty point plan for immediate action which had serious messages for the education sector.

DCELLS itself has been reorganised with performance as the driver. There will be fewer initiatives and local authorities will work in consortia arrangements.

There was a strong emphasis on literacy and numeracy – there will be national reading tests and a focus on 7 to 11 year-olds with similar plans for numeracy. The focus on literacy and numeracy will apply to heads, teachers and trainee teachers too, with in service training, entry and exit tests for trainee teachers and firm foundations on literacy and numeracy in induction.

There will be a refocus on pupil attendance and behaviour in the classroom and robust and consistent assessment at Key Stage 2 and an integration of PISA assessments into schools.

Governing bodies must discuss their schools' performance data and set out their plans to improve or else fail their Estyn inspection.

More controversially, there will be annual grading for schools with floor targets which must be met along with progress targets.

Irredeemable, failing schools will be closed.

In the Minister's words, there will be no hiding place for poor performance.

The initial response

The response from teaching unions has been mixed. While there has been support for a renewed focus on literacy and numeracy and plans to tackle poor behaviour, the Minister's response to PISA has been called a knee-jerk and unnecessary over-reaction. The plans have been called draconian and punitive for teachers. There are complaints that the ideas are too vague.

The Minister wants Wales to be in the top twenty rather than in the thirties in the 2015 PISA assessment. He has set out an ambitious, forthright and formidable agenda for the Fourth Assembly.

Estyn say that the challenges can only be tackled effectively by more joint working and unions are concerned that reform will be imposed and want proper consultation and co-operation. This will be a profound challenge for all those who are responsible for ensuring that Wales does not fail its pupils.



Chapter 6 – Health

- The NHS: Collaboration or competition?
- The ageing population in Wales

The NHS: Collaboration or competition?

Stephen Boyce

Since devolution in 1999, approaches to providing NHS services in the UK have become increasingly divergent. Wales has moved away from the use of an internal market to manage services and instead adopted an integrated model of healthcare provision.

Since devolution, Wales and Scotland have charted a different course from the English approach to providing NHS services. In the Welsh model the role of the private sector in NHS healthcare is diminishing and the internal market, and its purchaser / provider split, no longer operates.

The role of the market in the NHS: Arguments for and against

Many politicians and health experts in England believe that the market is essential to:

- control spending;
- drive up standards; and
- increase patient choice.

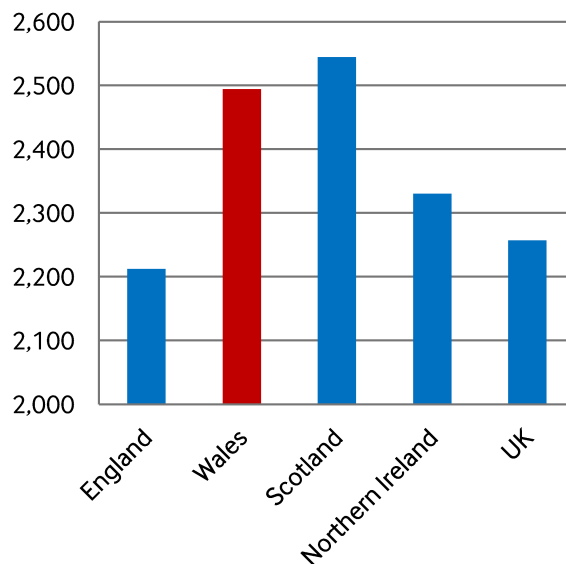
Successive Welsh Governments have maintained however that promoting competition in the NHS create fragmented, bureaucratic services that lack cohesion and undermine the fundamental principles of publicly provided NHS healthcare.

According to the last Welsh Government, integrated provision to provide consistent, cost-effective and co-ordinated services is the way forward. By contrast, the UK Government in England is promoting competition in the NHS and creating new opportunities for private sector involvement in healthcare through its 'any willing provider' approach.

Unhealthy Wales?

No-one underestimates the challenges facing the NHS in Wales. Of the four UK countries, Wales has the lowest healthy life expectancy at birth. It has high levels of obesity, a high incidence of chronic disease, and communities with high levels of deprivation. It also has a population with the largest proportion of older people in the UK, many of whom live in rural communities. Unsurprisingly, Wales has above average health and social care spending per person for the UK - only Scotland is higher.

Total identifiable expenditure, £ per head on health and personal social services, 2008-09



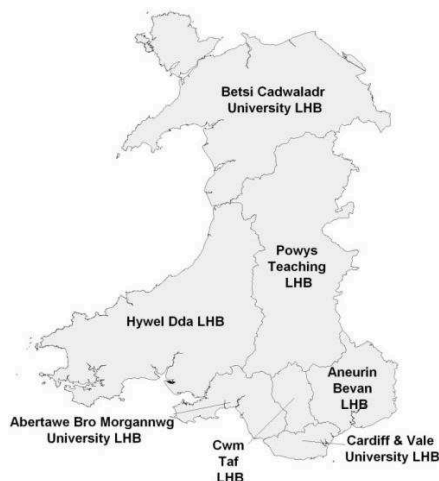
Source: ONS

A Welsh approach

Since devolution, Wales has developed a distinctive approach to health services. The Welsh Government has opted to limit or, in the case of prescriptions, abolish charges for NHS services. It has also taken a more collaborative

approach to patient involvement in healthcare than the consumerist model adopted in England. Wales scrapped Health Authorities in 2003, and created twenty two Local Health Boards with fourteen NHS Trusts, but it was widely felt that the reforms resulted in an unwieldy number of health bodies for a country the size of Wales. The 2009 NHS restructuring, which reduced these to seven Local Health Boards and three NHS Trusts has helped to address this issue, but may hamper progress on improving the co-ordination of health with local authority social care services, since their boundaries no longer correspond.

Local Health Boards in Wales



Source: NHS Wales

The 2003 Wanless report reinforced the need to refocus resources away from expensive hospital-based care and towards primary and community care services, and to place more emphasis on health promotion and public health measures. There are clear benefits to the health promotion work of the NHS. More exercise, less smoking and better eating habits should help reduce the costs of treating disease and managing chronic conditions in the future.

Less obvious to some communities are the benefits of downgrading or closing local hospitals. They may need convincing of the value of concentrating specialist resources in fewer centres of excellence.

New pressures

The financial climate has now changed, and the NHS is facing pressure on its budget as well as the wider impact of tighter public spending. A squeeze on local authority funded social care services for example is likely to increase demand for healthcare. Claims of improved co-ordination between health and social care services under the Welsh NHS model are likely to be severely tested in the coming years.

As ever in the NHS, the pressure of increasing demand brought about by an ageing population, technological advances and rising public expectations means that healthcare inflation is higher than general price inflation. In an era of public spending constraint, increased expenditure is needed simply to stand still, unless economies can be achieved through more efficient management and improved working practices. The Welsh Government has pinned its hopes on the performance of an integrated and efficient NHS with slimmed down management and a strong emphasis on health promotion and individual responsibility for health improvement.

The future

Tight financial management and close scrutiny of the performance of the NHS will be the order of the day for the foreseeable future. Amongst other things, the Welsh model is likely to be judged on performance on waiting times and service delivery, the availability of specialist drugs and treatment, patient satisfaction, and in the long term, better health indicators. The views of health professionals will also influence any assessment of the effectiveness of the Welsh NHS. Change and development is a constant feature of the NHS, but one thing will not change. Whether or not collaboration and integration proves better than a market orientated model, the health of the NHS will remain high on everyone's agenda.

The ageing population in Wales

Jonathan Baxter and Stephen Boyce

Is Wales equipped to provide its older people with the care and housing services they need?

Wales has an ageing population. In 2008, 18 per cent of the population was over 65; by 2033 this is expected to rise to almost 26 per cent. As in much of the developed world, increased wealth, health and standards of living mean that its citizens can now enjoy a far longer retirement than that of even relatively recent generations.

Successive Welsh Governments have taken a progressive and inclusive approach to ageing policy since devolution. The appointment of an Older People's Commissioner in 2008 was the first such post in the UK. That appointment coincided with the second phase of the Welsh Government's Older People's Strategy, which focuses on mainstreaming older people's

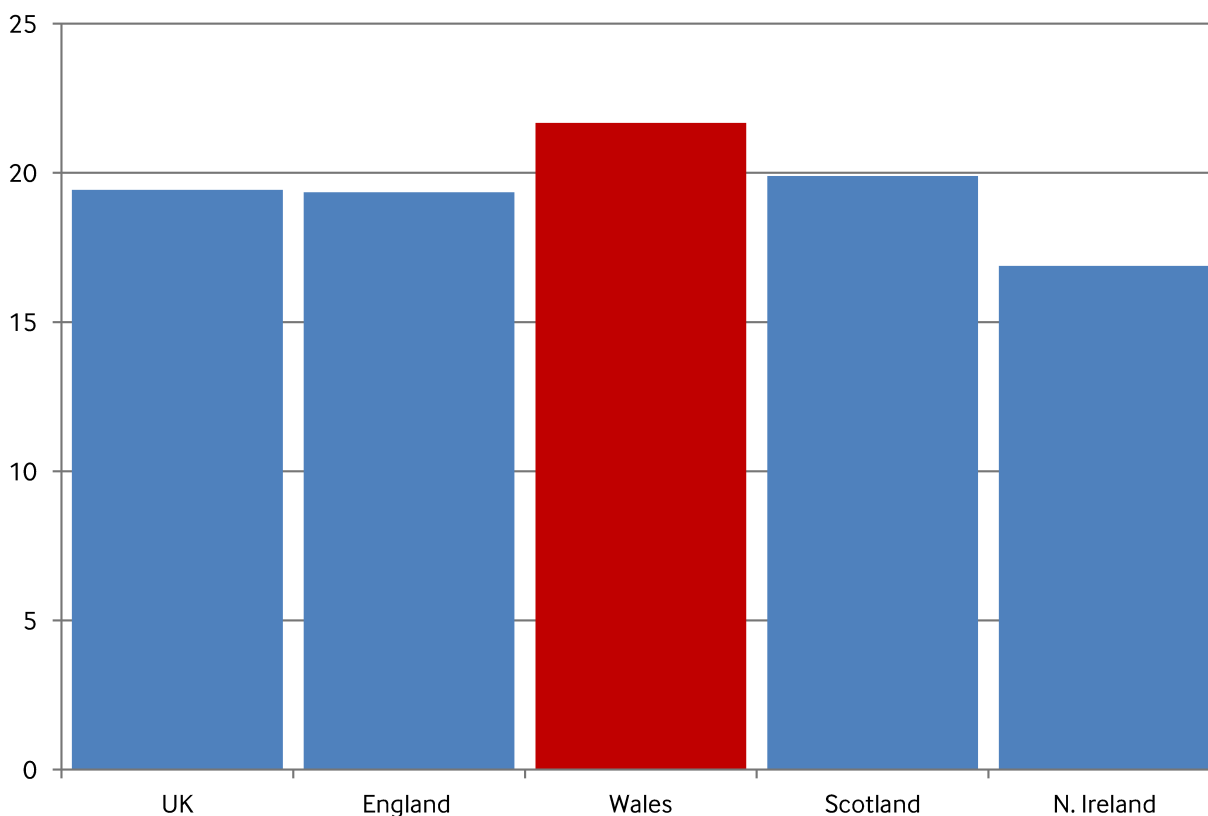
concerns across all policy areas, and was followed a year later by the UK's first wellbeing monitor for older people.

A home for life

In common with other developed economies, successive Welsh Governments have followed a policy of enabling older people to maintain their independence and stay in their own home for as long as possible, known as 'Ageing in Place', but is this policy sustainable as the population ages?

Adaptation and maintenance initiatives can all bring wider benefits to individuals, and even medium to long term savings to the public purse through lower health and social care costs, but

Percentage of population over retirement age



Source: UNS

whether increased demand in the coming years will make them affordable in the face of public spending cuts remains to be seen.

Some alternatives to increased public expenditure have been developed, including a move from grants to loans, and enabling the eight out of ten older people who own their own home to access finance for maintenance through equity release schemes. The provision of support, adaptations and repairs has allowed many older people to stay in their own homes. However, changes to support arrangements in sheltered housing have angered some tenants. Many resident warden services have been replaced by floating support. Wider use is also being made of modern technology to assist with care provision through Telecare services, meaning a carer does not always have to be physically present. This has left some older people feeling isolated, but does allow support to be provided to residents regardless of whether they are living in a designated sheltered housing complex.

Social care

As more people than ever need help with day to day living the pressure on social services is increasing and local authorities, the gatekeepers

of public provision, are raising eligibility thresholds to manage demand.

Local authorities have long been able to charge for care services. While the rules for residential care charges apply across Wales, charges for home care services vary, with each local authority setting its own levels. The result for older people has been, at best, confusion and at worst resentment at having to pay for care, sometimes by selling the family home.

A Welsh approach

Although Scotland has abolished charges for personal care for older people, Wales has balked at the potential cost of such a scheme and has instead sought to limit the financial burden on individuals receiving care at home. In the longer term, however, agreement is needed on how the burden of paying for care is to be shared between individuals and the state. A Welsh Government Green Paper in 2009 outlined some options but the final outcome is partly dependent on reforms in England. For example, the new UK Government has made pension and welfare reform central to its programme for government and this will all influence policy development in Wales.

Most care is provided informally by relatives or

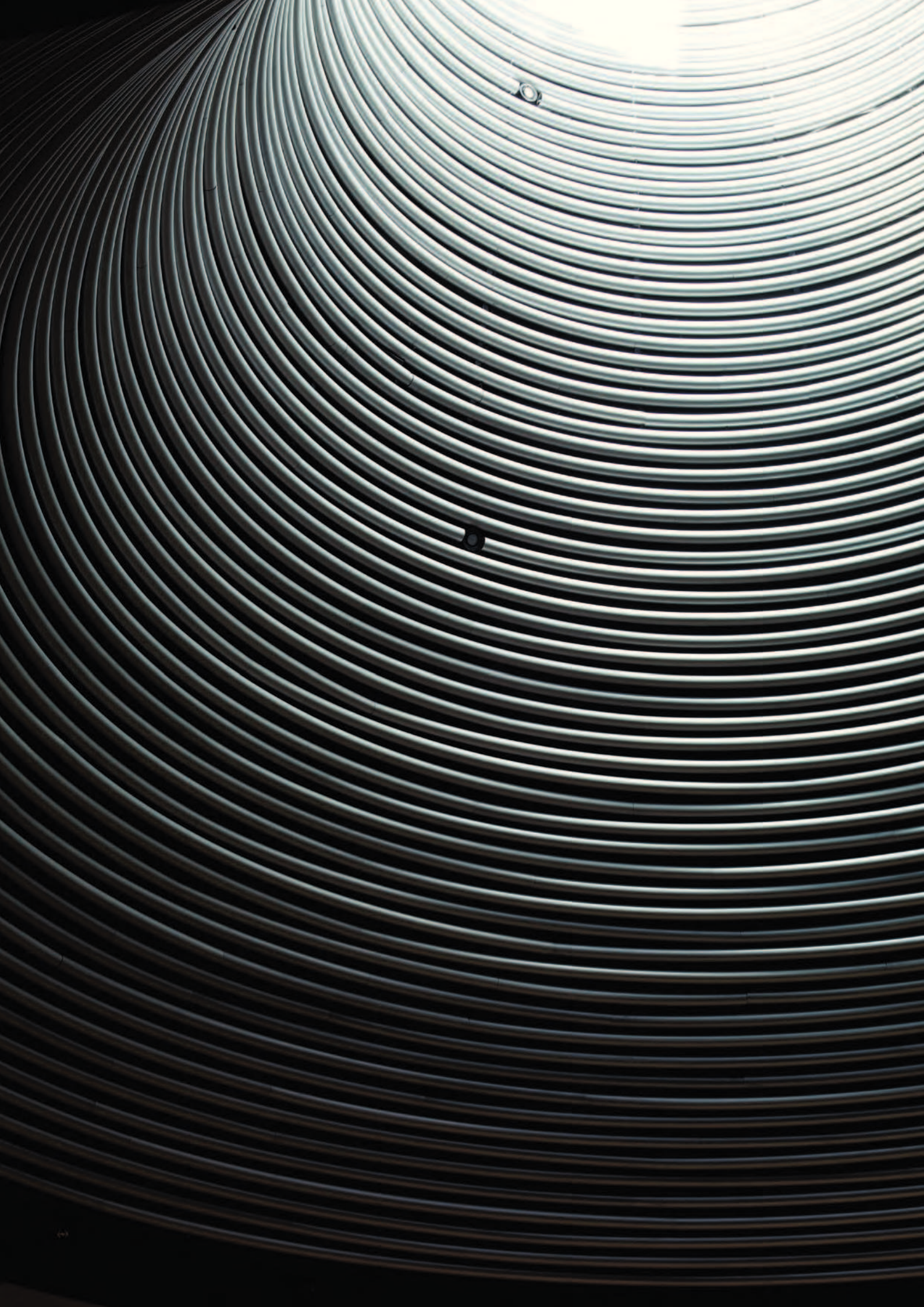
Making 'Ageing in Place' a reality

Substantial public funding has supported policies intended to allow older people to continue living in their own home:

- all new publicly funded social housing has to meet the Lifetime Homes standard, ensuring it can be more easily adapted;
- Care and Repair agencies provide advice and practical assistance to older people, and also manage the Rapid Response Adaptations programme;
- Extra Care housing provides independent living for people with higher support needs;
- Physical Adaptation Grants for housing association tenants and Disabled Facilities Grants for people across tenures provide funding for adaptations; and
- housing related support is funded through the Supporting People programme.

friends. The independent sector is the largest supplier of formal care services with many older people arranging their care with individual providers. Local authorities have tended to focus on assessment and care management, commissioning services for those who do not arrange their care privately. The previous Welsh Government has set out plans to improve the consistency of services across Wales and to introduce regional commissioning which should help to make better use of limited resources. Nevertheless, the increasing pressure on local authority budgets will be keenly felt by independent providers as they are asked to do more for less.

Moves towards the personalisation of services in England have been taken up more slowly in Wales where there is some scepticism about 'consumerist' approaches to care. However, expectations around the quality and flexibility of services will rise as the post-war baby boomer generation reaches old age. With the increase in dementia, the need for specialist services at the interface of health and social care is growing. Add to this a period of considerable pressure on public service expenditure and social care could finally emerge from the shadow of the NHS as an issue of national importance.





Chapter 7 – Communities, housing and social policy

- Is Wales facing a housing crisis?
- The Big Welsh Society?
- Eradicating child poverty by 2020:
An aspirational target?
- Sustainable public spending:
The choice between universalism
and targeting

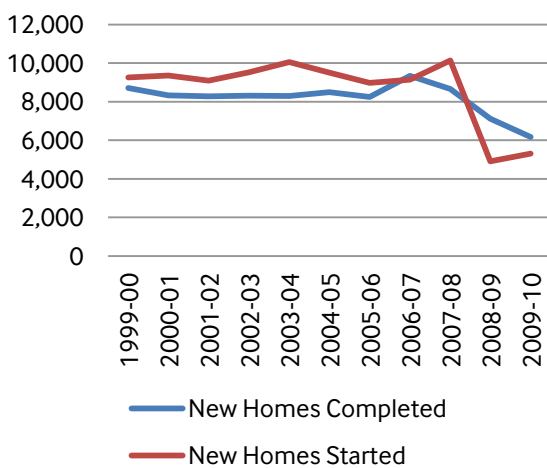
Is Wales facing a housing crisis?

Jonathan Baxter

The new Welsh Government must address the growing requirement for new homes.

Wales does not have enough homes. Research commissioned by the Welsh Government estimates that over 14,000 new homes are needed every year in Wales for the next 15 years. This is in addition to existing unmet need and far in excess of current levels of supply.

Homebuilding in Wales



Source: Welsh Government

The existing dwelling stock can help ease pressure to some extent. Buildings can be converted and subdivided to provide extra homes (e.g. a house could be converted into several flats) and some of the 25,000 empty private sector properties could be brought back into use with the necessary investment. However, it seems clear that existing dwellings alone cannot meet future requirements. New homes will need to be built.

Why the demand?

Demand for housing has outstripped supply in Wales, as across the UK, for many years.

The extra requirement for housing is mainly due to the expected increase in the number of

households, especially one person households, but also other factors such as an increase in the overall population, the number of second homes, and the loss of social housing through Right to Buy.

The home building industry

The number of new homes built in Wales has fallen during the economic downturn.

The restricted lending criteria introduced by banks after the credit crunch effectively excluded many potential buyers, particularly first time buyers, from the market. A shortage of development finance also affected builders, and was another factor that led to cut backs on new developments.

The Home Builders Federation (HBF) has claimed that public policy objectives in Wales are putting an extra burden on the home builders it represents in what are already difficult times for the industry. In particular the HBF cites the forthcoming requirements for new homes to have fire sprinklers and to meet increased environmental standards, both of which they claim will add significantly to the cost of each new home.

Affordable housing

The supply of affordable housing was a key priority for the previous Welsh Government. Although there was no overall target for homebuilding, its commitment to deliver 6,500 affordable homes by 2011 was met one year early.

Much of this new provision of affordable housing was rented accommodation provided by

housing associations, some of which was supported by public funding through the Social Housing Grant programme. There has been very little home building by local authorities for many years, although some authorities have recently discussed plans to reverse this trend and start building again.

The need for affordable housing is reflected in lengthy waiting lists, and official homelessness figures have started to increase in recent quarters after a long period of decline. When combined with other factors, including overcrowding and the many 'hidden households' such as adult children unable to afford to leave the paternal home, the scale of the problem becomes apparent.

Private rented housing

The private rented sector (PRS) accounts for about 12 per cent of the whole dwelling stock, which is more homes than are owned by local authorities.

Many people unable to obtain social housing have turned to the PRS, with a significant proportion claiming housing benefit to help pay their rent. Some commentators believe that this role the private sector plays in absorbing unmet need from the social sector will be damaged by the cuts made to housing benefit by the UK Government.

The difficulties the housing market is experiencing has affected the PRS in several ways:

- first time buyers unable to obtain a mortgage have contributed to extra demand for private rented housing; and
- vendors unable to sell their property have become 'reluctant landlords', letting their property where they haven't been able to sell it - increasing the availability of rental properties.

While many have concerns about standards and regulation within the PRS, the crucial role it can play in meeting housing need has been recognised by many local authorities and social landlords. This has led to formal partnerships and schemes being established to raise standards and to enable easier access to the sector, particularly for vulnerable groups.

A whole sector solution

The lack of suitable housing puts at risk the effective implementation of health, education, economic and other policies.

This has long been recognised by policymakers in Wales where much of the previous Welsh Government's policy focus was on affordable housing. However, many housing professionals are calling for a wider, whole sector solution that encompasses all areas of need and demand.

The Chartered Institute of Housing (CIH) Cymru recently launched its Housing Pact Cymru campaign, one strand of which focuses on meeting housing need. The campaign calls for a cross-sector national housing delivery plan as a cornerstone of the new Welsh Government's programme for government. The Royal Institution of Chartered Surveyors (RICS) has also said that the need for affordable housing should not be viewed in isolation from other demands.

While there is an acceptance that the need to build new homes presents many challenges, it also brings new opportunities, particularly the potential to create high quality skilled jobs and training opportunities throughout the entire supply chain.

Without doubt, the new Welsh Government will face a significant challenge in seeking to tackle this issue as housing need, demand and supply are not problems that can be dealt with through regulation or legislation alone.

The Big Welsh Society?

Hannah Johnson

The UK Government's concept of a 'Big Society' aims to encourage civic participation and give communities more power over their local services. How will this initiative impact on the voluntary sector in Wales?

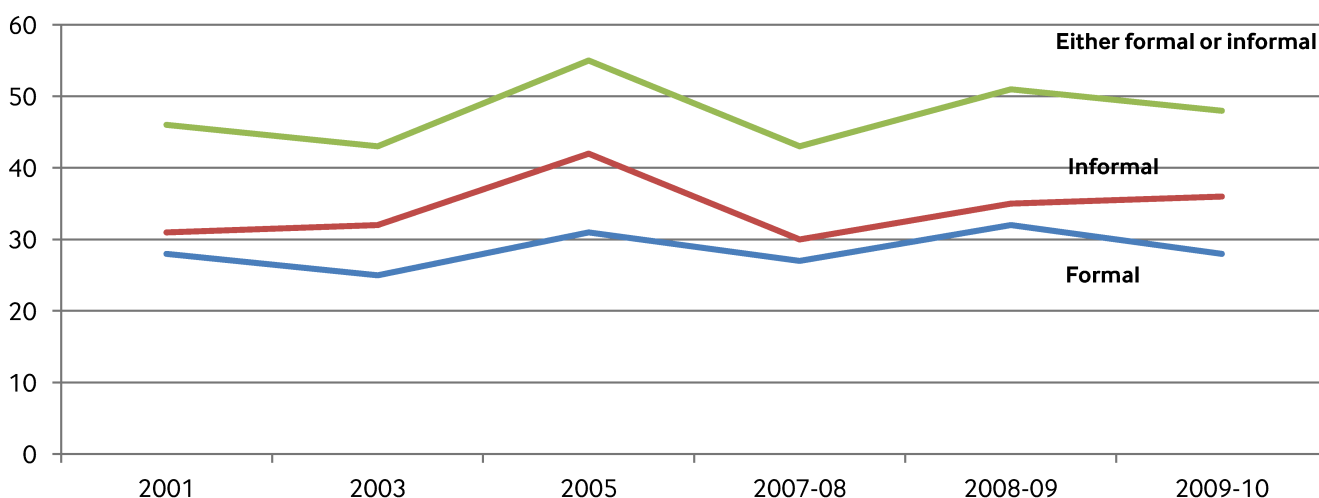
The UK Government's Big Society initiative has been promoted as a change of culture and a new approach to civic participation and the voluntary sector. However, it has been argued that the traditions of community action, mutual aid and co-operation are part of the social and cultural history of Wales. Although most of the primary Big Society schemes are England-only, there are likely to be consequences for the Welsh voluntary sector. Increasingly divergent approaches to the co-ordination and funding of the voluntary sector in England and Wales could mean that the concept of the Big Society takes root in very different ways in the two countries.

The former Welsh Government made it clear that they had no plans to undertake any Big Society initiatives, stating that putting people and communities at the heart of public services was already at the core of their programme for public service improvement.

The former Welsh Government made it clear that they had no plans to undertake any Big Society initiatives

They countered the Big Society idea with proposals that included opportunities for volunteering and community involvement such as Gwirvol and Communities First, involving young people in the democratic process through Funky Dragon and engaging citizens with Local Service Boards to design joined up services. Despite this, volunteering levels in Wales have generally stayed the same for nearly ten years; do these figures indicate that a new approach is needed in order to encourage civic participation in Wales?

Percentage of people in Wales volunteering in the last 12 months



Source: Welsh Government

Alignment or divergence?

The main elements of the UK Government's Big Society proposals are:

- **community empowerment:** giving local councils and neighbourhoods more power to take decisions and shape their area;
- **opening up public services:** enabling voluntary organisations, charities, social enterprises, and employee-owned co-operatives to compete to offer public services; and
- **social action:** encouraging and enabling people to play a more active part in society.

Is the Welsh third sector equipped to compete with England-based organisations for public services contracts?

The principles of civic participation and community empowerment that are at the heart of the Big Society resound strongly in Wales. However, is the Welsh third sector equipped to compete with England-based organisations for public services contracts?

The voluntary sector in Wales

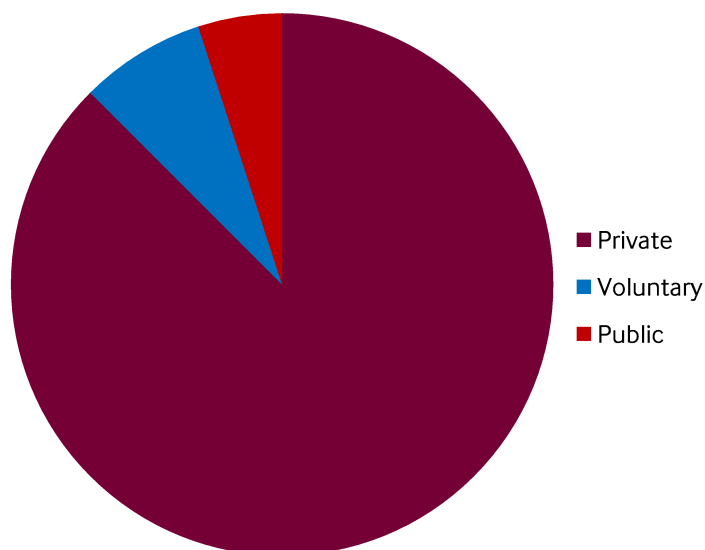
The Wales Council for Voluntary Action (WCVA) estimates that there are around 30,000 third sector organisations and groups in Wales, including 8,475 registered charities. Over 90 per cent of these organisations are classed as local, branches or projects. There are over 50,000 paid posts in the third sector, which is equivalent to 2.6 per cent of all employees in Wales. A recent WCVA survey found that 49 per cent of organisations felt that their situation would deteriorate over the next twelve months as a result of the recession, and 87 organisations reported that a total of 295 posts were 'at risk'.

Equipped to deliver?

While the UK Government would like to see charities taking over the operation of public services, there has been concern that England-based, private sector prime contractors are likely to see the greatest benefit from this approach.

The Department for Work and Pensions recently released a list of prime contractors that will deliver its Work Programme across the UK, and 88 per cent of these were private companies, largely based in England.

Work Programme contracts won, by sector



Source: DWP

However, the Work Programme will offer sub-contracting opportunities to third sector organisations in Wales. There are a number of new initiatives emerging that could add to the Welsh third sector's capacity to deliver public services and make the role of small organisations in service delivery more important.

An example of this is when consortiums of charities, social enterprises and other third sector organisations work together to bid for large public sector contracts on behalf of civil society organisations. In Wales, this could be particularly important for small and medium sized organisations that want to bid for contracts, but do not have the capacity; by working in a consortium with other small organisations they are more likely to be able to compete for, and deliver, large contracts.

In 2010 the Welsh Government announced the £13 billion **Community Economic Development Programme**, which aims to encourage organisations in south east Wales to become less dependent on grants and better equipped to tender for procurement contracts.

The Big Society ripple effect

There are some Big Society initiatives that could directly benefit Welsh voluntary organisations.

The Big Society Bank, which is due to launch this year, will make loans and provide investment capital for the UK voluntary sector. In England, money from private dormant bank accounts will be put into the Big Society Bank for English voluntary organisations, but in Wales the dormant accounts money is being used to support young people and tackle climate change.

UK banks are contributing £200 million of funding for the Big Society Bank, which will be available to voluntary organisations across the UK, including Wales.

It remains to be seen how civil society in Wales will respond to the Big Society, but it is likely that third sector organisations will have to change their approach to service provision, with diminished resources, more service users and higher expectations.

Eradicating child poverty by 2020: An aspirational target?

Kathryn Potter

The current difficult economic and fiscal situation, coupled with the failure of the previous UK Government to reach its 2010-11 target of halving child poverty, could mean that the ambitious target of eradicating child poverty in the UK by 2020-21 remains an aspiration.

The challenge of eradicating child poverty

There has been broad cross party consensus for more than a decade about the need to end child poverty. Since 1999, both the UK and Welsh Governments have brought forward a raft of policies and strategies aimed at tackling the problem, but the numbers of children living in poverty remains stubbornly resistant to change. Binding legislative targets have now been placed on the UK Government to eradicate child poverty by 2020.

The numbers of children living in poverty remains stubbornly resistant to change

Child poverty is something about which children themselves can do little because they lack economic, social and political power. It is a complex, multi-dimensional problem, impacting not only on the day-to-day lives of children but on their life chances.

The social and financial costs of child poverty outlast childhood and cost not just the individual, but society as a whole. Research from the Joseph Rowntree Foundation has found that adults who have experienced childhood poverty are:

- less likely to work and so create more demands on benefits and employment services;

- more likely to have low earnings, and so reduce tax revenue; and
- more likely to be offenders, creating costs to the criminal justice system and welfare more widely.

Comparative research into the well-being of children continues to show that other countries do much better than the UK

The proportion of children living in poverty in Wales has fluctuated from 36 per cent (in 1996-97 to 1998-99) to its lowest point of 28 per cent (in 2003-04 to 2005-06). Child poverty is currently on the rise with 32 per cent of children living in poverty in Wales (approximately 192,000-200,000 children). There are also concerns about severe child poverty, with research commissioned and published by Save the Children indicating that Wales has a higher proportion of children living in severe child poverty (14 per cent) than England (13 per cent), or Scotland or Northern Ireland (both 9 per cent). Comparative research into the well-being of children continues to show that other countries do much better than the UK.

Why are the UK Government targets important for Wales?

The UK Government recently put in place legislation (*Child Poverty Act 2010*) which sets legally binding targets committing current and future UK governments to reducing relative child poverty and absolute child poverty by 2020-21. This kind of legislation setting legally binding targets for governments is unusual and is a relatively recent phenomenon in the UK.

Relative poverty – to reduce the proportion of children who live in families with income below 60 per cent of the median **to less than 10 per cent.**

Absolute poverty – to reduce the proportion of children who live below an income threshold fixed in real terms **to less than 5 per cent.**

Whilst it is the duty of the Secretary of State to ensure the targets are met in relation to the UK, they are important for Wales because they apply to the UK as a whole. The Welsh Government has said it recognises the importance of the UK targets and will use the policy levers at its disposal to aim to eradicate child poverty by 2020. The Act itself places duties on Scotland and Northern Ireland to publish child poverty strategies setting out their contribution to meeting the targets. The Act didn't need to place this duty on Wales because Wales had enacted its own legislation prior to the *Child Poverty Act* which already imposed corresponding duties on Ministers in Wales.

Can the targets be met?

Whilst the targets are not zero, they are at a level which would be comparable to the lowest in Europe and are therefore seen to be consistent with the 'eradication' of child poverty. The lowest child poverty recorded in any European country was 5 per cent. If the child poverty rate in the UK were reduced to 5 per cent, around 600,000 children would still be in poverty.

According to the Institute for Fiscal Studies (IFS), meeting the targets in 2020–21 looks extremely difficult, requiring the biggest fall in relative child poverty after 2013–14 since at least 1961. Forecasting the impact on poverty of the UK Government tax and benefit reforms, the IFS has found:

In 2011-12:

- negligible impact on child poverty;

In 2012-13:

- increase absolute / relative child poverty by about 200,000 / 100,000;

In 2013-14:

- increase absolute / relative poverty by about 300,000 / 200,000 children.

Unemployment is a root cause of child poverty, as is in-work poverty, and it remains the case that the way out of poverty involves paid work. Forecasts of job losses from spending cuts, and the high dependence Wales has on the public sector, make the prospects of achieving increased employment in the short term difficult.

The road to 2020

Child poverty will undoubtedly remain a high political priority as the UK Government and the devolved administrations work towards the 2020 targets. But there are real concerns about the scale of the challenge; about how realistic the targets are in the current economic climate; and about the direction of policy. There could be a risk for example that politicians will favour policies which have an immediate impact on parental income over less predictable and longer term responses which mitigate the impact of poverty on children, or improve poor children's well-being. This is because income-based measures and targets of child poverty have been highlighted over all other measures of child well-being. Balancing the need to show a reduction in the number of children living in child poverty, with improving longer term outcomes and child well-being will be a key challenge.

Neither the UK nor the Welsh Government can tackle the problem alone so it will clearly require a dual approach. Not having control of many of the key policy levers to address child poverty - specifically non-devolved areas of taxation and benefits – means it may well be difficult to achieve income based targets within relatively short timescales in Wales. But Wales does have considerable powers over social policy areas which affect children's well-being such as education and health; it has a rights-based approach to children's policy; and it has a strong focus on mitigating the effects of child poverty. These elements could have a more effective longer term effect on the life chances of young people in Wales.

Sustainable public spending: The choice between universalism and targeting

Sarah Hatherley

Social policy has always involved choices about whether the core principle behind social provisioning will be ‘universalism’ or selectivity through ‘targeting’. During times of plenty, universal services have been preferred in Wales, where possible. At a time of financial constraint is such an approach sustainable?

The social justice agenda

Since devolution, successive Welsh Governments have created a distinctive policy framework that has been based on the principles of equality of outcome and universalism in the provision of public services.

Equality of opportunity

Section 120 of the *Government of Wales Act 2006* requires the National Assembly to ensure that its functions are exercised with due regard to ‘equality of opportunity for all people’. The legal requirements within the Welsh context are wider than in most other parts of the UK. The principle of equality is not simply a question of ensuring non-discrimination by treating everybody the same. It is about actively ensuring that people can access services equally.

It is against this background that a distinctive approach to social justice, based on the principle of progressive universalism has developed.

Progressive universalism

The concept of universally-accessible support and development services with enhanced access for those requiring special or targeted support seems to have found a good deal of agreement across the political spectrum in Wales and is

reflected in the One Wales commitments of the previous Labour and Plaid coalition.

One Wales commitments:

- free school breakfasts and school milk for the youngest children;
- free prescriptions for all Welsh citizens;
- free bus travel for pensioners and disabled people and their carers;
- free entry to museums and galleries for all Welsh citizens; and
- free swimming for all children on weekends and during school holidays.

The concept of ‘progressive universalism’ stems from the idea that social justice can be achieved through equality of access to opportunities and high quality services. It is based on the principle that we all have the same set of rights or entitlements, which are as far as possible, free at the point of use. The progressive part of universalism comes in providing, on top of the general policy, additional help for those who need it most.

Progressive universalism

Services which are reserved for poor people quickly become poor services. Progressive universalism is about providing good quality services for all, with specific additional services for the most marginalised groups. It is characterised by early intervention, thereby minimising the cost of providing specialist services for those with acute needs in the longer term.

Universal services are seen to promote citizenship, social justice and community cohesion by ensuring that certain groups of people with particular needs are not marginalised and can share in the experiences of, and feel part of, the mainstream. The choice between universalism and targeting is therefore not merely about the optimal allocation of limited resources. It requires a universal obligation, as well as a set of universal rights, by making social justice everybody's business.

But if universalism provides such value for money, why are universal services so vulnerable at times of financial constraint?

Budgetary implications of targeting

The context of shrinking budgetary resources is often used as an argument for targeting. The usual assumption is that the amount spent on support and development services will remain the same after introducing strict targeting, and that the targeted groups will therefore receive more. But many social commentators argue that in most instances, targeting leads to reduced budgets devoted to poverty and welfare, so that an increase in the needs of some groups is actually met by a reduction in the resources allocated to them.

So does more for the poor really mean less for the poor? And if so, how will the new government determine levels of social expenditure when the outlook for public spending is extremely tight for several years?

The argument for targeting

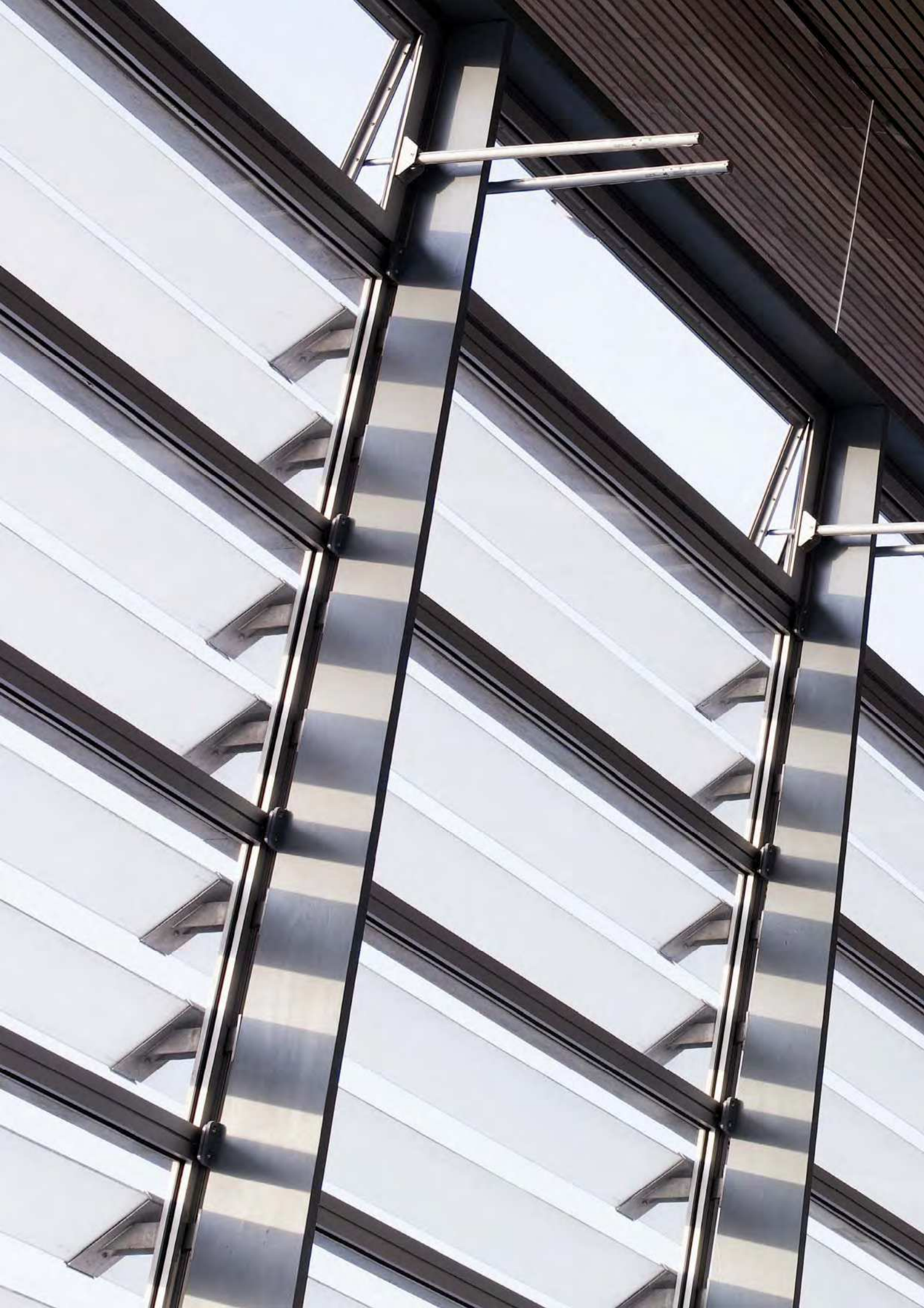
Fiscal constraint has been a driving force behind the argument for targeting because it authorises the view that targeting resources at the poor is crucial for improving the impact and cost-effectiveness of public spending and interventions. Public resources are concentrated at those who need them the most. Demographic shifts and widespread unemployment highlight the fiscal limits to universal provision. Further, the current debate on the choice between universalism and targeting centres on the idea of redistribution; that is, that universalism is not redistributive.

Targeting

Targeting can be used as a means for flattening the distribution of income and as an administrative means to reach groups in society whose income falls below a defined level.

A future strategy for equality

At a time when budgets are squeezed, the new government will inevitably have to consider how it will deliver equality and social justice. Will it pursue universalistic policies or rely on means-testing and other forms of selectivity to give cost savings to government without incurring any wider social costs?



Chapter 8 – Environment

- Is Wales ready for sea level rise and flooding?
- Making our footprint sustainable
- Are we neglecting our ‘natural capital’?
- Delivering food security

Is Wales ready for sea level rise and flooding?

Victoria Paris

With relative sea levels predicted to rise, the cost of flood damages is set to increase. Is Wales ready and able to deal with this challenge?

Some consider flooding to be the biggest climate change related threat the UK faces.

The annual economic damages from flooding in Wales will potentially increase 18 fold from 2004 to the 2080s, although it is accepted that this challenge may be even greater.

On average flooding is estimated to cause in the region of £200 million of damage in Wales each year

Due to climate change and sea level rise it is expected that the coastline will be subjected to more frequent and severe storms and wave action which will increase coastal erosion, damage to coastal defences and the likelihood and consequences of coastal flooding.

Flood risk

At present 220,000 properties in Wales, or around 11 per cent of all properties, are at risk of flooding from rivers and the sea. Of those 65,000 are at significant likelihood of flooding. On average flooding is estimated to cause in the region of £200 million of damage in Wales each year.

Predicted UK sea level rise

It is difficult to predict sea level rises as it depends on numerous factors including:

- increases in greenhouse gases in the atmosphere;
- the heating and expansion of ocean water;
- melting of the world's ice sheets, ice caps and glaciers;
- vertical land movement (Wales is currently subsiding around 0.5mm per year while Scotland is rising);
- local currents;
- variations in salinity and water temperature.

The most recent projections of sea level change for the UK are set out in the UK Climate Projections 2009. Projections of change in the UK suggest a rise of between 12 and 76cm by 2095, compared to a 1980-1999 baseline. This approximately equates to rates of between 1.2 and 7.6mm per year respectively. Due to projected land movements, a greater rise in southern regions of the UK is likely relative to the north.

Predicted sea level rise in Wales

Under a medium greenhouse gas emission scenario it is projected that Cardiff could experience a relative sea level rise (taking into account land level changes) of 21-68cm by 2095. Whilst the forecast of relative sea-level rise is for Cardiff, the geographic variations in sea level around Wales are small.

This has major implications for coastal communities. Coastal flooding and erosion

threatens beaches and therefore tourism in Wales, which contributes over £2.5 billion each year to the Welsh economy.

Around 60 per cent of the population of Wales live in coastal areas and in some regions communities exist below the high tideline

Around 60 per cent of the population of Wales live in coastal areas and in some regions communities exist below the high tideline. For example, Aberaeron and Borth lie below the tideline and rely on sand dunes and shingle beaches for tidal flood defence.

Nationally important infrastructure such as oil refineries (Milford Haven) and power stations (Wylfa, Aberthaw, Uskmouth, and Pembroke) are located on the coast.

Coastal erosion

In 2004 it was estimated that the English and Welsh coastline was being eroded 20-67m every 100 years, but this is predicted to increase to 82-175m depending on the emissions scenario considered.

Rising sea levels will lead to the loss of land and further coastal erosion as the high tideline moves further up the shore. Increases in wave height and storm surges may also increase the rate of coastal erosion.

Other essential infrastructure located around the coast and within inland flood risk areas include water supply and treatment facilities, electricity supply and distribution sites as well as police, fire service and ambulance stations.

In some areas such as Penmaenmawr in North Wales, railways and roads run within metres of the tideline.

Defences

Coastal defences currently protect nearly 28 per cent of the Welsh coastline and £8 billion of assets from coastal erosion and flooding. However, these defences do not sufficiently manage the existing risk of coastal erosion, and climate change and sea level rise will further reduce their efficacy.

Building coastal defences can be technically difficult and may not be affordable in all locations in the future.

Hard, and perhaps unpopular, choices will need to be made about how and where investment is best directed.

The previous Welsh Government invested £39 million during 2010-11 in flood and coastal erosion risk management in Wales. If investment in flood risk management is maintained at current levels then by 2035 the number of properties in Wales at significant likelihood of flooding would increase from 65,000 to 115,000, with a consequent increase in expected annual damages.

To maintain the number of properties at flood risk in 2035 at levels comparable to now may require trebling investment levels, while reducing the number of properties at risk would require further investment again.

A wider range of actions may be necessary to manage the impacts of current and future flooding. How is Wales preparing for this? Would Wales be prepared, and indeed able, to abandon certain areas and assets to the sea?

Making our footprint sustainable

Nia Seaton

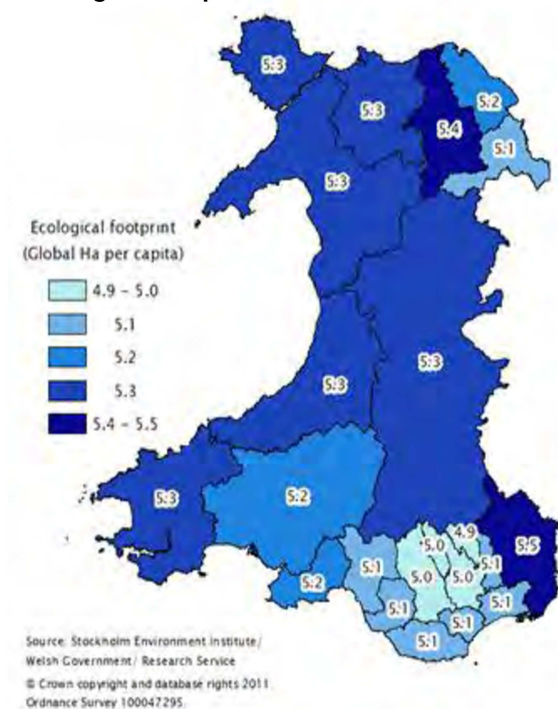
By measuring and understanding our ecological footprint, can Wales become more sustainable?

At 4.4 global hectares (gha) per person Wales' current ecological footprint is unsustainable. The world's ecological footprint works much like a bank statement setting out whether or not we are living within our ecological budget.

Simply put, if Wales and other developed countries continue to consume the same amount of natural resources as they do at present, the global bank of natural resources upon which all human societies depend will go bust. This will lead to significant problems such as water, food and energy shortages.

Although the ecological footprint of Wales is significantly higher than what is globally sustainable it is lower than the footprint of both Scotland and England. Globally Wales' ecological footprint is smaller than the United Arab Emirates (UAE), the US, Switzerland and Ireland but bigger than China, Peru and Indonesia.

Ecological footprint of local authorities in Wales



What is ecological footprinting?

An ecological footprint compares the amount of resources we use to the amount of resources available globally to assess whether what we use is sustainable. It calculates the area of global land needed to provide the raw materials, energy and food necessary to match society's consumption levels and the land needed to absorb the pollution or waste generated by the production of goods.

It is usually measured in global hectares of productive land (gha) per person.

On a micro level it is possible to calculate the ecological footprint of a single product and on a larger scale by looking at all the goods consumed by populations of different sizes we can discover the footprint of a community or a nation.

Traditional methods and indicators tend to focus on environmental impacts directly affecting a single country but do not calculate how the lifestyles lived in one country affect the lives of the people on the rest of the planet.

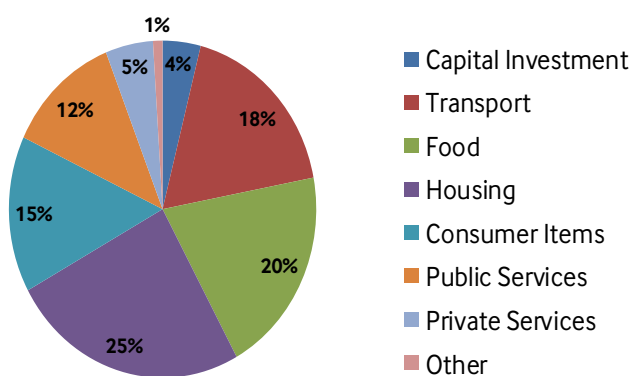
In 2007, Wales' ecological footprint was 4.4 gha per person when in order to be sustainable it would need to be 1.8. The map of Wales illustrates the ecological footprints of the different local authorities in Wales. As the footprints for local authorities in Wales was last calculated in 2003 they are higher than the all Wales 2007 figure.

Addressing the problem

The Stockholm Environment Institute (SEI) calculated that unchecked Wales' footprint in 2020 will be 20 per cent bigger than in 2007. However, it suggested that with the right policies in place for housing, food and transport – the sectors that contribute most to the national footprint - Wales could reduce its footprint by 10 per cent by 2020.

Welsh Government policies will be needed to encourage people to consume far less energy than at present, change their travel patterns making greater use of trains and public transport and significantly reduce the amount of food they waste each year.

Footprint of Wales by theme (2003)



Source: SEI

Using the ecological footprint in policy: Benefits and pitfalls

Recent studies show that the ecological footprint can be used as a tool to explore where reductions in the footprint can be made through practical policies.

Proponents of the method state that such an indicator has the ability to communicate complex data about global resource use in a simple way.

However, others have expressed caution about over-selling the method as a comprehensive indicator of sustainability as it does not take into account the social and economic issues associated with sustainable development.

Future use

A number of countries, regions and cities around the globe are using the footprint as an indicator for policy making. This includes places as diverse as Switzerland, UAE, Peru, Indonesia, the Community of Andean Nations, Milan, Calgary and Cardiff.

In these places ecological footprinting is being used for a variety of policy purposes including:

- as the basis for environmental and sustainable development policies;
- as the basis for making infrastructure and planning decisions; and
- for communicating environmental issues to citizens.

The previous Welsh Government adopted the footprint as a key indicator of sustainable development in Wales and commissioned the SEI to assess the footprint of Wales and make recommendations on how it could be reduced.

Whether or not Wales continues to use the ecological footprint as a measure of its sustainable resource use and whether policies are developed to address the environmental issues which it highlights will be a matter for the Welsh Government and Assembly to decide.

Are we neglecting our natural capital?

Nia Seaton

The environment in Wales contributes £6 billion annually to the Welsh economy but much of the natural environment and the services it provides are under threat.

Services provided by our natural environment are worth hundreds of billions of dollars to the global economy and are of critical importance to the Welsh economy. The Valuing our Environment Study for Wales calculated that the environment in Wales provides:

- £6 billion to the Welsh economy;
- 1 in 6 Welsh jobs;
- £821 million in tourism spending; and
- 15 per cent of goods and services produced in Wales.

Yet much of the world's natural environment is degraded and many species are threatened with extinction. There has also been a continuing decline in many Welsh native species.

Indeed many of the services provided to us by the environment, so called ecosystems services, are at critical tipping points beyond which their capacity to provide useful services may be dramatically reduced.

Wales is no exception and has failed to meet its 2010 target to halt the loss of biodiversity.

Protecting our natural environment in Wales

The main tool for protecting our natural environment in Wales is through a series of national and international protected sites. These sites are designated because they contain habitats or species that are deemed to be of significant importance to nature conservation.

National and international protected sites in Wales

There are over 1,000 sites in Wales designated for their national importance and nearly 100 for their European or international importance.

Sites designated for their national importance are known as Sites of Special Scientific Interest and are located all over Wales for example Great Orme's Head in Llandudno and Worms Head on the Gower Peninsula. Sites designated for their international importance include Special Areas of Conservation and Special Protection Areas. Some of the most famous are the Dee and Severn Estuaries and Eryri.

While these sites play a crucial role in protecting individual species and habitats in specific areas they do little to protect and enhance the quality of the wider environment in Wales and the natural services the environment provides us.

The Lawton Review of similar sites in England concluded that while these protected sites should remain the cornerstone of our conservation efforts a 'step change' in our behaviour is needed. The review states that we need to move away from an approach in which we try to hang on to what remains, to one of large-scale habitat restoration and re-creation. This will be particularly important in light of the effects of climate change as species will need room to adapt and migrate from one site to another as the climate changes.

Options for the future

The international study on The Economics of Ecosystems and Biodiversity concludes that the invisibility of nature's services in economic results and calculations has led to widespread neglect of our natural capital. This means that the destruction of nature has reached levels where serious social and economic costs are being felt.

In order for the economic value of nature and the services it provides us with, such as food and water quality, to be made visible in Welsh Government budgeting processes, many experts call for the adoption of what is known as an ecosystems approach.

An ecosystems approach

Ecosystems goods and services can be described as the natural goods and services that the ecosystem provides that are essential to the functioning of the planet and human well-being such as soil formation, food, climate regulation and renewable energy.

The aim of the ecosystems approach is to ensure the value of these essential services is taken into account when economic decisions are made so that the true cost of decisions are assessed.

In addition to focusing on the protection of individual species in our protected sites, the ecosystems approach requires that we look to value and protect the services in our wider environment and provide better linkages between green spaces in our villages, towns and cities.

This will require a significant change in the ways in which we have tackled biodiversity loss to date. However, it also offers new opportunities such as providing communities with:

- the possibility of generating renewable energy; and
- reducing insurance premiums in flood risk areas by adopting different land management practices.

The Marine and Coastal Access Act 2009: The possibility for change

Movement towards adopting an ecosystems approach for the management of our environment is already taking place in our marine environment.

The *Marine and Coastal Access Act 2009* provided the UK and Welsh Governments with the legislative tools necessary to introduce a comprehensive and strategic system of planning and protection for the marine environment.

The Act allows the Welsh Government to introduce a new marine planning system which will examine, on a spatial basis, all the services provided to us by the marine environment. It will allow Governments to make decisions about what actions should take place in which areas in order to ensure our seas as a whole are in a good condition.

In addition, the Act allows for the creation of Marine Conservation Zones which will protect the most important aspects of our marine environment to help ensure that our seas, and the species they support, are protected. 2011 will be a crucial year for the implementation of the Act and for assessing the potential lessons it could offer to the terrestrial environment.

Delivering food security

Hannah Rose and Nia Seaton

Food security has become a watchword of Governments worldwide. In Wales the Welsh food system is inextricably integrated with the UK, EU and global food systems. In order to ensure food security for Wales what key European and global policy decisions must Wales seek to influence?

The volatility of global food security was brought to the attention of policy makers when rising food prices in 2007 and 2008 led to violent protests worldwide and drove an additional 115 million people to hunger. This led Professor John Beddington, UK Government Chief Scientific Advisor, to warn that the world is entering a 'Perfect Storm' of food, water and energy shortages. By March 2011 the UN Food and Agriculture Organisation recorded the highest Food Price Index since records began.

Rising food prices

As a net importer of food, Wales is vulnerable to changes in food prices which have been increasing since 1988. In addition, since 2007 UK food inflation has often been higher than general inflation, affecting the affordability of, and access to food in Wales. Household expenditure on food in Wales increased almost 20 per cent between 2006 and 2009 and a family that usually spent £100 per week on food in 2007 would have to spend over £600 more during the whole of 2008 for the same food.

The diversity of sources of food imported to the UK and Wales offers some protection against interruptions to supply and the UK is around 59 per cent self-sufficient for food, providing some resilience against major disruptions to food supply.

However, self-sufficiency does not protect against disruptions in supply of imported commodities critical to food production which

Key Drivers: Food Security

Food security is achieved when there is sufficient food available and sufficient access to that food to provide everyone with a balanced diet.

A Foresight report on the Future of Food and Farming identified six key drivers affecting food security:

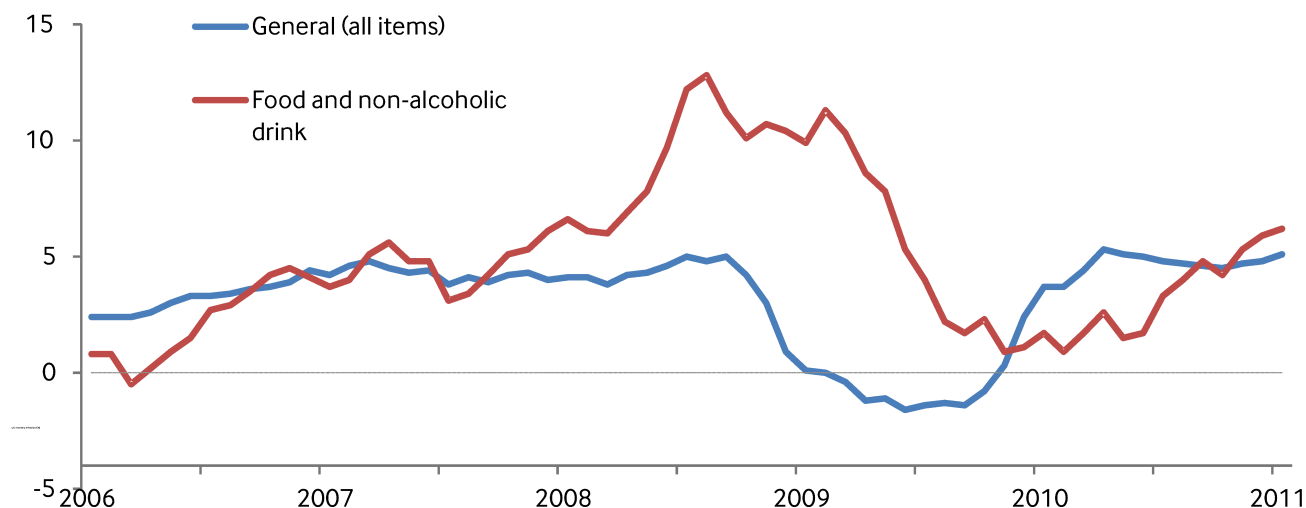
- global population growth;
- changes in demand for food;
- changes in the ethics and values of consumers;
- competition for resources;
- climate change; and
- governance of the food system.

Wales and the UK cannot produce in sufficient quantities.

For example domestic food production is heavily dependent on imported livestock feed and would be threatened by a disruption in supply of this commodity.

Many of the key policy tools available to the Welsh Government to deliver food security are designed and driven by legislation and policy created at an EU level. Two of the most important of these are the Common Agricultural Policy (CAP) and authorisation of Genetically Modified Organisms (GMOs) as they directly influence the future production of food in Wales.

Food inflation January 2011



Source: ONS/Inflationstats

Reforming the Common Agricultural Policy (CAP)

The CAP provides subsidies and financial support to farmers, producers and rural communities in Wales. The original aims of the policy were to provide food security and a fair income for farmers.

More recently the policy has focused on sustainable production and environmental challenges. The next two years will see the conclusion of the latest negotiations on the reform of the CAP.

Given the reliance of the agriculture sector in Wales on this policy to make a profit and stay in business, the reform is likely to have a significant impact on the ability of a Welsh Government to deliver food security for Wales.

The Welsh Government will be largely reliant on the UK Government to carry out formal negotiations on its behalf. To date there has been little agreement between the UK Government and devolved administrations on the reform of this policy. The devolved administrations called for a well-funded CAP that directly supports farm incomes while the UK Government has called for a reduction in the

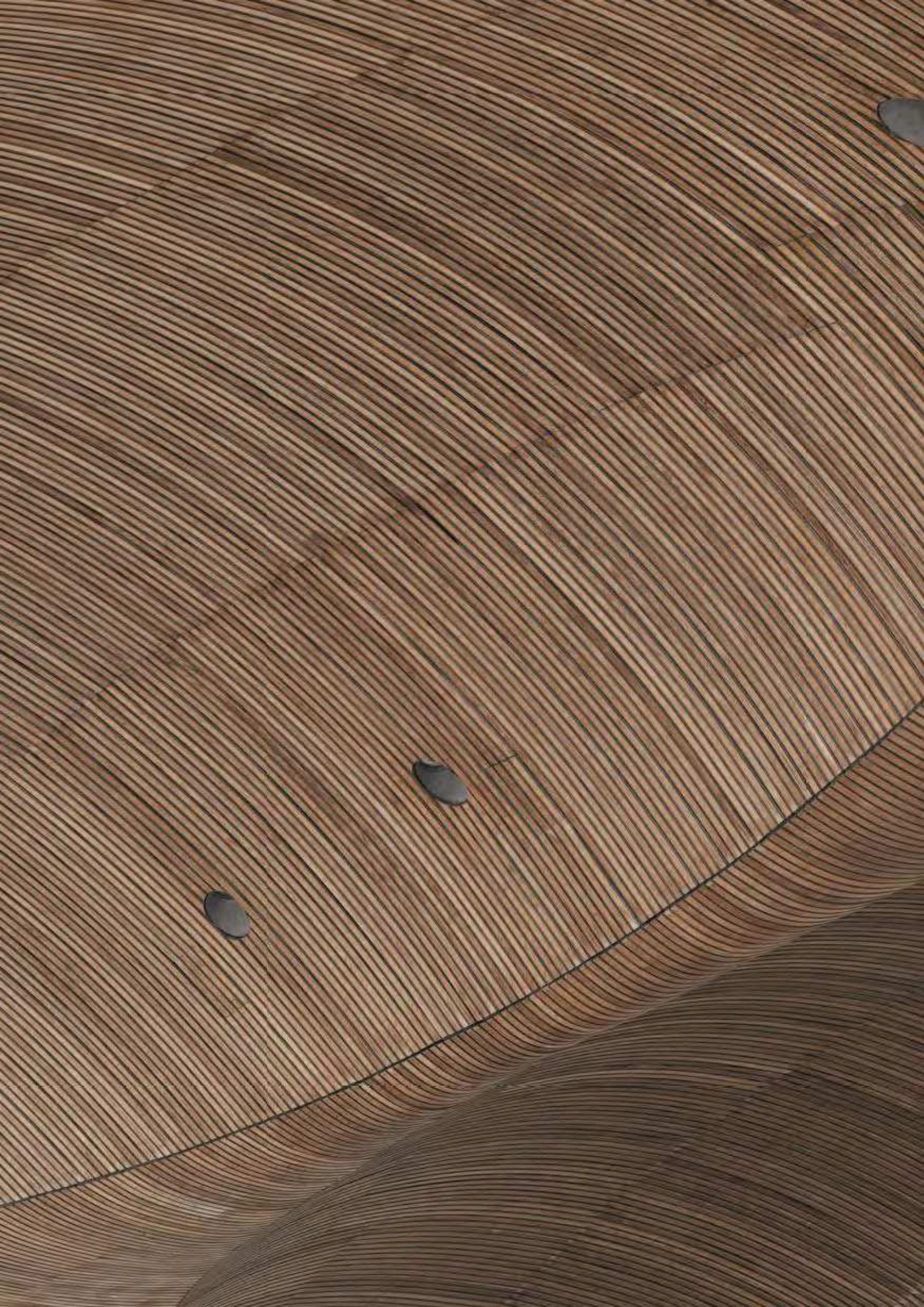
size of the CAP budget and more market-orientated reform.

Genetically Modified Organisms (GMOs)

GMOs is another area of legislation and policy which will be decided upon over the coming two years. The debate surrounding the use of GM crops is closely linked to the food security debate. Proponents of GM crops argue that modifying crops could lead to increased crop resilience and yields while opponents state that they will threaten the environmental security needed for food production.

Of importance to Wales will be whether or not the new European proposals can be implemented at a regional level and whether a future Welsh Government if they so wished could ban the cultivation of GMOs in Wales with any certainty.

The decision reached in Europe on these policy areas in the next few years will significantly influence how access to a secure food supply in Wales is delivered. It will be up to the new Welsh Government and Assembly to ensure that Wales' voice is heard in these important negotiations.



Chapter 9 –
Welsh language, media and sport

- Will Wales benefit in any way from the 2012 Olympics?
- The future of broadcasting in Wales
- Looking ahead:
Strategic planning for Welsh medium education

Will Wales benefit in any way from the 2012 Olympics?

Gareth England

The 2012 London Olympic and Paralympic Games represent a huge investment by the UK Government, but what impact will they have on Wales?

The first action of the London 2012 Olympics will take place on Welsh soil in a little over a year's time, as Cardiff hosts the opening game of the Olympic football tournament.

The designation of the games as a UK-wide event means that there has been no Barnett consequential to Wales as a direct result of the Olympics

The games have arguably already made a more significant impact on Wales and its population through the diversion of lottery funding which could otherwise have been earmarked for the development of grassroots sport.

It is not easy to pinpoint how much money will have been diverted in this way. Figures of up to £100 million have been estimated but the final total may not be truly quantifiable until after the games themselves.

Additionally, the designation of the games as a UK-wide event means that there has been no Barnett consequential to Wales as a direct result of the Olympics.

In the aftermath of the games, there will undoubtedly be calls for lottery funding to be restored to their previous levels, and there will be much scrutiny as to how quickly this happens.

Contracts

Recent media reports have suggested that the number of Welsh firms successful in obtaining Tier 1 contracts with the Olympic Delivery Authority were low in comparison to the rest of the UK. Figures suggested that as of November 2010, 11 contracts had been awarded to Welsh companies compared with 726 in London and 25 in Scotland, although this figure had risen to 14 by March 2011, and some significant supply chain contracts had also been awarded to Welsh businesses.

The former Welsh Government had urged Welsh firms to apply for the remaining contracts and sub-contracts through its business support service, and has hosted events in north and south Wales to publicise available opportunities. It remains to be seen how many will be successful and add to the £38 million worth of contracts awarded to date.

Wales is competing with other nations and regions of the UK for any people who might visit Wales whilst attending the games

Tourism

Tourism is another area where potential benefits from the Olympics may be seen. Cardiff does have a distinct advantage in that it will host part of the Olympic football tournament. Olympic and Paralympic teams from various nations have also agreed to base themselves in Cardiff and Swansea, but it would appear that Wales is competing with other nations and regions of the

UK for any people who might visit Wales whilst attending the games.

Likewise, commitments to partners and sponsors mean that major sporting events can seem to be held in a corporate bubble, leaving little or no opportunity for local culture to be seen, or be affected.

It is possible therefore, that aspects of Welsh culture and indeed the Welsh language will not be visible when events are held in Cardiff.

Sporting and cultural impact

For a small nation, Wales has been relatively successful in producing Olympic and Paralympic medallists and Welsh athletes are again expected to do well in London. Wales also possesses sporting facilities of a high standard, so it would appear that there is a natural appetite for sport within the nation.

During the last Assembly, the then Minister for Heritage stated that the main aims in Wales would be to use the PR and the profile generated by the Olympics and link it to existing schemes.

These schemes, which include the 5x60 and Dragon Sport schemes in Welsh schools, the

The 'Cultural Olympiad':

- a four year UK-wide **cultural celebration** of the Olympics running from 2008 to 2012;
- administered in Wales by the **Arts Council of Wales**;
- 5 major projects in Wales under the £2.85 million **Power of the Flame** programme aimed at young people and disabled people.

Welsh strands of the Cultural Olympiad some of which tie in with the education curriculum and the Gemau Cymru project led by the Urdd, would appear to provide the potential for the most significant legacy of the games in Wales.

Participation

The power of the Olympics to get adults participating in sport on a regular basis is one that has been questioned in research carried out following previous events in other countries.

The previous UK Government's original Olympic legacy aims to get two million more people playing sport and exercising by 2013 would appear to have been scaled back by the current administration with the target of getting one million people doing general physical activity apparently being dropped.

Statistics on adult sports participation in Wales show 56 per cent of the population regularly participated in sport or physical recreation activity in 2008-09, slightly down on the 59 per cent from the previous survey in 2004-05.

Whilst there is no specific participation legacy commitment for Wales, the opportunity to use the games in various existing schemes to encourage sport and healthy living is one that the Welsh Government has appeared keen to promote.

Wales therefore has an opportunity to benefit culturally, socially and economically from the games. Its impact however will only become clearer in the run up and aftermath of the event.

The future of broadcasting in Wales

Rhys Iorwerth

Recent broadcasting developments in Wales have prompted calls for devolving this area of policy – but is it a truly viable option?

Virtually all of the main political decisions affecting broadcasting in Wales are made in London by the Department for Culture, Media and Sport (DCMS). Even after the referendum result in March, this remains the case.

Critics of the arrangements argue that concerns about the future of S4C, the lack of plurality in Welsh media and the absence of Welsh representation on the national networks have been very prominent in recent years, and make a compelling basis for change. Others would not so readily agree.

Further devolution: The arguments against

The DCMS has consistently stated that it has no plans to transfer powers over broadcasting to any of the devolved nations. According to UK Ministers, retaining broadcasting as a reserved matter is the only way of maintaining national standards and ensuring the independence of broadcasters.

In the past, previous Welsh Governments have not displayed a great degree of enthusiasm for such a move either. Their reluctance to show support has often been based on apprehensions about the difficulties of devolving certain aspects of broadcasting in isolation from others, and uncertainties about any ensuing funding arrangements.

Others point out that broadcasting services are increasingly being delivered by national and multinational companies. To encourage greater devolution in this area would be unwise,

especially in a period of severe financial constraints.

There is also an argument that Welsh broadcasting outlets would not be able to fund themselves sufficiently without subsidy from licence fee payers in England. Other practical considerations and technical obstacles mean that the status quo remains a much more likely option.

In 2008, the Assembly's own Broadcasting Committee suggested that too much of this debate has been fixed on the devolution of policy whereas the focus should be on the accountability, transparency and scrutiny arrangements under the current structures.

The case for transferring powers

Conversely, those in favour of devolving broadcasting functions point out that it makes no sense that decisions in this context are taken in London while competence over other interrelated policy areas, such as culture and the creative industries, rests in Wales.

Such arguments were highlighted recently after the DCMS decided to cut S4C's budget and to transfer the funding responsibilities to the BBC without consulting Welsh Ministers. This is despite the fact that overall policy direction on the Welsh language is determined by the Welsh Government.

The case would be that Assembly Members and Welsh Ministers are in a much better position, and much better informed, to address issues

facing the broadcasting industry in Wales than Ministers in London who may be unfamiliar with the intrinsic complexities and distinctiveness of Welsh needs.

A cultural and democratic deficit

Supporters of devolving broadcasting would further claim that the current position is hindering the development of Wales's national and civic life. In particular:

- broadcasting in Wales is facing a crisis, with funding towards BBC and ITV English language programmes for Wales having fallen by 44 per cent between 2004 and 2009. Further cuts are expected in the coming years;
- Welsh issues are under-represented in the London newspapers and on the national networks, from which the majority of Welsh people receive their news. Plurality of news within Wales is also a concern;
- broadcasting has always had a tendency towards centralisation in the UK, especially in periods of financial pressure. This centralisation goes against the tide of devolution;
- all of the above have the potential to create a deficit in the cultural landscape of Wales, and could have far-reaching democratic implications due to the lack of coverage of Welsh politics.

A shared responsibility?

Some commentators have suggested that the ideal solution may not lie in blanket devolution of broadcasting powers or in retaining the status quo.

Key figures in Welsh broadcasting, for instance, argue that the responsibility for broadcasting should be shared between Cardiff and London, with power resting in different places and different institutions according to what's most

suitable to reflect the new constitutional shape of the devolved Britain.

Work would be needed to set out the details of a new relationship between S4C, the BBC, the Welsh Government, the DCMS and Ofcom. But by looking at different grades of devolution, there could be both a realistic and desirable way forward.

Others have similarly called for establishing a Welsh Media Commission to fund English language media content in Wales, claiming that such a step could have a significant impact. While primary responsibility for broadcasting would be retained at a UK level, it would give Wales shared responsibility and would improve accountability. Similar action could be taken with regard to S4C.

Such options, however, would depend heavily on political will and agreement. Whether that consensus can ever emerge is another matter entirely.

Developments in Scotland

Wales is not the only nation in which issues around broadcasting are being discussed. The Scottish Government is currently advocating the idea of establishing a Scottish Digital Network, which would see the main elements of the UK broadcasting system being retained, while enabling a greater level of programming which reflects Scottish life and culture.

Looking ahead: Strategic planning for Welsh medium education

Gareth England

What are the main issues surrounding the strategic planning for Welsh-medium education for the future, and is there a need for legislation?

Upward trends

Since the establishment of the first Welsh-medium primary school in 1947, the sector has grown from initially being supported by a few pioneers to becoming an integral part of the Welsh educational landscape.

The number of Welsh medium learners at primary age shows an upward trend. School Census Statistics for 2009-10 show that 22 per cent of children in Wales are taught Welsh as a first language in Year 1, a percentage which is currently increasing year on year.

Significant growth can be seen in the less traditional Welsh-speaking areas, particularly in the former industrial heartlands of south east Wales.

Figures for 2009-10 show that **21 per cent of Year 1 learners in Rhondda Cynon Tâf** currently receive first language Welsh medium education, with comparable figures in **Caerphilly (17 per cent)** and **Cardiff (16 per cent)**.

The Welsh Government published its Welsh-medium Education Strategy in April 2010 which set out a long-term agenda for the development of Welsh-medium education.

Planning for the future

The need for local authority forward planning is an issue that is becoming increasingly

The **Welsh Medium Education Strategy** sets out a number of outcomes and targets central to its success, including:

- 30 per cent of Year 2 learners to be assessed in Welsh First Language by 2020;
- 23 per cent of Year 9 learners to be assessed in Welsh first language by 2020.

important, particularly with the aforementioned increase in pupil numbers in some areas of south east Wales.

Groups such as Rhag (Rhieni Dros Addysg Gymraeg) have long campaigned for the need for local authorities to strategically plan their provision by assessing the need for provision within each authority area.

The main elements of the Government's Welsh-medium strategy in this context include steps to improve the processes used by local authorities to assess the parental demand for Welsh-medium education and a requirement for local authorities to work jointly on a regional consortium basis for planning Welsh-medium provision.

Local authorities are also required to submit annual Welsh in Education strategic plans to the Welsh Government, which will be used to monitor their efforts in assessing and meeting the demand for Welsh-medium education.

A need for legislation?

Whilst the Government's strategy has been broadly welcomed, many organisations have noted with concern its non statutory nature. This inevitably leads to the question of whether primary legislation is needed to ensure the success of the strategy.

The issue of linguistic progression from one phase of education to the next is a factor which is also dependent on local authorities planning their Welsh-medium provision strategically. The strategy acknowledges that the development of language skills happens over time by setting out five-year and 10 year targets in this regard, but its non-statutory nature is seen by many as not having the teeth to force authorities to plan in this way.

The One Wales Government's *Welsh Language (Wales) Measure 2011* did not contain any specific provision for Welsh- medium education. The Assembly Legislation Committee reported that they did not think this particular piece of legislation was the appropriate place for provisions relating to specific areas such as education.

However, the Measure does allow for the imposition of standards on bodies involved with education, such as local authorities and higher and further education institutions, building on the schemes relating to Welsh education set out under the *Welsh Language Act 1993*.

Whether this is enough to compel local authorities to implement the strategy is questioned by some. It would appear that the calls for a Welsh-medium education Bill will grow during the Fourth Assembly.

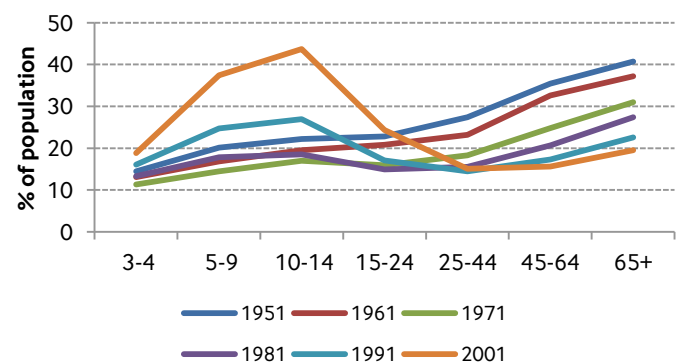
Supply and demand

The decision of the Welsh Government to call in the council's original plans for primary school reorganisation in Cardiff shows that emotions surrounding Welsh-medium education can run high. Original plans to close an English-medium primary school in order to increase Welsh-medium capacity caused controversy and raised the argument that English-medium education is being disadvantaged in the rush to cater for the demand for Welsh.

Evidence exists that in parts of Wales, there are surplus places in English-medium schools whilst some Welsh-medium schools are over-subscribed or will be in the near future. As local authorities are constrained by tighter budgets, the balance between funding Welsh and English-medium education will come under even more scrutiny.

The results of the March 2011 census should also provide a signpost for any future Welsh-medium education planning.

Welsh speakers by age group: 1951 - 2001



Source: Censuses of population

In 2001, there was a large expansion in Welsh speakers in the group between 5 and 15 years old. Welsh-medium education has been seen as the driver for this increase in many quarters. It will be interesting to see whether the figures for 2011 show a further increase and whether the results will signify any shift in the current policy.



Chapter 10 – **Wales and the world**

- EU and Wales:
What's at stake during 2011 and 2012?
- Wales and the world

EU and Wales: What's at stake during 2011 and 2012?

Gregg Jones

As negotiations begin in Brussels for the future of the EU multi-annual budget in 2011, what's at stake for Wales, and what could we lose?

Wales currently receives just under £2 billion of funding (for the period 2007-2013) from the EU structural funds, part of the EU Cohesion Policy, to support economic development and regeneration, as well as over £300 million per annum from the Common Agriculture Policy (CAP), to support Welsh farmers and rural communities.

There is no guarantee that Wales will continue to receive the same level of funding from the EU Budget in the future, as this will be the subject of detailed negotiations during 2011 and 2012 when the EU institutions and national governments will hold at times very difficult discussions over the size, structure and priorities of the future EU Budget post 2014.

How important is this funding to Wales?

Figures from the Welsh Government show a high level of dependency on the CAP in rural Wales, where the single farm payment - the largest element of the CAP budget - accounted for around 80 per cent of all farm income in 2009.

The EU structural funds investment represents a smaller share of the overall public spend in the Welsh economy. For example, in 2011 the budget of approximately £275 million under the two main Welsh programmes is only around 2 per cent of the value of the overall Welsh Government budget of £13.8 billion for 2011-2012. However, if the comparison is limited to the economic development part of the Welsh Government's budget, the importance of the

structural funds investment becomes more apparent, equating to around 17 per cent of the value of the Economy and Transport budget (£1.6 billion).

Other EU funding

In addition to the CAP and the two main regional programmes under the structural funds, there is a plethora of other EU funding programmes that organisations in Wales - including universities, schools, the voluntary sector and businesses – can in theory access. These programmes are also up for review and include:

- the Territorial Co-operation programmes under the Cohesion Policy;
- the Framework Research Programme focused on supporting research excellence across the EU; and
- the Lifelong Learning Programmes, including exchanges between schools, colleges, students, and work placements abroad.

Framework Research Programme

Under the Framework Research Programme, organisations from Wales secured around £40 million during 2000-2006, and have already secured £33 million under the first three years of the 2007-2013 programme. However, unlike CAP and the regional structural funds, there are no pre-set allocations to Wales. To access funding, organisations must participate in a competitive bidding process against other regions and countries in the EU.

Austerity cuts and euro crisis

During the discussions in Brussels there will be considerable pressure to reduce the overall EU Budget after 2014, as national governments seek to limit the amount that they contribute. The ongoing crisis in the Eurozone, and the recently adopted Euro Plus Pact, adds to this pressure as national governments have committed themselves to reducing public deficits and driving forward structural reforms, including labour market and pension reform.

The UK Government - as one of the 'net contributors' to the EU budget - has already noted its intention to seek a real reduction in the overall budget, and has highlighted in particular the need to reform and significantly reduce the share of the budget that goes to the CAP and the EU Cohesion Policy. The UK Government favours reallocating funding towards investing in research, innovation, competitiveness and climate change objectives of the EU.

The positions of the other Member States are also emerging: 23 of the 27 Member States have set out their stall to defend the current CAP budget, including France and Germany, whilst there is also a consensus over the need for a strong EU-wide Cohesion Policy, although this budget line is more vulnerable to cuts when it comes to hard negotiations. This suggests there will be only limited opportunities for new and innovative approaches.

Agreement on the overall EU budget package is expected towards the end of 2012, and subsequently agreement on the individual legislative proposals for the various funding programmes in the first half of 2013. This means the first two years of the Fourth Assembly are likely to see European issues at the forefront of the political agenda.

The EU Budget negotiation process

The European Commission is scheduled to publish the proposals for the future multi-annual EU Budget in June 2011.

This will be followed by separate legislative proposals during the second half of 2011 (and in some case into 2012) for each of the main elements of the proposed budget, including the CAP, the future EU Cohesion Policy, the Research and Innovation Framework Programme, potentially a new Climate Change and Renewable Energy programme, and many more.

Each of these will be discussed and debated by the EU institutional triangle - the **European Parliament**, including the Welsh MEPs; the Member States or 'national governments' from the EU in the **Council of Ministers** (and subsequently the **European Council**). The Welsh voice will be represented as part of the UK position, depending on how successful the Welsh Government and other stakeholders are in influencing the UK Government view; and the **European Commission**, acting as a broker seeking to find a compromise that each of the three institutions is satisfied with.

In addition to this the two main consultative bodies – the Committee of the Regions and the Economic and Social Committee – will be asked for their views, and Wales has a direct voice on these through its representatives (including two from the Assembly).

Wales and the world

Gregg Jones

Welsh politicians and Welsh-based organisations are actively engaged in the international arena but is Wales making the most of the networks available and taking a sufficiently strategic approach to this work?

Although powers relating to foreign affairs, including negotiations within the European Union (EU), international development work, and trade, rest with the UK Government, Wales is actively engaged in international affairs through the work of the Welsh Government, the Assembly and other bodies.

This brings benefits in terms of business and trade (Welsh exports outside the UK are around £9 billion and imports around £6.5 billion per annum), EU funding, cultural and educational links with other regions and nations, and the contribution made by Welsh organisations and individuals through development work. However, a number of commentators have questioned whether the lack of an overall strategic approach means we are not benefitting as much as we could from these international links.

Wales and the European Union

Wales is viewed as a 'region' at EU level, which means its interests are represented in the two 'governmental' EU Institutions, the Council of Ministers and the European Council, by the UK Government. Success is to be measured, therefore, by the extent to which the key priorities of Wales are reflected in the UK negotiating position. Through its scrutiny of the Welsh Government the Assembly has a key role to play in ensuring this is being undertaken effectively.

There are other channels available to promote Welsh interests in Brussels. This includes the four

Participation in formal bodies

The Assembly is represented on a number of formal bodies at international level. These include:

- two EU networks for regional governments (**REGLEG**) and regional Parliaments (**CALRE**);
- **British Irish Parliamentary Assembly** and **British-Irish Council**, set up to facilitate formal dialogue on cross-border issues between Ireland and Britain;
- **Commonwealth Parliamentary Association**, which promotes personal development of parliamentarians and sharing of good practice;
- **Council of Europe**, which defends democracy and human rights across Europe;
- Wales is a founder member of the global **Network of Regions for Sustainable Development (NRG4SD)**, established at the Johannesburg World Summit on Sustainable Development in 2002 to champion these issues at regional level.

Welsh MEPs in the European Parliament, the representatives from Wales on the EU's two consultative bodies, the Committee of the Regions (comprised of local and regional politicians) and the Economic and Social Committee (experts representing sectoral interests), and through participating in formal and informal EU networks.

Much of the day to day work in Brussels is co-ordinated through the offices based in Wales House – situated in the heart of the European quarter in Brussels – where officials from the Welsh Government EU Office, the Assembly, Welsh Local Government Association and the Welsh Higher Education sector are located.

Partner regions and countries

The Welsh Government has also established a number of relationships with European regions and countries primarily focused on developing cultural and economic links. These include: Brittany, Baden-Wurttemberg, Latvia, Silesia and Catalonia.

In addition to this, through International Business Wales, the Welsh Government has a presence in a number of countries globally including India, China and the USA, focused on developing commercial and trade links with Wales. The Welsh Government undertook a ‘critical’ review of its work in 2009, which led to a streamlining and re-orientation of its work around the objectives of the Economic Renewal Programme.

A strategic approach?

Aside from the Wales for Africa Programme there is at present no coherent strategic framework bringing together all of the EU and international work that Wales is involved in.

As a consequence there is no systematic reporting mechanism in Wales by which Assembly Members and stakeholders can assess and measure the performance of Welsh Ministers on European and international issues.

Under the Third Assembly information on performance was made available via general updates presented by the First Minister to the European and External Affairs Committee, and ad hoc information provided by other Welsh

International development work

The Welsh Government’s **Wales for Africa Programme** supports Welsh organisations undertaking development work in line with its commitments to the United Nation’s Millennium Development Goals.

Examples of organisations in Wales active in international development include:

- Dolen Cymru (Wales-Lesotho link), which supports links in education, health, governance and civil society;
- Positive Women (working in Africa, in particular Swaziland) which promotes women’s rights, supporting the work of indigenous organisations;
- Bees for Development, which assists beekeepers living in poor and remote areas of the world, and raises awareness about the value of beekeeping for poverty alleviation; and
- PONT (Partnerships Overseas Networking Trust), which includes exchanging professionals and the twinning of school and churches between Uganda and Rhondda Cynon Taf.

Ministers when questioned on areas of their work with a European dimension.

The situation is very different in Scotland, where the Scottish Government published a European Engagement Action Plan, which was part of a broader International Framework. The Scottish Government presented six-monthly reports to the Scottish Parliament on its performance in delivering the objectives of the Action Plan.

The issue of developing a strategic approach to Wales’ engagement with the world is one that Assembly Members may wish to pursue in the Fourth Assembly.





