

Assembly Bwletin Cynulliad



July 2012

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Assembly Bwletin Cynulliad is a joint initiative between Grayling and the Institute of Welsh Affairs. Every month we aim to bring you the ABC of Welsh politics. For information on ABC, please contact: bobbie.davies@grayling.com or kirstydavies@iwa.org.uk

Infrastructure Announcements

The final week of the Assembly session before summer recess witnessed two major announcements on infrastructure investment in Wales. The UK Government confirmed that the Great Western mainline is to be electrified as far as Swansea. The news comes after a cross-party attempt by local politicians and businesses to present a viable business case for the project. Announcing the extension, Secretary of State for Wales Cheryl Gillan MP said that the investment will ensure that Wales is "open for business", while First Minister Carwyn Jones AM stated that the plans "will provide a strengthened east-west economic corridor that will enhance Swansea's role as an economic hub". The improvements will cut twenty minutes off the journey between London Paddington and Swansea and will allow for new, longer trains to be used on the line, powered by overhead cables which will also result in environmental advantages. The work, to be carried out by Network Rail is due to be completed in 2019 with a total investment of around £500m.

In a further announcement on investment in infrastructure, BT has signed a deal with the Welsh Government to provide super-fast fibre-optic broadband to 96% of Welsh homes by 2015, with a total investment of £425m. The investment will bring broadband speeds for Wales to around fifteen times faster than those available at present. This was hailed by Wales Office Minister, David Jones MP, who added "by having access to ultrafast broadband, businesses can expand, develop new markets, create the jobs we need and compete with others around the world".

Funding for the project will be provided by BT, the Welsh and UK Governments, and the European Union.

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Plaid removes whip from former leader



Dafydd Elis-Thomas AM

In a controversial move, Plaid Cymru temporarily withdrew the whip from its former leader, Dafydd Elis-Thomas this month. The AM for Dwyfor Meirionnydd said he had a "valid reason" for not attending the vote of no-confidence in Health Minister Lesley Griffiths AM, which followed opposition accusations of interference by her department in the preparation of a report on the future of the NHS.

Before the vote, Lord Elis-Thomas said that on the basis of what he had seen, he could see "no reason to pursue this vote of confidence". When the vote took place, Lord Elis-Thomas was presiding over a Graduation ceremony at Bangor University, where he is Chancellor. However, a spokesperson for the party revealed that this was not a satisfactory reason for his absence. Asked if he would welcome Lord Elis-Thomas into the Labour group, First Minister Carwyn Jones AM responded by stating that "we would welcome anybody who shares our values. Dafydd Elis-Thomas is strongly committed to devolution and I believe he has the interests of Wales at heart". Although Lord Elis-Thomas has admitted he has considered joining the Labour Party, he has since said he has no plans to cross the floor.

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Griffiths survives vote of no confidence

An independent report commissioned by the NHS Confederation to consider the case for reforming hospital services has led to a turbulent end-of-term for Assembly Members. The report, written by Professor Marcus Longley of Glamorgan University's Welsh Institute for Health and Social Care, suggested the best ways to organise hospital services, and had been used by the Welsh Government for future health policy planning. After a string of email exchanges were made public following a freedom of information request, the report was called into question.

After e-mail correspondence showed Professor Longley requesting 'killer facts' for his report from the Welsh Government, opposition parties sought clarification from Minister for Health and Social Services, Lesley Griffiths AM, with Welsh Conservative AM Darren Millar suggesting that the emails "show that senior Welsh Government officials, the Welsh NHS Confederation and Professor Longley connived together to produce a report with a pre-determined conclusion to pre-empt the unpopular reorganisation of health services across the country." The Welsh Conservatives, along with Plaid Cymru and Welsh Liberal Democrats, subsequently tabled a joint motion of no confidence in Lesley Griffiths AM.

During the motion of no confidence debate, Plaid Cymru's Elin Jones AM claimed that it was "completely obvious now that there was collaboration between the Government, the health boards and Marcus Longley on the case for change" and Welsh Liberal Democrat Leader Kirsty Williams AM agreed that "the Government had involvement at every step of the way." In defence of his Health Minister, First Minister Carwyn Jones AM fervently supported Lesley Griffiths AM, claiming that "the reality is this - the NHS - is our creation. It's safe with this government and it's safe with Lesley Griffiths." Professor Longley had also cemented his position, by stating in an earlier Committee that report was an "entirely independent piece of work carried out by myself in partnership with NHS Confederation Wales".



With the balance of power in the Siambwr split evenly, the attempt to undermine Ms Griffiths was always likely to fail unless there was an unlikely rebellion by Welsh Labour Assembly Members against their own Minister. Lesley Griffiths AM survived the vote of no confidence, which was defeated 29 votes to 28. Former Assembly Presiding Officer and ex-Plaid Cymru MP, Lord Dafydd Elis-Thomas, was absent from the Senedd for the vote, for which he was reprimanded by party leader Leanne Wood AM.

South Wales universities set to merge

Minister for Education and Skills Leighton Andrews AM, has continued with his calls for the creation of a new 'metropolitan' higher education institution in South Wales, after the announcement that the University of Glamorgan and Newport University have agreed to merge, with the latter being officially dissolved. Commenting on the voluntary merger, Andrew Wilkinson, chair of the board of governors at the University of Wales, Newport said that the new body will allow both institutions to build on their strengths to "develop a new, entrepreneurial model of higher education across South Wales."

The University merger plans come after a HEFCW blueprint for the future of Higher Education in Wales was published last year. HEFCW has recommended that a merger will ensure that the sector will remain strong and sustainable through the changing future conditions for students and research funding.

Cardiff Metropolitan University, at present the largest of the three universities in South East Wales that have long been considered candidates for a merger, have maintained their intention to remain independent despite the Education Minister claiming the university remains integral to his plans for a merger. With the Minister having the power to dissolve post-1992 higher education institutions, announcing a consultation on the matter as soon as possible, this remains a real possibility for Cardiff Metropolitan, especially in light of the recent report by Professor Steve Smith suggesting that the universities in South East Wales are too small to survive independently. However, Cardiff Metropolitan has mooted the idea of privatisation, building on its business and international links.

Shadow Education Minister Angela Burns AM questioned the independence of the HEFCW report, adding that "instead of imposing a diktat carving up reputable HE institutions from his Cathay's Park ivory tower, the Minister should focus on raising standards so other Welsh universities can join the likes of Cardiff Metropolitan University in the higher ranks of UK league tables". Whilst supporting a voluntary merger in principle, Plaid Cymru remain opposed to a forced arrangement, with education spokesperson Simon Thomas AM commenting, "so far, there has been no business case for merger. The Minister needs to bring detailed, costed plans before the Assembly before we can consider our support for this matter". Welsh Liberal Democrat Spokesperson Aled Roberts AM also joined in criticism of the Minister, adding that "little information was forthcoming on the costs associated with the merger, and there are obviously questions regarding pensions, potential campus closures and the prospect of redundancies."



Wales breaks £10,000 spending per head barrier

Eurfyl ap Gwilym, Plaid Cymru's economic advisor, unpicks some Welsh statistics in the Treasury's latest annual report

Welsh identifiable public spending per head broke the £10,000 barrier for the first time in 2010-11. According to the Treasury's just published annual Statistical Analysis 2012, we each spent £10,017 last year. At the same time the Welsh population passed the three million mark, at 3.06 million in mid-2010.

Identifiable public expenditure takes place in a country or region of the UK for the direct benefit of that geographical area and accounts for approximately 86 per cent of total public expenditure. Some of this expenditure, such as health and education, is devolved to the Welsh Government and to local authorities while other identifiable expenditure such as social protection is paid directly by the UK Government to recipients in Wales: in other words it is not devolved.

The balance of public spending is non-identifiable expenditure, judged as being for the benefit of the UK as a whole no matter where it is incurred and is not analysed geographically. Examples of such non-identifiable expenditure include defence, international development, debt interest repayments and, more topically, most of the expenditure on the London Olympics. There is considerable evidence that such non-identifiable public expenditure is in fact concentrated in certain regions of the UK, particularly London, south east England and south west England.

Identifiable public expenditure per capita in Wales of £10,017 is £1,383 higher than the English average of £8,634. The major sources of this difference are given in Table 1.

Function	England	Wales	Difference
Social Protection	3,582	4,216	634
Health	1,900	2,017	117
Economic Affairs	585	893	308
General Public Services	121	263	142
Housing	196	242	46
Education	1,446	1,485	39
Other	804	901	97
Total	8,634	10,017	1,383

Table 1.
Principal Differences in Identifiable Public Expenditure in England and Wales 2010-11 (£ per capita).
Source: HM Treasury. PESA 2012. Table 9.15

As can be seen in Table 1, almost half the difference in identifiable expenditure is in the field of Social Protection which includes old age pensions, personal social services, income support and tax credits. If non-identifiable expenditure is allocated on a population basis then the difference in total expenditure in Wales compared with England is also £1,383 per capita.

Gerry Holtham, in his recent evidence to the House of Lords Economic Affairs Committee examining the implications for the United Kingdom of Scottish independence and in his subsequent appearance on Dragon's Eye, estimated that, while the public finance deficit in England was approximately £2,000 per head, it was £6,000 in Wales: a difference of £4,000. As can be seen £1,383 of the difference, or roughly one third, can be accounted for by higher identifiable public expenditure in Wales. What is the cause of the remaining two thirds? It is the shortfall in tax revenues generated in Wales. That this is so should come as no surprise. In a unitary tax system such as that of the UK (the recent Scotland Act has yet to impact on the tax system) there is a close correlation between relative tax generated per capita and relative GVA.

Given that Wales's relative GVA per capita has declined to 74 per cent of the UK average, one would expect tax revenue to show a comparable shortfall and this is indeed the case. According to the Office for Budget Responsibility [HM Treasury Budget Red Book 2012] total tax in the UK in 2010-11 was estimated to be £550 billion. Using relative GVA per capita as a proxy for relative tax yield would suggest that the total tax generated in Wales was £19.9 billion which includes approximately £2.2 billion of council tax and non-domestic rates. This corresponds to a tax yield of £6,600 per person.

In the case of England, relative GVA per capita in 2010 was 102.4 per cent of the UK average and this would be expected to yield tax of £9,000 per person. The shortfall in tax in Wales compared with England is therefore £2,400 per capita. Thus the combination of higher public spending of £1,383 and lower tax generation of £2,400 can be readily reconciled with the overall difference in the fiscal deficit between England and Wales of roughly £4,000. This is summarised in Table 2.

Fiscal deficit in England	2,000
Relative tax shortfall in Wales	2,400
Relative higher expenditure in Wales	1,383
Fiscal deficit in Wales	5,783

Table 2.
Relative Fiscal Deficits in England and Wales 2010-11 (£ per capita).

In practice the two factors are not unrelated. For example higher public spending in Wales on Social Protection, including on tax credits, income support and on housing benefits, are bound to be higher in areas of lower wages, higher unemployment and greater social deprivation which in turn are reflected in lower GVA [about 62 per cent of GVA arises from compensation from employment, that is, wages and salaries] and a corresponding lower tax yield. The policy challenge is to analyse the various components of GVA which lead to underperformance in the case of Wales and then to formulate policies to address the causes giving rise to these weaknesses. I published an analysis of the elements of GVA leading to the relative GVA shortfall in Wales in Agenda almost two years ago (*Agenda, Winter 2010*). It would be encouraging if the Welsh Government, in facing up to the continuing relative deterioration of the Welsh economy, showed that it too was using such an analytical approach to formulate evidence based economic development policies.

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Forthcoming IWA Events

Eisteddfod Panel Debate

"Reforming the Kingdom"

Cynog Dafis, Geraint Talfan Davies,
Hywel Ceri Jones & Emyr Lewis,
12pm-1pm, 9 August 2012

*For further information and bookings, visit www.iwa.org.uk,
email wales@iwa.org.uk or call 029 2066 0820.*

Forthcoming Grayling Events

Join us for Breakfast

Friday 21 September, 8.30am - 9.30am

Clarks Legal, 1 Caspian Point, Caspian Way, Cardiff Bay,
CF10 4DQ

RSVP to Matt Francis - 029 2046 2507
matthew.francis@grayling.com

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