

Agenda – Committee for the Scrutiny of the First Minister

Meeting Venue:

Committee Room 5 – Tŷ Hywel

Meeting date: 5 April 2019

Meeting time: 09.15

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(Private – pre-meeting) (09:15 – 09:30)

1 Introductions, apologies, substitutions and declarations of interest

2 Ministerial Scrutiny Session

Mark Drakeford, AM – First Minister of Wales

Des Clifford – Director General – Office of the First Minister

Jo Salway – Head of Cabinet Office

2.1 The First Minister's priorities for the remainder of the fifth Assembly

(Pages 1 – 24)

2.2 Issues relating to the UK's withdrawal from the European Union

(Pages 25 – 31)

2.3 Topical Matters

3 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

Item 4

4 Discussion of evidence from preceding sessions



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Agenda Item 2.1

Committee for the Scrutiny of the First Minister, 5 April 2019

Paper 1: Welsh Government – Priorities for the Remainder of the Fifth Assembly

Priorities for the Remainder of the Fifth Assembly

Introduction

The Welsh Government is harnessing the power of devolution to make our country stronger and fairer.

We are making a real difference at every stage of people's lives. Our flagship, all-age apprenticeship programme delivered 16,000 starts in 2017/18 alone. Despite continuing austerity, we are providing record direct support to small businesses through our bespoke *High Street Rates Relief Scheme*, which has been extended to respond to the needs of retailers. We have increased to £40,000 the amount of money people can keep before they have to fund the full cost of their residential care – and will raise this to £50,000 from April 2019. We have accelerated the delivery of 30 hours of free childcare for the working parents of three and four year olds.

Over the course of a series of budgets we have prioritised schools spending, and are on track to invest £100 million to improve schools' standards, alongside ambitious reforms to the curriculum, including for children and young people with additional learning needs. The £80 million *New Treatment Fund* means people have fast access to new drugs and treatments wherever they live in Wales. Waiting times for treatment in the Welsh NHS are falling – a sign of the additional investment we have made in the health service while they go on rising in England.

This progress is in spite of the challenging times that we face. The nine years of UK Government enforced austerity has had a profound impact on Wales.

If Wales' budget had grown in line with public expenditure up to 2010, then we would have had £6 billion more to invest in Welsh public services than we have today. As a result of the austerity cuts the UK Government has imposed on the Welsh budget, on a like for like basis, our budget is 5% lower in real terms in 2019 than it was in 2010-11 – this is equivalent to £800 million less. Less money means tough choices. Our priority has been – and continues to be - to protect the people of Wales from the worst effects of austerity and the uncertainty of a future outside the European Union. That means protecting devolved public services from the worst impacts of austerity, in helping people to maintain their incomes, and planning for a sustainable future.

Our investment in this year's Budget, set against this backdrop of continued financial restraint, focuses on the performance and delivery of frontline services, on which people and communities rely – in health, social care and education. We have taken a preventative approach, investing now to help stop problems occurring in the future, particularly in early years, better mental health and supporting social care. We have

maintained investment in the public sector workforce, which is our greatest public services asset, with fully-funded pay deals for teachers, FE and NHS Wales staff.

Priorities for the rest of the government term

The work of the government to date provides a strong base on which to build. *Prosperity for All* is the government's national strategy – this will be kept under review, to ensure that it focuses on the daily issues which matter most in the lives of the people of Wales and continues to be achievable in light of the twin challenges of extended austerity and a disorderly exit from the European Union.

The six priorities that we set in *Prosperity for All* – early years, mental health, social care, housing, employability and skills and decarbonisation - reflect the importance of taking early and sustained action. Taken together, they capture the areas where the government can and should make the greatest contribution to individuals and to their wider communities.

The task of creating a more equal, prosperous and greener Wales goes far beyond government – it is a shared responsibility. We are committed to working with others to create a collective effort to achieve those shared ambitions.

A More Equal Wales

It cannot be acceptable in a modern, diverse society that people's lives are defined by social class, by their gender, by their race, by their sexuality or because of a disability.

I am committed to seeing a Wales where our country prospers, where everyone is able to benefit and where a commitment to equality of opportunity is accompanied by a commitment to equality of outcome.

As a government we will continue to make sure that public services are available to everyone. Those with the greatest needs receive the attention those needs require. We should rightly be judged by how the most vulnerable and disadvantaged benefit from our policies.

Equalities will remain the underpinning rationale for all our policy ambitions and we will enact the socio-economic duty under Part 1 of the Equality Act. This will be the lens through which we will consider all our policies.

We are committed to alleviate **the worst effects of poverty** in children's lives. We will focus our work on the first 1,000 days of a child's life. We are maintaining current investments in services aimed at children in poverty, including the Foundation Phase, Flying Start, Families First and the Healthy Child Wales Programme. We will pilot the 'Baby Bundle' scheme, as our welcome gift to new babies born in Wales, packed with essential items for the first weeks and months.

Our **education reforms** are set out in *Education in Wales: Our national mission*. It is through these reforms that we will raise standards, reduce the attainment gap and

deliver an education system that is a source of national pride and confidence. These reforms are being accompanied by sustained and targeted investment in schools. By the end of this term, we will have invested £100 million to raise school standards and more than half of this investment will drive improvements in teaching and learning. A committed and motivated teaching workforce is critical. We have provided £23.5 million to local authorities to fund the school teachers' pay award and £15 million support for teachers' pay. We are providing record levels of investment in professional development, as teachers prepare for the radical new curriculum.

We are providing additional support to children from more disadvantaged backgrounds to make sure they are in the best place to benefit from their education. We have announced a new funding stream - the PDG Access – and have provided £1.7 million to local authorities this financial year to help parents meet the everyday costs associated with sending their children to school, including the costs school uniforms, school sports kit and wider activities. This will increase to £5.15 million in 2019/20. If our budget allows, following the forthcoming Comprehensive Spending Review, I am committed to further new investment in the Fund during the remainder of this Assembly term.

I am committed to making sure that children are properly fed. It remains a priority to extend the number of children benefitting from free school meals, to make sure that they can fully engage with their learning. I have long been concerned that school meals are only available in term time. We introduced the *Bwyd a Hwyl, the School Holiday Enrichment programme*, which we will extend, increasing our investment to £0.9 million – this is the only nationally funded programme of its sort in the UK.

Prevention is at the heart of our priorities for **health** –this is embodied in *A Healthier Wales*. We want a wellness system that improves health and well-being by improving the quality and access to services, with a focus on early intervention and more services available in local communities.

We are already rolling out new models of care through the £100 million transformation fund; the first project was developed by the Cardiff and Vale regional partnership board called '*Me, My Home, My Community*'. This will see partnership working between the NHS, local authority services and the voluntary sector to ensure individuals and families get the support they need closer to home.

While we have made some inroads into healthy behaviours and outcomes in Wales, there is still too much variation in the health of people across Wales. We will promote clean air to ensure children can go to school, be active and play safely and do the small things which help promote public health across the country, such as making drinking water readily available.

So many of our ambitions for Wales rest on a successful and collaborative **local government** sector. We need the best possible local government in Wales, able to discharge its core responsibilities as strategic partners in education, housing, social care and the environment. This will be built on cooperation and mutual respect and set within a legislative context, which makes it as easy as possible for local councils to collaborate with one another, and to work in partnership with other organisations.

We will legislate to provide the framework we need for strong local government, with electoral reform to involve 16 and 17-year-olds in the decisions that affect them.

A More Prosperous Wales

We can all benefit from a thriving economy. The most effective way out of poverty; the best route to fulfilled lives, and improved health and well-being, comes from the creation of worthwhile, properly rewarded employment.

To achieve this Wales needs a highly-skilled workforce, served by cutting edge physical and digital infrastructure. Investment in skills, transport and fast broadband will continue to be a priority for this government.

With the introduction of Welsh rates of income tax from April 2019, a prosperous economy will allow us to invest in more public services.

I am very clear that we cannot pursue a policy of economic growth at any cost, but that the right economic growth can bring wide benefits. A more prosperous Wales means tackling poverty by creating a thriving, socially-just economy which benefits everyone fairly.

These principles are rooted in the *Economic Action Plan*. We are rolling out the Economic Contract which ensures there is a social return on our public investment. In return for public investment, we expect employers to take their responsibilities seriously and adopt the best employment practices. This is not an onerous burden, and will bring benefits for them too.

At the heart of our commitment to social partnership is an understanding that government, business and trade unions have interests in common and that all stand to gain from working together. Those affected by an issue are best placed to help design a solution.

We will legislate to put our successful social partnership model on a statutory basis.

We are committed to promoting equality through the fair work agenda. Fair work can help achieve a stronger, modernised, inclusive economy. It can assist in addressing inequality, by promoting well-being and community cohesion and it contributes to national growth and prosperity. Many successful companies are already taking steps to adopt responsible business and employment practices. Government policies and institutional arrangements in a number of areas influence the way in which communities or individuals are able to participate in the labour market and help shape the nature of work and employment. The Fair Work Commission will report shortly on how employment practices across Wales can provide improved employment rights and career paths.

We have recognised the contribution that the foundational economy can make to Wales. Our foundational economy approach will focus on the quality and the quantity of work in foundational sectors. The foundational economy lends itself to local sourcing and holds great opportunity for maximising the wider benefits of the public sector's spend in Wales through regional and local approaches that help to strengthen the Welsh economy and create jobs and training. We will continue to take forward projects which aim to keep public money within the communities in which it is spent.

We all have a part to play in delivering a healthy Wales and so an important part of moving our agenda forward will be challenging employers, schools and third sector organisations, supported by government to play their part in creating a healthier Wales. This is part of the 'something for something principle' embedded in the economic contract, where in return for Government funding, we will expect organisations to play a full part in Wales' prosperity.

We are investing in the long term to help people to be a part of a prosperous Wales and to benefit directly. We are also investing in measures in the short term which help people's income go further today – providing a social wage. Through policies such as free prescriptions for all, free travel for older people, the continuation of the Education Maintenance Allowance, free school breakfasts, childcare for working families and the Council Tax Reduction Scheme, we are making sure that people have more money in their pockets and we are easing the financial pressures of every day life.

A Greener Wales

A greener Wales means creating a truly sustainable nation, where resources are used for the common good of all and protected for the future. Our ground-breaking Well-being of Future Generations Act means that all public organisations including the Welsh Government must take into account not just the immediate impact of the decision they make but also the longer-term effects of that decision in terms of the prosperity of people in Wales, its environment, culture and communities.

Unfortunately there are too many examples of where we bear the environmental scars of unsustainable development of the past. But delivering a better environment for future generations is not something that government can deliver on its own and is not something that a single country like Wales can deliver in isolation. We take our global responsibilities seriously and a series of small steps can have a significant impact.

I am committed to developing and delivering an environmental growth plan which will set out how we can reverse some of the environmental damage Wales has suffered and halt the decline in biodiversity we are currently witnessing. Relatively modest initiatives, such as community orchards, a new national forest, doubling the number of allotments, increasing access to green spaces and wildflower planting, when taken together can lead to bigger things.

We will continue to take action against those technologies which threaten the environment in Wales. We will maintain and strengthen our ban on fracking. However, environmental objectives and economic growth are not mutually exclusive. Supporting the growth of green industries is good for the environment and good for the economy. In Wales, we have an abundance of the raw materials to deliver our energy needs sustainably and it is the government's priority to invest in renewable energy. It is important that we turn our investment and innovation into economic benefits, allowing us to develop supply chains here in Wales. I expect this focus to grow in importance over the next few years.

I am clear that we can use government policies and interventions to benefit the environment while progressing other policy goals. For example, our programme of retro-fitting homes to improve their energy efficiency improves the quality of housing stock, supports local jobs, can reduce emissions and contribute to reducing fuel poverty. This is the kind of intervention we envisaged when we developed the Well-being of Future Generations Act.

Brexit

The reality is that a disorderly exit from the European Union can simultaneously hinder our ability to deliver our policy ambitions and worsen the lived experience of people in Wales.

Our priority continues to be to seek the best outcome for Wales, advocating our interests and priorities as set out in the White Paper *Securing Wales' Future*. The paper set out our informed evidence-based position, and a viable blueprint for the best form of Brexit for Wales, and indeed the whole of the UK. While the UK Government has made successive movements towards our position, it has lost the negotiating advantage that it could have won if it had clearly acknowledged the importance of the closest possible relationship between the UK as a whole and the EU, short of membership. The UK Government needs to secure a majority position in the UK Parliament for the form of Brexit that is based on a Norway-plus model that we set out, jointly with Plaid Cymru, in *Securing Wales' Future*. The UK Government must commit to a closer long-term economic relationship with the EU, including participation in a customs union and the Single Market together with dynamic regulatory alignment with the social, environmental and labour market standards of the EU.

The UK was due to leave the EU at the end of this month and yet, even now, at the eleventh hour, there continues to be uncertainty about when, and how, the UK will leave. The Welsh Government has been consistent in its position that 'no deal' would be catastrophic and mean long lasting damage. A no deal Brexit will bring profoundly negative consequences for workers, businesses, higher and further education and the Welsh economy. Indeed, we are already seeing the impact of two years of uncertainty feeding through, with Wales experiencing a decline in the number of companies making the final decision to invest here, and with threats of closures now becoming a reality. A no deal Brexit would have a direct impact over the longer term on living standards with incomes on average up to £1,500 to £2,000 per person per

year lower than they would otherwise have been. This is on top of the lower growth since the referendum result, which the Bank of England believes has already reduced household incomes by an average of £800. We have also been clear that, as a responsible government we need to do what we can to prepare for a no deal outcome. The Welsh Government's preparations for leaving the EU without a deal are focused around 4 work strands: developing the necessary legislation to ensure there is a functioning statute book on exit day (where there is good progress), working with UK Government on operational readiness projects, Civil Contingencies preparations and the development of specific actions in Wales over and above work on UK-wide measures.

We have set up a range of structures to engage with organisations across Wales, covering the private, public and third sectors, so we can understand the impact of Brexit, and how best we can support those organisations. We continue to provide help to organisations across Wales to get ready for Brexit with a dedicated £50m fund. Up to £45,000 will be made available to each local authority in Wales, and a further £200,000 will be made available to them through the Welsh Local Government Association. The money will ensure there is a dedicated resource in each local authority to undertake the necessary planning, co-ordination and preparation work. It will be supported and co-ordinated by the WLGA across all local authorities to avoid duplication, maximise effectiveness and encourage cross local government delivery. We are providing £500,000 to help support Local Resilience Forums fulfil their roles in the command, control and co-ordination arrangements for Operation Yellowhammer in Wales, increasing staff numbers to co-ordinate the planning and to fulfil the reporting commitments. £500,000 has been allocated to expand the provision of information and support, including immigration advice, to help EEA citizens living in Wales and reassurance for them to apply successfully for settled status.

We have launched our "Preparing Wales/Paratoi Cymru" website, which is a single, comprehensive source of information for the people of Wales about the actions we are taking to prepare for the significant impact of a 'no deal' Brexit. We are working to ensure that where UK-wide information is developed, it is relevant to, and reflects the needs of, Wales. Where it is, we are sharing this information with Welsh businesses and stakeholders – particularly through the website. We have launched a Business Wales Brexit Portal to help Welsh businesses prepare for Brexit and navigate the changes and challenges ahead. This includes an assessment tool that helps businesses identify how prepared they are for Brexit, and recommends actions they should take and signposts them to additional sources of support.

We continue to urge the UK Government to use the proposed extension to Article 50 to seek changes to the Political Declaration to secure the future relationship with the EU that we set out in *Securing Wales' Future*. We believe there is a majority position in Parliament for this form of Brexit. Such a commitment would take no deal off the table and enable the next phase of negotiations to begin with the EU. We are seeking a much greater role in the negotiations with the EU. As many areas of our future relationship are within our devolved competence, seeking our agreement is a constitutional necessity. In addition, many other areas will have important implications for businesses and citizens in Wales and the Welsh Government must also be involved in these matters. We are also clear that the Welsh Government

must be involved in any future trade deals that the UK will negotiate. These could have impacts on our devolved competence and could also have profound implications for businesses in Wales.

While it has often been said it is worth repeating again now: departing the EU does not mean that Wales is turning its back on Europe. Our friends and neighbours in Europe will continue to be our friends and neighbours, and we need to find new ways of working together on our common challenges. Indeed, Wales remains open for business, and a great place to invest, study and work. Wales will remain an outward looking and engaged player on the European stage, regardless of the EU exit. Wales is a world- facing nation, and as we prepare for a future outside the EU, it is more important than ever to sell Wales to the world and meet with potential investors across the globe.

We embrace the world and its horizons, and where new opportunities open up, we will work with partner organisations to help our sectors prosper.

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