

Key Issues for the Fifth Assembly



National Assembly for Wales
Research 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.

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Key Issues for the Fifth Assembly

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National Assembly for Wales
Research Service

Foreword

Welcome to the Fifth 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 accurate, impartial and authoritative information that they can trust. Based on our experience of working with Members over the last 17 years, we have developed a range of specialist services to meet these information needs. Our team of research and library staff are experts in their policy fields and Welsh devolution, and are here to provide Members with up-to-the minute information in a fast-paced political environment.



This publication sets out a selection of key issues likely to matter to Members in this Fifth Assembly: from the steel industry to the future of Welsh law-making. 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. Hopefully it provides a glimpse of what we can do, but it is not all.

Over the course of the Fourth Assembly, we answered more than 11,500 confidential enquiries from Members and their staff. We also provided detailed briefings and advice for Assembly committees; supported individual Members developing new laws; and published a broad range of topical briefings utilising infographics and mapping on the Research Service blog, **In Brief**.

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 Fifth Assembly.

Kathryn Potter

Head of Research Service

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Introducing the Research Service

We are an impartial team of experts, providing confidential research, analysis and information services designed specifically to meet the needs of Assembly Members and their staff. We have substantial knowledge of policy and legislation in Wales, and unrivalled experience of understanding how to apply this to help inform Members in all aspects of their job.

As a Member, you and your staff can contact us for support with your Plenary and committee work. We can also help you deal with constituency casework.

How can we help?

- **Enquiry service:** we provide tailored information in response to confidential questions relating to your committee, Plenary, legislation and constituency work.
- **Constituency hub and support:** we have a range of online resources including constituency factsheets, funding guides, statistical constituency profiles, lists of useful contacts, and access to a range of online resources.
- **Pro-active services:** our blog, **In Brief**, is where we publish topical articles and research briefings relevant to Assembly business. We also provide online monitoring services on topics such as Westminster business and constitutional developments.
- **Committee support:** we provide expert briefings for each committee. Detailed individual briefings and support to develop specific question areas are also available.
- **Financial Scrutiny Unit:** provides advice on Assembly finance and budgets, taxation and sourcing and interpreting statistics.
- **Constitutional and legislative support:** we offer advice on the legislative process in Wales and the UK, and devolved powers and processes. We can help you develop proposals for legislation and support you through all stages of the Members' Bill process.
- **Mapping services:** we produce interactive online maps enabling you to compare different Assembly constituencies and regions, and static maps of constituencies, regions and other areas.
- **Library and information services:** located on the third floor of Tŷ Hywel, the library provides a comfortable reading room where you can find publications, newspapers, periodicals and online resources.

The library

A high quality reference and information service within a comfortable reading room containing networked and stand-alone computers, providing:

- official publications, reference books, newspapers and periodicals;
- committee reports, Plenary documents and research briefings;
- online resources including specialised databases, newspapers and periodicals; and
- a library catalogue including full-text links.

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

Our expert staff are available to assist you:

Monday to Thursday 08.30 - 17.00

Friday 08.30 - 16.00

The library remains open for reference and study until 18.00 weekdays, with swipe access after hours.

What monitoring services do we provide?

The library can help you keep up-to-date with internet pages covering:

- **Legislative Consent Motions:** this follows the progress of motions through which the Assembly can give or refuse permission for the UK Parliament to legislate on devolved matters.
- **Constitutional developments:** this links to key documents and proceedings relating to the development of devolution and the constitution in Wales.
- **The Silk Commission and *Wales Act 2014*:** this links to key documents and proceedings relating to the work of the Commission on Devolution in Wales and the subsequent *Wales Act 2014*.
- **Key Events in the development of the National Assembly for Wales:** a timeline of key events in the Assembly's development.
- **The National Assembly for Wales and devolution in Wales:** a bibliography gathering together the most important works charting the evolution of the Assembly and devolution in Wales.
- We provide weekly email alert services including:
 - Assembly business highlights for the week ahead;
 - Westminster Business which is most relevant to Wales; and
 - new publications relevant to the work of the Assembly.

How can you use the service?

- Call one of our subject experts in this directory or our general enquiry line: 0300 200 6328;
- Email one of our subject experts in this directory or submit a request to **Research.Enquiries@Assembly.Wales**;
- Drop in to the library on the third floor and talk to one of our library team;
- Sign up to our blog, **In Brief**, to receive email alerts about our latest articles and publications;
- Visit our intranet and internet pages to access the constituency hub, further guides, research briefings and information about the Service;
- Arrange a one-on-one meeting for you or your staff with one of our subject experts or Head of Service to discuss how we can support you; and
- Follow us on Twitter: **@SeneddResearch**

You can find more information on our standards and the limits of our service in our Statement of Service Standards.

Directory of specialists

- Assembly and constitution
 - Economy, communities and local government
 - Education and lifelong learning
 - Environment and transport
 - Financial Scrutiny Unit
 - Health and social policy
 - Library
-



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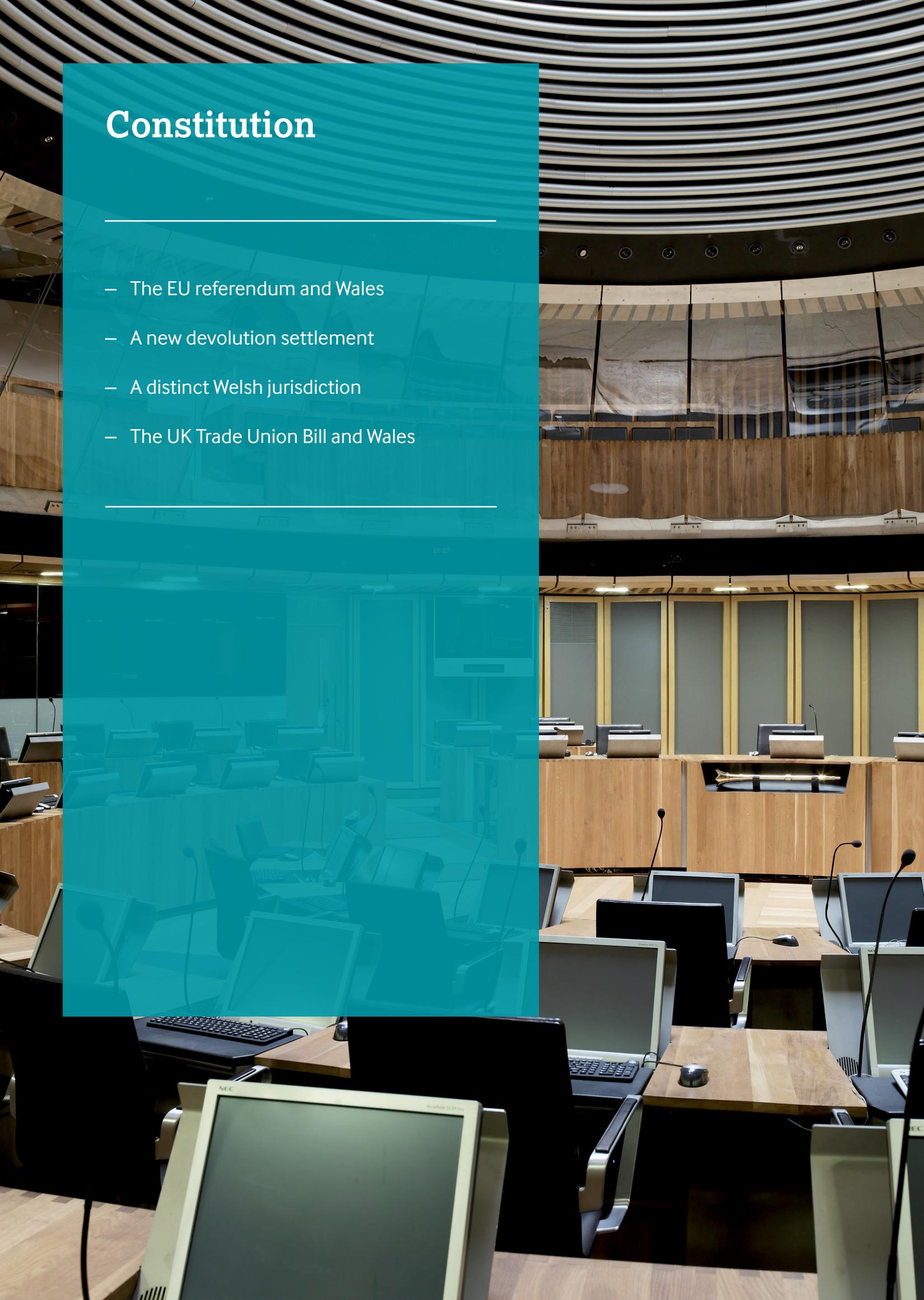
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Book loans, renewals

Constitution

- The EU referendum and Wales
 - A new devolution settlement
 - A distinct Welsh jurisdiction
 - The UK Trade Union Bill and Wales
-



The EU referendum and Wales

What will the outcome of the EU referendum mean for Wales and the Assembly?

Gregg Jones and Robin Wilkinson

On 23 June 2016 the UK will vote in a referendum to decide whether to leave or remain in the European Union. What does this referendum mean to Wales and how the Fifth Assembly engages in EU affairs?

Implications of remain

A remain vote would see the **New Settlement for the UK in the EU**, negotiated by the Prime Minister in February 2016 come into force.

The so-called 'red card' for national parliaments to veto planned EU legislation is an aspect of the new settlement with particular relevance to the Assembly. In March 2016, the Fourth Assembly's Constitutional and Legislative Affairs Committee wrote to David Lidington, the Minister for Europe, calling for reflection on how the **UK's devolved legislatures' interests** would be taken into account in this system. The Fifth Assembly may wish to pursue this matter further in early discussions with the UK Parliament, the other devolved legislatures and the UK Government.

Remain would mean continuing the interplay between Wales and the EU on subjects devolved to Wales and other related matters. This is of particular relevance for agriculture and rural affairs, including animal welfare and food safety, as well as environmental policy, fisheries, energy, education and health.

Similarly the **Welsh Structural Funds programmes**, funding from the **Common Agricultural Policy**, and scope for Welsh participation in the various EU programmes such as **Horizon 2020**, **Territorial Co-operation**, and **Erasmus+** would remain unaffected, as would Welsh interaction with the **European Investment Bank**.

The Welsh Government would continue to have responsibility for incorporating EU legislation into Welsh law, and liability for any transgressions in these areas. Within the Assembly itself, there are likely to be discussions in the weeks following the referendum as to whether EU affairs should continue to be mainstreamed – as in the Fourth Assembly – or whether a specialist EU committee should be established to scrutinise these issues.

Implications of leave

The first step, to make the vote effective, would be for the UK Government to notify the European Council of its intention to leave in order for the process set out in Article 50 of the **Treaty on European Union** to come into effect. This Article sets out a two-year timeframe within which a withdrawal agreement is to be negotiated by the UK and the European Council (representing the other 27 Member States). This two-year period can be extended with unanimous agreement of all parties concerned. The devil will be in the detail and it is difficult to state upfront how exactly this would take place, as it would be the first time that a Member State had left the EU.

Part of this process would be discussions around the future relationship between the UK and EU post-separation. The decision over this arrangement could have a significant bearing on the shape and outcome of the final settlement agreed, and the impact on Wales.

Issues that would need to be addressed in the negotiations, and that would be of particular relevance to Wales, include:

- the UK's contribution to the EU budget and to EU funding programmes, including what happens during the current programming period (which runs to 2020), and any ongoing commitments that could run beyond a UK exit;
- the UK's future participation in the Single Market and in EU trade negotiations, including application of rules on competition, state aid, public procurement, standards, and consumer protection;
- the impact on mobility of workers and students, including access to employment and educational opportunities;
- the status of existing EU law in the UK;
- withdrawal from the Common Agricultural Policy and Common Fisheries Policy and the impact on geographical indicators (such as Welsh lamb and Welsh beef); and
- the future of UK and Welsh representatives in the EU institutions.

All of these matters would clearly be of interest to Welsh stakeholders. They raise a number of important questions that would need to be addressed, such as:

- how the Welsh Government (and the other UK devolved administrations) will be involved in the formal negotiations;
- how Welsh interests will be addressed and reflected in the UK Government's negotiating position;
- the role the Assembly (and the other devolved legislatures) will play in monitoring and scrutinising how the Welsh Government engages in this process and how the UK Government represents Welsh interests and concerns; and
- how the Assembly will organise the work of its committees and Plenary business to ensure Members engage effectively in this process.

The Constitutional and Legislative Affairs Committee expressed its concerns at the UK Government's lack of engagement with the Assembly during the EU reform negotiations. The **Scottish Parliament raised similar concerns**, which suggests that this will be an important area for further discussion should the referendum lead to a Brexit.

The Committee also recommended in its **Legacy Report** the establishment of a dedicated Assembly committee to engage in any withdrawal negotiation process. This issue will no doubt figure in discussions about new committee structures at the beginning of the Fifth Assembly.

Key sources:

- Economic and Social Research Council/Kings College London, **UK in a Changing EU** (website)
- European Council, **A New Settlement for the UK within the EU** (2016)
- House of Commons Library, **EU referendum: impact of an EU exit in key UK policy areas** (2016)
- House of Commons Library, **EU Referendum: the process of leaving the EU** (2016)
- UK Government, **HM Treasury analysis: the long-term economic impact of EU membership and the alternatives** (2016)

A new devolution settlement

Does Wales have the powers it needs to make effective laws?

Stephen Boyce

With a new Wales Bill from Westminster expected later in 2016, the question of which powers should be devolved to the Assembly and the Welsh Government will be high on the Fifth Assembly's agenda.

Scrutiny of the draft Wales Bill in the Fourth Assembly revealed considerable disagreement on how a new devolution settlement should look. The new Wales Bill will need to provide a clear and workable settlement that has support in both Wales and Westminster.

The draft Wales Bill

There was much discussion in the Fourth Assembly (prompted in part by the Scottish independence referendum) about the shortcomings of the current devolution settlement and how it might be improved. The UK Government published a **draft Wales Bill** for consultation in October 2015 that set out a new devolution framework. The intention was to create a lasting settlement that would provide greater clarity and certainty about the boundaries of Wales's powers.

A key feature of the draft Bill was a new 'reserved powers' model of devolution which clearly set out the subject areas outside the Assembly's legislative competence. The second report of the **Silk Commission** (2014) on devolution in Wales recommended adopting such a model and concluded that it would be clearer and simpler to administer than the current arrangement. It would also help to prevent further referrals of Assembly legislation to the Supreme Court for a ruling on competence, as has happened on three occasions since the Assembly acquired full legislative powers in 2011.

The draft Wales Bill was scrutinised in Parliament and in the Assembly. Stakeholders welcomed some of its provisions, but other parts attracted considerable criticism. For example:

- the draft Bill had a lengthy list of matters reserved to the UK Parliament;
- it created new tests which would determine whether new Welsh legislation was within the Assembly's competence; and
- it extended the circumstances in which the consent of a UK Minister would be needed for certain aspects of Assembly legislation.

Criticism of the draft Wales Bill

Legal experts suggested that the draft Bill represented a 'roll back' of the Assembly's legislative competence, particularly given the new 'necessity tests' that were to be applied to any Assembly legislation if it affected England, if it modified the law on reserved matters, or if it modified private or

Reserved powers model

Under the 'reserved powers' model of devolution, those powers which are reserved to the UK Government are set out in legislation, with all other powers being devolved to the Assembly. Currently, the powers devolved to Wales are listed under 20 headings in Schedule 7 to the *Government of Wales Act 2006*. The reserved powers model, which is used in Scotland, is widely held to be simpler and clearer.

criminal law. These were judged to place excessive and unnecessary restrictions on the ability of the Assembly to make effective legislation for Wales.

The Fourth Assembly's **Constitutional and Legislative Affairs Committee** concluded that the draft Bill did not conform to the principles of subsidiarity, clarity, simplicity and workability, all of which it believed should underpin a new devolution settlement. The House of Commons **Welsh Affairs Committee** recommended that the Secretary of State should consider delaying the introduction of the Bill and revisit its list of reservations and tests of competence. A further constitutional issue, which divided opinion, concerned the need or otherwise for Wales to develop a distinct or separate jurisdiction for the expanding body of Welsh law (see article on a distinct Welsh jurisdiction).

In February 2016, Stephen Crabb, the then Secretary of State for Wales, announced a 'pause' in developing the legislation and delayed publishing the finalised Bill. It is now likely to be published in summer 2016. In the meantime, the Welsh Government, which had argued for fewer reservations and tests of competence, published its **own version of the Bill** which it said set out a fairer and clearer settlement.

What to look for in a new Wales Bill

Some aspects of the draft Bill were broadly welcomed and it is likely that these would remain in a re-drafted version. These included provision for making the Assembly and the Welsh Government permanent in law, and for devolving significant powers to the Assembly over its functions and the conduct of Assembly elections. The latter included powers to determine the electoral franchise; the electoral system; the number and size of Assembly constituencies; and the number of Members.

The draft Bill also gave the Assembly additional competence in areas such as energy, transport and local government, and it set out the arrangements for how the Assembly approves Westminster legislation that affects matters devolved to Wales (the 'Sewell convention'). These issues were relatively uncontroversial.

In his **statement in February 2016**, the then Secretary of State announced his intention to remove the 'necessity tests', reduce the number of reservations, and revisit the requirements for ministerial consent. Therefore, significant changes are likely to be made in these areas and scrutiny of the new Bill will focus on these provisions and on those that appear to hinder progress towards a clear and workable settlement for Wales.

All eyes will now be on Alun Cairns, the new Secretary of State for Wales, as he prepares to introduce the revised Wales Bill. The Bill will form the basis of the next stage in Welsh devolution and is sure to receive close attention in both Wales and Westminster.

Key sources

- Commission on Devolution in Wales (the 'Silk Commission'), **Empowerment and Responsibility: Legislative Powers to Strengthen Wales** (2014)
- Constitutional and Legislative Affairs Committee, **UK Government's Draft Wales Bill** (2015)
- House of Commons Welsh Affairs Committee, **Pre-legislative scrutiny of the draft Wales Bill. First Report of Session 2015–16** (2016)
- UK Government, **Powers for a purpose: Towards a lasting devolution settlement for Wales** (2015)
- Welsh Government, **Government and Laws in Wales Draft Bill** (2016)

A distinct Welsh jurisdiction

Welsh and English laws are diverging. Has the time come for a distinct jurisdiction?

Alys Thomas

The concept of a jurisdiction is an elastic one but most experts agree that it encompasses a defined territory, a body of law, a separate structure of courts and separate legal institutions. England and Wales currently form a single jurisdiction and the administration of justice is not devolved.

Since 2007 the Assembly has had primary legislative powers which were extended in 2011. This has led some people to claim that there is a growing body of distinct Welsh law, for example on education and social services, which makes preserving a single jurisdiction problematic. This is disputed by others who claim that distinct Welsh law only makes up a small amount of the overall body of English and Welsh law.

The debate has been ratcheted up following scrutiny of the **draft Wales Bill** and with the Welsh Government's publication of **an alternative Bill** containing provisions for creating a distinct jurisdiction.

An emerging legal identity

The debate concerning a Welsh jurisdiction has shifted ground considerably in recent months. Back in 2012 the Fourth Assembly's Constitutional and Legislative Affairs Committee produced a **wide ranging report on the subject**. This did not recommend creating a separate jurisdiction, but it noted that a Welsh legal identity was getting stronger. As such, the report suggested that changes should be made within the current unified Wales and England model to ensure that it recognises this emerging legal identity.

Also in 2012 the Welsh Government held a **consultation on the question of a Welsh jurisdiction**. In its conclusions the Welsh Government proposed devolving policing, but not criminal justice and the administration of justice. A move to a separate jurisdiction was as such not required, although the Welsh Government believed there was a need to prepare for a time when this may be necessary and beneficial.

As little as three years ago, therefore, the Welsh Government saw the prospect of a separate or distinct jurisdiction for Wales as desirable but only as a long-term objective.

The draft Wales Bill

In October 2015 the UK Government published the draft Wales Bill. One of the draft Bill's key provisions was a move to a **reserved powers model** that lists the subjects on which the Assembly cannot legislate, rather than those on which it can.

As committees in the Assembly and the House of Commons scrutinised the draft Bill, they noted that it had been written in a way to preserve the single jurisdiction of England and Wales. Stephen Crabb, the then Secretary of State for Wales, told the Constitutional and Legislative Affairs Committee that the UK Government wanted to preserve the integrity of the England and Wales jurisdiction. Therefore, the legislation needed to be drafted in a way that gave the Welsh Government freedom to legislate

and enforce its legislation, but also provided some kind of boundary that preserved the single jurisdiction.

Other evidence proposed a move towards a **'distinct' jurisdiction, as opposed to a 'separate' jurisdiction**. This would recognise that the laws of England and the laws of Wales are diverging but there would be no need to devolve the administration of justice, to establish a separate courts system in Wales, or to establish separate legal professions in England and Wales.

In February 2016 the then Secretary of State for Wales **announced a 'pause'** in his plans to introduce the Wales Bill. He also said that he had considered calls for a 'distinct jurisdiction' or a 'separate jurisdiction' but did not currently see a case for this. He did, however, announce that he was establishing a working group involving the Ministry of Justice, the Lord Chief Justice's office, and the Welsh Government, to consider what distinct arrangements are required to recognise Wales's needs within the England and Wales jurisdiction under the reserved powers model.

The alternative Bill

In March 2016 the First Minister unveiled the **Government and Laws in Wales Bill**, drafted by the last Welsh Government, which contains provisions to create a **distinct Welsh legal jurisdiction**, separating the laws of England from the laws of Wales. The Welsh Government explained that it had undertaken detailed work showing that establishing a reserved powers model within a joint jurisdiction risked creating new complexity and uncertainty. This is why the Welsh Government's position had changed from just a few years ago.

The Welsh Government's argument was further articulated in **an article** by Theodore Huckle QC, the then Counsel General, in which he argued that maintaining one jurisdiction necessitates maintaining only one body of law – the law of England and Wales. He said that the message being conveyed was that the law in Wales and England were the same. In his view it is 'a folly' to keep up this 'pretence'.

The next steps

The alternative Bill is, of course, neither a Westminster Bill nor an Assembly Bill. When the First Minister laid it before the Assembly he claimed to be doing so **'in a spirit of constructive collaboration and co-operation'**. When announcing the pause in bringing forward the Wales Bill, the Secretary of State for Wales indicated that it was likely to be published in summer 2016. Whether the alternative Bill will have any impact on shaping the Wales Bill or on the deliberations of the working group remains to be seen.

Key sources

- Constitutional and Legislative Affairs Committee, **Inquiry into a Separate Welsh Jurisdiction** (2012)
- **The Government and Laws in Wales Bill** (2016)
- Wales Governance Centre, **Challenge and Opportunity: The draft Wales Bill 2015** (2016)

The UK Trade Union Bill and Wales

Could a Bill be introduced in the Fifth Assembly to reverse some of the effects of the UK Trade Union Bill in Wales?

Alys Thomas

In January 2016 the Fourth Assembly refused its consent to parts of the UK Government's Trade Union Bill on the grounds that parts of it relate to devolved public services. The UK Government does not accept that Assembly consent is needed. Leighton Andrews, the then Minister for Public Services, said that if back in power, the Welsh Government would introduce a Welsh Bill to overturn the relevant parts of the UK Bill. It is a dispute which could be heading to the Supreme Court.

The Trade Union Bill

The **Trade Union Bill** was introduced in the House of Commons in July 2015. Its provisions include a minimum 50% turnout of a union's members for strike action to occur. For 'important public services' 40% of those eligible to vote must back action for a strike to take place. A simple majority is currently required. The Bill has prompted strong opposition from the unions with the **TUC calling it a threat to the basic right to strike**. It has also faced opposition in Parliament

Legislative consent

Both the Scottish Government and the last Welsh Government opposed the Bill. They argued that because parts of it relate to devolved public services, those parts should be subject to the consent of the Scottish Parliament and the Assembly.

The UK Government maintains that the subject of the Bill is entirely reserved to the UK Parliament. During a UK Parliament **Public Bill Committee debate in October 2015**, Nick Boles, the UK Minister for Skills, said he saw no reason why the UK Government should seek consent before applying the contested provisions.

The Scottish Government submitted a Legislative Consent Memorandum which asked the Scottish Parliament to withhold consent for the Bill because it would impact on devolved functions. However, the

Scottish Parliament's Presiding Officer ruled that the Scottish Parliament's consent was not required. This meant that no vote could be taken on the Scottish Government's Legislative Consent Motion.

In Wales a memorandum was laid in November 2015. The memorandum set out the last Welsh Government's view that the Assembly's consent would be required for some of the Bill's clauses as they related to devolved matters. The Welsh Government argued that these clauses fall within the legislative competence of the Assembly because they relate to public sector employers in Wales. Those employers provide a range of devolved public services including education and training, fire and rescue services, health services, local government, and transport services.

Legislative Consent Motions

When the UK Parliament wishes to legislate on a subject matter that has already been devolved to the National Assembly for Wales (or the Scottish Parliament and Northern Ireland Assembly), convention requires it to receive the consent of the Assembly before it may pass the legislation in question. Such consent is given by the Assembly through Legislative Consent Motions, which are accompanied by Legislative Consent Memorandums.

The **Assembly debated the motion** in January 2016. The then Minister for Public Services stated that 'significant parts of the Bill relate specifically to public services that are clearly devolved, and it is not acceptable for the UK Government to try to impose it on Wales'.

The 2014 Supreme Court ruling

In September 2015 the First Minister issued a written statement in which he argued that the **2014 Supreme Court ruling on the Agriculture Sector (Wales) Bill** meant that the Assembly was right to withhold its consent to the Trade Union Bill. The 2014 ruling said that although employment was not listed as a devolved subject in **Schedule 7 of the Government of Wales Act 2006**, agriculture was and the contents of the Agriculture Sector (Wales) Bill related to it. Something does not have to be fully within devolved legislative competence in order for it to be within the competence of the Assembly.

In January 2016 a **leaked letter** from the UK Minister for Skills to other UK Ministers came to light. This showed that legal advice to the UK Government suggested there was a strong case that the Trade Union Bill's provisions were reserved in relation to Scotland, but that the UK Government had a 'very weak case' in relation to Wales because of the precedent set by the Supreme Court ruling. The Assembly voted to withhold legislative consent to the Bill by 43 votes to 13.

In April 2016, at **report stage in the House of Lords**, Labour, Plaid Cymru and Liberal Democrat peers put down amendments to disapply parts of the Bill to Welsh public bodies, but the UK Government rejected the arguments and the amendments were withdrawn.

Next steps

In his closing comments in the debate on the motion, the then Minister for Public Services indicated that, if re-elected to the Assembly, the Welsh Government would 'move very swiftly after the May election to introduce what I will, for today's purposes, call the trade union disapplication (Wales) Bill'. He said that he would use this to remove the contested clauses from the UK Bill.

Should the Assembly pass such a Bill, the UK Government would need to decide whether to refer it to the Supreme Court to determine whether it is within the Assembly's competence. Given that the UK Government's own legal advice says that it has a 'very weak case', there is some risk in pursuing this course of action.

On the other hand, the Welsh Government and the Assembly would need to act quickly. The Wales Bill, which the UK Government intends to introduce soon, will reconfigure Welsh devolution by introducing a reserved powers model. This would make the devolution model similar to that in Scotland with the likely effect that the UK Trade Union Bill would be deemed outside the Assembly's competence.

Key Sources

- Research Service, **The Agriculture Sector (Wales) Bill: Supreme Court Ruling** (2014)
- **Trade Union Bill** (2015-16)
- Welsh Government, **The UK Government's Trade Union Bill** (2015)

Finance and governance

- Tax powers for Wales
 - The future of Welsh Government funding
 - Reforming local government
 - Funding local government
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-



Tax powers for Wales

Wales will take control of its own taxes for the first time in over 800 years during the Fifth Assembly. What does this mean for Welsh taxpayers?

Christian Tipples

In 2018, Wales will receive the first tranche of newly devolved taxes. The Welsh Government will also acquire significant borrowing powers in this historic period. Such powers will give the new Welsh Government greater financial accountability that will require close scrutiny in the Fifth Assembly.

Which taxes are being devolved to Wales?

The **Wales Act 2014** made provision for a range of taxes to be devolved to the Welsh Government. In April 2018, Wales will take control of Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT).



1 April 2018

Two taxes are devolved to Wales



Land Transaction Tax (LTT)
(previously: Stamp Duty Land Tax)



Landfill Disposals Tax (LDT)
(previously: Landfill Tax)

**Welsh Tax Revenue Forecast (£m) 2018-19*

What is being done to prepare for devolved taxes?

The Fourth Assembly passed the **Tax Collection and Management (Wales) Act 2016** in March 2016. The Act establishes the Welsh Revenue Authority (WRA) whose main function will be to collect and manage devolved taxes.

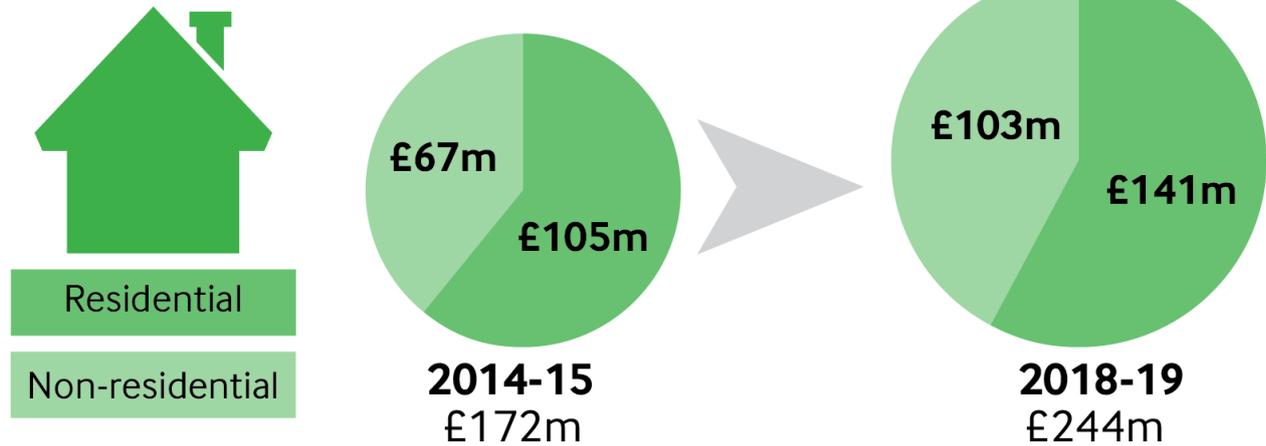
The new Welsh Government is expected to introduce two tax-specific Bills soon after the 2016 Assembly elections to provide arrangements for implementing LTT and LDT.

How will Welsh taxes work?

Land Transaction Tax (LTT)

LTT will replace Stamp Duty Land Tax (SDLT) in Wales and will apply to both residential and non-residential property transactions. The major share of LTT will come from residential property transactions.

Land Transaction Tax in Wales



In December 2014, the UK Government changed its approach to **calculating stamp duty for residential property transactions** by moving to a marginal rate system. This means each new SDLT rate will only be payable on the portion of the property value which falls within each SDLT band.

In its consultation document **Tax Devolution in Wales – Land Transaction Tax** the Welsh Government deemed this a fairer system for home buyers and proposed to continue operating the marginal rate system. However, the new Welsh Government will make the final decision and establish new tax rates and bands.

The UK Government also changed SDLT for non-residential property transactions (such as commercial property, agricultural land and development land) to a **marginal rate system** in March 2016. The new Welsh Government will need to determine how non-residential transactions are taxed when the LTT Bill is introduced in the Fifth Assembly.

Landfill Disposals Tax (LDT)

LDT will replace the UK Government's Landfill Tax – a tax on disposing of waste at landfill sites. The new tax is intended to support the Welsh Government's policies on climate change, waste, the environment and sustainable development. The Welsh Government will **confirm tax rates nearer the introduction of LDT**.

Will anything else be happening once taxes have been devolved?

The Welsh Government will be given additional powers to manage its finances through a cash reserve and extensive borrowing powers.

Cash reserve

The Welsh Government will have access to a **new cash reserve** to help manage tax revenue volatility or support additional spending by providing a means for saving surplus revenues.

Borrowing powers

The **Wales Act 2014** also includes new borrowing powers for the Welsh Government through either the National Loans Fund (NLF) or another lender. The Welsh Government will be able to borrow from April 2018.

Loan	Purpose	Cap
£500m revenue	To deal with differences between tax forecasts and actual receipts for devolved taxes. To manage cash flow through the Welsh Consolidated Fund (WCF).	£200m/year
£500m capital	To fund Welsh Government capital projects (eg M4 relief road).	£125m/year

Will other taxes be devolved in the future?

There are plans for devolving additional tax streams to Wales in the future. Timescales are unclear but there is potential for these taxes to either be fully devolved or start to be devolved during the Fifth Assembly.

Aggregates Levy

This levy is a tax on the commercial exploitation of rock, sand and gravel in the UK. The UK Government announced its intention to devolve the **levy subject to the resolution of current legal challenges**. The aggregates levy would raise £32 million if devolved in 2018-19 according to the Office for Budget Responsibility (OBR) forecasts.

Income Tax

The UK Government announced in the 2015 Spending Review its intention to remove the requirement to hold a referendum in Wales before **partially devolving income tax**. For each income tax rate, the Welsh Government is expected to collect 10 pence for every pound earned over the personal allowance (up to £11,000 for 2016-17). The OBR forecasts that the Welsh Government would collect over £2 billion a year from Welsh taxpayers to spend on public services once income tax has been partly devolved.

Key sources

- Office for Budget Responsibility, **Devolved taxes forecast – March 2016 (PDF 332KB)** (2016)
- UK Government, **Wales Bill: Financial Empowerment and Accountability (PDF 322KB)** (2014)
- **Tax Collection and Management (Wales) Bill (PDF 485KB)** (2015)
- **Wales Act 2014 (PDF 694KB)**
- Welsh Government, **Consultation Document: Landfill Disposals Tax (PDF 990KB)** (2015)
- Welsh Government, **Consultation Document: Tax Devolution in Wales – Land Transaction Tax (PDF 809KB)** (2015)

The future of Welsh Government funding

Welsh taxes will give Wales control over its own revenue streams for the first time in the devolution era. How will the block grant be adjusted to ensure Wales receives its fair share of funding?

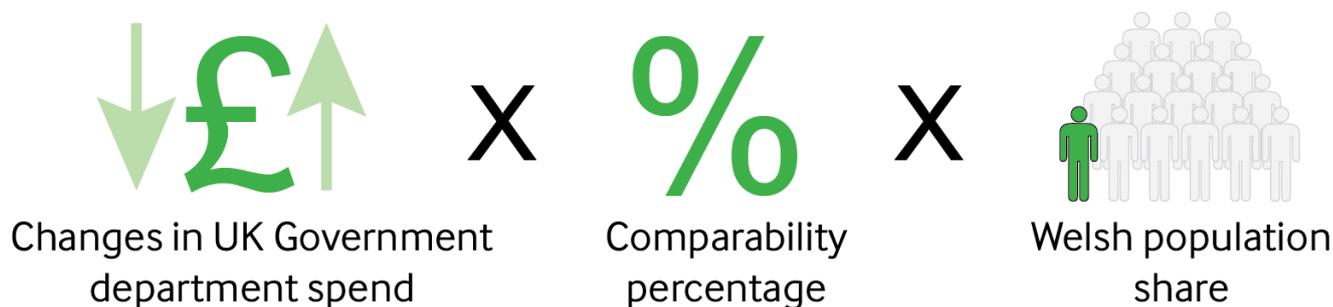
Christian Tipples

In 2018 the Welsh Government will have direct control of Welsh tax revenues for the first time in over 800 years. Failure to agree an appropriate mechanism to offset these revenues in the block grant could result in Wales being hundreds of millions of pounds worse off once all taxes are devolved.

How is Wales currently funded?

Prior to April 2015, the Welsh Government's budget was entirely funded through a **block grant from the UK Government**.

The block grant is calculated using the **Barnett formula**, which is the mechanism used by the UK Treasury to adjust the amounts of funding allocated to Wales. This reflects changes in spending levels in England on government functions that are devolved to Wales, taking into account the Welsh population relative to England.



Example

If there was an increase of £100 million in the planned spend of the UK transport department, whose activities are 73.1% devolved to Wales, and the estimate of the Welsh population as a proportion of the English population is 5.69%, then the change to the Welsh block grant would be an increase of £4.16 million.

£100m x 73.1% x 5.69%

In the November 2015 Spending Review, the UK Government announced a funding floor of 15%. This means the Welsh block grant will not fall below 115% of comparable spending per head in England. The funding floor will expire at the end of the parliamentary term in 2020, creating uncertainty over future block grant funding.

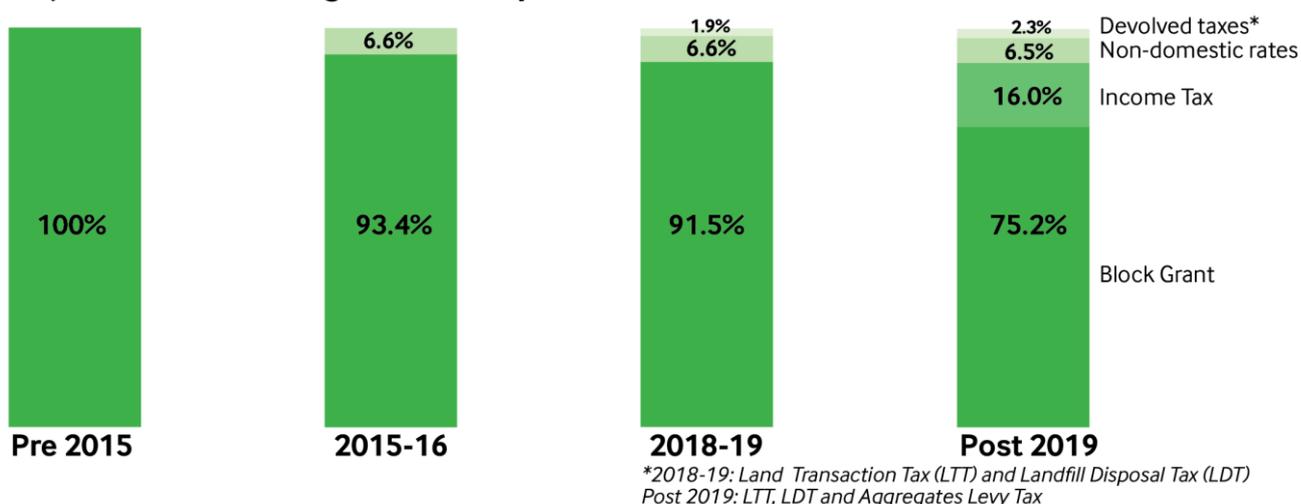
How will devolved taxes affect funding in Wales?

Devolving non-domestic rates (business rates) in April 2015 gave the Welsh Government its first independent revenue source outside the block grant. A one-off adjustment to the block grant has already been applied. Council tax has also been devolved to local authorities in Wales.

The introduction of Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT) in April 2018 will generate further revenue sources for the new Welsh Government independent of the block grant. The UK Government also intends to devolve the aggregates levy and partly devolve income tax although the timescales remain unclear.

The **Office for Budget Responsibility (OBR)** forecasts show the new Welsh Government would control an additional 18.3% of its total funding by 2019-20 (excluding non-domestic rates) if we assume the aggregates levy and income tax are devolved in that year.

Adjustment of block grant to compensate for devolved taxes



This raises the question of how the block grant will be adjusted to compensate for these devolved taxes in the future.

What will happen once taxes have been devolved?

The block grant will undergo a process known as the 'block grant adjustment' (BGA) to compensate for devolved tax revenues. It is currently unclear when and how the adjustment will be made. However, in the first year of taxes being devolved, the block grant will simply be reduced by the expected revenues raised through Welsh taxes. This adjustment would not be appropriate for subsequent years as it would not incentivise the Welsh Government to grow the tax base.

The **Holtham** and **Silk** Commissions considered a range of possible long-term mechanisms with both recommending a method where the block grant would be adjusted in line with the annual change in the UK tax base. This is known as the 'indexed deduction method'.

If the wrong mechanism is used to adjust the block grant, it could result in Wales losing hundreds of millions of pounds from the budget after taxes have been devolved. The Fifth Assembly will have a key role in reviewing the discussions between the Welsh and UK Governments and in ensuring the mechanism chosen is suitable for Wales.

The lengthy negotiations between the Scottish and UK Governments to agree a **fair funding mechanism** for Scotland also illustrate the importance of getting the BGA right. However, the five-year mechanism agreed for Scotland may not necessarily be an acceptable outcome in Wales given the differing income distribution of taxpayers.

What does this mean for Wales?

According to the OBR, the **Welsh share of UK income tax has fallen since 2009-10** with 'the main factors... likely to be the asymmetric effects of (UK Government) policy measures'.

In recent years, revenue-raising policies have generally targeted the top end of the income distribution while tax cuts have had more of an effect at the lower end (eg increasing the personal allowance, which is likely to continue as a UK Government policy).

Given Wales has income levels that are well below the UK average, such policy changes have had a disproportionate impact on Welsh income tax receipts, resulting in relatively lower revenues in Wales.

The Wales Governance Centre published a report on **income tax in Wales** in February 2016 detailing the inconsistent effect UK policy has on Welsh income tax revenue. It suggested as a result 'there is no reason to believe that the Welsh Government's income tax losses from UK tax policy will be adequately offset'.

This demonstrates the challenges faced by the new Welsh Government and the Fifth Assembly in preventing potentially damaging implications for Wales.

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- Office for Budget Responsibility, **Devolved Taxes Forecast – March 2016 (PDF 332KB)** (2016)
- Research Service, **Budget Series 1: Funding Welsh Devolution (PDF 181KB)** (2013)
- UK Government, **Spending Review and Autumn Statement 2015 (PDF 1.38MB)** (2015)
- Wales Governance Centre, **Income Tax and Wales: The Risks and Rewards of New Model Devolution (PDF 612KB)** (2016)
- Welsh Government, **Consultation Document: Landfill Disposals Tax (PDF 0.99MB)** (2015)
- Welsh Government, **Consultation Document: Tax Devolution in Wales – Land Transaction Tax (PDF 809KB)** (2015)

Reforming local government

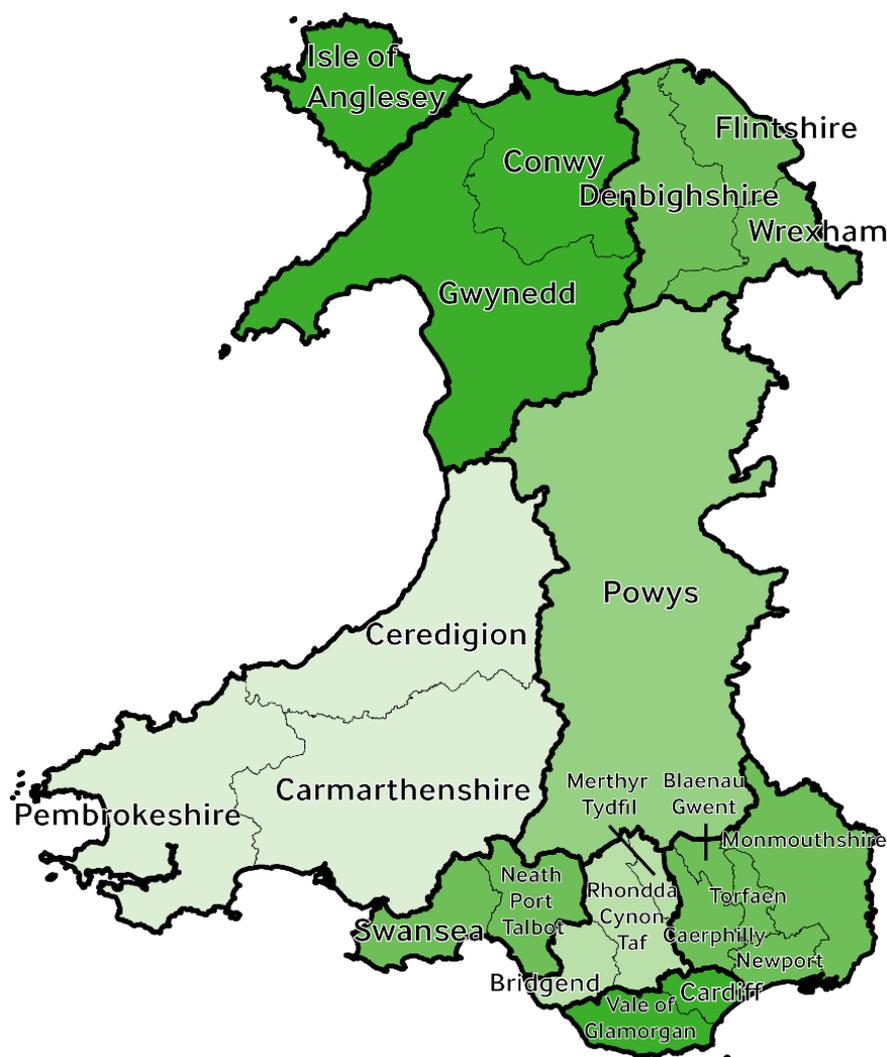
Throughout the Fourth Assembly, there was much debate about restructuring Welsh local government. Will the new Welsh Government finally press ahead with such plans?

Rhys Iorwerth

Since 1996, Wales has had 22 county or county borough councils (or 'local authorities' as they are also often called). As financial pressures mount, politicians have increasingly discussed whether we need them all. They have also debated the best alternative if 22 is too many. Whether we will still have

this number by the end of the Fifth Assembly is therefore very much in doubt.

How eight authorities could look



The last Welsh Government's plans

In 2013, the Welsh Government set up the **Williams Commission** to look across the board at how public services were delivered in Wales. The Commission's report was wide-ranging, but one of its headline conclusions was that many local authorities were too small to perform effectively. It suggested that the Welsh Government should merge the 22 county and county borough councils to form between 10 and 12 authorities, and to do so 'swiftly and decisively'.

The last Welsh Government **initially responded** by saying it preferred a 12-authority model. This changed in June 2015 when Leighton Andrews,

the then Minister for Public Services, **published a map** showing the Welsh Government was now in favour of either eight or nine authorities instead.

In November 2015 the Welsh Government published the **draft Local Government (Wales) Bill**. This contained provisions to enable mergers, as well as other major reforms to how Welsh local government works. According to the Minister, 'severe and unsustainable financial pressures' on public services meant that 'inaction [was] not an option'. While the **Welsh Government acknowledged** that

the mergers could cost up to £254 million, it also claimed that they could result in savings of up to £915 million over 10 years, if completed by 2020-21.

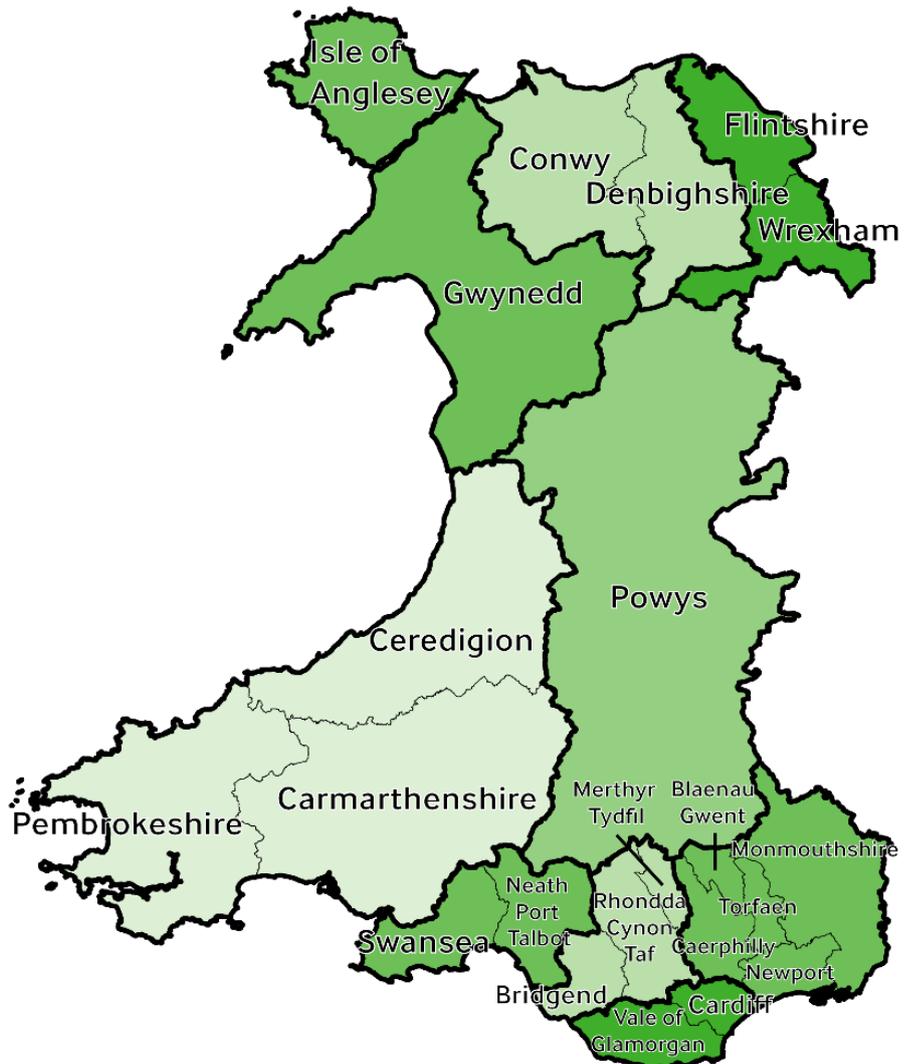
A consultation on the draft Bill closed in February 2016, and the then Minister **announced in March 2016** that he was analysing the responses. The new Welsh Government will therefore need to decide early in the Fifth Assembly whether to press ahead with a version of this draft Bill.

The response to the merger plans

The Williams Commission recommended merging the 22 authorities along their current boundaries, rather than redrawing the local government map from scratch. The last Welsh Government agreed with this approach, claiming it would achieve the benefits of having larger authorities without the bigger disruption of more fundamental boundary changes.

Others, such as the Fourth Assembly's **Communities, Equality and Local Government Committee**, claimed that form should follow function. This means that, before restructuring, it is necessary to assess what type of services local government should be delivering in a devolved Wales. The Committee suggested that only then can it be possible to come up with a sensible map and an optimum number of authorities. It also claimed that this would be more sustainable in the long term than simply grouping together the current council blocks.

How nine authorities could look



Local accountability

Some critics are concerned that having eight or nine large authorities could risk undermining local accountability and the relationship between the councils and the communities they serve. In its draft Bill, the last Welsh Government proposed creating 'area committees' to give localities a voice within the larger councils, but **there are doubts** about how effective this might be.

In a 2014 **discussion document**, the Welsh Local Government Association (WLGA) proposed a different approach. It suggested retaining the 22 authorities to preserve a sense of place and localism, while creating four regional bodies to deliver major services. These regional bodies could be modelled on the **combined authorities** approach adopted in England, and could allow certain services to be delivered more effectively on a larger scale without impacting on local links.

Others have suggested that reforming and empowering community councils – the lowest tier of local government in Wales – could solve issues around localism if there are to be fewer and larger county and county borough councils.

The relationship between central and local government

While structural and geographical issues have often grabbed the headlines, local government itself has called for a more fundamental shift in the relationship between it and the Welsh Government. Devolution has changed the way Wales is governed, so the councils see a need to re-evaluate and redefine local government's role in delivering services.

In its **In Defence of Localism** document, the WLGA criticised the last Welsh Government for 'developing a more centralised and assertive approach' to public services. It suggested that local government should be given more 'freedom and flexibility to deliver services according to local circumstances', and there is no doubt that these calls will continue.

The new Welsh Government will therefore have major decisions to make on the number and size of our local authorities. But it is also going to face ongoing pressure from the sector for more far-reaching change.

Key sources

- **Draft Local Government (Wales) Bill** (2015)
- Welsh Government, **Reforming Local Government: Power to Local People White Paper** (2015)
- Welsh Government, **The Future of Local Government in Wales** (2015)
- WLGA, **In Defence of Localism** (2014)
- WLGA, **The Creation of Four Combined Authorities for Wales?** (2014)
- WLGA, **Localism 2016-21, A Plan for Public Services in Wales 2016-21** (2016)

Funding local government

The Fourth Assembly saw significant reductions to local government budgets. With the potential for financial pressure to increase in the Fifth Assembly, will there be changes to the financial model?

Owen Holzinger

From 2010-11 to 2014-15 **local authority revenue funding** fell by £461 million in real terms. This pressure has led to questions about how finances are distributed and, more fundamentally, whether the current financial model is robust enough to manage further strain.

Local government cuts

The Welsh Government provides around 80% of the funding for local authorities. During the Fourth Assembly, this funding reduced significantly as the decrease in the Welsh block grant (estimated to be £1.2 billion lower in real terms in 2014-15 than 2010-11) impacted on local government.

The reductions have fallen disproportionately on particular services. The **Welsh Local Government Association (WLGA) estimates** that libraries, cultural services and transport services (among other areas) have faced cuts of between 20% and 50%, leading to significant change in how these services are delivered. Other services, such as social care and schools, have been protected.

Local authorities have reacted to the budget reductions by generating internal efficiencies, or by cutting, commercialising or limiting services. All 22 local authorities have raised council tax year-on-year since 2011 (between 2010-11 and 2015-2016, **average council tax rose 18%** across Wales).

Local authorities have also been exploring the use of alternative delivery models (ADMs) and community asset transfers (CATs) to operate some or all aspects of services. The Welsh Government has **consulted on a national framework** to support decision-making for ADMs and produced **best practice guidance** for CATs. The Fifth Assembly may see more of these cost-saving methods.

In 2014-15 local authorities held £832 million in earmarked reserves and £196 million in general reserves. If future funding reductions fall at the more extreme end of the scale, there could be further scrutiny of how these reserves are used.

Demographic changes

While funding has been decreasing, pressure on local services is increasing. Wales's population is growing, with **Welsh Government projections** forecasting a proportional increase in the most dependent age groups (0-15 and 65+) compared to the working age population.

Maintaining the formula

Reduced budgets have led many to question the method used by the Welsh Government to distribute funding to local authorities. The 'distribution formula' is maintained by the **Distribution Sub-Group** and it contains 68 different indicators. For example, there are indicators that relate to:

- population;
- numbers of children and older adults;
- road lengths;
- deprivation; and
- rurality and sparsity.

Elements of the formula are updated each year, with the formula last fully reviewed ahead of the 2001-02 settlement. Some of the calculations use data from the 1991 and 2001 censuses and this has been raised as a concern.

Historically, funding floors, caps and top-ups have been used to limit reductions, when necessary. Most recently in 2016-17 the three authorities with the largest reductions received a top-up grant, meaning no reduction was more than 3%. This required an additional £2.5 million allocation from Welsh Government reserves.

Rural authorities have argued that the formula does not adequately account for the additional cost of providing services across sparsely populated areas. Of the total indicators, only 6% relate to sparsity, while 69% are based on clients (eg population, pupil numbers) and 25% on deprivation.

A step-change in data could mean very different funding situations for authorities from one year to the next, and any review would need to consider how to moderate large drops in funding.

Flexibility and localism

Alongside other reforms, the previous Welsh Government acknowledged **a need to review** the local government finance system, seeing the current system as complex. The last Welsh Government said it would aim to produce a system that, among other things, allowed greater freedom to make local decisions.

Local government itself has also called for changes, requesting more fiscal autonomy and more flexibility to decide how authorities spend their money. This would allow local solutions and more accountability, and the **WLGA sees this** as complementing the efficiencies and innovation required by the current financial climate. The **Independent Commission on Local Government Finance Wales (2016)** has echoed this call for more flexibility.

The Wales Bill could give powers to the Assembly to design its own budget process and potentially implement some of these recommendations. A redesigned budget could include such things as multi-year funding strategies, as recommended by the Fourth Assembly **Finance Committee's inquiry into Best Budget Practice**, and as requested by local authorities.

Fourth Assembly recommendation

In reviewing the 2016-17 budget and local government settlement, the **Finance Committee recommended** the Welsh Government should review the funding formula.

Following the **UK Government's announcement** in October 2015 that English councils will retain 100% of business rates collected by 2020, the Welsh Government could potentially allow Welsh local authorities to retain rates as well. Local authorities could also have more control over their finances if there were fewer specific grants and more freedom to use that funding as they see fit.

Pressure in the Fifth Assembly

The UK Government's **Spending Review** in 2015 outlined that the Welsh block grant will continue to decrease in real terms going into the Fifth Assembly. In line with this, local authorities may have to anticipate similar budget reductions to those they experienced in the Fourth Assembly, at least in the near future.

Structural changes such as mergers provide a potential solution (see article on reforming local government) but will come at a cost and saving levels are not guaranteed. With mounting pressure, Welsh Government decisions on changes to the financial model will be pivotal in defining the long term future of local authorities.

Key sources

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- Independent Commission on Local Government Finance Wales, **Ambition for Change: Aiming Higher** (2016)
- Office for Budget Responsibility, **Economic and Fiscal Outlook – March 2016** (2016)
- Wales Audit Office, **A Picture of Public Services 2015** (2015)
- Welsh Government, **Devolution, Democracy and Delivery** (2015)
- WLGA, **Localism 2016-21 – A plan for public services in Wales** (2015)

Commissioners and the ombudsman

There has been much debate about differences in the powers and governance arrangements of commissioners and the ombudsman in Wales – is it time for an overhaul?

Stephen Boyce

With the office of the Future Generations Commissioner fully operational since April 2016, Wales now has four statutory commissioners and a public services ombudsman. But are their roles sufficiently clear and are they truly independent? The arrangements for appointing and holding them to account are inconsistent, and there is a view, shared by some of the commissioners themselves, that change is needed.

Commissioners and the ombudsman in Wales

Since the creation in 2001 of the first commissioner in Wales – for children and young people – commissioners have become an established part of public life. They are responsible for safeguarding and protecting the rights of Welsh citizens and improving public services within their areas of responsibility.

There are now commissioners for children, older people, future generations and the Welsh language, as well as an Assembly standards commissioner and a public services ombudsman (PSOW). Wales has been something of a leader in this area – some commissioner offices were the first of their kind, and creating a single public services ombudsman from the merger of three former bodies is acknowledged as an example of good practice.

Commissioners' independence

Several committees in the Fourth Assembly scrutinised the processes for appointing and holding commissioners to account. They recommended increased stakeholder and cross-party involvement, or appointment by the Assembly rather than the Welsh Government.

Although there is no suggestion of any interference by the Welsh Government, both the former and current children's commissioners have argued that the holder of the post should be accountable to, and appointed by, the Assembly. The Welsh Language Commissioner has similarly questioned whether it is appropriate that the Welsh Government funds her office.

The Older People's Commissioner has attributed the lack of conflict with the Welsh Government to both parties' determination to make the arrangement work. Given the need for commissioners to cast a critical eye over government, there is a question about whether the current arrangements will prove sufficiently robust in the long term.

Varying governance arrangements

The commissioners for children, older people, future generations and the Welsh language are all appointed and funded by the Welsh Government, although they are independent. The Public Services Ombudsman for Wales (PSOW) is appointed by the Monarch on the recommendation of the Assembly, and funded by the Welsh Consolidated Fund. The Standards Commissioner, who is concerned with standards in the Assembly, is appointed by the Assembly and remunerated from the Welsh Consolidated Fund.

In 2014, the previous Welsh Government commissioned Dr Mike Shooter to **conduct an independent review** of the role and functions of the Children's Commissioner for Wales. He made a number of recommendations about the appointment, remit, funding, accountability and governance of the commissioner. This included extending his or her remit to include non-devolved matters. The previous Welsh Government agreed, and accepted many of the recommendations that were within its powers to implement. However, other aspects of the report have generated intense disagreement.

The review recommended that the Assembly rather than the Welsh Government should appoint and fund the children's commissioner in the future. The previous Welsh Government disagreed, much to the disappointment of the Fourth Assembly's Children and Young People's Committee. This Committee recommended that any successor committee in the Fifth Assembly should press strongly for the decision to be reviewed. The Shooter report also identified a need for more rigorous Assembly scrutiny of the commissioner.

A strategic approach

There are differences in powers as well as governance arrangements between commissioners; each has been established under separate legislation. Given what it termed the 'proliferation' of commissioners, the Shooter report suggested the Welsh Government should take stock of what is required of each and draft a single commissioners' Act which could set out definitions, principles, roles and powers common to all. Issues specific to each commissioner could be set out in regulations.

Drafting legislation to cover all commissioners would not be a simple matter given their different remits, but a more coherent approach could improve their effectiveness and increase public understanding of their roles.

The previous Welsh Government stated that it was 'not yet persuaded of the need for a single piece of legislation covering all commissioners'. However, it committed to undertaking some exploratory work on further legislation. In the meantime it produced secondary legislation to align the Older People's Commissioner's term of office to that of other commissioners and the PSOW.

As the Future Generations Commissioner begins work in earnest, the work of the commissioners' offices touch on the lives of an increasing number of people. Given the high public profile of such post holders, the need for clarity about their roles and accountability will become more pressing.

Key sources

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- Welsh Government, **Review of the role and functions of the Children's Commissioner for Wales** (2014)
- Welsh Government, **Response to the Independent Review of the Role and Functions of the Children's Commissioner for Wales** (2016)

Health and social care

- Fair access to medicines
 - Redesigning hospital services
 - A sustainable NHS workforce
 - The future of social care
 - The escalating dementia challenge
 - Tackling the obesity epidemic
-



Fair access to medicines

Is there a postcode lottery when it comes to NHS drugs funding, or are the right processes in place to ensure Welsh patients have fair access to the most effective treatments?

Philippa Watkins

Cases of patients being unable to access certain medicines on the NHS are often highlighted in the media. Politicians are likely to be aware of constituents who have faced difficulty accessing what they, and their doctor, feel is the most appropriate treatment for them.

It is an emotive and difficult issue. With a limited budget and rising demand for services, NHS Wales will be under increasing pressure to demonstrate that it is prioritising effectively and delivering value for money. Welsh patients want clarity and certainty about treatments and, importantly, to feel they are not subject to a postcode lottery.

Appraisal of medicines

Before new medicines can be routinely used to treat NHS patients, they undergo an appraisal process to determine whether the benefit to patients justifies the cost.

The **National Institute for Health and Care Excellence (NICE)** advises the NHS on both the clinical and cost effectiveness of some newly-licensed medicines. This advice has a statutory basis in England and Wales, with Welsh health boards legally obliged to fund NICE-approved medicines.

The **All Wales Medicines Strategy Group (AWMSG)** has a remit to appraise new medicines that are not on the NICE work programme. Health boards in Wales also have a legal requirement to fund medicines approved by AWMSG.

Cancer Drugs Fund

In England, the Cancer Drugs Fund routinely funds a number of cancer medicines not generally available on the NHS. Throughout the Fourth Assembly, the Welsh Government resisted calls for a similar fund. It argued that it discriminates against other health conditions, and said that the fund has not resulted in English patients having better access to new, cost-effective medicines than Welsh patients. In 2013 the First Minister stated:

... we know now that the cancer drugs fund is nothing more than a confidence trick. I will explain why I say that. Of those who apply for funding to the cancer drugs fund, more than 70% are refused. For the equivalent in Wales, the individual patient funding requests, which are open to people with all conditions, not just those with cancer, more than half of the applications are accepted.

Individual patient funding requests

If a particular medicine has not been approved by NICE or AWMSG for routine use within NHS Wales, a clinician can make an Individual Patient Funding Request (IPFR) to a health board. Requests are considered on the basis of 'exceptionality'. An **all Wales IPFR policy** was published in 2011 to support a consistent approach to decision-making.

There has been continued criticism of the IPFR process. The Fourth Assembly Health and Social Care Committee's 2014 **cancer inquiry** heard that health board IPFR panels might take different approaches to these requests, and recommended that a national IPFR panel be established to ensure consistency and equity across Wales. A Welsh Government-commissioned review (published in 2014) made a number of **recommendations to strengthen the IPFR process**, but did not propose moving to a single, all-Wales IPFR panel.

Changes to the Cancer Drugs Fund

A new operating model for the Cancer Drugs Fund will be introduced in England in July 2016. The fund will be brought under the remit of NICE, and should provide patients with earlier access to new drugs and more certainty about which treatments are available. NICE and NHS England have been clear that it will be up to the devolved nations how they respond to the new Cancer Drugs Fund arrangements. It is not yet clear how the changes might affect Wales.

NICE will be appraising a greater number of drugs, at an earlier stage. This in itself might have an impact on AWMSG's work programme, or on NHS Wales's medicines budget given the requirement for health boards to fund medicines approved by NICE.

In England, under the new model, drugs receiving a draft recommendation for routine NHS commissioning, or a recommendation for use within the Cancer Drugs Fund, will be made immediately available to patients and will be funded on an interim basis by the Cancer Drugs Fund. Cancer Research UK is calling for clarity on what the changes will mean for patients in the devolved nations where there is no similar funding mechanism to manage conditional access.

The **All Wales Therapeutics and Toxicology Centre** has established a potential funding pathway for some new treatments in Wales. The **'One Wales' process** will allow for interim commissioning of medicines for specific cohorts of patients, which will be conditional on manufacturers committing to engage in a subsequent appraisal by AWMSG or NICE. It is envisaged, however, that this process would not be used often.

Regardless of the changes in England, Welsh patients and other stakeholders will want to be confident that the system of appraising and funding medicines is robust, transparent, and promotes fair access to effective treatments in Wales.

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Redesigning hospital services

Proposals for changing hospital services have proved controversial. What is the case for and against change, and how will the new Welsh Government respond?

Paul Worthington

Proposed change to hospital services is almost certain to arouse intense scrutiny. Communities feel strongly about their local hospitals. Service reconfiguration has become a loaded term and opinions can easily become polarised. For some, changes are seen as a threat of 'down-grading' services, others may see them positively and as essential improvement.

The previous Welsh Government consistently identified the **need for change** in Welsh health services, shifting investment and services from hospitals into the community. The **Wales Audit Office**, the British Medical Association (BMA) and the **Welsh NHS Confederation** have echoed that call, arguing that radical transformation of healthcare is essential to ensure the long term sustainability of NHS Wales.

There is also a professional consensus that some specialist hospital services are too thinly spread, leading to concerns about the **training and recruitment of doctors**.

The Welsh NHS Confederation, the **BMA** and **health policy commentators** have stressed the need for honest conversations with the public and clinicians about service choices and how those choices will impact on local healthcare services. Patients, the public and some clinicians have expressed doubts about the rationale for change and voiced concerns about how effectively proposals are discussed with the people and communities who will be affected.

What is the case for change?

In 2012, the **Welsh Institute for Health and Social Care (WIHSC)** published an **independent review** on the configuration of Welsh hospital services. This review contained several key conclusions:

- the existing configuration of hospital services was not delivering the best outcomes for patients;
- medical staff shortages could lead to unplanned closure and possible collapse in some services;
- increasing specialisation means that centralising expert clinical staff and concentrating certain services onto one site could deliver better patient outcomes in some services;
- centralisation could mean longer travelling distances, but the impact can be reduced by boosting care outside hospital and better transport; and
- the case was strong for changing how some hospital services are provided.

The Bevan Commission has also published an influential paper on **Prudent Healthcare** (2013), which identified a pressing need for delivering more healthcare outside hospital, and the previous Welsh Government **explicitly accepted** the Prudent Healthcare recommendations as a basis for action.

The case for change has not been universally accepted. Opposition parties, **pressure groups**, local communities and some clinicians have expressed doubts. There have been calls for a moratorium on

hospital closures and the re-opening of some hospital and minor injuries services. **Work by the Kings Fund in England** has supported the case for service change, but also counselled caution about its impact, emphasising that there is no single solution for local services.

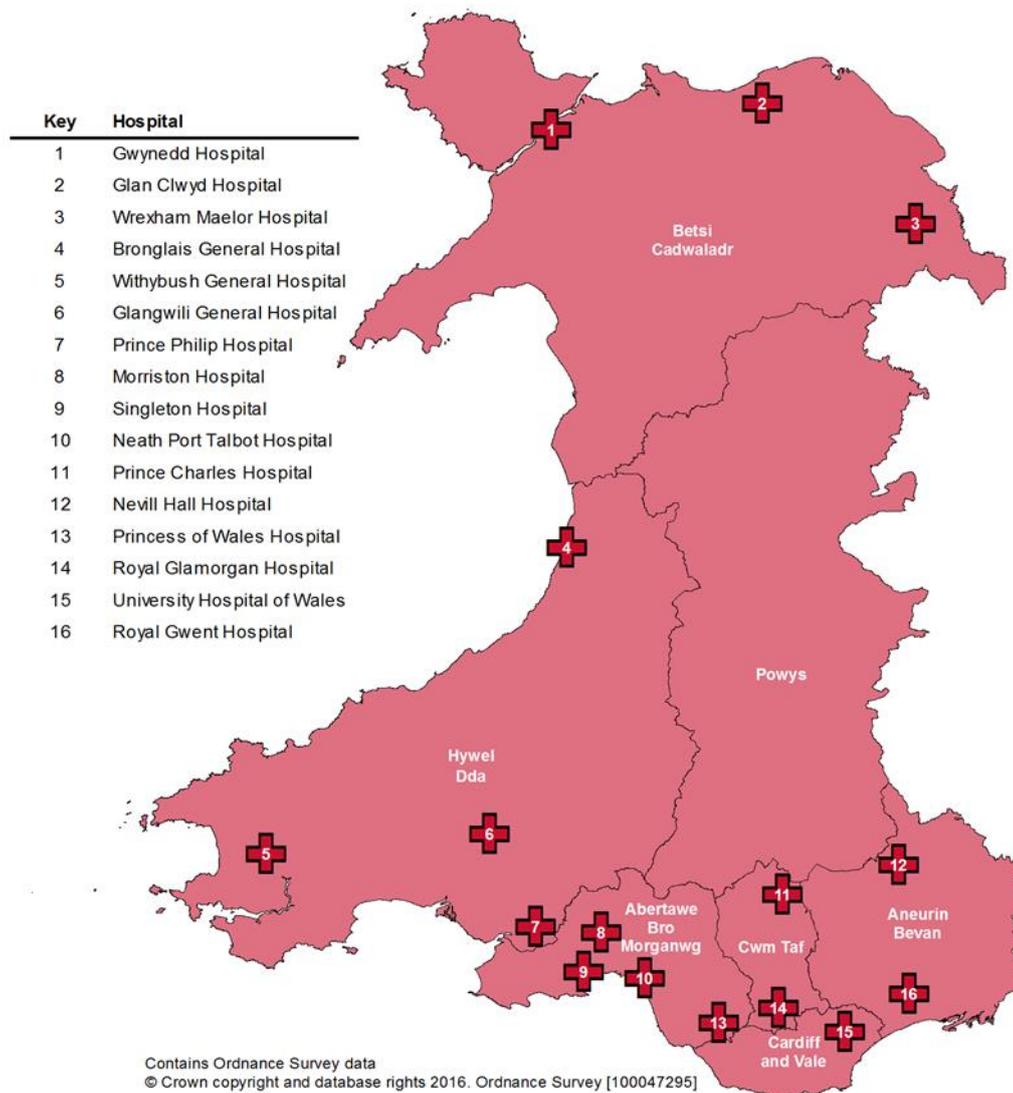
Change is not always inevitable. Proposals for centralising maternity services in north Wales were challenged by local communities and clinical staff. Betsi Cadwaladr University Health Board subsequently **decided not to proceed** with the proposals.

What are the challenges?

Alongside calls for shifts from hospital care, demand on acute hospitals across Wales continues to rise, with **high levels of A&E attendances** and **emergency admissions**.

The main users of acute NHS services are aged over 65, and in Wales we have a growing number of older people. The Chief Medical Officer has argued that **acute hospitals are not necessarily the 'right place' for older people**, but notes they are likely to stay longer in hospital, partly because of rehabilitation needs. Wales also has **increasing levels of chronic disease** including diabetes, joint problems and heart disease, which will increase demands on health services. Much of the evidence argues that managing this demand requires investment in stronger primary and community care.

Major acute hospitals in Wales



What has happened so far?

Wales has 16 major acute hospitals, and over 50 community hospitals – excluding mental health and specialist cancer provision.

There has already been change. Some community hospitals and minor injury units have closed, although new services have opened in the Cynon Valley, Ystrad Mynach, Builth Wells, Flint and elsewhere. The previous Welsh Government focused much additional **investment in primary and community care services** rather than in hospitals.

There have been major consultations on reconfiguring hospital services in **north, west and south** Wales and change is already happening in major acute hospitals, including:

- maternity services moving from **Withybush Hospital, Haverfordwest, to Glangwili Hospital, Carmarthen;**
- new GP and nurse-led emergency care services opening at **Prince Phillip Hospital, Llanelli;**
- changes beginning in A&E, maternity, paediatrics and neonatal care, which will be provided in **fewer hospitals across south Wales;** and
- stroke assessment services centralising onto one site in **Cwm Taf.**

Health boards are working on proposals about the future of other services, including major trauma, diagnostics and some surgical specialties: the outcome may be calls for enhanced community support but centralising more hospital services. However, there is little published on this front at present.

Debate about the future of Welsh healthcare is unlikely to disappear. How will the new Welsh Government respond to the different views, pressures and choices that will determine the direction and sustainability of health services in Wales?

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A sustainable NHS workforce

Without the right staff in place the NHS will be unable to meet the future healthcare needs of the population. But do we know enough about where services are heading to effectively plan the workforce we need?

Philippa Watkins

A sustainable workforce is the biggest challenge facing NHS Wales in the coming years, according to NHS organisations and health professionals. There are well-publicised concerns about staff shortages in some areas, and whether the right numbers and roles of medical and healthcare staff are being recruited and retained to provide care in the future.

While there is a strong media focus on the role of doctors, there is a clear need for a wider, multi-disciplinary approach – caring for the ‘whole person’. Developing the skills of existing NHS staff will be an important element in this.

Primary care

There is a strong policy drive in Wales to re-focus healthcare provision towards community-based and primary care services rather than hospital (secondary care) settings. Where historically there has been a focus on treating illness, there is now much greater emphasis on the NHS’s role in prevention and early intervention.

Is the workforce in place to support this shift? Concerns about the supply of GPs, particularly in rural areas, continue to be highlighted. The Fourth Assembly Health and Social Care Committee’s **GP workforce inquiry** (2015) made a number of recommendations aimed at improving GP recruitment and retention. But while it is clear that GPs will continue to play a pivotal role, the last Welsh Government’s **primary care workforce plan** emphasises that the long-term sustainability of services will depend on maximising the contribution of a wide range of professions. Health and social care organisations **echo this point**, highlighting the value of ‘therapy, diagnostic and pharmacy professionals, social workers and paramedics in early intervention and prevention services’.

The Welsh Government’s primary care workforce plan describes the need for a robust, system-wide approach to workforce planning, but acknowledges that there are gaps in information about the existing workforce. There also needs to be further clarity about the future picture of services to be delivered in the community in order to fully understand the type of workforce required in the longer term.

Acute and specialist services

The sector also continues to raise concerns about the sustainability of the medical workforce in acute (hospital) services. Local health boards report that some specialties are difficult to recruit (eg emergency medicine, psychiatry and paediatrics). The shortage of adequately-trained medical staff has led to some services being considered unsafe. In 2015, for example, there were plans to suspend consultant-led maternity services at Glan Clwyd Hospital due to staffing issues. However, despite these difficulties, the **overall numbers of doctors** in Wales has grown year-on-year. Between 2005 and 2015 the number of hospital consultants increased by over 40%.

The medical workforce is only one part of the picture though – doctors account for approximately 8% of the NHS workforce (but around 20% of the cost). Alongside the overall rise in the numbers of doctors, there has been a levelling or reduction in **other staff groups**, for example among scientific, therapeutic and technical staff.

Equipping the existing workforce

There is a clear direction of travel for healthcare provision, which is increasingly one of a multi-disciplinary, multi-agency approach, **aligned to prudent healthcare principles** ('only do what only you can do'). As highlighted in the last Welsh Government's primary care workforce plan, new 'advanced practitioner' roles and extended skills for non-medical staff are likely to play a key role in meeting the challenges of increased demand and an ageing population with complex health and care needs.

We know that 80% of the workforce for the next 10 years and beyond is already working in NHS Wales, and therefore redesigning and developing the existing workforce will be critical.

Workforce reviews

Professor David Greenaway's '**Shape of Training**' review (2013) looked at potential reforms to postgraduate medical education and training across the UK. One of the report's key messages is the need for more doctors who are capable of providing general care in broad specialties across a range of different settings. Representing the four UK countries, a UK Shape of Training Steering Group was subsequently established to take forward the review's recommendations on the basis of a four-nation consensus.

In March 2016, the Welsh Government published the report of its **NHS workforce review**. This considered workforce and pay issues in the context of the financial challenges facing the NHS, as identified in the 2014 Nuffield Trust report, **A decade of austerity in Wales?** The workforce review said there is no strategic vision for what the NHS should look like in Wales in ten years' time, and this inhibits planning for new workforce models, skill mixes and roles. The review further noted that if this is true in the health service, it is even more the case in an integrated health and social care service.

The NHS workforce review recommended that – to plan the workforce – the Welsh Government should develop a clear, refreshed strategic vision for NHS Wales as a matter of urgency.

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The future of social care

Social services are undergoing a period of transformation. What will this mean for access to services, paying for care, and the social care workforce?

Amy Clifton

There are many challenges facing social services in a period of budget constraints and increasing demand. Three issues are likely to be particularly high on the agenda in the Fifth Assembly: access to services, paying for care, and the social care workforce.

Access to services

The ***Social Services and Well-being (Wales) Act 2014*** went 'live' in April 2016, and attention has focused on what this will mean for an individual's ability to access the services they need under the new national eligibility criteria.

The criteria determine whether an individual has an enforceable right to care and support provided or arranged by the local authority.

The Fourth Assembly Health and Social Care Committee heard concerns that the 'can and can only' test could present barriers and delays for individuals attempting to access services.

Service user organisations were worried that some people could be wrongly denied services, and unpaid carers could be pressured to take on further responsibilities.

The legislation places greater reliance on community resources, but some stakeholders questioned whether communities are sufficiently equipped to deal with this, particularly at a time of local authority budget cuts.

New national eligibility criteria

An assessment decides whether an individual's needs and wellbeing outcomes 'can and can only' be met by the delivery of a care and support plan, provided or arranged by the local authority. If the needs and outcomes could be met by the person themselves, by anyone else, by community services, or by any other means, it is unlikely they would be eligible for personalised statutory care and support.

Unlike the English ***Care Act 2014***, the Welsh Act does not contain an appeals process, but individuals can request a review or re-assessment of eligibility decisions in certain circumstances.

The Health and Social Care Committee highlighted the need to closely monitor how the Act is implemented. Mark Drakeford, the then Minister for Health and Social Services, **committed to evaluate the Act** in the Fifth Assembly, focusing on assessment and eligibility to determine whether the objectives are being met.

Paying for residential care

It has long been recognised that the way individuals pay for residential care in England and Wales needs reforming. The current system is seen as complex, unfair and unsustainable, given the demands of an ageing population. Finding a solution is difficult and potentially costly, but the issue will not go away.

There has been much debate and consultation about the right approach, but both the UK and Welsh Governments have delayed action on reforms. Ahead of the 2016 Assembly elections, a number of Welsh political parties made manifesto pledges promising to change the current system.

The charging system

Anyone with capital of their own above £24,000 (including savings, assets and property) is expected to meet the full cost of their care until their capital falls below the threshold. Below this limit the person is only expected to contribute to the costs from their day-to-day income (such as their pension).

One option, supported by the Welsh Government's Stakeholder Advisory Group, is to raise the threshold at which individuals pay the full cost of their care.

The **group reported** that raising the capital limit to £100,000 would reduce the number of people required to fully self-fund their residential care and enable residents to retain a higher proportion of their capital. It has been **estimated** this would initially cost the Welsh Government an additional £30 million a year.

The social care workforce

The quality and sustainability of the social care workforce is currently under the spotlight and there are questions about its

capacity to meet the increasing demands being placed on care services. There are concerns about registration, terms and conditions and remuneration.

Adult residential care workers and domiciliary (home) care workers are not currently registered and regulated in the same way as other social care staff. During scrutiny of the **Regulation and Inspection of Social Care (Wales) Act 2016**, Mark Drakeford, the then Minister committed to registering all domiciliary care workers from 2020, and adult residential care workers in 2022.

The **Health and Social Care Committee reported** in 2015 that poor terms and conditions for care workers can lead to high staff turnover and lower standards of care.

The **Minister commissioned research** into how domiciliary care workers are recruited and retained. This identified factors that have a negative impact on the quality of care. They include zero hours contracts, low wages, non-payment for travelling time, heavy workloads, 15 minute care visits and poor training.

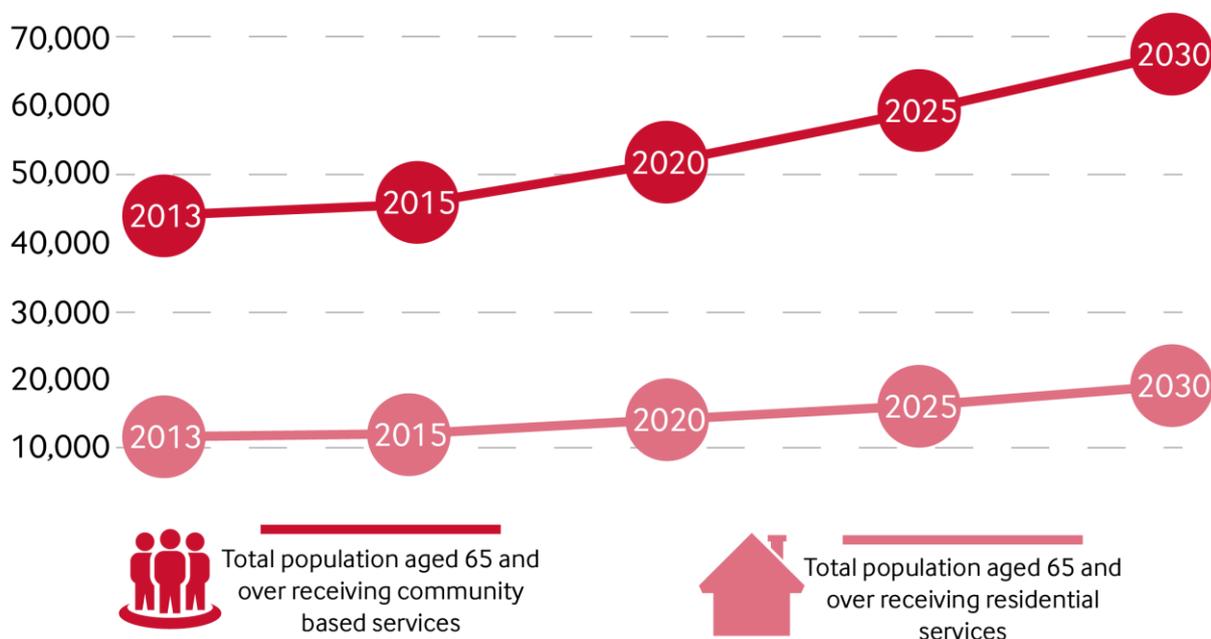
Domiciliary staff turnover

The Welsh Government estimates the domiciliary care sector has a turnover of around 32% and a vacancy rate of 6%.

The new legislation places restrictions on care visits of less than 30 minutes, and the previous Welsh Government **consulted on proposals for further reforms**. These included restricting the use of zero hour contracts and ensuring employers pay domiciliary care workers the national minimum wage (including travelling time). The new Welsh Government may therefore take action on this.

Social care providers in both England and Wales have expressed concern that the new higher National Living Wage (which replaced the National Minimum Wage from April 2016) will place the sector under increased financial pressure and could result in cuts to services. The Association of Directors of Social Services Cymru and the National Provider Forum (Wales) **warned that the care sector in Wales** will be particularly hard hit because the vast majority of care is paid for by the public sector, which is itself under financial pressure.

Projections on social care service users in Wales, 2013-2030



Note: Adults receiving services at the 31st March 2013. These projections are based on applying existing prevalence rates for care use to future projections of the demographic structure of the population. They do not take account of potential changes to the rate at which older people use care services.

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The escalating dementia challenge

Dementia is the top health concern in Wales. Despite having the highest proportion of older people in the UK, we have the lowest rate of dementia diagnosis. Will a new dementia strategy deliver the step-change that Wales needs?

Amy Clifton

Given that the Welsh population is ageing, and that we already have the highest proportion of older people in the UK, it is little wonder that many people are worried about dementia. A **recent Welsh Government survey** shows that dementia tops the list of health concerns in Wales with 76% of the population worried about developing it in later life.

Scale of the issue

Dementia has a dramatic financial and human impact on Wales. It costs the **Welsh economy an estimated £1.4 billion** per year; an annual average of £31,300 for each person with dementia. This includes costs to the NHS and social services, although **research** shows that people with dementia, carers and their families currently bear around two-thirds of the costs themselves. This amounts to £298 million for private social care, and £622 million by unpaid carers.

One in five people in Wales has a close family member or friend with dementia. Approximately **45,000 people in Wales are currently living with the condition**, and this figure is predicted to rise steadily over the next decades. The previous Welsh Government estimated a 31% increase in the number of people with dementia from 2011 to 2021, with as much as a 44% increase in some rural areas. Alzheimer's Society **estimates** that by 2021 there will be over 55,000 people living with dementia in Wales, rising to over 100,000 by 2055.

Diagnosis rates and access to support

Wales has the lowest rate of dementia diagnosis of all the UK nations, with little improvement in recent years. The **latest figures** (2015) show that only 43.4% of people living with dementia in Wales have a diagnosis. Diagnosis rates vary across Wales, from 49.5% in Cardiff and the Vale University Health Board, to 37.2% in Hywel Dda University Health Board.

A global public health priority

'The overwhelming number of people whose lives are altered by dementia, combined with the staggering economic burden on families and nations, makes dementia a public health priority'.

- Dr Margaret Chan, Director-General, World Health Organisation



76% of people in Wales are worried about developing dementia

Alzheimer's Society **says that people living with dementia in Wales** are less likely to receive a diagnosis and less likely to have access to post-diagnosis support than the rest of the UK. Its **research** found that only 58% of people with dementia say they are living well.

Action taken so far

The Welsh Government published the **National Dementia Vision for Wales** in 2011.

In April 2015 the **Welsh Government announced** its ambition for Wales to become a 'dementia friendly nation'. It set a target to increase diagnosis rates to 50%, and announced £1m of funding, which included money for new care workers and primary care link nurses.

In February 2016 the Welsh Government launched the **ACT NOW to reduce your risk of developing dementia** campaign, to raise public awareness of the steps people can take to reduce their risk. It suggests that healthier living may reduce dementia risk by 60%.

The Welsh Government also consulted on a new three-year **Together for Mental Health Delivery Plan**, which highlights dementia as a key priority. The delivery plan includes a commitment to produce a dementia strategic plan by December 2016.

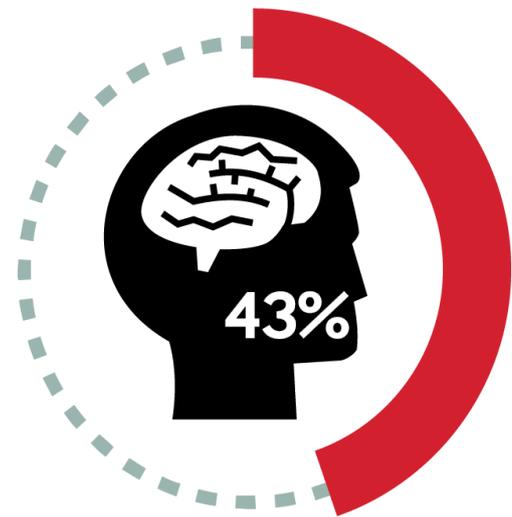
Calls for further action

Alzheimer's Society has **stated** that progress on delivering the current dementia vision has been hampered by a lack of resourcing, monitoring and ownership of the action plans.

The charity welcomed the recent commitment to a dementia strategic plan, stating there is an urgent need for a new strategy that has clear lines of accountability and adequate resourcing. However, it has highlighted areas in which it would like the Welsh Government to go further, claiming that a diagnosis target of 50% does not go far enough. It wants to see a commitment to increase diagnosis to at least 75% in each health board by 2021, with health boards committing to an annual minimum increase of 5% in the diagnosis rate for their area.

Alzheimer's Society also points out that plans to increase the number of dementia support workers would only equate to around 30 posts, whereas it believes over 300 support workers are needed. It wants to see access to a dementia adviser or similar professional available for all people diagnosed with dementia, to ensure they receive meaningful post-diagnosis support.

The Older People's Commissioner for Wales published **Dementia: More than just Memory Loss** in 2016, capturing the voices of people living with dementia and their carers from across Wales. The



43% of people with dementia in Wales have a diagnosis



58% of people with dementia in Wales say they are living well

report sets out a number of further actions that could be delivered. These include better dementia training for health and care staff to ensure they have sufficient knowledge and understanding of the condition; and greater post-diagnosis support, including a single point of contact for information and advice. The Commissioner has written to public service leaders across Wales, seeking assurances that they will deliver the change required. The Commissioner will be undertaking follow-up work to monitor progress.

Will the next Welsh Government take the previous commitment forward and produce a new dementia strategy by December 2016? Will the plan deliver improvements in diagnosis rates and access to support across Wales? These are some of the key questions Members of the Fifth Assembly may wish to ask.

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Tackling the obesity epidemic

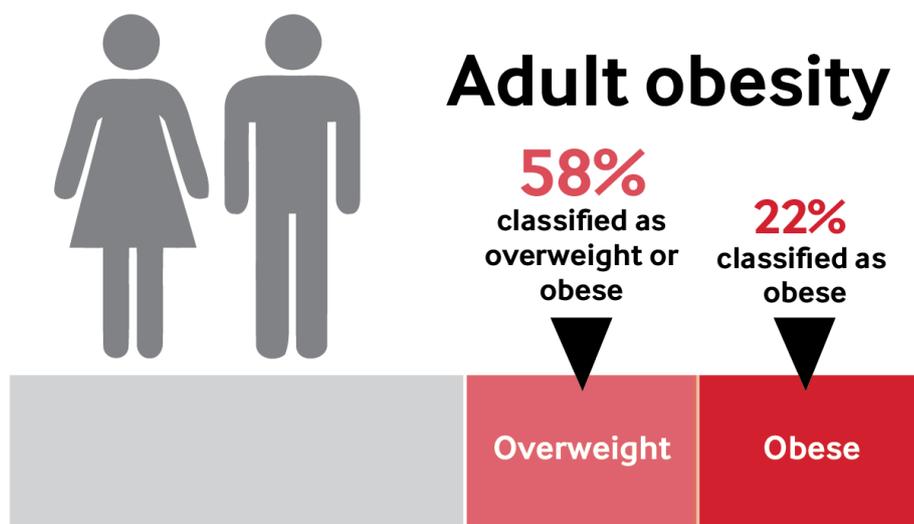
In the face of an obesity epidemic in Wales, will the new Welsh Government be equipped to tackle one of the major public health challenges of our time, or will it prove too complex?

Rebekah James

Obesity is a **leading cause of preventable death** in Wales, and along with its associated health conditions, puts significant pressure on health services. It costs **NHS Wales** £73 million per year, rising to nearly £86 million if overweight people are also included.

Obesity increases the risk of developing heart disease and can contribute to chronic conditions such as type 2 diabetes, some cancers, high blood pressure, muscular-skeletal conditions and depression. **Obesity** can affect a person's well-being, quality of life and ability to earn. Obese children can experience **health problems** and are also more likely to be obese in adulthood.

Although the previous Welsh Government put initiatives in place to tackle the condition, obesity levels are currently **not noticeably reducing**. Poor diet and sedentary lifestyles are major factors, but there is also a **link between obesity and deprivation**: obesity levels are higher in deprived areas including Merthyr Tydfil, Rhondda Cynon Taf, Caerphilly, Blaenau Gwent, Torfaen and Neath Port Talbot.



Prevalence of obesity

The **Welsh Health Survey 2014** reported that 22% of adults in Wales are classified as obese and 58% of adults are classified as being overweight or obese. This is an increase from the figure of 54% when the survey was first published in 2003/04.

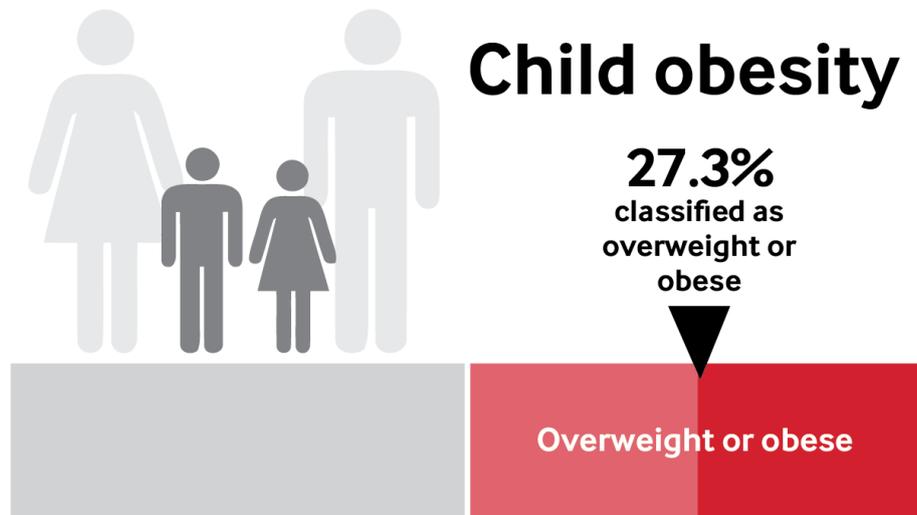
The prevalence of overweight and obese adults rises with increasing deprivation, from 53% in the least deprived areas to 61% in the most deprived areas.

The picture amongst Welsh children remains challenging. Public Health Wales's **Child Measurement Programme for Wales 2013/2014** shows that **27.3% of children were overweight or obese**.

This prevalence also rises with increasing deprivation, from 22.2% in the least deprived areas to 28.5% in the most deprived areas. The figure for children in reception year (4-5 year olds) in Wales was 26.5% – higher than any English region where the highest prevalence was 24%.

Addressing the problem

In 2010 the Welsh Government launched the **All Wales Obesity Pathway**, setting out the approach to preventing and treating obesity in children and adults. The Pathway sets out a four-tier obesity services framework.



The causes of obesity are complex, and can include medical, societal and economic factors. The previous Welsh Government attempted to address the different factors with a variety of policy and legislative levers focusing on good nutrition and physical activity, including: **Our Healthy Future; Change4Life; MEND; the Active Travel (Wales) Act 2013; Creating an Active Wales; Appetite for Life** and **Climbing Higher**.

The Obesity Pathway's four tiers

- Level 1: Community based prevention and early intervention (self-care)
- Level 2: Community and primary care weight management services
- Level 3: Specialist multi-disciplinary team weight management services
- Level 4: Specialist medical and surgical services

Recent initiatives proposed by politicians and health professionals in Wales to reduce obesity include a **tax on sugary drinks** and **banning advertisements** that market food and drink high in fat, salt and sugar. In 2016 Public Health Wales launched a **10-step checklist** to tackle childhood obesity.

Concerns over progress

There have been criticisms that the Obesity Pathway has not been fully implemented and there is a lack of Level 3 services, as well as calls for a clearer national direction on tackling obesity.

Fourth Assembly committees undertook inquiries on the **availability of bariatric services** and **childhood obesity**. Both inquiries raised concerns about how successfully and consistently the Obesity Pathway is being delivered. A **review of progress against the Pathway** in 2014 found that all Welsh health boards were providing level 1 and 2 services, but level 3 provision was inconsistent. The Welsh Government acknowledged that more needed to be done and the Fifth Assembly would need to ensure these concerns are addressed.

Some potential areas for action are not fully devolved. For example, Wales's ability to influence the food and drinks industry is restricted and a co-ordinated approach at UK and EU level may be needed to maximise opportunities in tackling obesity.

Considerations for the Fifth Assembly

Obesity is influenced by a number of factors, including socio-economic deprivation. There are also concerns about the potential **cultural 'normalisation' of obesity**. Suggestions have been made that efforts to tackle the problem need sufficient national leadership and a co-ordinated approach across Welsh Government departments, particularly in promoting healthy eating and exercise.

Some long-standing initiatives aiming to reduce obesity are still lacking in impact and failing to realise their potential. Members of the Fifth Assembly and the Welsh Government will need to determine why some current initiatives are failing to make sufficient progress, and may need to consider new approaches to create a greater impact on the obesity problem.

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Education, children and young people

- Improving school standards
 - Reforming the curriculum and teacher training
 - Funding higher education
 - Reforming the special educational needs system
 - Prioritising children and young people
-



Improving school standards

The last Welsh Government prioritised improving standards and performance in schools after disappointing PISA results delivered a ‘shock to the system’. Will this approach continue and what are the main challenges?

Michael Dauncey

The focus the Welsh Government placed on school standards and performance during the Fourth Assembly was unprecedented. Ministers admitted previous governments of their own political colour may have taken their **‘eye off the ball’**. The new Welsh Government will need to decide whether to continue with the same approach as its predecessor in dealing with these challenges.

PISA’s influence

In 2010, Leighton Andrews, the Minister for Children, Education and Lifelong Learning, **described Wales’s results** in the 2009 **Programme for International Student Assessment (PISA)** as a ‘wake up call to a complacent system’.

The plans he initiated in response were centred around a renewed focus on literacy and numeracy as well as greater accountability and stronger leadership and management in schools. The **2012 PISA results** were not much better with Wales scoring lower than England, Scotland, and Northern Ireland, as well as the Organisation for Economic Co-operation and Development (OECD) average. However, the Welsh Government stressed that its reforms were still bedding in and it would take years to meet the challenges highlighted by PISA.

In early 2016, Huw Lewis, the Minister for Education and Skills, reflected that the 2009 results delivered a ‘shock to the system’ and that **‘so much has changed as a result of PISA’**.

Programme for International Student Assessment (PISA)

- Surveys aptitude of 15 year olds in reading, maths and science
- Run by OECD in three year cycles
- Countries scored and ranked by results of their sample’s performance

An education improvement plan

The Welsh Government published its educational improvement plan, **Qualified for Life**, in 2014. This was partly in response to a **review it commissioned from the OECD (2014)** which concluded there was a lack of long-term vision and lack of a clear strategy for school improvement.

Qualified for Life sets out a package of reforms planned until 2020, based around four strategic objectives:

- an excellent professional workforce;
- an engaging and attractive curriculum;
- internationally respected qualifications; and
- a self-improving system with strong leadership.

The Welsh Government also committed to publishing an annual Wales Education Report Card setting out what it had done against each strategic objective. It published **the first Wales Education Report Card** in March 2016. This reported that the Welsh Government had made progress at each phase of education and was narrowing

PISA 2012 scores

	<i>mean score</i>		
	Mathematics	Reading	Science
Wales	468	480	491
England	495	500	516
Scotland	498	506	513
Northern Ireland	487	498	507
UK	494	499	514
OECD	494	496	501

the attainment gap at every key stage between pupils eligible for free school meals and their peers. However, the Association of Teachers and Lecturers (ATL) argued the report card did not provide the whole picture. The ATL referred to the latest annual report from the inspectorate, Estyn, and said the Minister was 'marking his own homework'.

Pupil achievement in Wales, by eligibility for free school meals 2010/11 – 2014/15

	<i>percentage achieving Level 2 threshold inclusive</i>			
	All pupils	NonFSM	eFSM	% point difference
2010/11	50.1	55.7	22.0	33.7
2011/12	51.1	56.6	23.4	33.2
2012/13	52.7	58.5	25.8	32.7
2013/14	55.4	61.6	27.8	33.8
2014/15	57.9	64.1	31.6	32.5

Note: Level 2 threshold inclusive = 5 or more GCSEs at grades A*–C including Mathematics and English/Welsh, or equivalent
'eFSM' means 'eligible for free school meals'. The Welsh Government uses this as a proxy for measuring disadvantage.

Challenges highlighted by Estyn

It is clear that the new Welsh Government will have a number of challenges to overcome if it wants to improve school standards and pupil outcomes. Some of these were highlighted by the Estyn Chief Inspector's **2014/15 annual report**. He concluded that although progress has been made, more remains to be done. Reporting on the sample of schools inspected in 2014/15, the Chief Inspector said:

- there is a 'variability in standards' and too wide a gap between the best and worst performers which cannot be explained simply by socio-economic factors;
- only half of secondary schools have suitable plans for literacy and numeracy. In the other half, planning across the curriculum is 'weak';
- teaching is good or better in only around half of secondary schools. In the other half, 'the quality of teaching is inconsistent and activities are not challenging enough'; and
- good leadership 'makes the biggest difference' to the quality of a school's provision.

Future policy and the PISA 2015 results

In the final weeks of the Fourth Assembly, the Minister claimed **there was a 'new momentum' in education**. He pointed to improved GCSE results and a narrowing of the poverty attainment gap, which was one of his top priorities.

The Welsh Government's target for improvement in PISA is long-term: scores of 500 in each of the three domains (reading, mathematics and science) by 2021. However, the results of the **2015 cycle** will be published in December 2016 and should show how much impact the raft of reforms over the past four or five years have had. In January 2016, the Minister told the Fourth Assembly's Children, Young People and Education Committee that **evidence of 'an entire system moving forward ... must be reflected in [those] PISA results'**.

The previous Welsh Government said it would not let up the drive for improvement. However, will the new Welsh Government place so much stock on PISA and will it continue with the reforms already underway? If not, what approach will it take?

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- Western Mail, Minister criticised over education report card (Hard copy) (2016)

Reforming the curriculum and teacher training

There are plans to introduce a completely new curriculum. Delivery will rely on current and future teachers. Will the new Welsh Government ensure they are ready for the challenge?

Siân Hughes

In February 2015, a **review of the school curriculum and assessment arrangements** commissioned by the Welsh Government found that the current arrangements ‘no longer meet the needs of the children and young people in Wales’. Professor Graham Donaldson, who led the review, said ‘the case for fundamental change is powerful’.

Set against a backdrop of continuing efforts to improve school standards and the relative underperformance of Wales’s pupils, the **Welsh Government accepted Professor Donaldson’s recommendations**. This marked the beginning of a new phase in Wales’s education reform journey.

Tripartite reform

In March 2015, another Welsh Government commissioned **review found teacher training arrangements** were at a ‘critical turning point’. It concluded a more ‘expansive’ form of training was needed to deliver the Donaldson agenda, ‘one that gives teachers themselves the skills, knowledge and dispositions to lead the changes that are needed’.

Consequently, a new curriculum for Wales is only one part of what Huw Lewis, the then Minister for Education and Skills, dubbed ‘tripartite reform’.

The other two elements are professional development for existing teachers and initial teacher training for future teachers. These are vital to ensure the workforce can deliver what the Minister called ‘**the rewriting from the ground floor up of an entirely new curriculum with a different philosophy**’.

General cross-party support for the Donaldson vision and the need for workforce reform means that this issue is likely to be high on the Fifth Assembly’s agenda whoever is in government.

A new curriculum

While there have been many reviews of the current curriculum since its inception in 1988, Professor Donaldson’s proposals are a radical overhaul and the Welsh Government made clear this is not a ‘patch and mend approach’. As the previous Minister said, ‘**the old system is about to die**’.

Key features of the new curriculum

- Four learning aims, which are to create ambitious, capable learners; enterprising, creative contributors; ethical, informed citizens; and healthy, confident individuals.
- Six learning areas, which are expressive arts; health and well-being; humanities; languages, literacy and communication; mathematics and numeracy; and science and technology.
- Literacy, numeracy and digital competence expected of all teachers.
- No more key stages, but five, three-year progression steps at ages 5, 8, 11, 14 and 16.

The last Welsh Government's timescale for implementing the new curriculum was ambitious. While schools would have some flexibility, the new curriculum could be available by September 2018 with all schools using it from September 2021.

The proposals have received support from all political parties in the Fourth Assembly, and teaching organisations. A key question is how, and to what extent, pupils themselves will be involved. Teaching professionals will have a huge part in co-designing and developing the curriculum.

Professional development for today's teachers

Professional development for teachers will be an essential part of delivering the new curriculum. The previous Minister recognised that schools do not currently have the skillset to address the depth of change proposed. A new approach to teachers' professional development (**the 'New Deal'**) was introduced in 2014 with the requirements of the new curriculum in mind. It aims to focus on improving teaching and learning.

As with the new curriculum, 'pioneer schools' will take the lead in designing and delivering a range of professional learning opportunities. The previous Minister acknowledged there is **insufficient funding in the system** to support the New Deal but was clear there is no additional money available. This raises the question of how this shortfall will be met, and by whom, with the previous Welsh Government suggesting the workforce itself should contribute to funding the New Deal.

Teachers of the future

The third strand of this tripartite reform is initial teacher training and education.

There have been several reviews of teacher training since the Assembly was established. The most recent was the March 2015 **Furlong Report** which found the quality of teacher training had got worse over the last 10 years.

Professor Furlong also reported that Wales's teacher training falls short of international best practice and of what will be required to implement the new curriculum. The previous Minister subsequently **'called time' on the current system.**

The last Welsh Government planned to **push up the quality of initial teacher training courses** by overhauling the teaching qualification and accreditation process, and revising professional teaching standards. This includes a new four-year undergraduate route into teaching, greater subject specialism for those wanting to teach at primary level and a new two-year course for postgraduate students. This is part of a long-term wider plan to work towards a teaching profession where all teachers have a masters level qualification.

We do not yet know how future initial teacher training will be delivered. Professor Furlong suggested there could be one, three or five training centres, but recommended competitive tendering for accredited providers.

Key features of the New Deal

- An entitlement to access professional development
- On-line professional learning passport
- A shift away from 'one-off' training courses in favour of collaborative development

While the previous Minister was not prescriptive on the number of centres, he warned that if current providers wanted to be part of the future vision, they would need to raise their game. If not, he said the Welsh Government was prepared to buy the best from wherever it is offered. Given the increase in school-led training such as **Schools Direct** and questions over the sustainability of some university-centred provision in England, this may be a vision that is attractive to centres outside Wales.

The tripartite reform was launched during an era of policies aimed specifically at school improvement. The challenge for the new Welsh Government is to deliver curriculum and workforce reform in a way that accelerates, rather than stalls, improvements in school standards and pupil performance.

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Funding higher education

How will the new Welsh Government strike a balance between making higher education affordable for Welsh students and funding a strong and competitive higher education sector?

Anne Thomas

Is it possible to fund a strong higher education sector and maintain the current student finance regime in Wales from a finite budget?

In 2012, annual tuition fees in England rose to a maximum of £9,000. The Welsh Government responded, allowing universities in Wales to raise their tuition fees for full-time undergraduate courses to similar levels. However, the Welsh Government also prioritised widening access to higher education. It was concerned that higher fees would discourage potential students, especially from disadvantaged areas. It therefore made a commitment that no Welsh full time undergraduate student would pay higher fees (in real terms) during the Fourth Assembly than students in 2010/11. This would be the case regardless of where they chose to study in the UK.

What was the policy solution in the Fourth Assembly?

To fulfil this commitment, the Welsh Government offered Tuition Fee Grants to Welsh domiciled students. Welsh students would only pay part of the new higher tuition fees and the Welsh Government would fund the balance. Eligible students (including EU students in Wales):

- were entitled to a new-non-repayable Tuition Fee Grant (up to £5,190 in 2015/16); and
- could still apply for a repayable student tuition fee loan (£3,810 in 2015/16).

Around 57,000 students benefit from this policy each year. However the policy has its critics. Some key stakeholders say that funding the Tuition Fee Grant takes resources away from other parts of the Welsh higher education sector or from other policies and priorities. The previous Welsh Government estimated:

- the projected cost of the policy in 2015-16 to be £241 million, rising to an estimated £257 million in 2016-17 (accounting for 16% of the total education and skills budget);
- a total policy cost of £887 million over five years (2012-13 to 2016-17); and
- of this £887 million, £564 million (64%) will be paid to higher education institutions in Wales and £324 million (36%) will be paid to higher education institutions elsewhere in the UK.

When challenged that the policy subsidised higher education in England, the Welsh Government responded by saying that Wales is a net importer of students. As a result, each year £50 million more funding comes into Welsh higher education through other UK students' tuition fees than goes out in Tuition Fee Grant payments to institutions outside Wales. The issue for the new Welsh Government is whether this is the most effective use of £257 million each year.

What are the views of stakeholders and students?

In 2014, Huw Lewis, the Minister for Education and Skills, asked Professor Sir Ian Diamond to chair an independent review panel to look at higher education funding and student finance arrangements.

The **Diamond Review's interim report** (December 2015) summarises the evidence it collected and outlines emerging themes and messages for the next Welsh Government to consider. For instance:

- the majority of respondents believe that maintaining the status quo is not an option;
- there is, generally, a lack of consensus on the way forward. Most respondents recognise that difficult choices will have to be made;
- despite the sector's protests to the contrary, many believe that the higher education sector in Wales has benefitted overall from a net increase in income since the introduction of the current fees and funding regime. The increase may not be as high as predicted and changes in income levels differ significantly between institutions;
- there is concern, particularly in the higher education sector, about a large and increasing funding gap between higher education in Wales compared to elsewhere in the UK;
- students domiciled in Wales benefit from having lower student debt levels on leaving university than those domiciled in England; and
- the level of maintenance support available is inadequate to cover upfront costs incurred by students, and this is a bigger issue for students than the level of tuition fee loan to be repaid once they are in employment.

What about funding for part-time higher education courses?

The profile of part-time higher education students is quite different to their full-time colleagues. The Welsh Government deferred making a long-term decision on funding for part-time higher education provision, partly because the English model of loans and higher fees for part-time courses led to a steep decline in part-time student numbers.

A Welsh Government commissioned report **on arrangements for part-time students** was published alongside the Diamond Review's interim report. There is widespread agreement the part-time sector also urgently needs its own funding strategy.

What is likely to happen in the Fifth Assembly?

Professor Sir Ian Diamond's review panel was asked to make recommendations that are deliverable, affordable and sustainable. Its final report will be presented to the new Welsh Government by September 2016. One of the early decisions for the new Welsh Government will be how to strike a balance between funding a strong higher education sector and supporting students to pay the costs of higher education.

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Reforming the special educational needs system

The previous Welsh Government recognised that the current special educational needs system is not fit for purpose. It announced plans to deliver long-awaited reform through legislation, but what changes would a new Act make?

Michael Dauncey

Reforming the way the education and health sectors provide for special educational needs (SEN) has been on the agenda for much of the devolution era. There was cross-party consensus in the Fourth Assembly on the need for change, while stakeholders also anticipate a shift in approach. It means some kind of reform is likely in the Fifth Assembly, whoever is in government.

What are special educational needs?

Existing legislation defines children and young people as having SEN if they have a significantly greater difficulty in learning than the majority of their age group, or if they have a disability that prevents or hinders them from using the education generally on offer. For learning difficulties to be classed as SEN they must require interventions that are additional to the different ways of learning usually offered by teachers. In 2014/15, **23% of pupils (105,000) in maintained schools across Wales were officially recognised as having SEN.**

What did the previous Welsh Government propose?

In 2015, the Welsh Government consulted on a **draft Additional Learning Needs and Education Tribunal (Wales) Bill**, which had three objectives:

- a single legislative framework with one definition, ‘additional learning needs’ (ALN), for children and young people aged 0-25 with learning difficulties;
- an integrated process with health boards and local authorities working together; and
- a fair, transparent system for providing information and advice, and dealing with concerns and appeals.

To some extent, the Welsh Government has already adopted the concept of ALN as an alternative to SEN. The focus on ALN rather than SEN is therefore relatively established in practical and policy terms, if not yet in law. As well as changing the legal term the draft Bill proposed replacing the current three tier system of intervention with one type of plan. Currently, learners with SEN receive school-led support at either of two levels (School Action or School Action Plus) or, where they have more severe needs, the local authority issues a statement providing a legal entitlement to a specified package of support.

This distinction has proved a point of tension. In his foreword to a **White Paper in 2014**, Huw Lewis, the then Minister, paraphrased **reviews of the current process of statements** as finding it ‘complex, bewildering and adversarial’. Under the draft Bill, all learners aged under 25 with ALN would have an individual development plan, regardless of their age and the severity of their needs.

Over the past ten years, Ministers have considered how best to improve and reform such a process and decided during the Fourth Assembly that a universal plan for each learner with ALN was the best way forward. The draft Bill proposed making statements a thing of the past so whether a learner had one or not would no longer determine the level of intervention. At present, only pupils who have statements have a statutory right to additional provision, equating to 3% of all pupils (12,000). Under the proposed new system, all learners with ALN would have a statutory right to an Individual Development Plan, equating to 23% of all pupils (105,000).

What issues were highlighted during pre-legislative scrutiny?

The Fourth Assembly's Children, Young People and Education Committee took evidence on the draft Bill and **wrote to the Welsh Government in December 2015**, highlighting issues Ministers would need to address before introducing legislation. The Committee 'very much welcome[d] the intention' to reform the system but found that 'there is much work to be done' to address 'many areas of uncertainty'. The Committee highlighted four main areas:

- inadequate provision for collaboration between local authorities and health boards, with the Committee believing firmer duties on health bodies were needed;
- a call for the universal individual development plans to retain the benefits of the current three-tier approach, which provides more intensive support for more complex and severe needs, and for greater clarity over where responsibilities for plans will lie;
- a need for the Education Tribunal for Wales to have stronger powers when considering appeals from families against local authorities and health boards; and
- insufficient detail on provision at either end of the 0-25 age spectrum, ie what will be in place in early years and at post-16.

What is the current position?

The Welsh Government was considering the responses to its draft Bill, including the results of the Committee's pre-legislative scrutiny, as the Fourth Assembly drew to a close. The then Minister said he wanted **a Bill to be introduced early in the next Assembly** but this will obviously be a decision for the new Welsh Government.

The new Welsh Government will also need to consider the outcome of the consultation on the draft Bill and decide to what extent it will continue with the previous government's proposals. Whoever is in power will have the challenge of bringing their own solutions to an issue which has exercised Ministers and policy-makers for over a decade.

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Prioritising children and young people

Neither seen nor heard? How prominently will children and young people's interests feature in the Fifth Assembly?

Siân Thomas

It is said that the true character of a country is revealed by how it treats its children and young people. In the early days of devolution, Wales was seen as a leading light, with a clear focus on children and their rights. Whether they remain central to Welsh politics and policy is the subject of debate.

Children's charities claim that the **'strong tradition of child-centred policy making'** which developed in the post-devolution era has become fragmented and that focus has wavered. For most groups lobbying to influence party manifestos across the devolved policy areas, their aim is to achieve 'bigger and better'. Ironically, the main focus of the National Children's Charities **Manifesto for the Assembly Elections 2016** is lobbying to make up for lost ground.

During the Fifth Assembly, the extent to which children and young people's interests are placed at the centre of political structures and debates may be a measure by which Wales is judged on the international stage. More importantly it will be a key factor in determining the outcomes and life chances of children and young people.

The early spotlight on children and young people

Children and young people's interests featured prominently in the Assembly's formative years. Their welfare and protection was placed firmly on the political agenda when the findings of the **Waterhouse Inquiry** were published in 2000. Its findings confirmed that decades of widespread sexual and physical abuse of children had taken place in north Wales care homes.

The Assembly's early spotlight on children and young people was also partly due to the early devolution settlement. This meant that, unlike some other policy areas, the Assembly had many of the powers needed (in health, education and social services) to allow the government of the day to take forward a distinct approach to children and young people's policy. Another factor was that some Members who were 'key players' in the early Assemblies, including the First Secretary, had a shared interest and experience in issues affecting children and young people.

'Ground-breaking' legislation and other firsts

There are many examples post-devolution where Wales was seen to lead the way for children and young people. These include:

- Wales becoming the first country in the UK to establish a Children's Commissioner (2001);
- the prominence given to children and young people's issues in early Welsh Government cabinet structures, by having a Minister whose portfolio and title centred on children and young people. There was also a cabinet sub-committee specifically to decide on policies affecting children and young people;
- the international recognition given when the Welsh Government of the day introduced a 'ground-breaking' **Rights of Children and Young Person's (Wales) Measure 2011**. This was the first legislation of its kind in the UK, embedding the **United Nations Convention on the Rights of the Child** (UNCRC) into domestic law; and

- the previous Welsh Government’s funding of Funky Dragon (the ‘Children and Young People’s Assembly for Wales’) and the progressive approach the Welsh Government itself was seen to take in promoting and supporting children and young people’s participation in decision-making at all levels.

A changing landscape for children and young people

There has been a change in how children and young people’s issues have featured in the Assembly and in Welsh Government policy. Examples include:

- a shift in ministerial responsibilities and cabinet structures for children and young people, alongside a move to more ‘all-age’ planning, policy and legislation (rather than being child-specific);
- the last Welsh Government’s decision not to introduce a Children and Young Persons (Wales) Bill as previously intended, on the basis that some of its provisions would be taken forward in other legislation;
- less consensus on children’s issues, demonstrated by heated debates in the Assembly about changing the law on the physical punishment of children, often referred to as a ‘smacking ban’. This was also evidenced by the questions asked about the Welsh Government’s decision not to continue its funding for Funky Dragon, instead funding work which focuses more on children and young people’s participation in government policy; and
- the then Children’s Commissioner claiming in 2014 that ‘the Welsh Government seems too comfortable with its status as an international children’s rights trailblazer’ and saying ‘vital services aimed at protecting vulnerable children and young people are in danger of being lost, due to the lack of vision and leadership from the Welsh Government’.

Children and young people in Wales

- There are 667,300 0-18 year olds living in Wales (there are 298,300 19-25 year olds)
- 31% (around 172,000 children) are officially defined as being in poverty
- 5,615 are looked after children
- 2,907 child and adolescent psychiatry referrals (aged 0-18) are waiting for an appointment
- An estimated 2,000 children have a parent in prison
- 680 homeless families with children are living in temporary accommodation
- Children aged 0-17 living in the most deprived parts of Wales are almost twice as likely to die as those in the least deprived parts

The last Welsh Government may have strongly rejected claims that there has been a more ‘fragmented approach’, and argued that children and young people’s interests are strengthened by having responsibilities for them embedded across all Ministerial portfolios. It may also have pointed to the wide range of policies, programmes and funding commitments in its **Programme for Children and Young People, 2015**.

Key decisions for the Fifth Assembly

Some key decisions which will need to be made in this Fifth Assembly include:

- Will the next Welsh Government include a Minister whose portfolio centres on children and young people, and who has oversight and lead accountability for all policies affecting children and their rights? What is the likelihood of a return for a cabinet sub-committee for children?

- Will the Fifth Assembly committee structure include a committee which focuses on children and young people, as has been the case in all previous Assemblies?
- What next for the prospect of a National Children and Young People’s assembly or parliament?
- How will the next Welsh Government respond to imminent recommendations from the United Nations Committee on the Rights of the Child as a result of its formal examination of progress on children’s rights in Wales?
- Following manifesto pledges, what next for calls to change the law on the physical punishment of children (a ‘smacking ban’), potentially the most prominent children’s issue which will need to be decided by the Fifth Assembly?

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Economy and transport

- The future of the steel industry
 - The M4 relief road
 - A development bank for business
 - Growth in south-east Wales
 - Transport in north Wales
 - The future of passenger rail
-



The future of the steel industry

Developments in the steel industry have been one of the most high profile political issues of 2016. What are the key pressures facing the industry and how might the new Welsh Government help it secure a sustainable long-term future?

Gareth Thomas

The **decision by Tata Steel in March 2016** to put its UK assets up for sale was the latest development in a 'perfect storm' of recent challenges for the steel industry in both Wales and the UK.

As well as the Port Talbot steelworks, Tata has **a number of other operations in Wales**, at Llanwern, the Orb in Newport, Shotton and Trostre near Llanelli. Other producers with Welsh operations include Celsa Steel and Liberty House Steel UK. The iron and steel industries **employed 6,630 people** across Wales in 2014, with **the primary steel industry and its supply chain** accounting for close to 20,000 jobs.

The Welsh Economy Research Unit at Cardiff University found that the **total economic impact of Tata was £3.2 billion** in Wales per year, with a supported gross value added of £1.6 billion. Tata contributes £200 million in wages into the Welsh economy each year, and each job at Tata supports an additional 1.22 jobs throughout the Welsh economy.

Dumping

Dumping is where the export price of a product such as steel is lower than the exporter's home market price, or perhaps even lower than cost price. The **EU investigates these cases**, and can impose tariffs that are based on the dumping margin unless a lower tariff would remove the injury caused to EU producers. This is known as the 'lesser duty' rule.

What are the options for securing the future of the Tata Steel plants?

Reaching a **conditional sale agreement** for the Tata plant in Scunthorpe in April 2016 took nine months, and both UK and Welsh Governments have urged Tata to allow sufficient time for a sale to take place. In March 2016, the Scottish Government **purchased two Tata steel plants** before selling them on to Liberty Steel the same day.

Potential options for the Tata sites include the sale of all plants; management buyouts of certain sites; nationalisation; co-investment between the public and private sectors; temporary 'mothballing' of sites in their current condition to enable future reopening; or closure.

The previous Welsh Government offered **Tata a package of over £60 million**, which included funding for environmental products and skills and training, and a commercial loan to develop a galvanising line for steel coating. It also discussed co-investing in a power plant at the Port Talbot works, which would lead to lower energy costs and greater energy efficiency.

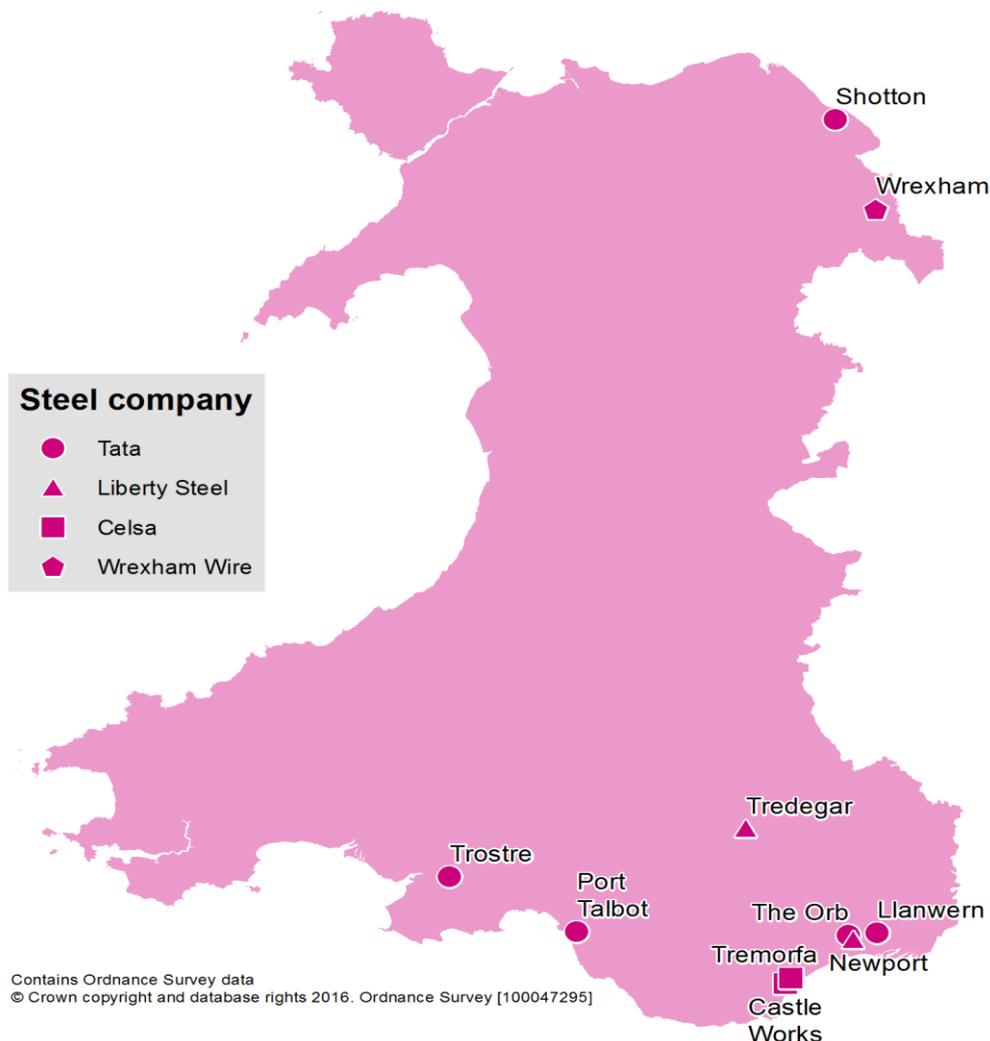
Given the scale of the investment needed across the Tata plants, UK Government assistance will also be required. The UK Government has indicated that it would consider **co-investing with a buyer on commercial terms**, including potentially taking on some of the debts associated with the plants. Other areas for potential UK Government support include the power supply, the **British Steel Pension Scheme** and infrastructure.

How can the key challenges facing the sector be addressed?

Of the industry's **five 'key asks'** at the start of the crisis, four remain major concerns for the sector. Some of these are in non-devolved areas, meaning that the new Welsh Government will need to work in partnership to address these issues.

The **'dumping' of steel** is dealt with at EU level, and concerns centre on the global competitiveness of European steel against exports from China and Russia. The European Commission launched **proposals to address these challenges** in March 2016, including reducing the length of time that anti-dumping investigations take and changing the way that anti-dumping tariffs are calculated in certain circumstances. A further issue is the impact that **awarding Market Economy Status to China** would have on action that could be taken against 'dumping'.

Steelworks in Wales



Energy prices for UK steel producers are **higher than other European nations**, despite the UK Government introducing **compensation for energy intensive industries**. While steel producers have welcomed the compensation package, they are still **paying significantly more for electricity** than European competitors and would like further action taken.

Business rates paid by UK producers are said to be between **five and ten times higher** than in other European nations. In Wales, powers over business rates are wholly devolved to the Welsh Government. The sector has called for the removal of plant and machinery from business rates bills,

which are seen as a disincentive to invest. At the end of the Fourth Assembly, the previous Welsh Government was still considering **how to address this issue** across the whole of the manufacturing industry in Wales.

The steel industry also wants the Welsh public sector and the Welsh and UK Governments to use procurement for major infrastructure projects to better support UK steel. The previous Welsh Government considered that its procurement policies support the principles of the **Charter for Sustainable British Steel**, although the industry has called for procurement policies to be implemented and monitored more closely. The **Tata Taskforce**, established by the previous Welsh Government, is developing a list of infrastructure projects that could help the steel industry, and looking at how **major capital projects** are setting criteria for steel procurement.

The steel industry has also cited Welsh and UK Government **co-investment in research and development** as ways to take the steel sector forward.

The decisions taken by the Welsh and UK Governments will affect both the immediate and long-term future of steel. With thousands of jobs and the future of an industry at stake, working with partners to relieve the pressures faced by the sector will be one of the first major challenges for the new Welsh Government.

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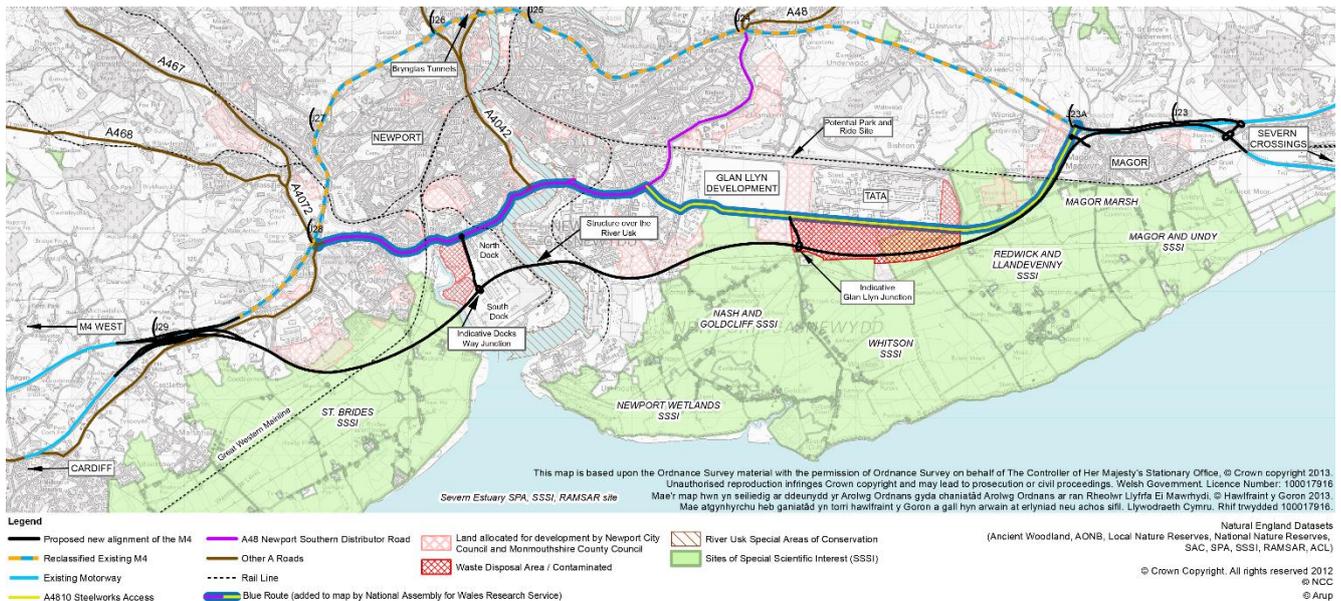
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The M4 relief road

Congestion on the M4 around Newport has a major impact on south Wales, particularly on the economy. Are the financial and environmental costs of the proposed relief road justified?

Andrew Minnis

The new Welsh Government will have to take key decisions early in the Fifth Assembly on what would be the Welsh Government's biggest infrastructure project to date – the M4 relief road.



The plan

Proposals to increase capacity on the M4 around Newport have been discussed since the early 1990s when the UK Government identified a preferred route, broadly similar to current proposals. Although deemed unaffordable in 2009, the 2013 agreement between the Welsh and UK Governments on borrowing powers revived the project.

In 2014, the Welsh Government published **M4 Corridor Around Newport - The Plan** setting out the preferred route for a three-lane motorway south of Newport between Magor and Castleton. The document listed four key factors underpinning the plan:

- capacity: J23A to J29 of the current M4 will see traffic flows above 100% of capacity during weekday peak periods by 2037;
- resilience: there is a need to improve the network's ability to cope with collisions and incidents;
- safety issues: the current M4 has design limitations, while growing congestion increases incidents and collisions; and
- sustainable development: congestion is a barrier to economic growth, while poor air quality and noise pollution increasingly affect local communities.

The debate

The need to address M4 congestion is widely accepted, but the proposed solution is hotly contested.

CBI Wales published **a plan for prosperity** in November 2015, arguing for significant transport infrastructure investment. The M4 relief road is central to this plan. CBI Wales claims that the relief road is essential to unblock this important infrastructure link, and so will increase prosperity and employment in south and west Wales. It also says that cancelling the project would have long-term consequences for the Welsh Government's reputation within the business community.

The South Wales Chamber of Commerce has also argued in its **campaign for Welsh business 2015-2020** that the road, along with other key transport investments such as the **south-east Wales Metro** and electrification of the north Wales main railway line, is necessary for investor confidence. In 2013, 34% of its members said the current M4 had a negative impact on their business, with the Welsh Government's preferred route supported by 76% of members across south Wales.

The business community is not universally in favour. In its response to the draft plan consultation, **FSB Wales questioned** the accuracy of the forecasting model used to predict traffic growth. It raised doubts about the affordability of the project in the light of wider transport investment commitments, and argued that the impact of the Metro and sustainable travel policy on reducing congestion have not been considered properly. FSB Wales also claimed that the scheme's environmental impact had not been assessed effectively at that stage.

The strongest opponents are environmental organisations, a number of whom formed the Campaign Against the Levels Motorway (CALM) alliance. They are primarily against the route passing through the Gwent Levels, which includes Sites of Special Scientific Interest and other heavily protected areas.

CALM argues that the road threatens one of the UK's largest surviving ancient grazing marshes and the water systems that support unique wildlife. In addition to direct loss of habitat, it believes the road would create a barrier to wildlife and water movement, while pollution run off would adversely affect water quality. CALM is also concerned about the plan's potential carbon emission impact.

Along with FSB Wales and others, CALM has supported the Blue Route proposed by Professor Stuart Cole.

The future

In March 2016 the Welsh Government published the scheme's **environmental statement**, setting out actions to mitigate negative environmental effects. How far this addresses environmental concerns is not yet clear. The Welsh Government also published **draft legislation** paving the way for construction, along with **a range of wider reports**.

The First Minister told the Fourth Assembly in May 2015 that **the scheme would cost 'well below' £1 billion**. While the estimated construction cost set out in the new documents is £857 million,

The Blue Route

The **Blue Route (PDF 724KB)** would use a combination of the A48 Newport Southern Distributor Road and the former Steelworks Road on the eastern side of Newport to create a new dual carriageway. Supporters argue that this would be both cheaper and quicker to build than the relief road.

The previous Welsh Government published an **appraisal of alternatives considered during the consultation process (PDF 2.39MB)** which suggested that the blue route would not achieve the scheme objectives, and would itself require significant investment with insufficient benefit.

including £45m for environment and landscape works, the economic appraisal report estimates the total cost at £1.131 billion, excluding VAT and inflation.

Based on responses to the environmental statement and draft orders, the new Welsh Government will need to decide whether to hold a **public local enquiry**, probably in autumn or winter 2017. Based on the enquiry report, the new Welsh Government would then have to decide whether to proceed. If it did, barring legal challenge, construction could begin in spring 2018, with opening planned for autumn 2021.

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A development bank for business

A development bank to improve access to finance for Welsh businesses has been discussed for a number of years. Will one be established in the Fifth Assembly, and could it make Welsh businesses more competitive?

Gareth Thomas

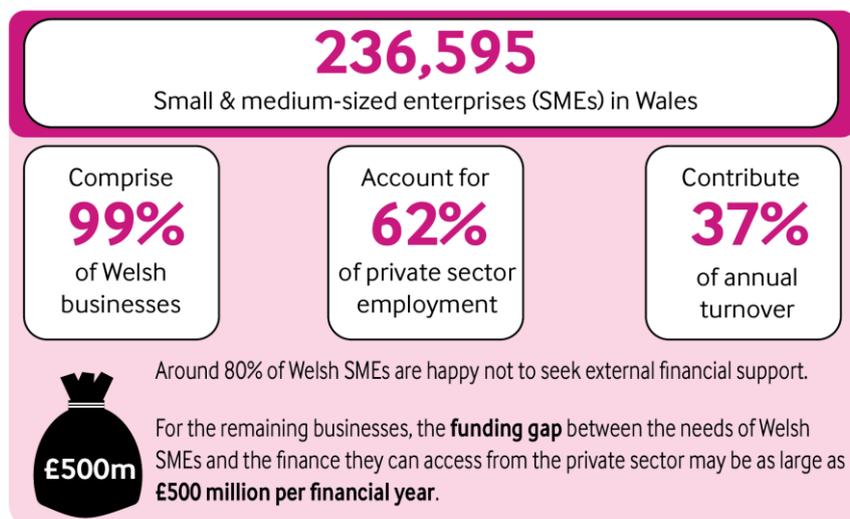
Access to finance for Welsh businesses has been a key issue during recent years. Debate has focused on finance for small and medium-sized enterprises (SMEs), and the degree to which they are able to access funding from both public and private sector sources. Deciding whether to **create a development bank** to increase the availability of business finance will be a key policy choice for the new Welsh Government.

Why might Wales need a development bank?

While the markets for SME finance are improving, **some argue that** increased availability of finance is required across the UK to rebalance economic growth. This is shown by the fact that 71% of total SME **equity investment** is accounted for by companies based in London and south-east England.

According to Professor Dylan Jones-Evans, **businesses in Wales face particular disadvantages** when trying to access finance compared to those in England and Scotland. He argues that the funding gap between the finance that Welsh SMEs need, and what they can access from the private sector, may be as large as £500 million per financial year.

While government interventions such as Finance Wales and the British Business Bank help to fill some of this gap, those calling for establishing a development bank state that SMEs could be more competitive and contribute more strongly to growing the Welsh economy if this gap were reduced further.



However, **work done by the Centre for Research on Socio-Cultural Change (CRESC)** for FSB Wales cautions that better access to finance is not a 'silver bullet' for SMEs, highlighting that demand for finance may not rise until businesses have greater supply chain security. A further unintended consequence of increased access to finance may be earlier sales of SMEs, hindering the development of long-established medium-sized firms in Wales.

Who would require support from a development bank?

The **development bank feasibility study** undertaken for the previous Welsh Government highlighted the difficulties that many smaller firms face in accessing finance. Microbusinesses employing fewer than 10 people have much greater demand for relatively small amounts of money than the private sector is able to offer them.

CBI Wales considers the needs of medium-sized businesses currently fall between existing support aimed at either small businesses or large corporations. Access to finance is a key issue for these businesses, particularly **equity financing** through **business angels** and **venture capital**.

Chwarae Teg has called for **female-specific business support**, including access to finance. This is in response to what it sees as gender specific needs in this area. Female entrepreneurs are said to have **negative perceptions about their ability to access finance**, which can be a barrier to them setting up their own business. This is seen as a key reason why **SMEs led by women are less likely to use external finance** than those led by men.

How might a development bank work?

Many of the final decisions on the structure of the bank and what exactly it could do remain to be taken. However the previous Welsh Government and Finance Wales have looked at potential solutions and started to develop a **costed business plan**. There are a number of **potential models that could be adopted for a development bank**. These include the previous Welsh Government's preferred 'hybrid model', where the development bank would work in partnership with other stakeholders to address finance market failures in key sectors.

The new functions of a development bank could include:

- delivering a wider range of debt and equity financing products and services to Welsh SMEs to address the funding gap;
- targeting particular sectors and types of business that have particular difficulties accessing finance, such as microbusinesses and new businesses;
- being self-financing, by not requiring Welsh Government grant-in-aid funding or support to finance the funds it operates;
- working with academia to improve business data and understanding of the sector; and
- ensuring that businesses receive the right mix of financial and non-financial support, taking into account the recommendations of the **Lending Ready review**.

What support is currently available to SMEs?

Financial support for micro to medium-sized enterprises via the Welsh public sector is mainly provided by **Finance Wales**. **Business Wales** helps businesses to access finance and provides general guidance and information.

What is a development bank?

A public development bank is a state-owned institution that works in areas of market failure to add to the amount of finance small businesses can obtain from the private sector. It addresses issues that small businesses face in accessing finance, as it can be riskier for private sector funders to provide this and they may not be willing to do so.

What would be a development bank's goals?

There is hope that the development bank could double Finance Wales's current annual investment levels in SMEs; significantly increase additional investment from the private sector; and increase the number of jobs created and safeguarded as a result of investments. This would be a major step forward in the financial support available to Welsh businesses.

With businesses facing a funding gap, how the new Welsh Government responds will play a major role in determining what impact SMEs can have on the Welsh economy. It will also be a key factor in how competitive these businesses can be. Will a development bank be set up, and if so, will it achieve its aims?

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Growth in south-east Wales

The Cardiff Capital Region has recently agreed a City Deal. How will the new Welsh Government and the region's local authorities now work together to drive economic growth?

Gareth Thomas, Andrew Minnis and Elfyn Henderson

The **Cardiff Capital Region**, made up of 10 local authorities across south-east Wales, is the largest city region in Wales. It accounts for around half of all Welsh employment and gross value added (GVA) – a key measure of economic output.

Despite this, the region's GVA is lower than all but one of the largest English city regions. There are also challenges in enabling valleys communities to access economic opportunities. Managing population and economic growth, while improving quality of life in the region, will be a key issue for the Welsh Government and others during the Fifth Assembly.

Planning for growth

Most local planning authorities in south-east Wales now have their local development plans (LDPs) in place. The current plans for the region provide capacity for around 110,000 additional homes up to 2021-26, including 41,000 in Cardiff. Over the next 20 years, Cardiff is expected to have a higher population growth rate than any other UK city.

While an LDP only applies to a local planning authority's area, there are issues that cut across a number of these authorities. For example, many people live and work in different areas, which impacts on housing demand in the region. Other cross-boundary strategic issues include employment sites and transport infrastructure.

In 2012, the **City Regions Task and Finish Group** recommended a number of improvements to regional collaboration and partnership. The Cardiff Capital Region has chosen to focus on collaboration in four areas – connectivity; skills; innovation and growth; and identity.

The **Planning (Wales) Act 2015** allows the Welsh Government to identify 'strategic planning areas' that are larger than individual local planning authorities, and for 'strategic planning panels' to be established for these areas. A panel will then produce a 'strategic development plan', which will cover cross-boundary issues. The previous Welsh Government suggested that one of these could cover part of south-east Wales, focused on Cardiff.

The role of the Metro

The Cardiff Capital Region Board identified the Welsh Government's **South East Wales Metro project** as being at the heart of the City Region project. The Metro will be an integrated transport system based around bus, heavy rail and potentially light rail.

The board's **Powering the Welsh Economy** report said that 65% of commuters into Cardiff rely on the car, higher than comparable cities such as Edinburgh and Manchester. Left unchecked, this could inhibit both economic growth and quality of life in the region. The Metro aims to tackle this by increasing the number of people in the region who can access the regional public transport network

by 60% by 2030. This could help address congestion, reducing the need for highways investment, and could support potential population growth in excess of 100,000 people across the region.

The **Cardiff Capital Region Metro: impact study** suggested the scheme could support 7,000 new jobs and contribute £4 billion to the regional economy over 30 years. It predicted that the scheme could also be integral to regeneration, especially in the valleys. Key stations and other interchanges might become transport hubs supporting local development, while enhanced access to employment and key services could also be a catalyst for change.

The Cardiff Capital Region City Deal

The **Cardiff Capital Region City Deal** was agreed in March 2016. It has been allocated a £1.2 billion investment fund over a 20-year period, from which £734 million will be spent on the Metro project and Valleys line electrification. The deal will also set up a regional transport authority to strengthen transport planning.

In order to receive the remainder of the funding, the Cardiff Capital Region will have to demonstrate, via an independent assessment every five years, that the investments have met key objectives and contributed to Welsh and UK economic growth. This remaining element could fund other schemes to further support economic growth, including investment in further transport projects, housing and employment sites, or research and innovation facilities.

The City Deal also aims to attract £4 billion of additional private sector investment, creating 25,000 new jobs and **increasing the region's GVA** by at least 5% over the investment period.

The previous Welsh Government agreed to consider increasing the region's financial powers to deliver the City Deal's commitments. These include some devolution of business rates income, allowing levies to be introduced to fund infrastructure projects, and addressing challenges such as poverty and school standards on a regional basis.

With so much at stake, a key issue will be how the new Welsh Government ensures that the pieces in the puzzle come together to deliver economic transformation for the region, particularly when potential local government reform is factored in (see article on reforming local government). And what clues will this give us about how other potential deals for Swansea Bay and north Wales might address economic growth more widely?

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Transport in north Wales

How will the new Welsh Government make sure the transport network supports the cross-border economy of north Wales?

Andrew Minnis

The **North Wales Joint Local Transport Plan**, published by north Wales local authorities in January 2015, identifies five key transport issues for the region. Among them, the plan highlights the economic importance of strategic road and rail links, and their ability to carry people and freight to ports and to the rest of the UK. This illustrates the importance of cross-border road and rail links to north Wales.

The previous Welsh Government's **National Transport Finance Plan** and the Joint Local Transport Plan set out proposed investment projects for all modes of transport in the region. However, two important areas create immediate opportunities and threats for a region closely connected to its cross-border neighbour.

Rail modernisation

While the Welsh Government has powers to invest in rail, responsibility for rail infrastructure in England and Wales sits with the UK Government. Rail infrastructure projects are mainly delivered in five-year planning blocks called 'Control Periods'. The next block, Control Period 6 (or 'CP6'), will run from 2019 to 2024 and preparations are getting underway now. The UK Government is expected to publish key documents setting out what projects will be delivered, and the funding available, in the summer of 2017.

The previous Welsh Government wanted to modernise the north Wales rail network, particularly through electrification. This aspiration is shared by local and regional authorities on both sides of the border. The **Network Rail Welsh Route Study**, which sets out investment 'choice for funders' for CP6 and beyond, was published in March 2016. It includes options for both improving line speeds on the current network and electrifying the north Wales mainline.

The Fourth Assembly's Enterprise and Business Committee held an inquiry into **Priorities for the future of Welsh Rail Infrastructure** in 2016. The Committee heard evidence outlining the importance of electrification. In particular, **evidence from the North Wales Economic Ambition Board and Greengauge 21** argued strongly that a package of improvements, including electrification between Crewe / Warrington and Llandudno / Holyhead via Chester, is essential in CP6 to realise the economic potential of the region and secure benefits from English developments such as **High Speed 2 (HS2)**.

The Committee identified a strong case for electrification, but had concerns about who would fund the project, whether freight needs would be adequately reflected, and whether it could be delivered in CP6. Following delays to Network Rail's current investment programme, it was concerned that the project might be delayed until after HS2 is expected to reach Crewe in 2027, reducing the economic benefit of HS2 for north Wales.

A cross-border task force including local authorities, the Welsh Government and the business community was set up to identify the improvements needed on the network following a November 2015 north Wales rail summit. The task force developed an outline business case for electrification to

be delivered in CP6. The Welsh Government **submitted the business case to the Department for Transport (DfT)** in March 2016.

Influencing the timing, funding and scope of north Wales rail enhancements is likely to be a priority for the next Welsh Government.

Cross-border links

The previous Welsh Government commissioned a report on the **Dee Region Cross-Border Economy** which was published in 2013. The report showed how travel patterns in the region do not recognise the border. Similarly, the Enterprise and Business Committee's rail infrastructure report found that the border should be invisible from a transport planning perspective. It also found that key network pinch points for Welsh travellers are often in England.

Moves to establish an English Northern Powerhouse include devolving transport powers to new regional bodies in England such as **Transport for the North (TfN)**. This offers the new Welsh Government, local authorities and other important stakeholders' opportunities to work with and influence these English bodies. Failure to engage effectively might mean investment in the English transport network does not take account of Welsh needs, and could actually undermine the Welsh network. The March 2016 UK Government budget **made £300m available** for major English projects such as of High Speed 3, linking Leeds and Manchester, and developing a business case for a new Trans-Pennine tunnel. The scale of the planned investment highlights the need to exert Welsh influence on projects that could bring real benefits to north Wales. The budget also opened the door for a **'growth deal' for north Wales**, providing funding to connect the region with the Northern Powerhouse.

Local cross-border relationships are well established in north Wales, and the Welsh Government has a Memorandum of Understanding with TfN. However, the Enterprise and Business Committee heard evidence suggesting Transport Scotland had closer working relationships with TfN than the Welsh Government. West Midlands Rail, the body working with the Department for Transport to procure the new West Midlands rail franchise, said it had not had any direct discussions with the Welsh Government.

Both the North Wales Economic Ambition Board and TfN recommended that the Welsh Government should engage more with English transport planning bodies to influence decisions and align funding.

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The future of passenger rail

The new Welsh Government will take over as the franchising authority in time to appoint the next Wales and Borders rail operator in 2018. What are the main issues that need to be addressed?

Joseph Champion

Powers to award the next Wales and Borders rail franchise are due to be devolved to Wales from 2017. This means that the new Welsh Government will be able to procure the next operator for the largest rail franchise in Wales.

The Wales and Border franchise

The current Wales and Borders franchise will be operated by **Arriva Trains Wales** until 2018 (with an option to extend the current franchise for a short time if needed).

The previous Welsh Government ran a consultation in early 2016, **Setting the Direction for Wales and Borders Rail**. This called for views on the expectations for the service, and the specifications the future Wales and Border operator should meet. The document said that more detailed proposals would be developed based on the consultation's outcome and wider engagement with the railway industry and the public.

The length of the next franchise is not yet clear, and there are mixed views on the right duration. A **UK Government review** has questioned the benefit of long franchises in incentivising investment and reducing risk, and cautioned against franchises of more than 15 years without break clauses. In contrast, the majority of respondents to the Fourth Assembly's Enterprise and Business Committee's inquiry into the **Future of the Wales and Borders Rail Franchise** thought that longer franchises would encourage greater investment.

There is also uncertainty about the future shape of the Wales and Border franchise. The **UK Government has said** that it will review cross-border services and that those primarily serving English markets are likely to be transferred to English franchises. This has caused concern because of the potential impact on passengers, who may have to change trains at the border. There are also concerns about the franchise's affordability if the financially viable cross-border services are removed.

The UK Government's **Department for Transport told the Enterprise and Business Committee** in September 2015 that the Welsh Government would not suffer financially as a result of any franchise remapping. How English services are defined is also unclear, as is the mechanism for compensating the Welsh Government for any losses arising from removing services from the franchise.

Rail franchises with Welsh services

Aside from the Wales and Border franchise, three other franchises have services in Wales:

- South Wales to London and the south coast of England, operated by **Great Western Railway**;
- Holyhead to Birmingham or London, operated by **Virgin Trains**; and
- Cardiff to the English Midlands, operated by **CrossCountry Trains**.

These uncertainties will need to be clarified quickly to address public concerns and to enable the new Welsh Government to move forward in procuring the new franchise.

The Metro

The shape of the Welsh franchise will be influenced by the **South Wales Metro project**. The Metro is the previous Welsh Government's project to 'provide faster, more frequent and joined-up services using trains, buses and light rail.' There is hope that by 2030 the Metro will support 7,000 jobs and contribute an additional £4 billion to the economy.

Phase 1 of the Metro project included a range of road and rail improvements, including: extending the rail line to Ebbw Vale town centre and building a new station, enhancing capacity on the Maesteg rail line, and a new rail station at Pye Corner, Newport.

Phase 1 cost approximately £75 million and, as of 2016, its constituent projects are already complete or in progress. Phase 2 is scheduled for completion by 2023 and is estimated **to cost about £500-600 million**. It will focus on 'modernising the core Valley Lines and the wider South Wales rail network', particularly through electrification. It is still unclear whether heavy or light rail will be used on the Valley Lines. This decision will have an effect on the scale and scope of Phase 3, which will go beyond 2023.

The previous Welsh Government considered whether, as part of the Metro, the Valley Lines could be managed as a concession by a private company as part of the Wales and Borders franchise. It also discussed an innovative approach, whereby the Valleys Lines infrastructure could also be specified and operated by a concessionaire.

Rolling stock

The rolling stock used in the current Wales and Border franchise is widely considered to be poor and will require significant investment. By January 2020, rolling stock will also **need to comply with new rules on disability access**. In 2013, 73% of Wales and Border rolling stock would not have complied.

There are several options to secure better rolling stock, including purchasing new or refurbished stock, upgrading current stock, or leasing stock from private companies. The previous Welsh Government said that it wanted the bidding process for the next franchise to set out a rolling stock strategy.

It can take considerable time to secure rolling stock, **with some indicating** that the process should start four years before the stock is needed. Quick decisions will therefore be necessary.

Transport for Wales

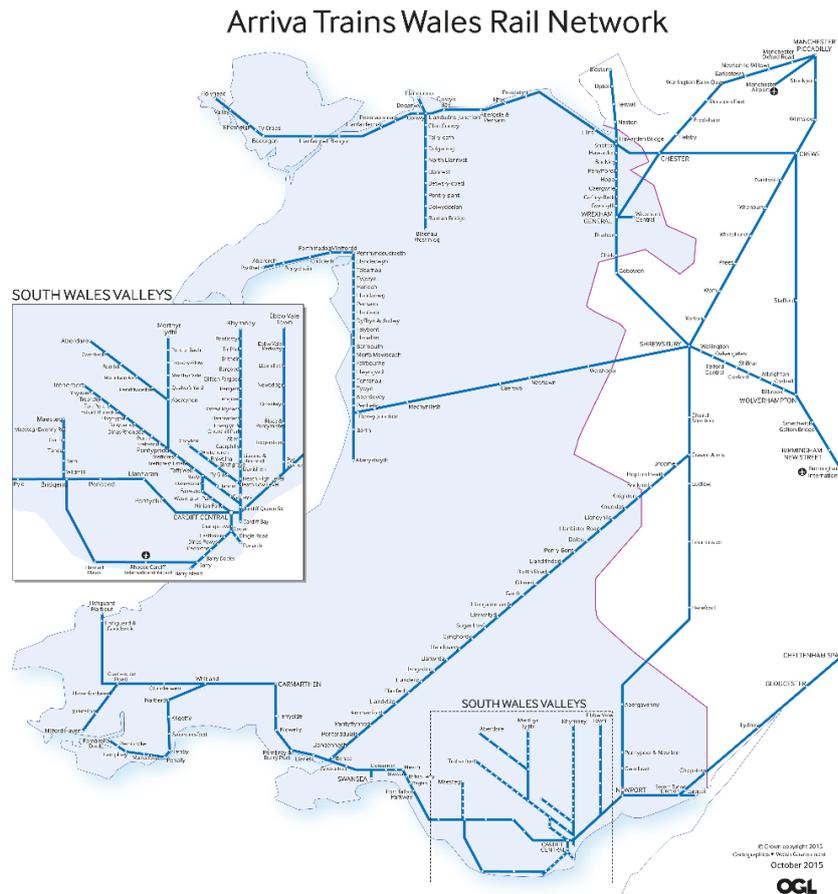
In 2014, the **previous Welsh Government created** a not-for-dividend company called Transport for Wales. In **February 2016**, Edwina Hart, the then Minister for Economy, Science and Transport, said that she expected the company to 'act like **Transport for London**'.

Transport for Wales will be the over-arching strategic body for transport, offering concessions to companies wishing to deliver transport services, including rail, and leading on franchise procurement.

Rail passenger traffic

In 2014-15, there were 29.3 million passenger journeys across all four rail franchises in Wales – 9.4 million more than in 2004-5. This growth is expected to continue, with **Network Rail forecasting** that commuter traffic into the Cardiff City Region will increase by 68% by 2023. The new Welsh Government will have to ensure that the next operator is able to deal with this increase in demand.

It is expected to lead on the procurement of the next Welsh rail franchise and for the Valley Line concession.



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Poverty, equality and housing

- Work, welfare and poverty
 - Debt and financial exclusion
 - The state of human rights and equality
 - Increasing housing supply
-



Work, welfare and poverty

With rising in-work poverty and further welfare reforms on the horizon, what will low income look like in the Fifth Assembly?

Hannah Johnson and Gareth Thomas

Nearly a quarter of the Welsh population live below the poverty line. This means that 700,000 people of all ages – 23% of the country – live in families with weekly incomes of £232 or less.

Wales has the highest poverty rate in the UK. Levels have been relatively static for ten years, but the profile of who is living in poverty has changed.

Pensioners are far less likely to be poor than they were ten years ago, with poverty rates dropping from 23% to 14%. Child poverty has stayed the same at 31%, but this is lower than in 2000 when it was 36%.

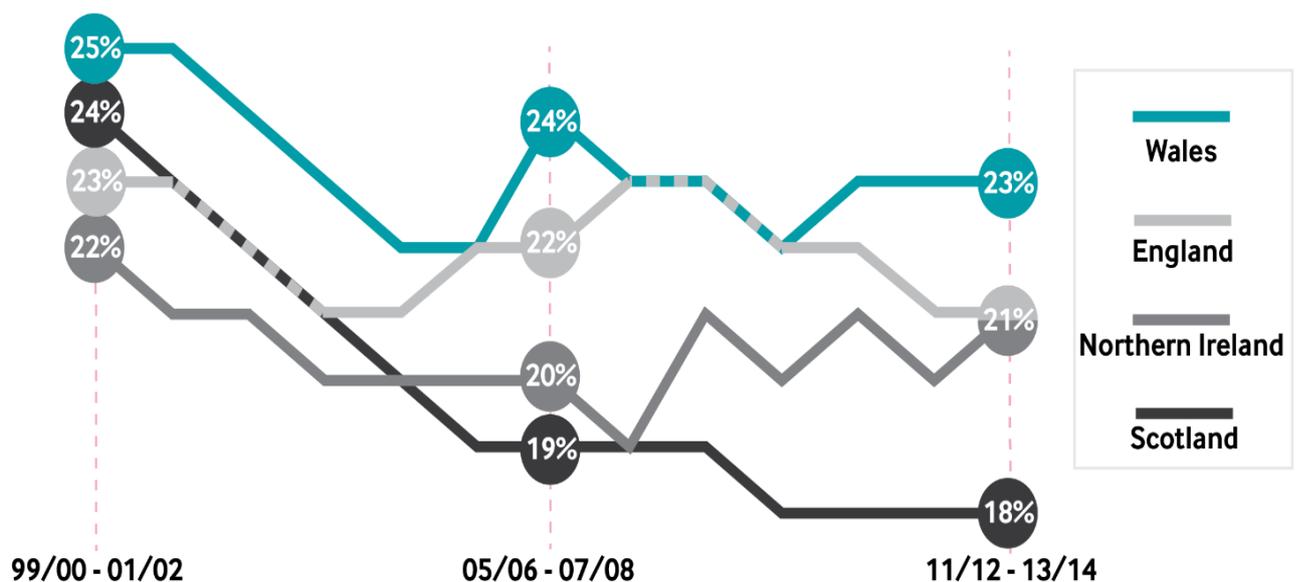
But working families and young people in Wales are at greater risk of poverty now than they were a decade ago.

What is poverty?

A person is considered to be in poverty if their household income falls below 60% of the UK median (which is the middle value in the list of numbers).

The median weekly household income in the UK is around £386 after housing costs, and 60% of this is £232.

Percentage of people living in poverty in the UK 1999/00 - 2013/14



Why are working people living in poverty?

Is getting a job the best route out of poverty? We have record high employment levels, and a record low percentage of out-of-work households in Wales. At the same time, in-work poverty has risen. How will this affect the design of anti-poverty and job creation programmes in the future?

Working patterns have a huge impact on the risk of poverty. Increases in in-work poverty are almost entirely in 'part-working' families (which are households where people work part-time, are self-employed or have one full-time worker and one adult not working). Around 100,000 more people in part-working families are in poverty than a decade ago. In families where all the adults are in work, there was no increase during the same period.

The high proportion of low paid jobs in Wales (which are jobs that pay below two-thirds of the UK median hourly wage) is key to these findings. A quarter of jobs in Wales are low paid – the same proportion as ten years ago. This rises to 45% of all part-time jobs, which are mainly held by women.

The balance between part-time and full-time work has shifted in recent years, with just under 30,000 more people in Wales working part-time now compared with the start of the 2008 recession. **Zero hour contracts** are seen by some as synonymous with insecure work, and almost 50,000 people in Wales were on such contracts at the end of 2015.

On top of this, 31% of working-age adults are not in employment at all. For women, this figure is slightly higher at 34%. For ethnic minority groups it is 45%, and for disabled people it is 55%.

Will welfare reforms increase poverty in Wales?

Wales is more reliant on welfare than other countries in the UK, so cuts made to in-work and out-of-work benefits have a greater impact. Average incomes are below the UK average, so benefit reductions are likely to represent a larger percentage of net income.

There are arguably three welfare reform measures that are having, or will have, the greatest impact on the income levels of families in Wales in the Fifth Assembly:

- the housing benefit social housing under-occupation measure (also called the 'bedroom tax' or 'removal of the spare room subsidy'), which currently affects around 30,000 people in Wales, with an average weekly reduction of £14 per person;
- universal credit, which will replace certain benefits and tax credits. The rollout is in progress and is expected to be completed by 2021. In Wales, universal credit is forecast to increase the incomes of working households with children, and reduce the incomes of households with no one in paid work; and
- the replacement of disability living allowance (DLA) with the personal independence payment (PIP). This includes a tightening of the assessment criteria, and a reduction in the number of eligible claimants. More than one in five working age people in Wales is disabled – one of the highest proportions in the UK.

What next?

Welsh households are more dependent on benefits, compared with the UK average. They are likely to see further reductions in their income over the next five years as a swathe of new reforms is implemented.

Low paid, unstable and part-time work are key causes of poverty in Wales, with around 100,000 more people in Wales experiencing in-work poverty than ten years ago. Will these families feel the benefit of the new UK National Living Wage or future Welsh Government anti-poverty measures, or will they be out-weighed by cuts?

The challenge for the new Welsh Government is how to reduce poverty when power over the primary levers of influence such as tax, employment law and benefits, do not lie in Wales.

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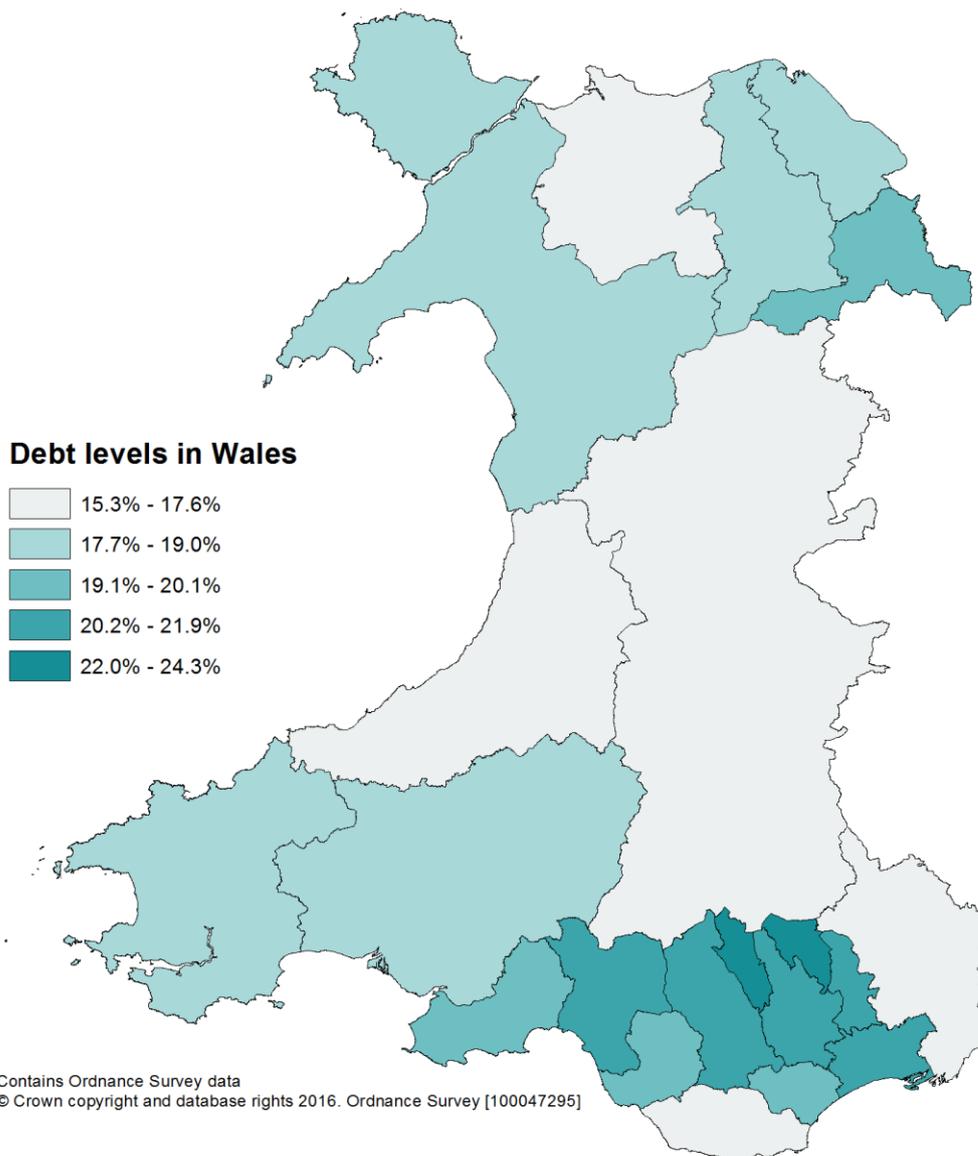
Debt and financial exclusion

Debt levels are increasing in Wales, and are particularly high in certain areas. Financial exclusion is also a problem. What can be done to tackle both these issues during the Fifth Assembly?

Megan Jones

Almost one in five people in Wales is living with problem debt, compared to a UK average of one in six. Research published by the Money Advice Service shows that indebtedness has increased in Wales from **16% in 2014** to **19.6% in 2016**, while the UK average has fallen from 18% to 16% over the same period.

Debt in Wales



Three of the 10 UK local authorities with the highest level of over-indebted residents are in Wales:

- Blaenau Gwent (second at 24.3%);
- Merthyr Tydfil (third at 24.1%); and
- Rhondda Cynon Taf (tenth at 21.9%).

Monmouthshire (15.3%) is the only local authority in Wales where the level of over-indebtedness is lower than the UK average.

Socio-economic factors

Why are there such high levels of indebtedness in some parts of the country? There is no one simple answer, but the figures above, along with analysis by the **Public Policy Institute for Wales (PPIW)**, demonstrate the link between debt and socio-economic disadvantage. Blaenau Gwent, Merthyr Tydfil, Rhondda Cynon Taf and Caerphilly all have high levels of debt and insolvency. These are mirrored by high levels of welfare dependency, below-average incomes and **high levels of multiple deprivation**. While there is a clear relationship between socio-economic deprivation and over-indebtedness, others factors, including the effect of financial exclusion, should not be overlooked.

Financial exclusion

Financial exclusion is characterised by limited access to mainstream financial services, such as bank accounts and credit. As a result some individuals depend on high-cost lending, cannot benefit from direct debit discounts, and must pay to access their money as they live in areas with no free cash machines. Such factors may not be the root cause of indebtedness but they do exacerbate financial difficulties.

Improving access to financial services

The UK Government and the finance industry have taken action to improve access to financial services. Examples include:

- an agreement between the UK Government and the banking industry means that nine major banks and building societies offer basic bank accounts to people who cannot access a traditional bank account;
- in 2006, LINK identified priority areas across the UK for installing free cash machines. It has expanded this programme, and 202 of the new priority areas awaiting installation are in Wales;
- traditional sources of loans such as banks and credit unions are competing with high-cost lenders who offer fast access to short-term loans. **Smart Money Cymru** is among the credit unions now making decisions on loans on the same day as the application is received; and
- banks and building societies provide easy access accounts for short-term saving, while some credit unions work with local employers to provide a payroll deduction scheme for employees to pay directly from their salary into a savings account.

The previous Welsh Government's approach

The **Financial Inclusion Strategy for Wales 2016** describes the previous Welsh Government's vision for a financially inclusive Wales. It notes that to bring about this vision people must have, among other things, access to affordable credit and financial services. The strategy makes a number of commitments to tackle financial exclusion, stating the Welsh Government will:

- work with key partners to ensure everyone has access to a basic bank account;
- work to ensure free cash machines are installed in priority areas as a matter of urgency;
- work with credit unions to improve access to affordable short-term credit; and
- work with credit unions to encourage the take-up of payroll deduction for savings.

Are such actions sufficient to tackle the problems of debt and financial exclusion in Wales? Or does Wales need to develop a more distinctive, innovative approach?

Developing a new approach

The Centre for Social Justice’s report, **Future Finance: A New Approach to Financial Capability**, takes a different view from that of the previous Welsh Government, saying that:

- politicians and financial companies must change the way they approach low-income households. They must see them as a different type of customer, rather than as people who must be served due to social welfare policy;
- people on low incomes require better products than those currently available, and products that are designed specifically for their needs; and
- people on low incomes have the same desire for product choice as any other group. There is demand for new affordable financial products, specifically designed to serve this market.

Credit Unions

A credit union is a non-profit making financial co-operative whose members can access credit at low interest rates. Members of a credit union save in a common fund, which can be used to offer affordable loans. The income generated through lending is used to meet the credit union’s operating expenses, build reserves and pay dividends to savers.

The importance of co-operation

Regardless of the approach the new Welsh Government takes, it will continue to face a serious constraint in tackling debt and financial exclusion.

This is because matters such as financial services regulation and monetary policy are not devolved. It means that tackling debt and financial exclusion not only depends on the actions taken by the Welsh Government, but also on those taken by the UK Government and the banks.

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The state of human rights and equality

Is Wales a fair country? And what are the main human rights and equality issues needing to be addressed in the Fifth Assembly?

Hannah Johnson

It is tempting to think that human rights are less significant in a developed country like Wales. But these universal rights are intrinsically linked to the life chances of every person, regardless of where they were born.

With significant inequalities to be addressed, and the backdrop of austerity still affecting public services, the Fifth Assembly will be pivotal in determining whether Wales becomes more or less equal.

Inequality in Wales

In many ways, Wales is still an unfair country. There are some substantial inequalities in education, health, employment and income levels that may influence policy and law-making in the next five years:

- young people aged 16-24 are four times as likely to be unemployed as people aged 35-54;
- some people are disproportionately likely to be paid less than the average wage. These include: young people (who earn £6.50 per hour compared with the average pay of £11.20 for 35-44 year olds), ethnic minorities (earning on average 50 pence less an hour than white people), and women (whose annual average earnings are £16,412 compared with men's average of £22,921);
- certain children are significantly more likely to have lower than average educational attainment. Only 13% of Gypsy / Roma children, and 17% of both looked-after children and those with special educational needs, achieve five or more GCSEs at grades A*-C;
- fewer than half of disabled people are employed;
- just over three-quarters of reported hate crimes are racially motivated, with black people most likely to be victims;
- around 38% of ethnic minority households and 31% of children live in poverty; and
- there continues to be a lack of diversity in leadership roles, from politics to the private sector. In some areas representation is getting worse, with **even less diversity in decision-making** than there was a decade ago.

Creating a distinctive agenda for Welsh human rights

The Fifth Assembly will be critical in determining how human rights are prioritised and addressed in Wales. Decisions made by the new Welsh Government will have an impact on the dignity, respect, fairness, safety and protection of the population.

Under devolution law, Welsh law has to **adhere to international treaties**, including the European Convention on Human Rights (ECHR). In the past, Welsh Governments have taken a different approach to the UK Government on human rights. Will this continue in the future?

For example, the *Rights of Children and Young Persons (Wales) Measure 2011* places a duty on the Welsh Government to take account of (or 'pay due regard to') the United Nations Convention of the Rights of the Child (UNCRC). Similarly, the *Social Services and Well-being (Wales) Act 2014* places a duty on public bodies to take account of the UNCRC and the UN Principles on Older People. There are no equivalent, specific provisions requiring public authorities to 'pay due regard' to the UNCRC in other UK law.

Welsh experts agree that human rights should be seen as a **tool for improving people's lives**, rather than a retrospective remedy. Some people see the 'due regard' duty as a meaningful way of improving policy and practice. For others, it reinforces human rights simply as a process, or a 'tick box' exercise.

It will be interesting to see if the requirement to pay 'due regard' to international human rights treaties is used in future Welsh law and policy.

Human rights and equality issues for the Fifth Assembly

Other key equality and human rights issues likely to arise in the Fifth Assembly include:

- gender equality: including representation, pay gaps, economic participation and violence against women;
- poverty: with high levels of poverty in Wales, and certain groups of people far more likely to be poor, low income and the lifelong disadvantages it brings is fast becoming a human rights issue;
- physical punishment (smacking): the UN Committee on the Rights of the Child will soon make recommendations as a result of its examination of progress on children's rights in Wales. Smacking has been a recurring theme in its previous reports, and the debate is almost certain to arise again;
- hate crime: particularly the rise of Islamophobic and anti-Semitic hate crime; and
- the protection of people at risk of abuse: including asylum seekers, refugees, older people in care, disabled people and looked-after children.

Human rights are a key part of both the devolution settlement, and the UK constitution. The UK Government has **promised to replace** the *Human Rights Act 1998* with a British Bill of Rights and 'curtail the role of the European Court of Human Rights'. The proposals have been controversial and much delayed. Although there are 'no plans' for the UK to **leave the European Convention on Human Rights**, a Bill of Rights would have huge implications for Wales.

If new legislation is brought forward, its impact on human rights protections and how the new Welsh Government responds will likely determine whether Wales becomes more or less equal.

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Increasing housing supply

Whether a first time buy, a short term let or simply somewhere to call home, we all have different housing needs and aspirations. But is the Welsh Government doing enough to meet the nation's housing requirements?

Jonathan Baxter

Wales is not building enough homes. An inadequate supply of housing has a negative impact not just on an individual's welfare, but on a nation's economic wellbeing. That is why increasing housing supply should be a high priority for the new Welsh Government.

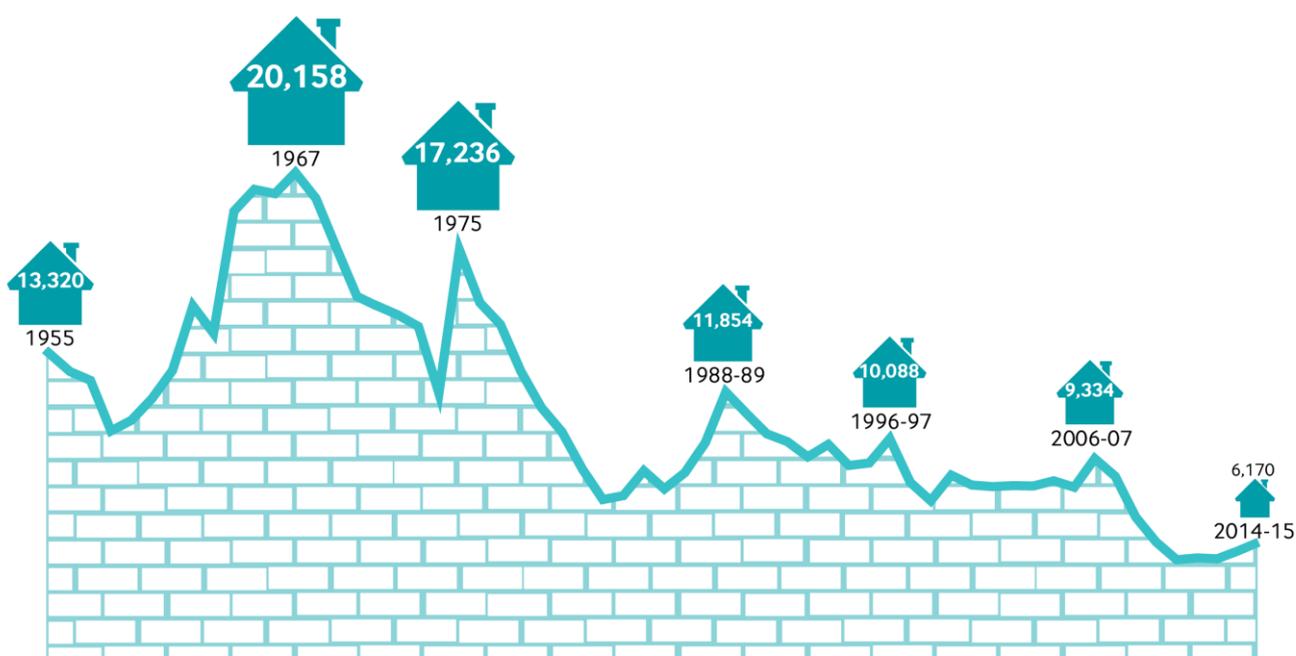
Recent research has found that there needs to be a return to rates of house building not seen for several decades to keep up with need and demand. Despite some evidence of increasing supply recently, there is an annual shortfall of up to 5,000 homes.

Those extra homes cannot be delivered by the private, public or third sectors acting in isolation, but rather by the combined efforts of the whole sector under the Welsh Government's strategic leadership.

How many homes do we need?

Recent research by the late Dr Alan Holmans – acknowledged as the UK's preeminent expert in projecting future housing need and demand – suggests that **Wales could need as many as 12,000 new homes each year**. This is largely due to an expected increase in the number of single person households. In 2014-15, just over 6,000 new homes were built in Wales. Fifty years ago, we were building around 20,000 homes a year.

New homes built in Wales 1955-2015



Who will build the new homes?

In 1955, over 70% of all new homes were built by the public sector. Sixty years later, that situation has reversed, with over 80% of new homes built by the private sector.

In 2015, the Welsh Government signed a **housing supply pact** with the Home Builders Federation to emphasise the importance of that partnership, including the role the private sector plays in delivering affordable housing. That followed a similar pact **signed with Community Housing Cymru**, which represents housing associations. Housing associations provided **89% of all new affordable housing in 2014-15**, the majority of which was supported by a Welsh Government grant. In 2016-17 it is estimated that 2,700 new affordable homes will be delivered by housing associations, local authorities and the private sector. That is about half the number required according to the Holmans research, although the 'social sector' definition he uses also includes privately rented properties where housing benefit is claimed to help pay the rent.

There is also a role for the private rented sector in generating investment in new-build properties. At 14% of the entire housing stock and growing, twice as many people rent from private landlords as from local authorities. This increase in the size of the sector has been described as the largest structural change in the housing market for two generations.

What are the barriers to homebuilding?

With median house prices in Wales in 2015 standing at over six times the median income (compared to around three times the median income in 1999), one of the main obstacles to home ownership and the supply of new homes has been the availability of mortgage finance. To address this, the last Welsh Government introduced the **Help to Buy Wales** scheme. It assists home ownership by allowing those with a smaller deposit to purchase a home while it also supports the construction industry. The scheme has helped around **3,000 households buy a home**. It was recently extended to 2021 with potential to help up to a further 6,000 households.

Affordable Housing

This includes social rented housing provided by both local authorities and housing associations, as well as intermediate housing. Intermediate housing means properties where prices or rents are above those of social rented housing but below market housing prices or rents.

Developers cite unnecessary bureaucracy in the planning system, additional costs imposed through building regulations, inadequate land supply and the method of providing affordable housing as part of new developments as development barriers. They also claim it makes Wales a less attractive place to invest development money. These factors can all affect viability and stop a development before it begins.

The way forward?

Historically, a **relatively small amount** of public funding has been allocated to housing in Wales. With capital grants in particular unlikely to increase substantially during the Fifth Assembly, there will need to be close co-operation with the housing association sector in particular as it looks for more innovative and sustainable ways to fund affordable housing.

Even with additional direct funding, no Welsh Government can meet the need for housing on its own. Through partnership working with stakeholders across the public, private and third sectors, the Welsh Government can provide a strategic lead and regulatory environment that encourages and facilitates development.

During the Fourth Assembly, the Welsh Government looks to have met its own target of delivering **10,000 additional affordable homes**. Will the Fifth Assembly see a more ambitious affordable housing target in line with the Holmans research and, for the first time, an overall target for homebuilding? Is it also time to develop a new **national housing strategy**?

To some extent, the Welsh Government's success will be assessed using crude statistics: homelessness, house building and home ownership. But we know housing impacts more widely, on health, educational attainment and poverty, while also bringing wider **economic and regeneration benefits**.

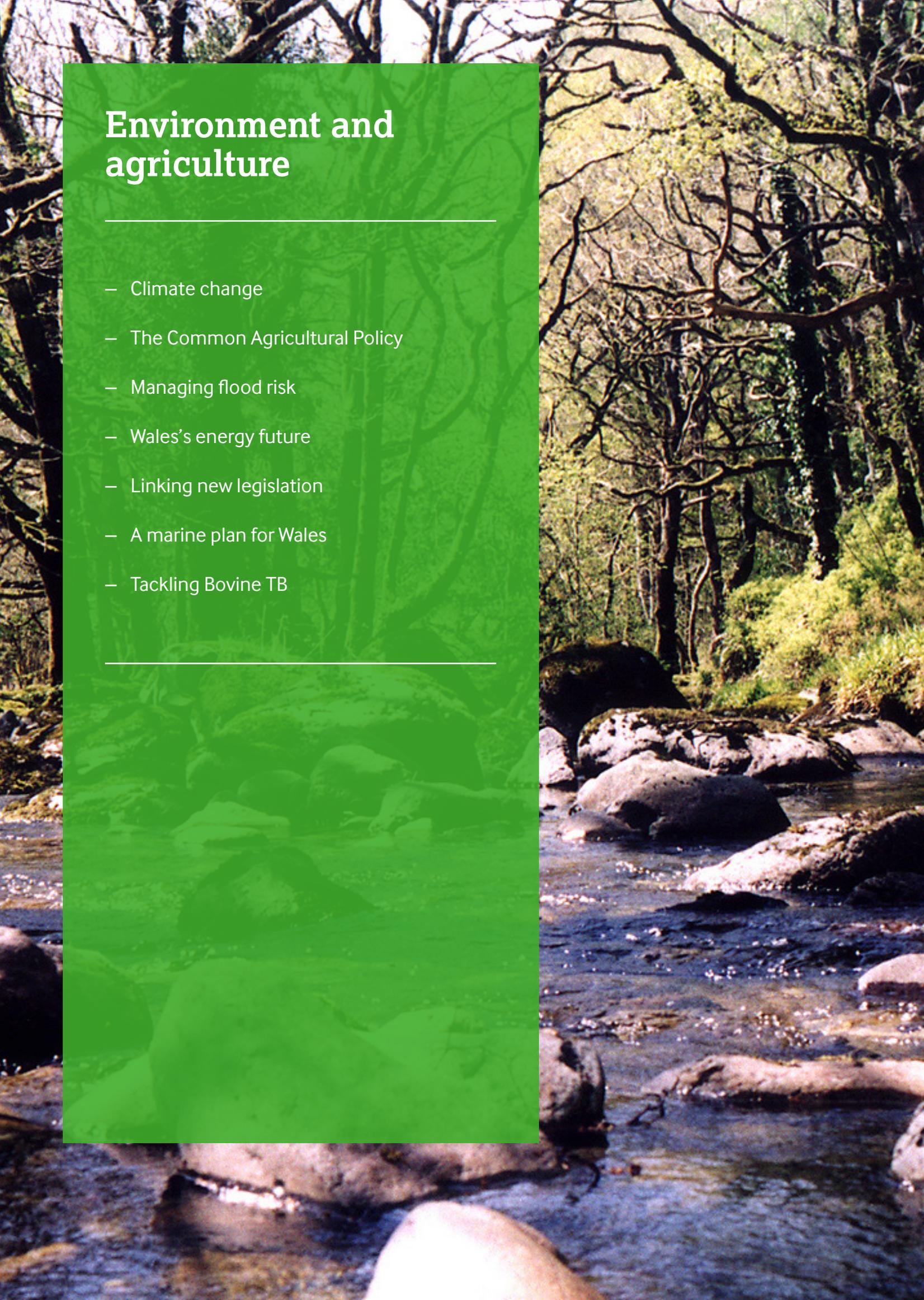
In reality, housing's sphere of influence goes far beyond bricks and mortar. The success of the next Welsh Government's housing policy should be judged in that context.

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Environment and agriculture

- Climate change
 - The Common Agricultural Policy
 - Managing flood risk
 - Wales's energy future
 - Linking new legislation
 - A marine plan for Wales
 - Tackling Bovine TB
-



Climate change

With leading scientists warning of the potentially catastrophic impacts of our changing climate, does Wales have the commitment, legislation and policy framework to act?

Chloe Corbyn

We know that climate change is happening. Global temperatures have been progressively rising for over a century, accelerating in recent decades, and are now the highest on record. The effects of climate change can be seen worldwide, including flooding and droughts, and they often disproportionately affect poorer countries.

The need for action

If urgent action is not taken to cut carbon emissions, climate experts such as the **Intergovernmental Panel on Climate Change (IPCC)** predict global temperature rises of more than 4C this century. The IPCC further suggests that there is over 95% certainty that human influence is the dominant factor in global warming since the mid-twentieth century.

Climate change and sustainable development are becoming increasingly interlinked. During 2015 and 2016, there have been landmark international agreements on sustainable development and climate change.

The United Nations Framework Convention on Climate Change (UNFCCC) held its 21st annual conference of the parties (COP) in Paris at the end of 2015. The key outcome of the conference was an **agreement between the 197 states parties** on limiting rising global temperatures. Using the temperature in pre-industrial times as a baseline, any change should be 'well below' 2C. The conference further agreed to 'endeavour to limit' the change even more to 1.5C. The **Paris Agreement** also set a long-term collective goal for near net-zero emissions in the second half of the century. Wales has an important role to play in helping the wider UK meet these targets.

The **United Nations Sustainable Development Goals**, agreed in 2015, set an ambitious and transformative agenda for sustainable development over the next 15 years. Of the 17 sustainable development goals, 13 directly involve taking action on climate change. In Wales, the **Environment (Wales) Act 2016** and the **Well-being of Future Generations (Wales) Act 2015** embed climate change action and sustainable development principles across government and the wider public sector. Through these Acts, Wales is committed to putting sustainability, environmental resilience and global responsibility at the heart of all decision making.

Wales's performance to date

The then Welsh Government published the **Climate Change Strategy for Wales** in 2010, setting out key climate change targets. These included a commitment to reduce greenhouse gases by 3% year-on-year from 2011 in devolved areas, and to achieve at least a 40% reduction in total greenhouse gas emissions by 2020. Progress against the 3% annual reduction target has been steady, with estimates for 2014 showing that emissions are likely to decrease further in comparison with those for 2013.

Progress against the target of a 40% reduction in total greenhouse gas emissions by 2020 has been less positive. Between 2012 and 2013, these emissions rose by 10%. This was primarily attributed to changes in industrial and energy processes, particularly the reopening of a blast furnace at the Port Talbot steel works and a shift from natural gas to coal use in power stations. The increase in Wales was significantly higher than the other parts of the UK.

The *Environment (Wales) Act 2016* defines the different types of Welsh emissions. To meet its 2020 target, emissions in Wales will need to reduce by a further 28% between 2014 and 2020. This requires significant further action, as well as steps to mitigate climate change risks and to deliver against the long-term commitment to reduce emissions by at least 80% by 2050, as set out in the *Environment (Wales) Act 2016*.

A new approach

The *Environment (Wales) Act 2016* marks a step change in Wales's approach to tackling and measuring climate change. Progressing from the annual (non-statutory) target of a 3% year-on-year reduction, the Act places new duties on the Welsh Government to ensure greenhouse gas emissions are reduced. It also introduces a new carbon budgeting method to measure progress towards reducing emissions, and restricts the total amount of greenhouse gases that can be emitted over a given period. Duties contained in the Act include:

- the Welsh Government must ensure that the net Welsh emissions for the year 2050 are at least 80% lower than the baseline (1990 or 1995), with the Welsh Government able to increase this target;
- by the end of 2018, the Welsh Government must set interim emissions targets for 2020, 2030 and 2040;
- for each five-year budgetary period the Welsh Government must set a maximum total amount for net Welsh emissions (a carbon budget); and
- the Welsh Government will be required to take into account international agreements to limit increases in global average temperatures.

The Act also states that the Welsh Government may establish an advisory body on climate change. This body can advise on interim targets, on carbon budgets and on any action needed to address shortfalls in achieving these targets and budgets. Combined with the reinforced commitment to sustainable development and environmental well-being set out in the *Well-being of Future Generations (Wales) Act 2015*, the new approach could allow Wales to lead the way in developing an innovative, visionary and holistic approach to tackling climate change and its impacts.

However, action and responsibility on climate change cannot be limited to ministerial portfolios on the environment; the whole government, businesses, the wider public and third sectors and citizens have a part to play.

There are further questions about how the *Well-being of Future Generations Act (Wales) 2015* will deliver carbon reduction at a local and national level. The Act requires public bodies to work to achieve all seven of its **well-being goals**, which may present challenges in marrying the economic, social, environmental and cultural well-being of Wales with delivering on climate change commitments. The new Welsh Government will also have to consider how to embed a consistent message and understanding of the action required across all its work.

Well-being of Future Generations (Wales) Act 2016: Well-being goals

A prosperous Wales

An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on **climate change**); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.

A resilient Wales

A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example **climate change**).

A healthier Wales

A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.

A more equal Wales

A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstances).

A Wales of cohesive communities

Attractive, viable, safe and well-connected communities.

A Wales of vibrant culture and thriving Welsh language

A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.

A globally responsible Wales

A globally responsible Wales. A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being and the capacity to adapt to change (for example **climate change**).

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The Common Agricultural Policy

Support provided by the Common Agricultural Policy is vital to many farm and rural businesses in Wales. How does it work and what changes may be on the horizon?

Nia Seaton

The **Common Agricultural Policy (CAP)** is the EU's farm support policy.

Farmers in Wales **will receive €322 million a year** in direct payment support by 2019 and the Welsh Government **will receive €355 million to support its Rural Development Programme** over the 2014-2020 period. In May 2009, the Welsh Government estimated that the CAP accounts for the **largest proportion of most farm businesses' profitability**. The future of the CAP, and how it is delivered in Wales, are therefore key concerns for the agriculture sector and rural stakeholders.

While the future of the CAP may be less directly relevant if the UK votes to leave the EU, discussions about how to support farmers and rural communities in Wales will continue to be important.

How does the CAP work?

The CAP provides direct income support to farmers, and rural development funding to communities and businesses across the EU. Originally conceived in 1962 to encourage food production in the post-war period, the policy has been subject to a series of significant reforms with the latest round concluding in 2014. Despite these changes the policy remains one of the most significant EU financial commitments, accounting for approximately **40% of the EU's budget**.

The CAP is made up of two separate strands commonly referred to as the two 'pillars' of the policy. Pillar 1 provides direct income support to farmers. This is done mainly through the Basic Payment Scheme. Under the scheme all eligible farmers receive an annual payment in return for complying with a number of basic agricultural and environmental conditions. Payments made under Pillar 1 are fully funded by the EU; each Member State is given an annual allocation which it distributes to farmers. In the UK this allocation is divided between the four constituent countries. The devolved administrations are responsible for delivering the policy in their own territories.

While governments have to comply with a number of EU-wide rules on how funding should be distributed, they also have some discretion to pay out the money in a way that fits their needs.

Pillar 2 provides EU funding to governments for rural development programmes. Governments are required to match the funding provided to them by the EU. These programmes cover a seven-year period and contain a variety of different funding schemes that support farm businesses, environmental improvements and rural communities. The current **Rural Development Programme for Wales** covers the 2014 to 2020 period and is focused on improving the competitiveness of Welsh agriculture, supporting the sustainable management of natural resources and supporting the economic development of rural communities.

What are key issues around the CAP 2014-2020?

Since its inception the CAP has been through a series of reforms aimed at making the policy increasingly market orientated, more conducive to free trade and more environmentally friendly. Each round of the policy tends to cover a seven-year period to match the EU's financial planning periods. The current round covers 2014-2020.

The **latest round of reforms** introduce a number of significant changes to the policy. These include:

- moving towards a system where farmers are paid on an area basis (eg how much farming land they own rather than how much they produced historically);
- a requirement for farmers to undertake a **number of 'greening' actions** in order to receive support (actions aimed at improving the environmental contribution of farms such as requiring farmers to include ecological focus areas on their farms);
- new support mechanisms for young farmers and new entrants to the industry; and
- a requirement for applicants to prove they are actively farming the land they own.

These changes have proved incredibly complex and difficult for governments to administer leading to delays in issuing payments to farmers. In some cases, they have led to legal challenges.

In Wales, the majority of farmers would traditionally expect to receive their full annual payment under the Basic Payment Scheme in December. For the 2015 payment round, however, farmers have received payments in two separate instalments and have been paid later than usual. As of 8 April 2016, only **75% of Welsh farmers** had received their full payment for 2015. Wales is not unique in this situation with a number of governments struggling to issue payments under the new rules.

The European Commission acknowledges the complexity of the current CAP rules and Phil Hogan, the Commissioner for Agriculture, has introduced **a number of changes to simplify the rules**. The Commissioner is expected to announce further simplification measures by the end of 2016. The new Welsh Government will need to consider these changes and decide how it applies them in Wales.

What next for the policy?

Although the current CAP has only been in place for a little over a year, stakeholders and policy-makers are already beginning to talk about the shape of the policy post-2020. The debates and negotiations on the last round of reforms took over three years to complete. If the next round of reforms follow a similar pattern, formal consultation documents and papers will begin appearing at the start of 2017. In truth, however, discussions over the CAP's future direction have already begun.

The **significant market volatility** and downward trends in prices experienced by EU farmers over the last two years have hastened these talks. In the last twelve months the European Commission has had to take unprecedented action on two separate occasions to **introduce emergency support packages** for key farming sectors.

In Wales, the wider market conditions and the experience of going through the latest round of reforms have led **stakeholders to call** on the Welsh Government and the Assembly to engage early in discussions to ensure that the CAP post-2020 delivers for Wales. If the UK votes to leave the EU, stakeholders are still likely to call on the Welsh Government and Assembly to hold early discussions about future support for farmers, and to ensure farm businesses are resilient to any future changes.

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Managing flood risk

Flooding is a constant threat for many communities across Wales. How will the new Welsh Government protect people and property from the damage caused by flooding and coastal erosion?

Elfyn Henderson

Managing flood and coastal erosion risk is an ongoing challenge. Climate change means that severe weather events are likely to become more frequent and less predictable, increasing the risk of flooding in many communities across Wales.

Policy approach

The Welsh Government is responsible for managing flood and coastal erosion risk and largely funds the flood and coastal activities carried out by risk management authorities. In Wales, these are primarily Natural Resources Wales (NRW) and local authorities.

The previous Welsh Government's **National Strategy for Flood and Coastal Erosion Risk Management** has four overarching objectives:

- reducing the consequences for individuals, communities, businesses and the environment from flooding and coastal erosion;
- raising awareness of, and engaging people on, flood and coastal erosion risk;
- providing an effective and sustained response to flood and coastal erosion events; and
- prioritising investment in the communities most at risk.

The strategy combines traditional approaches, such as drainage and defence, with a risk management approach.

A risk management approach means recognising that it is not possible to prevent all flooding and coastal erosion, but that a range of different approaches can be used to manage the impacts, often working with rather than against nature. For example, the strategy suggests making more use of areas such as wetlands or salt marshes and identifying areas suitable for inundation and water storage. It also suggests incorporating greater resilience into the design of building developments and greater use of **sustainable drainage systems**.

A risk management approach in coastal areas can also include policies of no active intervention or 'managed realignment' of the shoreline. Managed realignment means allowing the shoreline to move backwards or forwards naturally, but also managing the process to direct it in certain areas. Such policies can clearly be difficult for the communities and individuals affected. In October 2015 Carl Sargeant, the then Minister for Natural Resources, **told the Fourth Assembly that:**

Climate change will mean that some of our coastal communities ... will need our long term support in facing significant adaptation as the sea level rises and the associated risks to life and property become untenable.

The strategic approach to managing the Welsh shoreline is set out in the four **Shoreline Management Plans**, each covering a different part of Wales.

Coastal flooding review 2014

The **storms of December 2013 and January 2014** ravaged many parts of the Welsh coast and will live long in the memories of people living in the hardest hit communities. Over 300 homes were flooded and an estimated £8.1 million worth of damage was done to flood and coastal defences.

However NRW estimated that around 74,000 properties that had the potential to flood did not, meaning that fewer than 1% of the properties potentially at risk actually experienced flooding. NRW said this was due to the many years of previous investment in, and maintenance of, the coastal defences.

NRW carried out a major review of coastal defences following the storms. The review consisted of two phases – the **first assessed the impact of the flooding**, and the **second made 47 recommendations** aimed at improving Wales's resilience to coastal flooding in six areas:

- sustained investment in coastal risk management;
- improving information about coastal flood defence systems;
- greater clarity regarding the roles and responsibilities of agencies and authorities;
- assessing skills and capacity;
- more support to help communities become more resilient; and
- delivering locally-developed plans for coastal communities.

The then Minister stated that 42 of the 47 recommendations would be completed by the end of the financial year 2015-16 (the remaining five recommendations are ongoing activities without a specific deadline).

We will not know for sure how effective these changes have been until the next time a major weather event hits coastal defences around Wales.

Funding

During the Fourth Assembly, the previous Welsh Government invested some £245 million in managing flood and coastal erosion risk. However, flood risk management funding and NRW's operating budget have both been cut in recent years.

When questioned by the Fourth Assembly's Environment and Sustainability Committee in January 2016, the then Minister **acknowledged that the cuts would put NRW under pressure** and 'increase risk for communities on the basis that there's less money to go into the system'. He also suggested further budget cuts could bring NRW to the point where it would have to stop delivering certain functions. He said:

I think there will come a time when NRW are pressured and they are unable to continue with some of the duties that they currently do. I don't believe it's now.

NRW Chief Executive, Emyr Roberts, later **wrote to the Committee** confirming that flood and coastal risk management was an area where NRW has had to 'deliver efficiencies and make changes to ways of working'.

Coastal Risk Management Programme

In 2014 the Welsh Government announced a **new £150 million Coastal Risk Management Programme**, due to start in 2018. The programme will be delivered in partnership with local authorities and £3 million has already been allocated for preparatory work. In March 2016 the Welsh Government **indicated that the European Investment Bank** could be a potential source of funding for the programme.

The then Minister **said that while reducing risk to homes and businesses is the focus**, the programme also 'seeks out additional economic, environmental and wellbeing benefits'.

Little more is known about the detail of the programme at this stage, including confirmation of how it will be funded and the kind of projects it will support.

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Wales's energy future

The developed world is moving away from 'dirty' energy sources towards a more diverse energy mix. How will Wales respond to the challenge?

Chloe Corbyn

Limiting future climate change by radically reducing the amount of carbon released into the atmosphere is one of the greatest global challenges.

The energy supply sector is one of the biggest greenhouse gas emitters in Wales. If we are to meet international and domestic obligations on reducing emissions (see article on climate change), one way to move in the right direction is to relook at how energy is generated, supplied and transmitted. This is a key part of addressing the energy 'trilemma' of affordability, security and decarbonisation.

The Welsh context

The ***Environment (Wales) Act 2016*** commits Wales to reducing its greenhouse gas emissions by 80% by 2050. The **latest greenhouse gas inventory** for Wales showed that energy supply constituted 42% of total 2013 greenhouse gas emissions. The main sources of emissions were power stations (76%) and oil refineries (16%).

If Wales is to transition to a cleaner, greener, sustainable energy future, there is consensus that renewable energy must play a greater part in the energy mix. The forthcoming Wales Bill is likely to give the Welsh Government further consenting powers over energy projects. At a time when there are many large energy projects on the horizon, some of which are the subject of much debate, the Fifth Assembly could mark a turning point in the approach to energy developments in Wales.

A question of balance

The current energy model in Wales comprises renewable and non-renewable sources. Reliance on fossil fuels is unsustainable in the long term, and developing renewables for energy generation is necessary to meet **EU and UK Government targets** on greenhouse gas emissions and to ensure fuel security.

Wales is rich in natural resources, with geography and topography that lends itself to a wide range of renewable energy technologies. There are however differing views about the extent to which larger inward investment energy projects will be needed in future, or if diffused local projects, together with energy efficiency measures, will enable Wales to meet most of its energy needs.

The new Welsh Government will need to clarify how it will balance support for large-scale projects such as new nuclear developments, tidal lagoons, wind farms, grid enhancements and interconnectors, against more funding and support for local and community-led schemes such as micro hydro, biomass, solar and wind projects.

The legislative framework

Achieving the right future energy mix in Wales will be key to meeting the climate change commitments set out in the *Environment (Wales) Act 2016* and to fulfilling the sustainable development ambitions of the ***Well-being of Future Generations (Wales) Act 2015***.

The **Planning (Wales) Act 2015** makes an important change by introducing a new category of planning permission for Developments of National Significance (DNS). The Welsh Government will in future directly decide on DNS applications for energy generation projects of between 10MW and 50MW. For onshore wind farms there is no upper MW limit due to recent legislative changes made in England. The forthcoming Wales Bill is expected to give the Welsh Government powers to make decisions on all other large onshore and offshore energy projects up to 350MW, currently decided by the UK Government.

Previous Welsh Government action

The last Welsh Government set out its vision for energy in **Energy Wales: A low carbon transition** in 2012. In 2015 it issued **Green Growth Wales: Local Energy** outlining its approach to local energy. More recently, Carl Sargeant, the then Minister for Natural Resources, launched the **Local energy service**. The service aims to provide SMEs and social enterprises with technical and financial support to develop renewable energy projects.

Delivering energy transformation

The Fourth Assembly's Environment and Sustainability Committee conducted two large-scale inquiries into energy. The first, **Energy Policy and Planning in Wales**, considered how devolution arrangements for energy policy and planning affect the Welsh Government's desired future 'energy mix'. The Committee concluded that the energy sector is vitally important to Wales, and there is huge potential for developing renewables here.

The second, **A Smarter Energy Future for Wales?** built on this work. Its recommendations for the new Welsh Government included that:

- the Welsh Government must demonstrate leadership, and policy should direct Wales towards meeting its domestic energy needs from renewable sources;
- conserving energy, reducing demand and building regulations should be fundamental to change;
- Wales should exploit opportunities to design innovative smarter places that integrate transport, energy and communications infrastructure, improve well-being and reduce carbon emissions;
- retrofitting energy efficiency measures into existing housing stock has a crucial part to play, and Welsh Government schemes such as Nest and Arbed will be key to improvements;
- a not-for-profit **Energy Supply Company (ESCO)** for Wales should be established; and
- planning policy and decision-making should be aligned with any vision for future energy policy. National and local planning policy need to encourage reductions in carbon emissions.

The Committee's view was that everyone in Wales shares responsibility for the transition to a smarter energy future. It highlighted that the legislative framework to make progress on reducing carbon emissions, encouraging local energy supply and increasing renewables supply is already in place. The Committee argued that within this conducive policy and legislative framework, and with impetus at all levels of government and across all sectors, Wales must 'seize opportunities to transform its approach to energy now'.

Key sources

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Linking new legislation

How will the Well-being of Future Generations Act, the Planning Act and the Environment Act work together?

Nia Seaton, Chloe Corbyn and Elfyn Henderson

The Fourth Assembly passed three seminal pieces of interlinking legislation: the ***Well-Being of Future Generations (Wales) Act 2015***, the ***Planning (Wales) Act 2015*** and the ***Environment (Wales) Act 2016***. All three place a range of new planning, reporting and policy development duties on the Welsh Government and public bodies. Coordinating these different duties will be a key issue for the new Welsh Government and the Fifth Assembly.

The purpose of the Acts

The *Well-being of Future Generations (Wales) Act 2015* aims to improve the social, economic and cultural well-being of Wales by placing a duty on public bodies to think and act in a more sustainable and long-term way. The Act puts in place seven well-being goals that public bodies must work to achieve and consider when making decisions.

The *Planning (Wales) Act 2015* provides a new framework for preparing development plans, including a new National Development Framework. It also aims to streamline planning processes by allowing the Welsh Government to decide on certain planning applications, and introduces a statutory pre-application consultation process for significant applications. The Act also modernises the planning enforcement system.

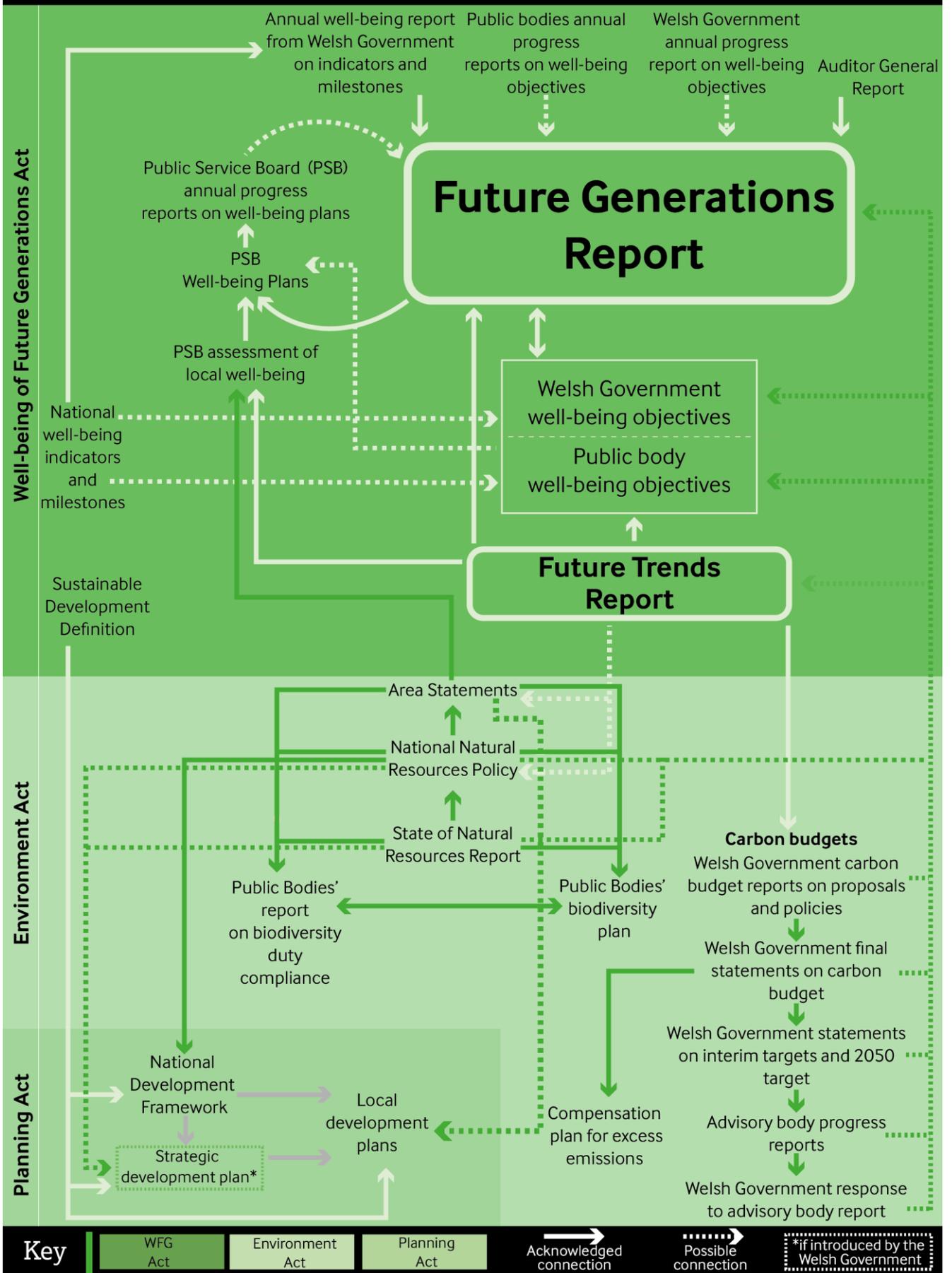
The *Environment (Wales) Act 2016* enshrines in law principles and policies for managing natural resources in a sustainable way. It introduces a new biodiversity and ecosystems duty, statutory carbon emission targets and budgets, and a new marine licensing system. It also contains powers over fisheries and waste and extends the Welsh Government's powers over carrier bag charges.

The importance of coordination

The Fourth Assembly's **Environment and Sustainability Committee's legacy report** highlighted that stakeholders remain 'unclear about the interrelationship between the three new laws and how they will be delivered on the ground'. The Committee stated that the Acts must be delivered in a coherent and coordinated way to be successful.

The infographic sets out the different reporting, planning and policy development duties placed on the Welsh Government and public bodies by the three Acts. It attempts to demonstrate two things. Firstly, the links included within the legislation and secondly, the links that stakeholders have suggested should be made between the different policies and reports. Solid arrows denote definite links in the legislation; potential links suggested by stakeholders are shown as dotted lines.

Links between the Future Generations Act, Planning Act and Environment Act



A marine plan for Wales

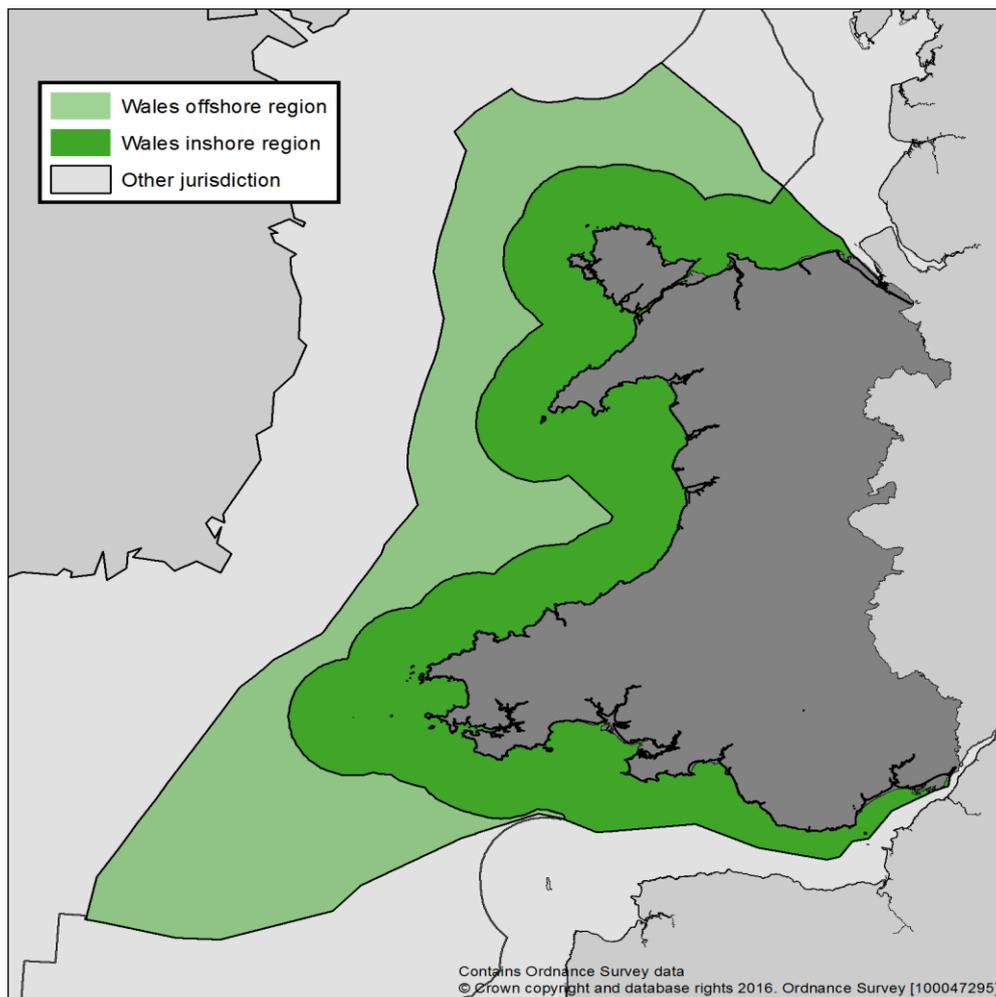
The Welsh Government has had powers to develop a marine plan since 2009, but a plan has yet to be finalised. Seven years on, will a marine plan be adopted in the Fifth Assembly?

Nia Seaton

Welsh territorial seas cover **some 32,000 square km** making Wales's marine area much bigger than its territorial landmass. Welsh seas are important both for their environmental and economic benefits. They contain **129 marine nature conservation sites** designated for their national and international importance, and host a range of economically important activities such as fishing, shipping, tourism and renewable energy.

For a number of years, stakeholders have been calling on successive Welsh Governments to develop a more strategic approach to the marine environment, to manage the competing demands and pressures placed on it. The Welsh Government was given powers to develop a marine plan for Wales under the **Marine and Coastal Access Act 2009**, however a plan has not yet been adopted.

Map of Welsh territorial seas



What is marine planning and why does it matter?

The *Marine and Coastal Access Act 2009* is a landmark Act that gives administrations across the UK the legal tools necessary to adopt marine spatial plans for their territorial seas. The Act aims to encourage a more strategic approach to protecting and developing the marine environment. This could protect the UK's important marine conservation areas while also harnessing the economic potential sustainably.

The purpose of a marine plan is to set out on a spatial basis the strategic objectives a government has for its seas and where and how it will manage competing demands for marine resources. For example, a plan can set out which areas of the sea will be protected for nature conservation, which areas will be protected for the fishing sector and which areas will be used for marine renewable energy. Stakeholders from all sectors argue that such plans provide greater certainty and enable them to collaborate more effectively.

What is the situation in Wales?

Under the 2009 Act the Welsh Government has responsibility for developing plans for both the Welsh inshore (0-12 nautical miles) and offshore (12 nautical miles to the boundary with Ireland) areas.

Work to **develop a marine plan for Wales** began in 2011 when the then Welsh Government consulted on its proposed approach to marine planning. The initial aim was to have a first iteration of the plan in place by the end of 2012 or beginning of 2013.

The previous Welsh Government published **an initial draft of a plan** in November 2015. This was open for informal consultation and comments until the end of January 2016. The Welsh Government outlined its intention to formally consult on a draft plan later in 2016 with the aim of having a final plan in place by the end of 2016 or beginning of 2017.

Two separate Fourth Assembly Committees, **the Environment and Sustainability Committee** and the **Enterprise and Business Committee** called on the Welsh Government to afford greater priority to developing a marine plan. Both saw such a plan as the best way of ensuring that Wales protects its natural environment but also makes the most of the potential of its maritime economy.

The Environment and Sustainability Committee's **initial report on the issue** in 2013 noted that marine stakeholders felt that the previous Welsh Government often had an 'and marine' mentality with the marine environment and economy treated as an afterthought. The Committee's **legacy report** in 2016 noted stakeholders' concerns that four years on this mentality still persists.

Given the importance of the plan's contents, the Environment and Sustainability Committee's **legacy report** suggested that Members of the Fifth Assembly may want to scrutinise both progress towards adopting a plan and how the plan is then implemented.

Key sources

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Tackling Bovine TB

Rapid action to tackle Bovine TB is a top priority for many farm businesses. What early policy decisions will face the new Welsh Government?

Nia Seaton

Due to its significant impact on animal welfare, farmer welfare and farm business viability, tackling Bovine TB (bovine tuberculosis) is a priority for the agriculture industry in Wales. In 2011, the UK Government's Department for Environment and Rural Affairs (Defra) **estimated the cost of Bovine TB breakdown** to be £30,000 per herd.

The **latest statistics** for Wales show that 8,103 cattle were slaughtered in 2015 as a result of the disease and 837 cattle herds suffered from a new breakdown of the disease. While these figures have decreased since their peak in 2009, the numbers are still significantly higher than they were 20 years ago. Previous Welsh Governments have adopted a range of policies aimed at eradicating the disease and the new Welsh Government will need to make an early decision about the future direction of its policy in this area.

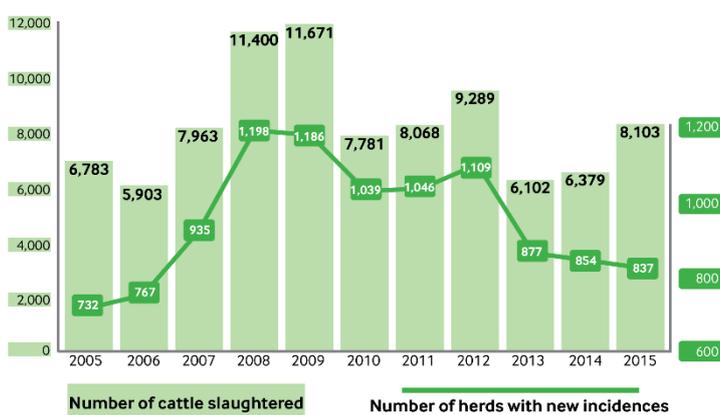
What is Bovine TB?

Bovine TB is an infectious and chronic disease caused by *Mycobacterium bovis* (*M. bovis*) and usually affects the lungs and lymph nodes of cattle. In most cases infected cattle are able to transmit the disease before they show signs of being unwell, which may be many months after they are infected. Controlling TB therefore depends on detecting and eliminating infected cattle as early as possible. While cattle and badgers are the principle hosts of the disease in the UK, camelids, deer, goats and domestic animals are also susceptible.

How prevalent is Bovine TB in Wales?

The graph shows the changes in the number of new incidences in herds of Bovine TB in Wales over the last ten years, as well as the number of cattle slaughtered over the same period. There was a peak in new herd incidences in 2008-9 with a general downward trend since then. The number of cattle slaughtered has also declined since 2009, but the latest figures for 2015 show an increase in the number slaughtered since 2014.

Bovine TB in Wales: new incidences in herds and number of cattle slaughtered 2005 - 2015



What policies and strategies did the previous Welsh Governments adopt?

The previous Welsh Government had a **Bovine TB Eradication Programme** that was made up of a number of different elements. These included: annual testing of cattle herds; a wide range of cattle control measures such as pre-movement testing; movement restrictions on infected herds; slaughtering infected animals; and piloting badger vaccination in some areas. Two of the key

principles underlining the programme were keeping the disease out of clean farms and identifying infection early.

As part of this programme the Welsh Government established an **Intensive Action Area**, a 288sq km area located mainly in northern Pembrokeshire, to test different approaches to tackling the disease. These included tighter cattle control measures and a five-year badger vaccination pilot project. The pilot project was due to enter its fifth year in spring 2016 but problems with the global supply of the vaccine used to inoculate badgers meant that **in December 2015 the Welsh Government announced** the pilot would be suspended a year early.

The Welsh Government **commissioned modelling work** to look at the impact of halting the pilot. The modelling work indicated that stopping the project a year early will not have a detrimental effect on its outcomes. However, continued uncertainty over the future supply of the vaccine means that badger vaccination in the short term is unlikely to be a viable policy option.

In 2011 the Welsh Government passed ***The Badger (Control Order) (Wales) 2011***. This order gave the Welsh Government powers to undertake, if it wished, a badger cull within the Intensive Action Area. However, this order was subsequently **revoked in 2012** by John Griffiths, the then Minister for Environment and Sustainable Development, following his decision to pursue a badger vaccination policy instead. If the Welsh Government wished in future to pursue a cull in the Intensive Action Area or in other parts of Wales, it would need to secure support for a new order through the Assembly.

The use of a badger cull to remove the disease in wildlife has been piloted in other parts of the UK but has proved hugely divisive with proponents and opponents of the policy putting forward competing scientific evidence and results.

There has been some work to monitor the impacts of the eradication policies in the Intensive Action Area. A **report on the differences** in Bovine TB breakdowns between the Intensive Action Area and other parts of Wales between 2010 and 2015 concluded that consistent trends in Bovine TB indicators have yet to be seen, but that more time is needed before any 'meaningful differences' in trends between the herds in the Intensive Action Area and Control Area can be identified. *The UK administrations have also funded research into developing cattle vaccines and more sensitive diagnostic tests for the disease in cattle.*

What happens next?

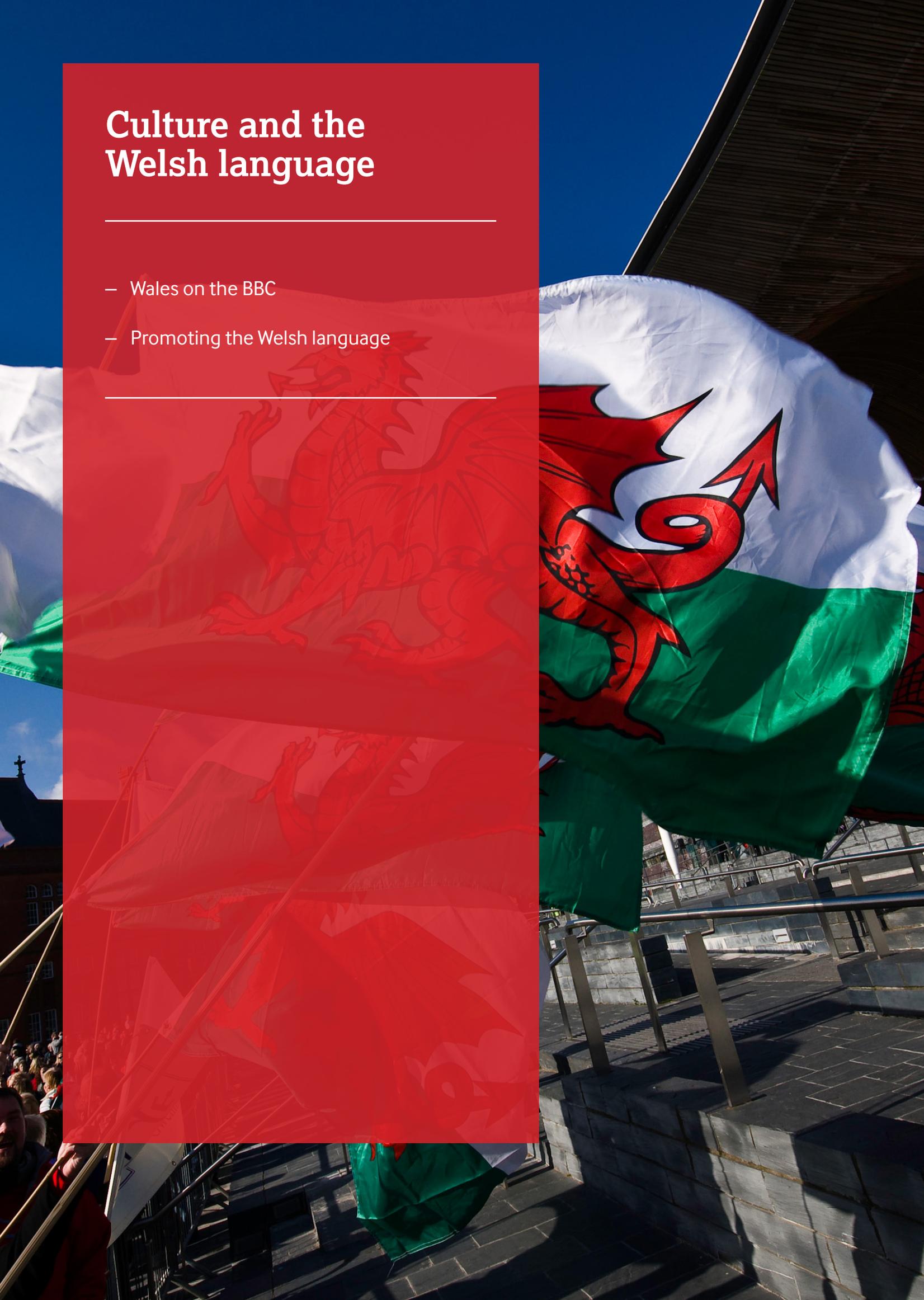
Decisions about the future direction of this policy will be a key priority for the next five years. The Fourth Assembly's Environment and Sustainability Committee drew attention to the issue in its **legacy report** as one of the most important issues facing agriculture. It will be for the new Welsh Government to decide whether it continues with the current eradication programme or adopts a different approach.

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- Welsh Government, **Bovine TB Eradication Programme** (website)
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Culture and the Welsh language

- Wales on the BBC
 - Promoting the Welsh language
-



Wales on the BBC

Despite many recent Welsh successes in the television and film industry, Wales remains under-represented in BBC productions. Why does this matter and what can be done about it?

Robin Wilkinson

In many respects, the television industry in Wales is going from strength to strength. Between 2005 and 2014 the industry's turnover increased by 17.5%, and the number of people employed in the creative industries in Wales grew by 52.5% to 47,000 over the same period. A flurry of recent activity in the Welsh TV and film industry has spurred the development of new studios, such as Pinewood in Wentloog and the BBC's Roath Lock facility in Cardiff Bay.

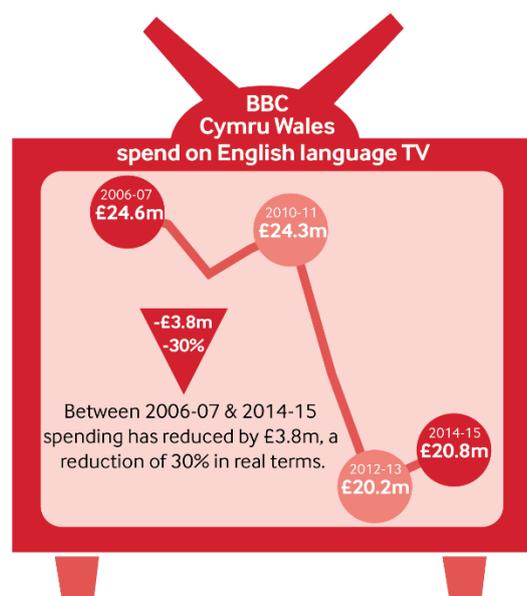
Growth in BBC network spend in Wales

The BBC has been an important part of this growth. Back in 2006 the BBC set itself the target of investing 17% of its overall network spend in the devolved nations, broadly in line with their combined population size. In 2014-15 Wales secured 7.8% – or £59.1 million – of UK BBC network television spend, greater than its 4.9% population share.

In 2014 BBC Cymru Wales Director **Rhodri Talfan Davies** heralded the fact that the BBC's two biggest global exports – Doctor Who and Sherlock – are now made in Wales. This is no doubt great news for the many people these productions employ, not to mention the wider impact they have on the Welsh economy, but what do they tell us about Wales?

Welsh portrayal on the BBC: the scale of the problem

Between 2006-7 and 2014-15 BBC Cymru Wales spend on English language TV output for Welsh audiences has reduced from £24.6 million to £20.8 million: a reduction of about 30% in real terms.



This funding reduction has led to a situation where many stakeholders in Wales are concerned about the lack of distinctly Welsh portrayal on BBC programming. Although the increased BBC network spend in Wales has been widely welcomed, the vast majority of these programmes – such as Sherlock, which though filmed in Cardiff is set largely in London – have no specific Welsh aspect.

Does this matter? Witnesses in the Fourth Assembly's Communities, Equality and Local Government Committee **inquiry into the BBC Charter Review** (2015-16) certainly thought so. Green Bay Media's Dr John Geraint stated that English-language television in Wales has been 'eroded to such an extent that it no longer represents the rounded life of the nation'.

The BBC's role in the Welsh media landscape is enhanced by the lack of a strong commercial sector capable of compensating for any shortage in BBC activity. For example, **Ofcom has noted** that the 'absence of a strong indigenous print media [in Wales] is in stark contrast to Scotland and Northern

Ireland'. This Welsh media deficit has fuelled a situation where, as **recent research shows**, people in Wales are often poorly informed about how devolved politics affects their daily lives.

The Director General of the BBC, Lord Hall, **acknowledged the problem** at a reception in the Assembly back in 2014. He admitted that 'English language programming from and for Wales has been in decline for almost a decade'. While recognising ITV Wales's role in this, he acknowledged that the BBC's output in respect of Wales had been 'eroded'.

There is a broad consensus about the nature of the problem – from the previous Welsh Government to stakeholders such as the Institute of Welsh Affairs and to the Director General of the BBC himself. But what can be done about it?

Solving the problem

The First Minister **called for an extra £30 million a year** for the BBC in Wales, claiming that without this funding, 'Welsh audiences risk being dealt the worst deal of any nation in the UK'. The Institute of Welsh Affairs endorsed this call in its **Media Audit in 2015**. Rhodri Talfan Davies has indicated that the BBC management is receptive to these requests for extra funding, though how this receptiveness converts to extra money remains to be seen.

Funding of BBC Cymru Wales is one side of the coin: what about the £59.1 million of network spend that the BBC invests in Wales each year? Witnesses to the Communities, Equality and Local Government Committee inquiry noted that, despite an increasing number of network productions being made in Wales, the big commissioning decisions continue to be made in London. The result of this, the Committee heard, is that an implicit London-centric bias prevents BBC executives commissioning network programmes that deal with and reflect distinctly Welsh issues.

The Committee suggested improvements in two key areas to address this problem. First of all, it felt that the BBC should decentralise its commissioning arrangements so that more big decisions are made in Wales. Secondly, it felt that the BBC should set itself targets for Welsh portrayal in its network productions, and report on these annually.

The challenge in Wales

The next step in the BBC Charter renewal process is the publication by the UK Government of its white paper, currently anticipated after June 2016. This will outline how the BBC aims to operate in respect of Wales in the forthcoming charter period.

The BBC is anticipating a 10% real-terms budget cut between 2017-18 and 2021-22, and calls for extra funding are also being made by other nations and regions in the UK. The challenge for politicians here is to articulate a unique argument as to why the need for more money is most acute in Wales.

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- Institute of Welsh Affairs, **IWA Wales media audit 2015** (2015)
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Promoting the Welsh language

The Welsh Government has a statutory duty to promote the Welsh language. But is the current approach working?

Rhys Iorwerth

At the beginning of the Fourth Assembly, the last Welsh Government committed to strengthen the Welsh language's place in our everyday lives. The 2011 Census results were an early blow to that goal, and mean that critics continue to question whether efforts to support the language are having the desired effect.

The strategy

In 2012, the Welsh Government published **A living language: a language for living**. This was a five-year strategy to promote the Welsh language in various settings. Under pressure as a result of the Census figures, the First Minister announced a **new set of priorities** in 2014. These were for the following three-year period, and focused on getting people to use the Welsh language more often in their daily lives and communities.

To deliver this plan, the Welsh Government reprioritised how it spent money in this area. It significantly reduced the budgets for programmes such as Welsh for adult learners, while investing in new **Welsh language and learning centres**, in the **Mentrau Iaith**, and in projects to support businesses to use Welsh.

Some welcomed these steps, but others were concerned that the Welsh Government had not been clear enough about the evidence it had used to change focus, or the specific outcomes it expected these new commitments to achieve.

Cymdeithas yr Iaith Gymraeg (the Welsh Language Society) went as far as to **accuse the last Welsh Government** of a 'hugely worrying' lack of urgency to act on the back of the Census figures, and a 'staggering' lack of progress in 'all areas of policy associated with the Welsh language'. Dyfodol i'r Iaith (Future for the Language) called for **establishing an arms-length body** to undertake promotional work, claiming such an agency could find more creative and experimental solutions than civil servants.

Assessing the success of the last five-year strategy, and developing a successor for the period after 2017, will therefore be key tasks for the new Welsh Government.

The budget

Central to any language strategy is the money available to deliver it. Despite reprioritising spending, the last Welsh Government consistently cut overall funding for the Welsh language in its annual budgets.

The 2011 Census

The 2011 Census figures showed that the percentage of people in Wales who were able to speak Welsh had fallen from 20.8% in 2001 to 19% in 2011.

The actual number of Welsh speakers also fell – from 582,000 in 2001 to 562,000 in 2011.

Worryingly for language campaigners, the greatest decreases were in the traditional Welsh-speaking heartlands.

This approach drew particular criticism when the Assembly **scrutinised the Welsh Government's 2016-17 draft budget**. As the total budget had increased in cash terms, campaign groups heavily condemned the 5.9% reduction in funding to promote Welsh (which left the overall pot at £25.6 million).

The First Minister maintained that he wanted to provide a strong foundation for the language, and pointed out that funding alone did not guarantee that it thrived.

Critics, however, claimed that the reductions were inconsistent with the Welsh Government's policy aims, that they would have a far-reaching and damaging effect on promotional work, and that they betrayed a lack of long-term strategic planning.

The legislation

Another element in the framework that supports the language is the statutory system of Welsh language standards that is currently being rolled out.

The standards are one of the **Welsh Language (Wales) Measure 2011**'s key components. They will gradually apply to various public bodies and are supposed to give people greater clarity about their linguistic rights and which Welsh language services they can expect to receive from different organisations.

The Welsh Government is responsible for creating the standards, and the Welsh Language Commissioner is tasked with ensuring compliance. However, both parties seem unhappy with how the 2011 Measure works in this respect.

The Commissioner has said publicly that it is time to 'strengthen and streamline' the processes set out in the legislation, while the First Minister has acknowledged that, after the Assembly elections in 2016, 'there'll be a need to revisit the Measure, to see what can be done to make it work more effectively'. Whether the new Welsh Government pursues this or not remains to be seen.

The education system

The education system has long been a major part of attempts to strengthen the Welsh language, with the then Welsh Government launching a **Welsh-medium Education Strategy** in 2010 to try and improve planning in this area for all ages.

The strategy set five-year targets but several of these have been missed. A **March 2016 evaluation of the strategy** further concluded that its vision had not been 'embedded consistently across all delivery partners'.

The 2013-15 survey

The 2013-15 Welsh Language Use Survey gave some positive news for the Welsh language.

Compared to a similar survey undertaken between 2004 and 2006, it showed that 131,000 more people throughout Wales now said they could speak some Welsh. There had been notable increases in areas such as Cardiff and Rhondda Cynon Taf.

However, areas with the highest concentration of Welsh speakers (Gwynedd, Anglesey, Ceredigion and Carmarthenshire) saw the greatest reductions in the number of fluent speakers.

Young people were also more likely to speak Welsh at school than with their friends or at home.

As part of the strategy, local authorities must adopt what are called Welsh in Education Strategic Plans. A **December 2015 report** by the Fourth Assembly's Children, Young People and Education Committee said that these plans had not realised their potential, and that there was an urgent need for a better working relationship between the Welsh Government and local authorities in this area.

The next steps

By the time the people of Wales fill in their next Census forms in 2021, the Fifth Assembly will be drawing to a close. This will be the next big opportunity to get comparable data on the health of the Welsh language. What the new Welsh Government does between now and then – in all of the areas above – will be critical.

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