



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Y Pwyllgor Craffu ar Waith y Prif Weinidog  
The Committee for the Scrutiny of the First Minister**

**Dydd Mawrth, 22 Mawrth 2011  
Tuesday, 22 March 2011**

**Cynnwys**  
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,  
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

David Melding	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Sandy Mewies	Llafur Labour
Kirsty Williams	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Leanne Wood	Plaid Cymru The Party of Wales

**Eraill yn bresennol**  
**Others in attendance**

Chris Burdett	Pennaeth yr Is-adran Cymorth i Ddysgwyr, Llywodraeth Cynulliad Cymru Head of Support for Learners Division, Welsh Assembly Government
Carwyn Jones	Aelod Cynulliad, Llafur (Prif Weinidog Cymru) Assembly Member, Labour (The First Minister of Wales)
James Price	Cyfarwyddwr Cyffredinol, Adran yr Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Director General, Department for the Economy and Transport, Welsh Assembly Government
Hugh Rawlings	Cyfarwyddwr, Adran y Prif Weinidog a'r Cabinet, Llywodraeth Cynulliad Cymru Director, Department of the First Minister and Cabinet, Welsh Assembly Government

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Meriel Singleton	Dirprwy Glerc Deputy Clerk
Bethan Webber	Clerc Clerk

*Dechreuodd y cyfarfod am 9.09 a.m.*  
*The meeting began at 9.09 a.m.*

**Ethol Cadeirydd**  
**Election of Chair**

[1] **Ms Webber:** Good morning, and welcome to the Committee for the Scrutiny of the First Minister. The first item on the agenda is the election of the Chair. Under Standing Order No. 10.18, I invite nominations from committee members for the position of committee Chair.

[2] **Sandy Mewies:** I nominate David Melding.

[3] **Kirsty Williams:** I second that.

[4] **Ms Webber:** As there are no other nominations, I declare David Melding elected and invite him to take the Chair.

[5] **David Melding:** I thank Members for electing me Chair for this morning's proceedings of the Committee for the Scrutiny of the First Minister.

### **Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions**

[6] **David Melding:** I will begin with some housekeeping announcements. I welcome Members to this meeting and welcome the First Minister and his officials. I remind all those watching and here this morning that proceedings will take place in English and Welsh, and, when Welsh is spoken, a translation is available via the headsets. You need to tune in to channel 1. Should you be hard of hearing, you can tune in to channel 0, which will amplify the sound. I would be grateful if everyone present this morning would ensure that all mobile phones, BlackBerrys and pagers are switched off so that they do not interfere with the broadcasting and other equipment. We do not expect a fire drill, so if you hear the fire alarm, please take it seriously and follow the instructions of the ushers. I remind witnesses and Members that the microphones work automatically.

[7] We have an apology from Trish Law. Kirsty Williams is substituting for Jenny Randerson. Welcome, Kirsty.

9.10 a.m.

### **Canlyniad y Refferendwm The Outcome of the Referendum**

[8] **David Melding:** The first item of substantive business is on the outcome of the referendum and its possible ramifications. This is an important consideration at the moment, especially as we look forward to the fourth Assembly, after May's elections. I am delighted that the First Minister and his officials, James Price, Hugh Rawlings and Chris Burdett, are here to take part in this discussion. First Minister, would you like to make any general remarks on the referendum and its outcome, and some of the wider ramifications that are now receiving consideration by the Government and your officials?

[9] **The First Minister (Carwyn Jones):** Perhaps it would help, Chair, if I were to reiterate the next steps that are being taken in order to ensure that the new powers are in place on 5 May. As you will know, a commencement Order has been laid before the Assembly, which will be debated on 29 March. I understand that the Constitutional Affairs Committee has already reported on that. A letters patent Order that specifies the form of letters patent to be used by the Queen in giving Royal Assent to Assembly Bills has already been made. We will also need a Welsh seal to be ready for approval by Her Majesty The Queen. All these steps are necessary for the process that will lead to Royal Assent for a Bill introduced after 5 May.

[10] **Kirsty Williams:** Good morning, First Minister. You have stated previously that, once the National Assembly is able to exercise primary legislative powers following the referendum, you thought it inevitable that you would have to consider creating a distinctive legal jurisdiction for Wales. Could you outline your thinking in that area? Within the confines of what you are able to discuss with us, what discussions have you had with the Cabinet at Westminster about taking this forward? There was some reference to that in 'One Wales' as well.

[11] **The First Minister:** There have been no discussions on taking the issue of jurisdiction forward. It is a debate that will be needed over the next few years. I am not aware

of any other part of the world where two primary-law-making institutions exist within the same jurisdiction, passing laws in the same areas of responsibility. However, this is not something to be rushed into. First, we have to define what we mean by a separate jurisdiction. It does not mean, for example, that every aspect of law has to be devolved. In Scotland, where there is a separate jurisdiction, there are some areas that are still reserved—employment law, for example, and some areas of the criminal law under the Misuse of Drugs Act 1971, along with firearms legislation and abortion legislation. Those are all reserved to Westminster, even though Scotland is a different jurisdiction.

[12] It would not be in Wales's interests for a jurisdiction to be set up along the lines of Scotland, which is so different that common lawyers from England and Wales, Northern Ireland, Australia and New Zealand are not able to practice there without re-qualifying. Northern Ireland has a separate jurisdiction, but, to all intents and purposes, it runs parallel to the system in England and Wales—it is almost identical, and it is easy for lawyers to cross between those jurisdictions. This is a debate that will have to be held over the next few years, particularly within the legal profession, but the immediate objective is to ensure that, where Welsh legislation is tested in the courts, there is a sufficient body of judges and lawyers who are able to understand the emerging body of Welsh law effectively. I have no doubt that that will happen.

9.15 a.m.

[13] **Kirsty Williams:** Do you see a role, therefore, for the Welsh Assembly Government and for you, as First Minister, in facilitating and initiating that debate? You say that there is a debate to be had. What role will you and the Welsh Assembly Government have in ensuring that that debate actually happens and that we come to some conclusion about the desirability of not just the legal profession understanding the law, but Welsh citizens understanding the law? What do you intend to do to make that happen?

[14] **The First Minister:** That is a matter primarily for the next administration after 5 May. However, I would anticipate that the Counsel General—whoever that will be after 5 May—will have a leading role in examining this issue.

[15] **David Melding:** Is it an appropriate area for a White Paper to be published by a Government, for instance? It would not necessarily be your Government, as we must wait to see what happens on 5 May, but it is an important area and requires a debate, I suppose, with the whole national community.

[16] **The First Minister:** It requires a lot of work and consultation. It certainly cannot be done quickly, but it is a debate that will undoubtedly take place. It already has taken place, to an extent, within the profession. I am sure that it will take place with more focus, as it were, after 5 May.

[17] **David Melding:** Do you have a further question on that, Kirsty?

[18] **Kirsty Williams:** On the subject of the law, 'One Wales' did include a commitment to consider the evidence for the devolution of the criminal justice system to the Welsh Assembly Government. You have not clarified your position on whether you would consider seeking to have those powers devolved to us. Therefore, could you give us an update on that very specific 'One Wales' commitment?

[19] **The First Minister:** The commitment was to examine the evidence for the devolution of criminal justice. We have examined the evidence. It is clear that it would be technically possible to do it, but there is a substantial cost attached to it. We have fulfilled the commitment to examining the evidence for the devolution of criminal justice, and this is now

a matter for the incoming Government in May.

[20] **Kirsty Williams:** Having considered it, does your Government have a view as to whether it should be devolved or not?

[21] **The First Minister:** As I said, there is a substantial cost attached to devolving the whole criminal justice system. We have sought to see whether elements of it could be devolved without there being a difficult financial cost to the Welsh budget.

[22] **Kirsty Williams:** Therefore, the Government could have come to the conclusion that a phased approach might be more practicable and sensible. I am trying to get a sense here. Having gone through all of the work, time and effort involved in considering the evidence, it is not inconceivable that the Government would have come to a view. I take your point that there are associated costs, and therefore you may have taken the decision that it is not desirable, but I am trying to get a sense from you. After carrying out this work, it is not inconceivable that the Government should have a view.

[23] **The First Minister:** There is still work in hand to examine whether elements of the criminal justice system could be devolved without devolving the whole lot in one fell swoop. That work is still ongoing. I am sure that the results of that work will be available to the incoming Government.

[24] **David Melding:** Would youth justice be the most likely area for devolution in terms of aspects of criminal law?

[25] **The First Minister:** We have been examining youth justice. Other areas have also been looked at. Some areas are more easily devolved than others, if I can I put it that way. In some areas, some quite substantial capital costs are involved. We have looked at several approaches, one of which is to see whether elements could be devolved, rather than the whole package.

[26] **David Melding:** Youth justice goes into a lot of social policy that is clearly devolved at present in terms of the implications for education, health, housing and so forth. We have responsibility for the safe custody of children who have broken the law. Is it a priority to look at youth justice, particularly as so much is happening? For instance, in London, the youth justice board is about to be wound up. I just want to get a sense of whether this is a priority area. If it will happen fairly soon, it would start with youth justice, I take it. I think that that is an expectation among the people who have been lobbying us and discussing this issue with us. I realise that you still have to make an assessment of whether it will be feasible in terms of the fit and the financial implications, but is that the first area that will be looked at?

[27] **The First Minister:** It is right to say that youth justice is the area in which devolution would be most feasible, as it were—easier is perhaps a better word. We have been looking carefully at youth justice to see what could be done in terms of devolving that area of responsibility in the near future.

[28] **David Melding:** We will move on to questions from Sandy.

[29] **Sandy Mewies:** I have questions on other issues, but I will start with that particular issue. Good morning, First Minister. You will be aware that the Communities and Culture Committee prepared a report on the secure estate, rather than the youth justice system, but that is affected by what has happened with the youth justice system in Wales being wound up, without any indication beforehand that that was going to happen. For example, it seems likely that we will not have a prison in north Wales, and I know that there are problems in Her Majesty's Young Offenders Institution Stoke Heath for young people and similarly in Henley.

Plans to transfer some things to Wales will not happen. It has been disentangled. Some of our proposals are already stymied because of the decisions that have been taken, and that will be reinforced in other areas. I know that Welsh Assembly Government officials are working hard in places such as Stoke Heath to ensure that Welsh young people are given an enhanced service. Can we now assume that there will be consultation on this sudden disentanglement and the decisions that might be taken in Westminster? Otherwise, we will always be in this catch-up situation. I have been particularly concerned about this.

[30] The other thing is that devolution of the secure estate will not work unless the money accompanies it. There has been a lot of talk about the Holtham commission and the money to which we should be entitled. How will all this work now, how quickly, and what sort of co-operation will you be hoping for?

[31] **The First Minister:** There is no doubt that the argument for devolving youth justice is a strong one, particularly given what is happening elsewhere. We have examined closely what that would mean for Wales and it will be open to the incoming administration on 5 May to pursue talks with the UK Government on securing that devolution. The one area that we must be careful about is the possibility of finding that the secure estate is not big enough and, therefore, having to find the capital funding to expand it. Historically, prison and young offender institution provision in Wales has been poor. There is no prison in north Wales and there is no women's prison in Wales. We are not adequately provided for and that has been the case for many years. So, there are issues that will need to be examined carefully about what the capital commitment might be of the devolution of any aspect of the justice system.

[32] **Sandy Mewies:** The Localism Bill will also have to be looked at following the results of the referendum, and I am sure that that is happening. My concern is that, despite the efforts by all political parties to explain what the results of a 'yes' vote in the referendum would be in simple terms, people still have not got a clear idea that what happens in England does not necessarily happen in Wales. I am thinking in particular of proposals in England for the health service, which are causing people in north Wales great concern, because they think that they will also happen in Wales. This is not about procedure; it is about informing the people of Wales. How can we improve—because the situation will be even clearer now, I hope—the knowledge of the people of Wales when newspapers publish details of what is happening in England as though that is happening across the UK? What can the fourth Assembly do to start thinking about these things, which we must make very clear? I am certainly getting a great deal of inquiries about the NHS that have no bearing at all on what is happening in Wales.

[33] **The First Minister:** The situation varies in different parts of Wales. We know, of course, that it is an old problem that most people in Wales do not get their printed news from newspapers that are published in Wales, unlike any other part of the UK. For example, in Scotland, the Fleet Street papers have Scottish editions, and it is the same in Northern Ireland, because people would not buy them otherwise. In Wales, people are used to buying papers that do not have Welsh editions. We had the *Welsh Mirror* for a short period of time, but sadly, we saw that paper's demise. It strikes me that most people in Wales get their news from the broadcast media, but there are large parts of Wales where people have traditionally tuned their televisions into transmitters that are across the border. It does create a problem, as you are aware in your part of Wales, where people receive their broadcast and print news from outside Wales and have no other source of information about what is happening within Wales. I hope, over the years, that people begin to realise that in Wales and perhaps think about watching more in terms of Welsh broadcasting, and also, in time, demand more from the papers that they read that are not published in Wales.

[34] **David Melding:** On the legislative process, First Minister, I think that it would be useful to have an idea of what you think the scope is for the fourth Assembly term in terms of how many substantive Bills may be presented by the Government. I understand that you

intend to operate on a four-year cycle now, but with regard to the rhythm of that, presumably, they are not all going to be presented on day one and slowly worked on at the same time. You will be presenting a timetable of legislative activity and it would be useful to know how that would work so that we give the impression that the work will be considered and not be overwhelming and therefore poorly scrutinised.

[35] **The First Minister:** I have to preface my comments with the caveat that I do not want to speak as though I am assuming that I will be here after 5 May. I know that there are others who would take a different view to me on that issue.

[36] **David Melding:** In fairness, you have already made that point. No-one is going to go away saying that—

[37] **The First Minister:** It strikes me that in terms of good legislation, we have a five-year cycle ahead of us now and the Counsel General has stated that, in his view, it would be a more appropriate legislative cycle if it were a five-year cycle and not an annual cycle, and there is great merit in that. It does mean that the Assembly, as an institution, will be better able to plan its scrutiny of what the Government wishes to bring forward, and that is a system that I am sure that all parties will look to adopt after 5 May.

[38] **David Melding:** So, over those five years, we will see, on average four or five Bills a year—20 or 30 substantive pieces of legislation over a term like that. If you look at the Scottish Parliament, you will see that that is not way off what it has been doing. Do we currently have the technical backup? Do we have the parliamentary counsel and does the civil service have the necessary policy-making skills at the moment to work through that type of legislative activity, or will the fourth Assembly start fairly quietly and work up over that term to what you might see in Northern Ireland or, particularly, Scotland?

[39] **The First Minister:** I think that depends on the plans that the future Government has. However, it is right to say that there is always a natural limit in terms of what any legislature can do. I understand that Scotland has tended to produce up to six Bills a year. I do not think that we would produce more than that in Wales; five or six is probably roughly where we would be. In terms of the technical expertise, we have, of course, been producing what are, in effect, Bills over the past four years. Assembly Measures look, to all intents and purposes, like Acts of Parliament. They are drafted in the same way; it is just the title that is different. We have produced a substantial amount of legislation over the past four years—all of it has been technically sound and none of it has been challenged. There have been no difficulties that have been identified with particular parts of that legislation and it is because of that that I am confident that when we seek to draft Bills, they will be sound both in terms of policy and legality.

9.30 a.m.

[40] **Kirsty Williams:** In light of the considerable experience of drafting legislation to which you have just referred, and in the interest of better scrutiny, not only by Assembly Members, but by the public, do you believe that it would be desirable for the Welsh Assembly Government to publish guidance and templates on the principles around drafting legislation? Furthermore, do you believe that it would be desirable to have a system similar to that of the Cabinet Office, which lays out how the Government's own amendments, to its own legislation, should be handled, especially in light of the controversy over the proposed local government Measure? We do not have a system similar to the Cabinet Office in Westminster. Do you also believe that it would be desirable to publish guidance and rules on how the Government would decide on the appropriate use of procedures regarding subordinate legislation and regulation, that is, the basic premise of when a Government would use the affirmative procedure, the negative procedure, or the superaffirmative procedure, so that the



outside world knows the approach that the Welsh Assembly Government is taking towards drafting legislation and the handling of amendments and the subordinate legislation procedure?

[41] **The First Minister:** I have some sympathy with that point. I believe that it would be worth the next administration considering that. We are moving into a new phase of legislative competence and if there are ways in which there can be greater clarity regarding the issues that you raise, I would be more than willing to consider those after May.

[42] **Leanne Wood:** How many jobs do you anticipate being lost in the civil service in the next Assembly term?

[43] **The First Minister:** Do you mean in the Welsh Assembly Government civil service?

[44] **Leanne Wood:** Yes.

[45] **The First Minister:** We know so far that we have gone down from roughly 6,300 members of staff to just under 5,600 in the past financial year. That has been done entirely on a voluntary basis. We anticipate losing several hundred more jobs—again, on a voluntary basis. It is difficult to predict what will happen over the next four years, but I am determined to ensure that we can deal with any job losses through voluntary means. I have said many times to others in the public sector that I expect them to consider all ways of saving money before considering compulsory redundancies; that applies to us as well. There can be no guarantees, because we do not know what is around the corner, but thus far we have managed substantial reductions on a voluntary basis.

[46] **Leanne Wood:** I am aware that the trade unions in Wales appreciate the relationship that they have with the Assembly Government in terms of consultation, in contrast to the relationship that they have with the Government in London. However, given those staff reductions, are you confident that, with the increase in our legislative work in the next term, there will be enough staff backup to do that job properly?

[47] **The First Minister:** That is an important point, which we have considered. We cannot agree to every request for voluntary redundancy or early retirement because if that is not done properly, it can lead to gaps in expertise. Therefore, we have tried to ensure that the areas where we need that expertise are protected. I am confident that the approach that we have taken means that we still have the expertise, even if we have fewer people in the organisation as a whole.

[48] **David Melding:** If there are no further questions on the referendum and its consequences, we will move on to the next item.

9.34 a.m.

### **Arolwg o Ymrwymïadau ‘Cymru’n Un’ Review of ‘One Wales’ Commitments**

[49] **David Melding:** Members will have seen the Welsh Assembly Government’s update on this agreement, which was published on 31 December 2010. Do you wish to make any introductory remarks before we move to questions, First Minister?

[50] **The First Minister:** No. I have provided papers to the committee that provide a substantial amount of information. I believe that I sent you a letter on 25 February, Chair, which provided more information on benchmarking, gross domestic product, gross value

added and measuring child poverty. I believe that the committee has received a copy of that letter.

[51] **Sandy Mewies:** I am looking at this as Chair of the Communities and Culture Committee. The Government had a commitment to place a statutory obligation on local authorities to promote culture and to encourage partnership to deliver high-quality cultural experiences for their communities. I know that local authorities and cultural organisations are working hard to ensure that there is a geographical spread of access to cultural activities throughout Wales. However, in light of the present financial difficulties, is this commitment being revisited? I know that you say that it has been delivered, but will you be monitoring it and looking at what happens next?

[52] **The First Minister:** As you know, the LCO has been delivered. There has been no Measure, so in that sense there is not full delivery. However, we are looking at whether it might be possible to use outcome agreements, for example, to achieve the same end without necessarily looking at a Measure. That is one option among many that are being considered at the moment.

[53] **Kirsty Williams:** I turn to the commitments on education. The ‘One Wales’ document outlines the Welsh Government’s commitment—which it described as unwavering—to giving the children of Wales the best start in life through providing a first-class education for all children. The delivery document states that commitments 101 to 134 have been delivered. Given the outcomes of the most recent report from the Programme for International Student Assessment and the analysis by the Government’s Chief Inspector of Education and Training in Wales in the Estyn report, how has the One Wales Government’s commitment to provide a first-class education for all our children been delivered over the last four years? The Estyn inspector seems to take a somewhat different view.

[54] **The First Minister:** The commitments have been fulfilled and I believe that the education system has been improved as a result. The foundation phase has moved forward, we have maintained the education maintenance allowance and we have put a policy in place to ensure far lower tuition fees for Welsh students. I believe that that is a great help in ensuring that people who have the talent to go on to higher education are able to do so. However, there is always more work to be done. The PISA results were disappointing—we have to acknowledge that. I do not think that they were particularly spectacular across the other countries of the UK either. That does not mean that we will sit back and say that we are all in same boat—far from it. The Minister for Children, Education and Lifelong Learning has announced steps that he wishes to take in order to improve our PISA standing when the measurement next comes through in three years’ time. We always seek to improve our schools in Wales. I do not believe that our schools are failing the children of Wales. Many of us have children in school. However, it is right to say that there are some areas where there have to be improvements, and we understand that.

[55] Having said that, it is important to understand two points. First, it is often suggested that there is a funding gap between schools in Wales and England. That is partially true, to an extent. What we do not know is how much of that gap is explained by money that is spent on servicing private finance initiative contracts. That is part of the difference in spend per head that exists between Wales and England. The second point is that comparing Wales with other countries in the UK is not always accurate. I will give you one example: in August 2010, we saw our GCSE results improve, but we were still a few percentage points behind Northern Ireland and England. I asked my officials to examine why that was the case, particularly with regard to Northern Ireland, where the social and economic make-up is similar to Wales. It is quite clear that England and Northern Ireland enter fewer candidates as a percentage of the cohort. That means that, in effect, those candidates that are believed to be marginal in terms of their likelihood of being successful at GCSE are not entered in the first place. In Wales,

they do tend to be entered. As a result, it tends to show a difference in terms of the pass rate between Northern Ireland and England on the one hand and Wales on the other that is not really there.

[56] **Kirsty Williams:** How do you reconcile the comments that you have made this morning with your programme, which states that the commitments have been delivered? In his most recent speech—he gives many—entitled ‘teaching makes a difference’, your Minister for education said that the education system in Wales is not delivering the outcomes that our young people need and deserve. When he says that, and when you look at the results of the Programme for International Student Assessment and Estyn assessments, are you convinced that the interventions that this Government has made in education over the last four years have been fundamental in driving up standards? Do you, on the other hand, perceive a situation that is hinted at on a weekly basis in *The Times Educational Supplement* that some of the legislation that the Government has passed to underpin the education system is likely to be repealed?

[57] **The First Minister:** I am not aware of any repeal planned between now and the end of next week, or in future. I do not believe that the education system has worsened over the past four years; I think that it has improved. However, it is important that we always seek further improvement. The Minister for education’s comments are not a sign of condemnation of any kind; they are a sign that he is not prepared to be complacent. He wishes to drive standards upward, particularly having considered the PISA results, and that is what a dynamic Government should be doing.

[58] **David Melding:** There seem to be mixed messages here, First Minister. You deserve credit for taking the PISA assessments so seriously; you are taking them more seriously than the previous First Minister, if I can be so candid. It is an important assessment and one that you have not dismissed. The credibility of your Government has increased as a consequence of taking the assessment as a judgment that cannot be lightly dismissed. However, you then talk about the difference in pass rates between Wales and Northern Ireland; in no way does that affect the relative performance that is measured by how many of our children achieve five good GCSEs including English and mathematics. In that regard, we are the worst place in the UK; you cannot get away from that, as that conclusion is based on the current data. Do you not have to accept the poor data where they exist? You are right in absolute terms that standards have improved, but the relative gap continues to increase. You should accept the data and once again get brownie points for credibility in doing so. You should back your Minister for education, who is talking very tough, as are many people in the sector; they may be quiet about it, but they secretly support him, because the quality of education that we need is obviously very demanding. The gap seems to be continuing to widen between our performance and that of Scotland, England and Northern Ireland.

[59] **The First Minister:** We cannot compare our system with that of Scotland because they are so different. I accept part of your point about the comparison with Northern Ireland and England, but both enter a lower percentage of their cohort into GCSEs in the first place.

[60] **David Melding:** That does not affect how many children aged 16 get five good GCSEs, including English and mathematics; if they are not entered, they will not achieve those qualifications.

[61] **The First Minister:** It affects the percentage of the cohort that is entered.

[62] **David Melding:** It does not at all affect the percentage of the population that gets five good GCSEs including English and mathematics; if candidates are not entered, they do not achieve that standard. They are not lost to the statistics or neutral; if they are not entered, they are non-achievers.

[63] **The First Minister:** The point is that pass rates can be measured only for those who are entered, not for the overall cohort. If the statistics are based on the pass rates of those who are entered, and if a higher percentage of candidates is entered in Wales than in Northern Ireland and England, it shows to me that in Wales we tend to give a chance to those candidates who are most marginal in terms of the possibility of being successful. The fact that a smaller percentage of the cohort is entered for GCSEs in England and Northern Ireland suggests that those marginal candidates are not entered in the first place. As a result, they do not appear in the statistics for the percentage of those who try the exams.

[64] **David Melding:** They appear in the statistics as non-achievers.

[65] **The First Minister:** They do not appear as a percentage of those who try.

9.45 a.m.

[66] **David Melding:** Attainment is the best measure, as it shows what percentage of those aged 16 achieves the blue-ribbon standard of five good GCSEs including English and mathematics. Those can also be compared. You do not do yourself justice by quibbling about these measures, because we need a firm measure and a set standard. Other measures also come into play, but we always use that blue-ribbon measure. You are muddying the waters. Some of the rhetoric coming from your Government is tough, and rightly so, but then you start to quibble about the data.

[67] **The First Minister:** My point is that it is not necessarily right to say that Wales lags behind Northern Ireland and England with regard to GCSE results; there are underlying issues with regard to the percentage of candidates entered. However, with regard to the Programme for International Student Assessment, Wales has done worse than the other three parts of the UK. So, what needs to be reconciled is that, although the GCSE pass rate is rising, we have dropped down the table with regard to our PISA results. While GCSEs measure knowledge, PISA tends to measure application, so the challenge for us is to ensure that, as we see the increase in the depth of knowledge that GCSEs measure, the ability to use that knowledge also increases, which is why we need to improve our attainment in the PISA scores.

[68] **David Melding:** I think that people will read this exchange and come to their own judgment. I want to ask a question that is related to this, on data and attainment. I asked a question of the Minister for Children, Education and Lifelong Learning a couple of weeks ago about how many care leavers entered higher education, to which he replied that there were no firm data, but that he thought that the range is between 12 and 18 a year. Over 350 children leave care each year, and, in fact, last year it was nearly 400. So, however, you look at it, between 12 and 18 children is very poor. There may also be children in higher education with whom we have lost touch, which introduces all sorts of questions about how we support care leavers. Do we need to improve the data and follow-up with regard to care leavers, as well as trying to improve the outcomes of looked-after children, which starts at the GCSE level, because if they do not attain those, they will not attain the A-level or equivalent qualifications to enter into higher education? So, everything about that is pretty poor.

[69] **The First Minister:** You will know that I have historically shared your views on this. You will also know that we have been putting £1 million a year into helping looked-after children, but it will take a little more time. The educational achievement of looked-after children cannot be considered purely in terms of education; looked-after children have more complex needs. If they are fostered, then they often have to live in many different places, and it can be difficult, particularly with older children, to find permanent placements for them with adoptive parents, which adds to the disruption in their lives. We need to ensure that the money that we are currently providing is spent in a way that addresses all of the issues that

affect looked-after children, not just education, because their needs are more complex than that. It is also correct to say that the attainment levels of looked-after children at GCSE level have historically been exceptionally low. So, over time, we expect to see an improvement with the money that we have put in to deal with this issue.

[70] **Sandy Mewies:** Like you, I have had a long-term interest in the education of looked-after children. I am certainly aware, as a former chair of social services and former schools inspector, that one problem that looked-after children face is that they may have an education plan that is set out for them and be educated in places other than normal schools. These decisions are made, first, by social workers, and, secondly, by corporate parents—and I do not think that corporate parenting is taken as seriously as it could be. That is not a fault of Government, but a fault in the clarification of the responsibilities of corporate parents and social workers.

[71] I used to work regularly with care leavers, and I well recall congratulating a young man who had gained A-levels, which is quite an unusual event. He said to me, ‘I wish that my social worker, when I stayed in bed in the morning, had got me up to go to college, because I would have done much better.’ I do not know how you overcome that. So, perhaps in future there could be clarification of the role of the corporate parent. I could go to my son in the morning and tip him out of bed and say, ‘You’re going to college’. However, you cannot, and probably should not, do that to a child who has gone through the care system, because it is a different situation. I sometimes think that, although the education plans that are put forward in local authorities are very good and cater for the need, if the child concerned does not attend whichever centre they should attend, they will just not achieve—it is not possible to do so if you do not go to the place where your education is delivered. Do you think that more work ought to be put into more innovative schemes to encourage people? Should that be done through the local authority?

[72] **The First Minister:** You will be aware of the guide that we sent out in the summer of 2009, ‘If this were my child’, which articulates what needs to be done with regard to corporate parenting and what actions councillors should be taking. There is a responsibility on individual social workers to ensure that a child receives the most stable background possible, in the sense that it is not particularly stable for a child to swing back and forth between home and fostering. That is not in the child’s best interests. I understand the desire on the part of some social services to make sure that a child retains contact, and indeed lives, with the birth family, but that is not always in the best interests of the child. Over the next few years, there will need to be an examination of the law and the approach that is taken by social services—it is not their fault; they are there to interpret the law—to ensure that looked-after children find a stable home placement rather more quickly than is often the case now.

[73] **Sandy Mewies:** Are the outcomes of that guidance being monitored through local authorities or do they self-monitor?

[74] **The First Minister:** The statistics show that there has been a rise in the number of looked-after children: there are more than 5,000 now in Wales. We have to be satisfied that the right structure is in place to be able to offer the right service for them. One issue is fostering, and another is adoption. It is important that children are part of an adoption pool that is big enough for them to find adoptive parents. There have to be rigorous safeguards in place if they are freed for adoption, and it may be the case that that is done with the birth family having had a full right to participate in the process. Nevertheless, it strikes me that there is a challenge for social services to make sure that, where looked-after children are likely to have a fairly chaotic home life in years to come, adoption is looked at sooner rather than later.

[75] **David Melding:** I know that some people have asked whether the guidance goes far

enough in clarifying the role of foster carers in the general corporate parenting role. You probably would not have the detailed information to answer that now, but perhaps you could ask the department and officials to look at that. It has been fed back from the sector that foster carers are crucial in providing good corporate parenting, as are social workers, the local authority and even councillors, potentially, in terms of their scrutiny role. They are all playing their part in the general effort that is needed to provide good corporate parenting.

[76] **The First Minister:** Foster carers are crucial to the system. There are relatively few of them, and they foster relatively large numbers of children. We should all be grateful for the work that they do. It is important for any social services department to maintain close contact and close co-operation with foster carers and to ensure that foster carers feel empowered. On occasion, foster carers feel that there is a limit beyond which they cannot go in meeting the needs of a child, and that can create confusion, not just in the minds of foster carers, but in the minds of the children themselves. In one example that I dealt with, as a constituency case, the foster carers wanted to take a child on holiday—it was not very far away, but elsewhere in Europe—but trying to get a passport was nigh on impossible. It needed the consent of the birth parent, but that was not forthcoming. There is a need to streamline the process, in the child's best interests.

[77] **David Melding:** I agree.

[78] **Leanne Wood:** You mentioned earlier that the number of looked-after children has increased; you mentioned a figure of 5,000. Can you give us an idea of how much of an increase there has been in recent times? I am trying to work out whether the increase is linked to the baby P case.

[79] **The First Minister:** There are 5,162 looked-after children. I understand that the increase is large compared with previous years. I can write to you with the figures from previous years, but it is clear that the number is rising. The reason for that is not clear, however.

[80] **Leanne Wood:** Many children in the looked-after system have experienced quite damaged lives prior to going into the system. What support is in place for families, foster families and adoptive families with regard to children who display behaviour related to previous damaged lives?

[81] **The First Minister:** I would expect foster carers to receive training on looking after children who were abused in some way. A large percentage of these children have been abused, whether physically or sexually. Certainly, with regard to prospective adoptive parents, I am confident that they are made aware of a child's background and history. They are then fully aware of what needs to be done to allow a child to settle into a normal pattern of life.

[82] **Leanne Wood:** I am not convinced that that is enough. This damage needs to be worked on somehow so that the child has a chance of that damage being undone, so that they can reach their full potential. The figures that were given earlier of the numbers accessing higher education could be increased if more therapeutic work was done much earlier in these children's lives. I have a background as a probation officer and in social work, and I know that these services are not as good as they could be. Can you give us an idea of the sort of services that are available and any plans to ensure that they are more widely available to looked-after children?

[83] **The First Minister:** Behaviour is one of the aspects considered as part of the raising attainment and individual standards in education in Wales grant, which helps to address that. However, I would also expect local authorities to provide a full range of services to foster

carers and prospective adoptive parents to help them to enable the child to settle. The older the child, the more difficult it is, clearly. However, I expect that information and help to be made available. As I said, there is also the RAISE grant.

[84] **David Melding:** If we could move on to social services in general, do you want to make a response to the 'From Vision to Action' report from the Independent Commission on Social Services? This is a reflection more on the previous Government than the one led by you, but the report said that previous approaches tended to create a 'blizzard of initiatives' and that it is important in social services, in dragging up standards, to prioritise and then work through those priorities and achieve improvements through effective performance management, monitoring and evaluation, moving on to the next priorities in a systematic way rather than this blizzard of a general approach. Is that fair? Do you think that your administration will be marked by this more selective approach of picking off targets and then moving on?

[85] **The First Minister:** We have produced the social services White Paper, which is intended to create a holistic approach to social services and to look quite deeply at the delivery of social services in terms of our present structures and the overall outcomes of social services in a rounder way, if I can put it that way. We know that, with social services, there is a temptation to produce regulations, sometimes in response to difficult or tragic situations that have occurred elsewhere. With our approach, we want to ensure that it is not done in that way, but that it looks deeply at the delivery of social services overall, rather than at particular areas. Targets are important. It is important that there are areas of improvement, but it is also important to take an overall view.

10.00 a.m.

[86] **David Melding:** Do other Members wish to make further comments on social services, in particular? I see that you do not. In terms of the White Paper and what the independent commission has said, an analogous issue may be the foundation phase, where we are leading the UK; I think that what is happening there is very exciting and promises great reward. We have to go back to the 1980s, practically, to see Wales lead Britain, and, indeed, the whole of Europe in social services and social policy, with what was then referred to as the mental handicap strategy—obviously, we use a different language now. People from all over Europe would come to look at practice in Wales as the leader in the field. Do you have that sort of vision for some parts of social services, if we really pick targets? Given what we have just been discussing, the obvious issue is to have a robust and supportive system for looked-after children, leading to profoundly better outcomes. We are not the only country to face these challenges; most of Europe is facing them as well. Is that part of the vision of what you would like to achieve, should you continue as First Minister?

[87] **The First Minister:** It is. I am sure that that is a vision shared by all parties. There is no reason why we cannot look to have a social service provision in the future that is among the best in Europe, if not the world.

[88] **Kirsty Williams:** Health is an area in which, over the last four years, the One Wales Government has put a significant amount of resource. Are you satisfied with the return on your investment, so to speak? 'One Wales' clearly states that the Government is

[89] 'determined that patients in all of Wales's communities have rapid and ready access to the care they need'.

[90] The Government set itself a target that no-one would wait more than 26 weeks from referral to treatment. That was later refined to a target of 95 per cent of people, rather than all people. While your Government has ticked this off as another commitment delivered, the

latest figures show that 92.8 per cent of Welsh patients are treated within that timescale. Are you satisfied with the outcomes that you have been able to deliver with the not inconsiderable investment that your Government has made in the NHS?

[91] **The First Minister:** Yes, I am. If you look at the figures, you will see that they tell their own story. There has been a substantial drop in the numbers of people waiting for operations in Wales, in terms of referral to treatment times. For example, if you look at the figure that compares Wales with England in terms of referral to treatment times of more than 52 weeks, as of November 2010, 13,568 patients in England were still waiting over 52 weeks; in Wales, the figure was 49 patients. That shows that the substantial investment in reducing waiting times has paid off. We also know of the substantial capital investment that has taken place. However, there are always some areas that need to be worked upon. There have been difficulties with orthopaedic services, particularly in the Cardiff and Vale University Local Health Board and in the Aneurin Bevan Local Health Board, but I know that they are looking at appointing new orthopaedic surgeons in order to deal with the problems there. There have been issues with regard to accident and emergency services in Morriston Hospital, which have been aired in the Chamber. There are plans to physically increase the capacity of the accident and emergency department there—it was probably too small when it was built, although people anticipated that it would be sufficient, so work is being carried out to make sure that that department expands. Given the substantial capital investment, and given the substantial reduction in referral to treatment times, I think that the money has been well spent.

[92] **Kirsty Williams:** Would you still contend that you are meeting your ‘One Wales’ commitment? Your document states that it has delivered, but looking at the bare statistics, even on your revised target, the document does not discuss the figure of 95 per cent—it refers to everyone. The Government has revised that down to 95 per cent. I think that reasonable people would understand that there are some with complex conditions, and that it can be difficult to find that pathway through the system, but you are not even making the 95 per cent target, as of the latest figures. That is a target that you set yourself. It was not imposed upon you; it is what you said that you were going to do.

[93] **The First Minister:** We are at 93.4 per cent, so we are short, and that has to be accepted. The reason why we are short is because of the particular problem with orthopaedics in Cardiff and Vale and Aneurin Bevan local health boards. If you take out those orthopaedic figures, you get to 96.2 per cent. You cannot do that with the overall figure, I appreciate that, but it illustrates that there has been a particular problem in two parts of Wales; that problem has been identified and is being dealt with.

[94] **Kirsty Williams:** I note that your way of tackling this problem with orthopaedics in Cardiff and Vale is very much a hospital-based approach. The approach over the last four years has been about increasing capacity in hospitals rather than looking at an emphasis on preventative methods, such as doing something about the number of elderly people suffering from falls so that we did not have such a high demand on our orthopaedic services. On reflection, has your hospital-based approach been an appropriate way to target money, rather than looking at preventative measures and services based in primary and community care?

[95] **The First Minister:** The difficulty with orthopaedics is that so much surgery takes place on people whose joints have just worn out in quite a natural way—nothing to do with falls or accidents. There has been an increase of some 27 per cent in referrals for orthopaedic treatment since 2006. What is happening is that people are living longer, which we all celebrate, and are receiving not one hip replacement, but two. We are now seeing second joint replacements, which was not anticipated 20 or 30 years ago because it was not thought that people would live long enough to have more than one joint replacement. However, that is happening now, and it creates more pressure on orthopaedics. We are aware of this pressure and we are looking to reduce it over the next few years. There is no doubt that that will



increase, because of the simple fact that people are living longer; as people live longer, their joints wear more so they are more likely to need replacement surgery.

[96] **Kirsty Williams:** One other high-profile commitment within ‘One Wales’ was with regard to school nurses, and the Government, in a paper to the Health, Wellbeing and Local Government Committee last week, said that four health boards had currently met the commitment, with the three others hoping to finally recruit those nurses by the end of May. Could you outline for us—again, a substantial amount of money has gone into this policy—what outcomes you hope to achieve from investing in these particular services? How will you measure the success of this investment?

[97] **The First Minister:** First of all, we have to recruit something along the lines of 20 further nurses to fulfil the commitment. Active recruitment is taking place at the moment, and the target is that we should be fulfilling the commitment by the end of May. In terms of what school nurses would be able to do, I would anticipate success being measured by the number of children coming to the school nurse, the programmes that a school nurse might take forward, and the early identification of health problems by school nurses. We know that many schoolchildren will not visit doctors. They are more likely to visit someone who is medically qualified on a school premises to talk about a problem. In many ways, it will be interesting to see the nature of the referrals that school nurses deal with over the next few years. Certainly, we want to be in a position where children feel that they are able to receive advice from the school nurse in an easy way on school premises.

[98] **Kirsty Williams:** I think that we all have an idea about the value of the school nurse, but given that we are in straitened economic times—you spend a great deal of your time in the Chamber telling me that you do not have any money to do the things that you want to do—do you not think that the Government needs to place greater emphasis on achieving very clear outcomes for its investment rather than saying, ‘I’d be interested in seeing what the kids go to see the school nurse about’? For instance, would it not be more robust to say, ‘We have a huge issue with teenage pregnancy rates and a big issue with the rate of sexually transmitted diseases, and we hope to tackle those problems with this investment’? I am trying to get a sense of whether the Government sets itself clear, outcome-based objectives and then comes up with a policy initiative to implement them, rather than just sitting there saying, ‘It might be quite interesting to find out what people would go to talk to a school nurse about’. We cannot afford to do that: we need to state clearly the desired outcome, and then establish a policy initiative to bring that about.

[99] **The First Minister:** I agree. The two issues that you raise are important. Another issue is to look at how many ambulance call-outs there are as a result of accidents in schools. At the moment, if a child receives a minor injury, teachers do not treat it—although a nurse would—so what happens is that an ambulance is called. One way of measuring the success of school nurses is to look at the reduction in the number of ambulances called to schools, which would reduce the pressure on accident and emergency departments in having to deal with injuries that could be dealt with by a nurse on the premises. At the moment, that does not happen. There was a time when TCP was liberally doled out, as some of us will remember, but those days are gone and teachers are naturally reluctant to treat even quite minor wounds, and so, quite often, a child will end up in hospital. So, a reduction in the number of referrals to hospital, either as a result of ambulances being called to schools or as result of children being taken directly to hospital, is another way of measuring the success of school nurses.

[100] **Leanne Wood:** I have one further question, which is linked to the one I asked earlier about care leavers. Will there be any specific training for school nurses to identify early mental health problems linked to behaviour in school? We talked about the importance of early identification and intervention in cases of that kind. Is that something that school nurses could help with, in a preventative role?

[101] **The First Minister:** I would expect nurses to work in conjunction with the schools' own counselling services—that is another thing that we have rolled out. There is no doubt, however, that nurses have a role in identifying, working with others, potential mental health problems in young people. It is not all about physical health, as we know. If there were a reduction in the teenage suicide rate, could we extrapolate from that that it would be down to the introduction of school nurses? It would be difficult to say. It would have to be looked at very carefully to see whether such a judgement could be made. Obviously, I would hope to see it happen, that is, that a problem is identified early on by a nurse, working with a counsellor, and that prevents a young person from self-harming or, potentially, from committing suicide.

[102] **Leanne Wood:** Thanks for that.

[103] **David Melding:** I would like to move us on to the subject of child poverty. I think that we are all disappointed and even shocked by the Save the Children report published last week showing an increase in the number of children in severe child poverty. This is an important area, and one that involves close and joint working between the UK Government and the Welsh Assembly Government. While there have been some improvements in the general position with regard to child poverty, the data released by Save the Children for the past two or three years show that the number of children in severe poverty has gone up. So, to echo the point that I made earlier about prioritising and picking a few targets, is it your view that we must really focus on those children who are in severe poverty, who comprise four in 10 of those in poverty in general?

[104] **The First Minister:** The figures are disappointing, but we have to bear in mind the general economic situation that has prevailed, not just in Wales, but across the UK and elsewhere in the world, which has led to more people losing their jobs. We know that a lack of jobs in a family is often a strong indicator of child poverty, particularly when the unemployment is long term. In order to keep to the ambition of eliminating child poverty by 2020, it is important that we are robust in examining our indicators, to see whether they can be improved and whether money can be targeted in a different way in the future. One thing that we intend to do is to review the full range of indicators to make sure that the strategy is fit for purpose, given the economic difficulties of the past few years.

10.15 a.m.

[105] **David Melding:** I have no quibbles with what you have just said, but we have known for some time that we have been more successful at tackling the general category of child poverty, rather than the very severe part; we have known that since before the recession started, as it has been a persistent criticism over the years since the ambitious target to eliminate child poverty by 2020 was adopted. I would like some response from you on the need, when targets are being developed, to concentrate on the worst first. I do not always get the sense that that is done in policy making. Sometimes it is easier to tackle a more general problem, which is more responsive initially; some people use the horrible phrase that you pluck the low-hanging fruit first. However, it is daunting to look at how little progress has been made in reducing severe child poverty; in fact, we are going in the wrong direction at the moment and it is increasing.

[106] **The First Minister:** I do not think that the two objectives are necessarily mutually exclusive: you can target those most in need while also targeting those who are in need more generally. It is important, of course, that the indicators that you use enable you to do that. That is why we are looking to review the indicators to see whether we can make them more effective in terms of our measurement of child poverty, and in terms of targeting expenditure to alleviate child poverty.

[107] **David Melding:** To use a slick phrase, would you say that the Government adopts a 'worst first' approach in general policy development, because it does not seem very clear to me that that is how it is done?

[108] **The First Minister:** If children are in poverty, they are, arguably, all in the worst position. There are degrees within child poverty, I suppose, but, generally, the attack has to be on child poverty as it is fairly broadly defined, rather than our looking at a particularly small section of the population. Those in that group need help, but they can receive assistance as part of a general child poverty strategy. Had we focused on a particularly small group of people—

[109] **David Melding:** It is not that small—it is four in 10.

[110] **The First Minister:** No, but had we focused on a smaller group of people at the poorer end in terms of child poverty, we might have been accused of not being ambitious enough. So, it is about getting the balance right to ensure that we can help as many people as possible by broadly defining child poverty at a sensible level.

[111] **Leanne Wood:** The chief indicator used to measure child poverty is parental income. The Assembly cannot do much about parental income, because it is about jobs or the level of benefits. However, you have done some targeting of geographical areas: the Communities First programme is designed to target the most deprived communities in Wales, and you talked earlier about the raising attainment and individual standards in education in Wales funding, which is designed to target the most deprived areas, as I understand it. Can you measure whether those programmes have reduced poverty, or can you measure anything at all from those programmes?

[112] **The First Minister:** Those programmes work in combination with programmes such as Flying Start—there is no one programme that deals exclusively with child poverty, as a number of programmes can address that. Communities First is a scheme that was designed to take communities that were at the very lowest level in terms of income, economic activity and, quite often, morale. It takes some time for morale and confidence to build up. The objective of Communities First is to ensure that people are empowered within their communities to do things, and feel able to do things. I have seen very good examples of that. I was in Wrexham some months ago and talked to some older people there who said that Communities First had made a tremendous difference to their community, that there was more of a sense of community and fewer boarded-up houses, that there were more things going on, and, incredibly, they said to me that younger people got on better with older people, which is the complete opposite of what you often hear in parts of Britain.

[113] So, Communities First is a longer-term programme that helps to raise people's aspirations and achievements in the communities of Wales that have been hardest hit economically over the past few decades. It will inevitably take some time for the fruits of those programmes to come through. In the meantime, we have programmes such as Flying Start, which is designed to help children in the early weeks, months and years of their lives. I am confident that these programmes will be able to deliver a significant reduction in child poverty in time.

[114] **Leanne Wood:** The Communities First programme is a good community development programme. It is not an anti-poverty programme, is it? However, a large percentage of the children whom we talked about earlier who are in the most severe poverty will be living in Communities First wards. Can you point to any statistics that can show that the investment in Communities First thus far has improved the outcomes for some of those kids in the most severe poverty?

[115] **The First Minister:** I have seen a number of initiatives across Wales that enable people to gain confidence and to look for training. A major barrier to dealing with child poverty is the number of obstacles that exist to people getting work. What Communities First does, along with other schemes, is first to build people's confidence that they can seek work again or seek training. Secondly, Communities First has quite often been able to point people in the right direction in terms of providing them with the training that they need. Thirdly, it also ensures that childcare provision is in place for people. If you slowly remove the obstacles to people who want to work getting work, the family income increases and child poverty is dealt with in that way.

[116] **Leanne Wood:** I support that, but do we have figures to back that up?

[117] **Kirsty Williams:** Yes, can you quantify any of that? Can you quantify how many childcare places Communities First has been responsible for creating? Can you quantify how many people have got a training place via Communities First? Can you quantify how many people have got a job via Communities First? Can you quantify any of that? You can go around projects and people can tell you, 'Yes, it's lovely to come here and these people have been great to me', but can you quantify, as a Government, what the outturn from your substantial investment in this programme has been? How many childcare places?

[118] **The First Minister:** I can provide you with that information by writing to the Chair. However, I have seen many examples of it, not just in visiting places as First Minister, but in the villages that I have gone to. You can see the difference in the buildings that have been bought into community use for cafes and training, particularly IT training, thus providing facilities that were just not available previously. For example, in Upper Brynamman, the old school was brought back into use as a fantastic facility for the community. It provides a cafe where there was none, training—Welsh-language teaching and IT training the last time that I was there—and it is a great facility for the community. I can provide you with the figures, but we know that many communities now have facilities and training opportunities that were just not there in years gone by.

[119] **Sandy Mewies:** I wanted to ask a question about indicators. It is interesting that you are looking at indicators, and I am glad to see that others are too, because there is no point in having them if they do not work. Leanne was talking about one of the levers of child poverty, and that is family income. That is absolutely true. Sometimes, there are outlying effects that have nothing to do with Wales. Do you expect one or more of the indicators that will be brought in in future to look at the effect that the benefit reforms or welfare changes that are coming in will have on children and young people in Wales?

[120] **The First Minister:** What is happening with benefit reforms is worrying. My concern is that they are being driven by cost rather than principle. One of the key indicators with regard to child poverty is the percentage of children living in households with below 60 per cent of the median income after housing costs. I suspect that what is happening economically, and with the benefits system, may well lead to the percentage of children who fall into that category increasing.

[121] **David Melding:** Are we ready to move on to another subject?

[122] **Kirsty Williams:** To take up Leanne's point, as she said, it is all about parental income. I am sure that she did not mean to suggest that there is nothing that Wales can do about this situation. While we do not have control of the benefits system, we have control over economic development policy. Indeed, I believe that the Welsh Assembly Government has spent more per head on economic development than all other parts of the UK. We could therefore have expected a return on that investment in terms of job and wealth creation.

Commitment 224 was to ensure that Wales became a strong trading nation. With all due respect to the people who wrote the narrative accompanying the delivery plan, it struck me that these were like the words of a desperate teenager looking for something to pad out his curriculum vitae. First Minister, could you outline how much money has been spent on the first incarnation of International Business Wales and, subsequently, on the new structure that has replaced it? Could you tell us what the expenditure in that department has been and how many jobs have been created as a result?

[123] **The First Minister:** The economic development budget, as well as the expenditure, is a matter of public record. However, I suppose that you are asking me what has been done with the money. We know that investment has been brought into Wales. We know that we have secured roughly 1,400 jobs since September. We have also managed to sell Wales in a way that has not been possible in the past—the Ryder Cup being a prime example of that. We are still exploring some potentially very exciting developments on the back of the Ryder Cup, but those are still in their very early stages, so I do not want to go beyond saying that. I can provide one example of the benefits that we have received so far in the aftermath of the Ryder Cup. Two weeks ago, the Chinese ambassador, the Indian high commissioner and the US ambassador were in Wales, hosting events that were all organised on the back of the Ryder Cup. The Indian high commissioner hosted a business event on the back of the Ryder Cup. The US ambassador, when I met him at the Ryder Cup, offered to host a lunch and evening reception for businesses and then delivered on that offer. Those things have happened because of the contacts that were made at the Ryder Cup and because Wales is now far more well-known around the world than was previously the case, not only because of the Ryder Cup, although that event helped tremendously. The next task is to ensure that we follow up on the good base that has been laid to get more investment in Wales, particularly—although not exclusively—from the three countries that I have mentioned.

[124] **Kirsty Williams:** None of us would argue with the fact that the Ryder Cup was a triumph for Wales in a whole host of ways and was something of which we could all be justifiably proud. However, are you seriously suggesting that the sole output of your international business arm—with its offices in New York and Mumbai—and of your international economic development strategy was the hosting of the Ryder Cup and the subsequent developments that may arise from that?

[125] **The First Minister:** No, of course not. However, it is a very good base on which to build. Regarding the investment that has come into Wales in difficult economic times, Tata Steel has made an investment in the steelworks at Port Talbot, and there are investments coming into other parts of Wales in the future. Airbus UK continues to invest, as reflected by the recent announcement on new jobs. We have also seen new centres open recently in Swansea. In difficult economic times, this shows that we are still able to not only create jobs, but to secure the jobs that we already have. That is because of the work that is being done by the Government and by officials to ensure that Wales is seen as an attractive place to invest. We still see those investments being made by Airbus, Tata and others.

[126] **Leanne Wood:** I wish to move on to questions on the control of our resources. Many of our economic problems today have resulted from a lack of control over our economic resources in the past. What I mean by that is that the Valleys, which produced huge amounts of coal, should be a very prosperous area now; however, it clearly is not. First Minister, what can you do to ensure that history does not repeat itself in terms of precious natural resources? How can we ensure that communities and workers involved in the new natural resources industries, namely the renewable energy industries, benefit from those resources and the profits that are made from them, by keeping the profits in the areas where they are generated, unlike in the past?

10.30 a.m.

[127] **The First Minister:** You will be aware, of course, that renewable energy is a major sector for us in terms of economic renewal. It is absolutely crucial that as Wales's potential for renewable energy is realised, we also see an economic benefit, to ensure that the kit that generates the energy is made and/or maintained in Wales. Again, there are initiatives being taken forward with regard to that. However, it would help if we had the powers over renewable energy that the Scots have. Part of the difficulty in selling Wales as a place to invest in renewable energy is the fact that we do not have full control of the planning system. Anything over 50 MW is taken out of our hands and the hands of local authorities, and offshore, it is anything over 1 MW, which is fairly low. This is an old problem and it is something that we have sought power over for many years. It is not something that has occurred since last year, but certainly, we believe that we would be able to deliver a more holistic package in terms of the economic benefits of renewable energy if we had the right suite of powers in order to be able to do that.

[128] **Leanne Wood:** I agree with you on that. If we had more power over the consents for energy generation projects over 50 MW, we would have more control over that. However, we also really need to look at the ownership of the companies that generate that energy. Would you support legislation, for example, to change the planning system to ensure that there was at least an element of community ownership of renewable energy generation projects in future?

[129] **The First Minister:** That should be happening now to an extent. I would expect any renewable energy development to include a significant element of community benefit. I know it has been happening in northern Powys—

[130] **Leanne Wood:** Community benefit is different to community ownership. They give a grant to the council of an amount of money, which is very welcome in many communities, but they do not actually own the renewable energy generation. I have been told about a 40 turbine development in Scotland, for example, where two turbines were given over to the local community and those turbines could make £100,000 every year for community usage. That strikes me as an excellent idea that we should be able to roll out in Wales, but it would require vast changes to the planning system. Would you support going down that road?

[131] **The First Minister:** It is happening, not in quite the way you described, but I am aware of examples in Wales where communities benefit from a percentage of the profits that are made from generating energies. It is certainly happening in northern Powys. It is not quite the same in terms of the ownership element, but there is no reason why social enterprises and community-owned enterprises could not look at doing this anyway. There are communities in northern Powys or Montgomeryshire that have been particularly supportive and they are benefiting enormously from what has been done there over the years. I am thinking of communities like Carmel, for example. There is no reason why a community-owned enterprise should not look at developing renewable energy itself and then, of course, the community would get the entire benefit of the enterprise and not just one turbine out of 20.

[132] **Leanne Wood:** That is exactly the model I would support, but what I am looking for are ways of removing the obstacles and barriers to people being able to come together and form co-operatives that control that resource.

[133] **The First Minister:** I am not sure it is a planning barrier; it is more of an economic and financial barrier in terms of organisations being able to access the finance that they need in order to set themselves up to be in a position to develop renewable energy. If you are saying that planning guidance should be reformed to create a bias towards community enterprise, that would have to be looked at very carefully. We would not want to give the impression that Wales is not open for business to some of the bigger generators, who might be the only generators who could actually build some of the bigger renewable energy schemes.

However, having said that, it is important that we should look to encourage community organisations to develop renewable energy themselves. If they can access the finance and the help to be able to do it, then that is good for the community.

[134] **Leanne Wood:** You mentioned earlier the issue of power over consents for energy generation projects over 50 MW. There is cross-party agreement on that. Why has it not happened?

[135] **The First Minister:** Those powers have not been devolved regardless of which party is running the Government in Westminster. We will continue to press for those powers. The result of the referendum is helpful in that regard, even though the referendum was not about energy consent. However, we will continue to make the point that in order to deliver better outcomes for Wales in terms of not only energy and sustainability, but the economy, it is important that we are able to develop renewable energy properly. We look with an envious eye at what has happened in Scotland and their powers in this regard. It is important that we should have similar powers in Wales for the benefit of our people, to ensure that we can use our resources more beneficially.

[136] **Leanne Wood:** I fully agree with you on that. I have one more question.

[137] **David Melding:** Okay. I will indulge you, Leanne.

[138] **Leanne Wood:** Thank you, Chair. I hope that the Assembly Government will up its game in the next term to do everything that it can to ensure that those powers are devolved. Going back to ownership and control, water is exempt from devolution under the Government of Wales Act 2006. Do you believe that water should be exempted or should it be under the Assembly's control?

[139] **The First Minister:** Dŵr Cymru is a social enterprise, effectively—it is a not-for-profit organisation. There are three big water undertakers in Wales—Dee Valley Water, Severn Trent Water and Dŵr Cymru. There is a section in the Government of Wales Act 2006 that deals with the Secretary of State's powers to intervene, should we decide to stop the taps, as it were, from the reservoirs. No-one is suggesting that that should happen, but, nevertheless, it was felt that that had to be included in the Act. You are effectively asking whether the water resources of Wales should be nationalised in that regard. That is outside the powers of this institution.

[140] **Leanne Wood:** Yes, it is. However, would you support that being inside the powers of this institution?

[141] **The First Minister:** That would need careful thought. If we were to take on board an undertaking of that size, we would need to see how many people we would need in order to do it. It is not simply a matter of saying, 'We will have that, and then we will run it'. It is a significant undertaking and an issue on which we do not have the necessary expertise in the organisation at present. Therefore, it is an idea that would need to be examined carefully.

[142] **Leanne Wood:** So, you accept that water will become a precious resource in the future.

[143] **The First Minister:** It is inevitable that, with climate change, water will become a precious resource. We do not know yet what that will mean for Wales—whether climate change will mean more or less rain. The prevailing scientific view is that it would mean less rain. It is less of a problem for Wales than it is for the south-east of England, but it is a problem in Wales as well. Let us not pretend that, somehow, water will be plentiful in Wales for ever. That is why we have been encouraging people to save water and getting the message

across that a sustainable way of living is as important in Wales as it is elsewhere.

[144] **Leanne Wood:** Who controls that resource will be a crucial matter.

[145] **David Melding:** You have made your points ably, Leanne. I want to finish on this sustainability-type issue—we are moving in that direction. I was hoping to spend 15 minutes on the Holtham report. I know that Members are concerned about the implications of that report, now that the referendum has been concluded; there is possible currency in what might be done throughout the fourth Assembly term in that regard. However, before that, Kirsty and Sandy have questions on renewable energy and sustainability in general.

[146] **Kirsty Williams:** I want to get back to the core issue of economic development and the prosperity of the people of Wales. Is it a matter of regret to you, First Minister, that it has taken three years to develop an economic renewal strategy, and is it credible for a Government to publish its manufacturing strategy within three weeks of it coming to the end of its term of office? Commitment 46 in the strategy mentions an all-Wales approach to economic development and is ticked off as ‘delivered’, as is your labour market strategy. Given where we are in the economy, how can you justify that and state that those commitments have been delivered?

[147] **The First Minister:** First, you suggest that there was no economic strategy before ‘Economic Renewal: a new direction’ was published. Secondly, it is easy to justify the points that you raise. We have produced an economic strategy that considers what happened in 2007-08. We have produced a strategy that is adapted to the world as it is now, and not the world as it was before then. The measure of any good economic strategy is its flexibility and its ability to react to unforeseen situations and I believe that we produced such a strategy. We did that with the economic summits, and with ProAct and ReAct.

[148] We brought in programmes that were not replicated elsewhere and that were the envy of others in Europe. On ProAct, for example, the estimate is that some 12,000 people are still in jobs today because of the swift action that was taken at that time. So, we have managed to be flexible in dealing with changing economic circumstances. Given what happened to the world economy during that period of time, it then made sense to review our economic strategy. So, we produced ‘Economic Renewal: a new direction’ and the manufacturing strategy followed on from that. Given the changed circumstances after 2008, it was inevitable that we would review what we were doing and produce a strategy that was more appropriate to the times that we live in now.

[149] **Kirsty Williams:** On that point, has it been a source of frustration to you, First Minister, that you have been tied to delivering a programme of government that included hundreds of promises? Has that led to the Government not being as fleet of foot as it would like to have been because it has been tied to political promises that were appropriate for the time that they were written and satisfied the needs to secure a Government, but, the further you get from that point, that long list of commitments then becomes a millstone rather than allowing the Government to be fleet of foot and to react to the circumstances that it finds itself in now? Therefore, maybe a new approach is needed to developing policy programmes in the next Assembly.

[150] **The First Minister:** I think that we have been fleet of foot. ProAct and ReAct are examples of that. The fact that we have been willing to examine the way in which we deliver economic development off the back of what happened in 2007-08 is a sign of a realisation on our part that you have to tailor your economic policy according to economic circumstances. The circumstances that prevailed before 2007 are far different. So, that fleetness of foot is certainly there. As regards the ‘One Wales’ agreement, I was part of the Government in 2007, so it not as if this is something that I have inherited without any kind of buy-in at all. It is



something that I was fully supportive of, as was everyone in Government in 2007, and I have continued to support it. Where you have a coalition agreement, it is important that it is as detailed as possible, so that everyone understands where they stand and so that you have an agreement that has deliverable objectives, where people can see what you are trying to do and can measure whether you have met them or not. That is the basis of any good coalition agreement.

[151] **David Melding:** I am going to move us on fairly smartly so that we will get to discuss Holtham at the end. Sandy has the next question.

[152] **Sandy Mewies:** Despite Kirsty wanting to move on to discuss green energy, I still want to discuss economic regeneration, so I will get back to that.

[153] One of the problems with any economic strategy is that if there are global changes, you have to adapt to what has happened. One of the things that I have been pleased to see is the small flourishes with regard to the creative industries. I am also thinking about media centres like the one that is opening in Glyndŵr University and the work that is going on around Cardiff. I know that we are talking about 'One Wales', but while all this has been going on, has there been any planning ahead? We have had to do this in the past; when the coal and heavy industries went, service industries came in, and then technology. I know that we may be in a totally different position in the fourth Assembly, but that does not mean that you can stand still. Have you been looking ahead to encourage this flourishing of the new industries? They are not only providing regeneration and jobs in Wales, but are helping with the branding of Wales.

[154] **The First Minister:** You will be aware, Sandy, of the Hargreaves report and its suggestions. I think that it is fair to say that the creative industries, particularly with regard to broadcasting, are in a state of flux at the moment. There have been issues around ITV, particularly what happened with regional news; the difficulties of S4C are well documented; and the BBC is also under financial pressure. It is welcome to see the new studios being built across the Roath Basin here and I hope that, in time, the BBC will look to relocate its creative media village. It has happened in Salford Quays, as I understand. If you create a hub of excellence, then you attract industries that seek to serve the original anchor tenant, if I can put it that way. We need to see development in that regard to ensure that we can secure a firmer basis for the creative industries in Wales. There is no doubt that things are currently in a state of flux given the uncertainty of commissioning by broadcasters.

10.45 a.m.

[155] **David Melding:** First Minister, perhaps we could conclude on the question of the Holtham report, which is a significant aspect of the 'One Wales' agreement. Some people have expressed surprise that you seem to approach parts 1 and 2 of the Holtham report as though they are distinct and not interrelated, and I understand that Gerry Holtham is not exactly enamoured of this particular approach. What is the thinking behind that? Why are they not an integrated whole in terms of the challenges that we face and the financial and fiscal issues of a need-based formula? All of these things need to be looked at if we are to shift some of the basic economic indicators that currently keep Wales as the poorest part of the UK.

[156] **The First Minister:** There are three aspects to the report, which outline the different steps that need to be taken. The first is the implementation of the floor, whether it is the Barnett floor or the Holtham floor; call it what you will, we know what it would involve. The second step is dealing with underfunding and reforming the Barnett formula. The third step involves part 2 of the report, which outlines the issues regarding the devolution of various tax-varying powers. My view is that you cannot discuss anything to do with tax-varying

powers while the floor has not been implemented and the underfunding has not been dealt with. Gerry Holtham makes the point that you cannot move to part 2 of the Holtham report unless the issue of underfunding is dealt with.

[157] **Kirsty Williams:** Do you think that it is a compelling pitch to the UK Government to take action on the floor and the formula when you do not want to take responsibility and have increased accountability for how you spend it? Is that a compelling pitch from a nation that has been emboldened as a result of wanting to take greater responsibility for legislative competence? Why would we not want to see that being reflected in our approach to how we finance ourselves?

[158] **The First Minister:** That situation seems to be fine for Northern Ireland; as far as it is concerned, it can borrow up to £200 million a year. Northern Ireland is looking at the issue of the devolution of corporation tax, but nobody is saying to Northern Ireland ‘If you want your funding formula to be reviewed, you have to take on board an extra wedge of tax-raising powers as well’. That seems to apply only to Wales. If we look at the history of this issue in Scotland, I believe that the Calman commission was originally set up by the Scottish Parliament. It was subsequently adopted by the UK Government and has the agreement of the parties in Scotland. With Calman, Scotland is having a range of tax-varying powers beyond its existing powers while at the same time keeping the overfunding that Barnett provides. As far as Scotland is concerned, that is a case of having one’s cake and eating it. Good luck to them; I make no criticism of what has been done there. However, it would be disastrous for Wales if we were to have a Calman-type package based on the present situation where we are underfunded. As the Barnett formula is so generous to Scotland, the situation is different, but the same cannot be said for Wales.

[159] **Kirsty Williams:** I take your point, and for the last 13 years I have been campaigning to get the UK Government to change the Barnett formula, so I do not disagree about the need to change the formula. I am asking whether it is a compelling and serious pitch to the UK Government to want to talk only about the reform of the Barnett formula and not greater fiscal autonomy and responsibility, as you seem to be doing. You say that you cannot have one without the other, but perhaps the UK Government would feel the same way. Your argument is that Westminster wants to talk only about one part of the issue. However, it seems to me that it is you who only wants to talk about one part of it.

[160] **The First Minister:** We take note of what is being said at Westminster, and we took particular note of what Danny Alexander said when he came here. From the beginning, the UK Government has made it clear that it will not consider part 1; it wants to go straight to part 2 without looking at the issue of Barnett reform. Each step must be taken in its turn. I do not think that it is good for Wales to start looking at tax-varying powers of any kind while we have a situation where part 1 of the Holtham report and the underfunding of Wales is not being dealt with. The position of the UK Government has remained consistent; I do not agree with it, but it has consistently said that it will not revisit the Barnett formula. So, if it is not visited, then part 2 of the Holtham report can never be reached.

[161] **Kirsty Williams:** If the Government was to refine its position and say that, when considering part 2 of the report, Barnett reform would be considered in the same context, would you be content with that way forward?

[162] **The First Minister:** I await the UK Government’s response. If it was to say to us that it will reform the Barnett formula and deal with the underfunding of Wales, then we would welcome that; it would mean that part 1 of Holtham is satisfied. There would then, at some point in the future, be a debate on part 2. You cannot have one without the other.

[163] **Kirsty Williams:** Okay. I accept that you cannot have one without the other, but my

challenge to you is: if the Government commits to a review of Barnett, at what point in the future do we have this discussion about greater fiscal autonomy and responsibility?

[164] **The First Minister:** Are you making me a proxy offer?

[165] **Kirsty Williams:** I am trying to gauge how you feel about part 2 of the Holtham report.

[166] **The First Minister:** Committing to review the Barnett formula is not enough. The issue is not the review of the Barnett formula but the underfunding of Wales. If there was to be a review of Barnett that led to the underfunding being dealt with, then that would complete part 1 of the Holtham report. However, that has never been on the table.

[167] **David Melding:** Would it be a fair summary that your Government's attitude is that you could have part 1 on its own, but not have part 2 on its own? If you were to have part 2 of the report, then you would have to have part 1 to make the whole packet feasible. However, it seems to me that you think that you could just have part 1, which may be the position that is eventually reached.

[168] **The First Minister:** It is possible for part 1 to exist in isolation, but it is not possible for part 2 to exist in isolation.

[169] **David Melding:** That is clear and helpful. However, does that indicate that you are not as intellectually convinced about part 2? It is very challenging for my party and to yours and Kirsty's as well, but perhaps less so for Leanne's party; they are the political parameters. There is a great intellectual coherence about what Holtham is saying, if you accept his premise, which is that our suite of policies were established in the 1930s, and although there have been some alterations over the years, the basic approach of giving incentives to people who would not normally come to Wales to come here is a 1930s policy. It has not made Wales relatively wealthier; to do that you would really need to consider taxation powers.

[170] **The First Minister:** I have made it clear that part 1 must be dealt with first. My view is that income tax varying powers would have to be subject to a referendum. In Scotland in 1997, people voted for a limited form of tax-varying powers, which has been used as the basis to develop Calman. That can be justified, but what cannot be justified is that the precedent in Scotland on income tax does not mean similar powers being given to Wales, through another referendum—although there is a limit as to how many referenda people can tolerate in a short space of time. That said, there are other areas of part 2 of the Holtham report that would not require a referendum, but the issue of income tax, particularly given the precedent in Scotland, certainly would.

[171] **David Melding:** That is very clear. There is a firm principle there, and, given the precedent in Scotland, you would not have great difficulty in producing a strong argument for the position that you take. However, putting that to one side, Gerry Holtham has said that lowering the rate of income tax, particularly at the higher level, would suddenly change what is possible in the British economy and the attraction to the whole of Wales, and south Wales in particular, of much economic activity that is currently located in south-east England. That would suddenly create powerful incentives for that economic activity to come to Wales. Therefore, we would not lose out by notionally reducing the tax level, because our tax yield is fairly low, particularly at the higher level, and you would make it up in spades by people locating here, such as financial services, company headquarters, lawyers and accountants, which is a lot of the activity that is presently in the London area and perhaps in Bristol. It is a strong argument, is it not, to say that that is what you really need to do to change the relative economic positions of regions? If you look at regions that really have developed, in Europe or in the United States of America, you will see that that has been done by using those sorts of

devices, such as income tax and, sometimes, corporation tax.

[172] **The First Minister:** In terms of attracting investment, corporation tax is a more powerful tool. There are disadvantages, of course, because we know that corporation tax would need to be reduced, not increased, and that would have a detrimental effect on the Welsh budget, which brings us back to the point about underfunding and the Barnett formula. These are all interesting arguments, but unless, and until, Holtham part 1 is implemented, they remain simply part of an interesting debate. If I remember rightly, Gerry Holtham talked about tax devolution not in terms of economic development, but primarily in terms of accountability. He says that because councils set council taxes, they become more accountable in some way. I do not necessarily subscribe to that view, but that is his view. All of this is theoretical until part 1 is dealt with.

[173] **David Melding:** I have tempted you enough, I think. Do you have any concluding remarks to make, or do Members have any final, focused questions? I do not want to extend the proceedings beyond 11 a.m. because the First Minister has been very patient with us morning.

[174] **Leanne Wood:** You have given your position on income tax, First Minister, but there is a whole range of other taxes. We talked earlier about the potential for controlling renewable energy resources and pollution tax. Would you support moving towards trying to ensure that the Assembly has control over those sorts of taxes, and that it has borrowing powers? Have you had any discussions with the Treasury about funding since the referendum? What has changed since the outcome of the referendum?

[175] **The First Minister:** Officials are still in discussion with regard to the implementation of the floor and part 1 of Holtham. That is as far as it is gone. It is true that there are other taxes, but we should be careful in saying that one tax could be devolved but not another, because that does have an impact on the overall package of finance that we get through the Barnett formula. A more coherent case is made by saying that the first thing that we need to do is to make sure that Welsh public spending per head does not converge with English public spending per head. That is the first step. The second and inevitably substantial step is to see the implementation of Barnett reform. If that is done—and that is a big ‘if’—Holtham part 2 will become a matter for discussion. However, at the moment, it is still some way off.

[176] **David Melding:** We have gone as far as we can on this occasion. Thank you, First Minister. Again, I apologise for the late start to the meeting. We are grateful for your open and candid responses to our questions. I am not saying that all your answers satisfied us, but I think that we have had an interesting discussion about important issues, and we do appreciate your co-operating in that manner with the committee. I thank your officials for their attendance, and I also thank Members. That concludes the formal proceedings, although I would ask Members to stay behind momentarily.

*Daeth y cyfarfod i ben am 10.58 a.m.  
The meeting ended at 10.58 a.m.*