

Welsh Affairs Committee

Oral evidence: The work of the First Minister of Wales, HC 659

Wednesday 12 February 2025

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Members present: Ruth Jones (Chair); David Chadwick; Ann Davies; Gill German; Claire Hughes; Ben Lake; Llinos Medi; Andrew Ranger; Henry Tufnell; Steve Witherden.

Questions 1 - 40

Witness

[I](#): Eluned Morgan, First Minister of Wales, Welsh Government.

Examination of witness

Witness: Rt hon. Eluned Morgan MS

Chair: Good afternoon, everyone. Welcome to this oral evidence session of the Welsh Affairs Committee. My name is Ruth Jones, Member of Parliament for Newport West and Islwyn. I am also Chair of the Committee.

I am delighted to be joined today by First Minister Eluned Morgan. I believe this is your first time attending the Committee as First Minister, which is great. Thank you so much for joining us. We appreciate that you are not obliged to appear before us, as the Secretary of State for Wales is. We are very grateful to you for doing so, and also for doing so in person, because it is helpful to have you here in front of the Committee. We want to talk about the relationship between the UK and Welsh Governments, and this gives us a perfect opportunity to do that, so thank you so much.

I will start by asking Members to declare any interests with relevance to today's session.

Ann Davies: I declare an interest in the agricultural question, as a tenanted dairy farmer.

Q1 **Chair:** Thank you. First Minister, I believe you have an opening statement that you would like to make.

Eluned Morgan: Just a few words. I wanted to note that we have lost a statesman in Wales in the past week. Dafydd Elis-Thomas was of course a member of this Committee—from 1987 to 1989, I think. He made a huge contribution to nation-building in Wales, and we all owe him a huge debt of honour. I wanted to note that today, because he was also a member of this Committee. I hope you will indulge me.

Diolch hyfryd—thank you, for the opportunity to speak today. It is not something I am going to make a habit of, but I thought it was important, because I am a new First Minister, for us to have the opportunity to get to know each other. I recognise and value your work. I think it is good for politicians to be asked questions. We are all accountable. I am obviously accountable to the Senedd, rather than to you, but it is good to be here.

I thought it worth setting out briefly what I have done since I became First Minister. I did a listening exercise throughout the country. It took an open-ended and unscientific approach, but it was a genuine attempt to get a sense of what the people want in Wales. As a result, I came back to set up four key priorities that people told me we should be focusing on: the NHS, which was definitely top of that list; developing new jobs in Wales, and prosperity; making sure we connect communities; and making sure we have opportunities for all, which includes things like housing and education. Those are the priorities.

I then tried to steer the entire Government to respond to those priorities as priorities—not that we are not doing other things, but those are our main focus. The budget proposals are in keeping with those priorities.

Q2 Chair: Thank you for those comments on Dafydd. He was a giant in this place. Although he was up the other end, so to speak—as you would know—he was a massive contributor in every way.

We know your priorities, as you have set out them very clearly. Following your listening exercise, and given your missions or priorities, are the Welsh Government sufficiently resourced and adequately supported by the UK Government to get those priorities delivered?

Eluned Morgan: Any Government would say, “I’d love some more money,” because you could do more of what you want to do. Clearly, you have to adapt and adjust to the money available to you. I guess it is about where you put your emphasis. That is what governing means: you have to choose your priorities. Obviously, the more money you have, the more you can deliver. For the first time, we have a huge uplift—the biggest since the beginning of devolution. We have £1.5 billion extra to spend on those priorities—to help bring waiting lists down, for example. That is really significant after a long, long time of austerity. It is worth emphasising that.

Obviously, we are not there yet. We have a budget to get through. As you know, the arithmetic in the Senedd is not straightforward. But it is really important for me that we recognise that additional funding is coming. It is not just revenue; it is capital. Capital is really important. We have £3 billion extra in capital. That matters because it means that you can invest in transformational projects. Part of the frustration that we have had is that the limit on capital in the past has been very marginal. I think we had a £1 million uplift in capital last year for the entire Welsh budget. A £3 billion uplift is not insignificant. It means that we can start thinking about investing in things like diagnostics, which will speed up the whole process for patients.

In an ideal world, when it comes to capital, what you need is a longer time horizon. I have just been speaking to Heidi Alexander, the Transport Secretary. You cannot build a railway or a station in a year; it takes longer than that. You do need a broader time horizon, so I am hopeful that the spring statement will give you—and, in turn, us—that broader time horizon, so that we can plan for the future more effectively, because annual budgeting is frustrating.

Chair: Thank you very much. I will hand over to Steve Witherden.

Q3 Steve Witherden: Prynhawn da, First Minister. You have described health and social care as one of your top priorities. We took evidence three weeks ago on how interconnected the Welsh and English NHS systems are, and how frequently patients have to travel across the border for treatment. In that context, what do you need from the UK Government to help you deliver a healthier Wales?



Eluned Morgan: Money is the No. 1 thing that I need and would like. We have a bit of extra money. To transform, you need to do things like digital transformation. Again, that is not something you can do overnight. You have to do that over a number of years, particularly when it comes to cross-border issues. That is a challenge; it is a challenge within England, where you have health trusts that cannot exchange information. Obviously, we have a different mechanism between England and Wales.

I am up for seeing to what extent we can speak to each other. I think that makes sense. You have Steve and Andrew here on the border. This issue really matters to people. Part of it is who owns the data. With a lot of the data, GPs, in particular, own it, so you have to get into a dialogue with them about releasing it. Obviously, it is patient data, and you have to be very clear about how you manage it. For example, we have just come to an agreement with GPs in Wales, with their new contract, to share some of that data on the Welsh NHS amendment paper.

So there are opportunities. I would like to explore that cross-border, interconnected work further. One of the things we have done is bring in a group of people who used to work for the NHS executive in England and some experts—some have Welsh roots and interests. They are bringing in some of that expertise in, to say, "Actually, where can we learn from each other?" So there are real opportunities there.

Q4 **Henry Tufnell:** I have a quick follow-up. Steve mentioned the inquiry we have had on cross-border; in it, we talked about the process of complaints management and the bureaucracy in terms of patient funding requests for cross-border referrals, and you also mentioned digitisation. How confident are you that the health boards and trusts can deliver the reforms you have been talking about, particularly in the context of the £1.5 billion in additional funding that you just raised?

Eluned Morgan: There are lots and lots of different aspects to this. There are more people from England who are registered with GPs in Wales than the other way around. It is very interesting; people are voting with their feet. I think a lot of people find it easier to access GPs in Wales than they do in England. We know that about 1.6 million appointments are made every month, in a population of 3.1 million people. The amount of work that is getting done is quite remarkable.

It is quite interesting that, when it comes to GPs and primary care, in some areas—on things like pharmacies—we are way ahead of England. We are seven years into a transformation programme—the kind of thing Wes Streeting is talking; we have been on it for a while. The three main things are moving resources into the community and primary care. We have been doing that; if you look at our pharmacy work, for example, there are tens of thousands of people now getting support in their pharmacies, and 28 different conditions you can get support for in your community pharmacy. In England, it is about seven.

On optometry, instead of just going to get your eyes tested, you now get them checked for other issues. Again, we are way ahead of England on



some of those things. Obviously, we have a long way to go, but on dentistry, for example, we have already delivered 400,000 new NHS dental appointments. The target in England is 700,000, and we have already delivered 400,000. Those are some areas. We have got further to go, but it is worth thinking about the context.

When it comes to more complicated things, like individual patient funding requests, you get into a different kind of sphere. We have things like the all-Wales panel, which determines whether a particular medicine is appropriate for somebody when it is super-specialised. The last thing you want is politicians deciding things like that, so we have a panel of experts who determine, "This is something that would work for this particular patient." When it is super-specialised, it may be that they can access it in England, but we pay for it in Wales. In terms of how integrated things are, it does depend on which part of health you are talking about.

Q5 Andrew Ranger: One of the four priorities that you mentioned was connecting communities, which we very much welcome in north Wales. Particularly for communities such as mine, on the border, cross-border transport connections are absolutely vital to opportunity and growth. I would be interested to hear how you would assess recent progress on that priority and what your hopes are for the future as it progresses.

Eluned Morgan: I am pleased to say that I have just come from a meeting with Heidi Alexander, the Secretary of State for Transport. Some really constructive discussions have been undertaken between her Department and Ken Skates, the Cabinet Secretary for Transport in Wales. I am pleased that she reiterated that there is a recognition that there has been underfunding of rail transport in Wales. I am also pleased that a pipeline of rail enhancements is now being prioritised. No promises were made before the spring statement, but I am pleased that we seem to be moving ahead on that.

On the cross-border aspect that you talked about, the link into Liverpool is crucial. It is cross-border, and it is good for growth. This Government is all about growth, so if you can wrap it up in the growth agenda, it is more likely to get through the system. I did not get any promises, but there was certainly a recognition of the fact that we deserve more.

Q6 Chair: You mentioned your meeting with Heidi Alexander, which is great. You have described the relationship between the Welsh Government and the UK Government as stronger now. How would you describe the role of things such as the Council of the Nations and Regions? What difference has that made to intergovernmental relations? What sort of relationship would you like to see with the UK Government?

Eluned Morgan: We have had only one meeting of the Council of the Nations and Regions. It was really good because, rather than being just a discussion group, it was focused on the growth agenda and investment, so there was a clear focus to it. That bounced straight into the investment summit, where, again, all the leaders of the nations were present and represented.



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The relationship is definitely much better than it was before. I will always put Wales first and party second; that is my responsibility as First Minister. I will speak up for Wales when its needs absolutely need to be championed. There are lots of examples where that needs to be done.

A review of intergovernmental relations is being undertaken at the moment, but we think that the intergovernmental machinery, and the machinery for the nations and regions, exists already, so how do we get those to work together? There is probably a bit of practical work around making sure there is no duplication and things like that, but the machinery exists; it just was not used much before.

There is a lot to discuss. I have just come from a meeting of all the European Union ambassadors, and they are really interested in the devolution issue because a lot of them have federal nations. They understand how it works, and they are shocked by how centralised we are. They are also really interested in how this works. Before, there was a framework, which was the EU. There was a single market—the EU single market—but we came out, and suddenly we had to create this new thing. We obviously still have issues in relation to the UK internal market, which we think was imposed on us, so there are a few things to iron out in relation to some of that.

Chair: Thank you. We will move on to Gill German.

Gill German: Diolch, Chair. Croeso, First Minister.

Eluned Morgan: Diolch.

Q7 **Gill German:** The joint work of the UK and Welsh Governments is nowhere more important than in the field of criminal justice. The preventive agenda is important to that, and there is a role that can be played together. As things stand, how effectively do the UK and Welsh Governments work together to deliver criminal justice objectives across Wales?

Eluned Morgan: Criminal justice is very much in the area of the UK Government, but it is important for us to try to get into that prevention space. It is interesting because there is a review being undertaken at the moment to ask, "There are too many people in prisons—what do you do about it?" Do you stop people from going to prison? If you do that, you are taking it from a reserved area, justice, and going, "Over to you," but you are not giving us the funding to sort it out in that prevention space. We certainly need to have a conversation about that. You will be aware that when it comes to youth justice, we think that we have some tools available to us that are useful in that space. Apprenticeships, education, housing and youth work are all quite important to prevent people from going down the wrong path, and there is obviously probation as well. We are still trying to see if there is scope for us to go a little bit further in those spaces.

Q8 **Gill German:** As part of the safer streets mission, the UK Government have voiced their ambition to halve knife crime and violence against



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women and girls within the decade. How can the Welsh Government support those aims and the practical work that can be done?

Eluned Morgan: We have been trying to address violence against women and girls in Wales for a long time. There will always be more than we can do, but we have a clear programme of work on that. We have recently seen some tragic issues with knife crime, and it is clearly a problem that we must take very seriously. You will have seen that some of our guidelines, such as those for schools, are already much stronger than those in England. For example, we can exclude somebody from school if they are carrying a knife. We have actually gone a little further than they have in England. Things are moving in this space, and we need to be really vigilant. I know that teachers, for example, are pretty sensitive, and understandably so, about the fact that they do not want to be police; they want to teach.

It is important that we get in very early. We are great believers in early years intervention. The first 1,000 days are what matter. We have piled money into that—into making sure that children can have the best start in life. We try to put support around them, and that includes parents.

Q9 **Llinos Medi:** Prynhawn da. You mentioned youth justice, which was also a priority in the UK Labour manifesto. Have you had conversations, prior to the election, about devolving youth justice? The link with those local services that you mentioned, especially with the youth services, is paramount to supporting youth justice work, and I think it would be better delivered locally.

Eluned Morgan: There was a manifesto commitment to consider devolution of youth justice. We have already had discussions with Pat McFadden about what we can do in that space. In fact, yesterday I had a meeting with the Deputy First Minister, who is responsible for the constitutional aspects of what we do in Wales. This is an area where he is asking, "How far can we go, and at what point?" He presented me with a kind of, "Right, what is possible before the next election?" We are taking it seriously. Clearly, there are areas where we want to go further than the UK Government wants us to go, but there is a manifesto commitment and we will hold them to it.

Q10 **Llinos Medi:** One of those further places is policing. You have commissioned work to look at policing in Wales. Have you discussed that further with the UK Government and police and crime commissioners in Wales?

Eluned Morgan: This is an area where there is perhaps a difference of view. We have been clear in Welsh Government that policing is an area where we would like to see further devolution, but that is not necessarily where the UK Government are at this point.

Q11 **Andrew Ranger:** I want to move on to looking at public funding in Wales. It was very welcome that in the autumn Budget, the block grant settlement for Wales was the highest in the history of devolution. In your Government's latest draft budget, you stated that capital budgets have



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gone beyond what was expected. In your view, have the UK Government gone far enough to provide the investment funding that Wales needs?

Eluned Morgan: Look, it is a damn sight better than it was before. I will always want more, so let us be clear about that. As it happens, I had a meeting with the Chancellor this morning, and I am pleased to say that we have moved on constructively, particularly when it comes to the financial options open to the Welsh Government. I do not want to go into more detail on that until we have bottomed things out, but we did get some movement this morning, so I hope that will be of help to us.

Q12 **Andrew Ranger:** Obviously, we have got our spending review coming up later this year—in June, we think—so you may not be able to answer this question, but how should the UK Government support continued investment in Welsh infrastructure?

Eluned Morgan: We have got a very clear infrastructure plan, and we have set out the things we want to do. However, what you need with infrastructure is long-term planning, and that was the conversation we were able to have with Heidi Alexander; she, of course, understands that. That is why that longer-term view—the spring spending review, which is multi-annual—is critical.

It is very difficult to just turn on a tap and turn it off: it does not make for good, efficient government. In particular, if you are recruiting people, you lose their expertise if you cannot give them guarantees about what will happen in the future. To have that cover from a spending review will be very useful in future.

It has been a number of years since we have had a three-year horizon: we have been doing year by year by year, and that is very difficult. You finish up in a situation where you are constantly patching up, rather than saying, "Right, we need to get that bit sorted." You are constantly patching up roofs on hospitals and school buildings, because you have not got that long-term view.

We have taken a risk in some areas. For example, we have ploughed money into 21st-century schools. Something that is worth noting is that the number of schools in Wales that had RAAC, compared to England, was minimal—I think there was one in Anglesey, wasn't there? But there are very few, because we have had years and years of investment, which has paid dividends.

It is difficult to do that, however. We want to do it with the NHS estate, but you are talking about big, big money with some of those things. It is about not necessarily creating new things, but making sure that the ones we have are absolutely where they need to be.

Q13 **Andrew Ranger:** I remember the 21st-century schools programme. The benefits that it has given to Wrexham have been fantastic—the change it has made.

There has been an on-and-off debate about HS2 for a long time now. On a wider basis, with that in the background, what other discussions have you



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been having with UK Government to ensure that we get our fair share of infrastructure funding? We know the NHS and hospitals need a lot of investment, and we have touched on transport, but how do we make sure we get our fair share compared with the rest of the UK?

Eluned Morgan: There are examples where we have not been getting our fair share. HS2 was scandalous in terms of the way it was classified as a Wales-England programme even though not one inch of the track is in Wales, and it does not benefit Wales. It is a scandal, and we will keep on pushing the UK Government and making it clear that we think that that classification was incorrect. It is not just something that has happened; it is something that will be ongoing, so we will keep on making the case.

That is a slightly different argument from the long-term underfunding that has happened in relation to rail infrastructure, which is the UK Government's responsibility. We have around 11% of the track in Wales, and we are not getting anything like 11% of the investment. At least in that area, there is a recognition that the percentage that has been electrified in Wales compared to England is totally unfair. There is a recognition, so we will keep on pushing on that, and that was part of the conversation with Heidi Alexander this morning.

Chair: Ben Lake is going to come in briefly.

- Q14 **Ben Lake:** I will be very brief. Diolch i chi, Prif Weinidog, am fod gyda ni prynhawn yma. On the last point you made, I am very glad to hear there is common ground with regard to the historic underfunding of the railway network in Wales. Do you feel there might have been a softening of the UK Government's position on the matter? Looking to the future, are you hopeful that perhaps the Treasury also might reconsider their statement of funding policy when it comes to the CSR, and particularly the classification of HS2? As you rightly said, First Minister, that really will have an impact in the future, as well as the historic consequences of the lack of investment in Welsh railways.

Eluned Morgan: I think I detected a softening today. The fact that we have had a recognition in relation to historic underfunding is an important first step. I am not sure if they will go as far as to say, "We are going to reclassify HS2," but we will keep on making the case. The important thing for me is that we get the investment, so we will keep pushing. We have had some positive mood music, but with a very clear caveat of "Hang on, let's wait." There are lots of people looking for money in the spring statement, so I will not feel confident until I see that spring statement.

- Q15 **Ann Davies:** Diolch, Prif Weinidog, hefyd. The figures for the number of Welsh farmers impacted by the inheritance tax changes are disputed. We have the Treasury coming out at about 25%, FUW—the Farmers' Union of Wales—at 93%, NFU Cymru at 75% and an independent firm of accountants in west Wales at 90%. All are way over the Treasury figures.

Jeremy Moody from CAAV said that about 200 farms would be affected every year, which is 6,000 farms in Wales over a generation. Given the higher figure reported, do you still support this inheritance tax change?



Eluned Morgan: It is not for me to support it or not to support it. It is a UK Government decision, and you need to ask the UK Government on that. Inheritance tax is not devolved. If you have an issue with this, you will have to ask the Chancellor about it.

- Q16 **Ann Davies:** If I may follow up, the SFS—the sustainable farming scheme—is an important policy change. How can Welsh Government biodiversity, carbon capture and net zero targets be met with fewer farmers on the land, in addition to the catastrophic economic effect in swathes of rural Wales if this tax policy is implemented? Remembering that every £1 a farmer spends generates £9 within that community, the inheritance tax will obviously affect the implementation of the sustainable farming scheme, so although the tax element is decided here, the implementation of SFS will be affected by this decision. How do you see those two things marrying up?

Eluned Morgan: I think there has been a lot of movement in the conversation between the Welsh Government and the agricultural unions in relation to SFS. There has been a lot of listening and a lot of movement, and there is a degree of consensus now in terms of where we need to go.

On the interconnectedness between SFS and inheritance tax, the Deputy First Minister wanted to make sure, in relation to inheritance tax, that if there was a direct impact on SFS, it would be accounted for. He has had that reassurance from the Treasury. Now, if people go out of business, that is a slightly different situation. Obviously, we will just have to see which one of the very different scenarios that have been set out is true. If this is of concern to you, you need to probe it with the appropriate authorities.

Ann Davies: I can assure you that we are very much bringing this to the attention of the Treasury—with little effect at the moment, but we will keep plugging. As you keep plugging about the train investment, we will keep plugging about inheritance tax.

- Q17 **Henry Tufnell:** I have a question about farm funding and the removal of the ringfencing. I am keen to understand your thoughts on that.

Eluned Morgan: Is this in relation to trees?

Henry Tufnell: No; the UK Government have put more discretion in the hands of the Welsh Government over farm funding. It was originally bypassing the Barnett formula, and it will now come in as part of Barnett consequentials. I am keen to understand what your thoughts and views on that change are.

Eluned Morgan: To be honest, we are not very happy with it. Let us not forget where we have come from. All this money in the past came via the EU, and there were very clear rules about how it would be spent. What proportion of that came to Wales was dependent on how many farms you had and what kind of farming they did.

While the amount has been respected hitherto, this is about what happens in future in relation to the Barnett consequential. If you just do a Barnett



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consequential, you are talking about 5%, whereas when it comes to agriculture, we should be significantly higher than that. It is a huge concern that that has been changed. It is not about where we are today, because today the amount of money that they had before has been respected. It is about what happens in future, which will not recognise that we have a higher percentage of farmers relative to some other parts of the United Kingdom.

- Q18 **Henry Tufnell:** Can I quickly follow up? The Secretary of State for Environment, Food and Rural Affairs gave evidence to the EFRA Committee, which I sit on. He set out there that there would be an appropriate level of funding for that in respect of the Barnett consequential. Have you had any conversations with him? Would you express the views that you have just set out to the Committee directly to the Secretary of State?

Eluned Morgan: I have not had any direct discussions with him. It may be that my Deputy First Minister has, so I can clarify that for you, but I would be very anxious to know that we will not be losing out in the future, so those kinds of assurances would help us a lot.

Chair: Ben Lake will come in on that.

- Q19 **Ben Lake:** Thank you. Prif Weinidog, given that this will also potentially concern the Administrations in Scotland and Northern Ireland, albeit to different extents, do you think this is a discussion that could be held by some of the inter-ministerial groups? From past evidence, I know that the DEFRA one, in particular, seems to be well attended and meets regularly. Do you feel that the intergovernmental infrastructure could operate to communicate these concerns and, perhaps more importantly, find a compromise that addresses them?

Eluned Morgan: That is a really good question, because I think that intergovernmental infrastructure works really well in some Departments and not so well in others. Because there has been a tradition to come to a position before they went to the EU, there was clarity on co-operation on that, so that intergovernmental infrastructure was quite well developed for agriculture. That is not the same in other areas. It depends on what the background looked like. But obviously we are living in a very different environment now—Brexit has changed quite a lot in terms of intergovernmental infrastructure. There are areas where we are just working through how these things work.

I will give you an example. I have just come from the EU ambassadors meeting, and there was a lot of healthy rivalry between me and the Austrian ambassador, because Wales is second in the world when it comes to recycling, and Austria is first, but only by 0.1%. So I said, "We're coming after you." It is really interesting because England is a long way behind. How does that work in terms bringing in new recycling legislation in England? How does that work within the context of a single market? We are not going to go backwards and wait for them; we want to be the best in the world. There are things like that where we just have to work



through some of those complications within the context of a new UK internal market. It is complicated.

Chair: We certainly take every opportunity in this place to remind people how Wales's recycling rates are second in the world. There are a lot of green eyes in the Chamber, I think. Let's move on to Llinos Medi.

Q20 **Llinos Medi:** Diolch; thank you. I want to continue on public funding and the impact of the budget on our local councils. As we all know, local councils are the backbone of public services, educating our youngsters and caring for our elderly generation. We have seen the value of that public protection since covid, and the need to invest.

About two weeks ago, we had the Bevan Foundation report on child poverty. Local government has a key role in protecting and supporting those children who are living in poverty.

We are seeing council headlines now around council tax and we are actually seeing services being cut. Can you explain the impact of how receiving more funding is not actually having that positive impact on service delivery in local authorities? What is your view on that?

Eluned Morgan: Thank you, Llinos, and for your work on local authorities over many, many years. Anybody who went through covid together is bonded for life. There was a lot of trauma going on there. The performance of local government was absolutely extraordinary, and still is.

Over many years, the way that local councils in Wales were funded compared with what was happening in England was significantly different. As a former leader of a council, you will be very aware of that.

The increased demand on local government is very significant, as you are aware. If we just look at the ageing population, we are in the foothills, really, of where we are heading with that. If we look at education, and the massive increase in terms of additional learning needs, that is a huge increase. I don't know about you, but when we were all in school, there certainly wasn't a teaching assistant in my class. It is fairly normal now to have teaching assistants in classes. There is a lot of support in schools that was not there before. That is quite right, but it is just that all of that is additional. There is also the number of children in care.

All these things are really expensive. We are trying to help to get ahead of that. In relation to children in care, for example, you will have seen that we have just had a Bill go through the Senedd where we are taking profit out of children's care, because it is pretty obvious which way it is heading. You hear horror stories of how much local governments in some parts of England are having to pay for specialist support. It can be tens of thousands of pounds weekly on looking after children. If we are going to do it, why don't we do it in-house so that the profit motive is not there in quite the same way? That is something we are particularly proud of. Once again, it is very difficult, because those in local government have to make very difficult choices and have statutory obligations to fulfil. What gets cut are all the nice things that we all like. They are making really tough

decisions in order to focus on the statutory and legal services that they are required to deliver.

- Q21 Llinos Medi:** I would like to thank you as well. We worked through covid and it showed how agile we can be at a time of crisis. In terms of the resources we have in the councils in Wales and their abilities, I was always proud to be the leader of an authority where the staff moved quickly and served the community. The challenge now is how you can represent those local authorities in your conversations with the Chancellor, ensuring there is recognition. You mentioned that the pressures come from the lack of preventive services, so the investment should be coming in sooner rather than later, but we are actually dealing with the intensive services instead of being a preventive service. I think that having an advocate to make sure that the preventive services are funded is extremely important for local government.

Eluned Morgan: I think you are absolutely right. It is about getting in early, which is why we are focused on things like the first 1,000 days and making sure that we have things like Flying Start and wraparound support for families who find it difficult. People have really tough lives. A lot of us are very privileged, but some people are born into really difficult circumstances and we have a responsibility to stand by them as a society. Everyone can make a contribution, but we have to give them the tools to be able to make it. It is very difficult for some families, so if we give them support, they are more likely to be able to contribute to our broader community rather than be a burden on it. That is where we have to be. Early intervention makes absolute sense.

- Q22 Claire Hughes:** Diolch. Croeso. Mae'n neis i'ch gweld chi. You have talked about the pressures that local councils are facing. I know that you will have received representations from Conwy and others in north Wales in particular about these pressures. They are not because of mismanagement; they are because of massive demand for social care, temporary accommodation and so on. You mentioned that you have been to meet the Chancellor today, which is fantastic, but how are you representing Welsh councillors to the UK Government when it comes to the upcoming spending review?

Eluned Morgan: We are really clear that what we started with was a big-picture budget, and clearly within our manifesto we have said that we want to review the Barnett formula. There is some fundamental big-picture stuff that we will always keep pressing, including more flexibility in how we are able to spend the money. That is quite important and can make a difference of hundreds of millions of pounds of our money—and it is our money, but we cannot get at it because of Treasury rules. Those conversations are important. Obviously if we can get at that money, there are opportunities for us to see where else we can support. It is the big-picture space we are in, because local authorities and how we deal with local authorities is a matter for the Welsh Government. It is the block grant that we need to focus on as a Government.

- Q23 Gill German:** Diolch. I want to follow on from Claire's point about the



pressures on councils like Conwy and the disproportionate amount of older people who live in some of those areas. People often retire over from England later in life. That is a pressure that is unique to some areas and not others, because there is a big retired population. This is not uncommon across the UK. There will be other parts of England that have the same thing going on. I just wondered whether you had had any conversations with the UK Government about that dynamic and the fact that people can live their whole lives in one place but then retire to another, and it is councils like Conwy and Denbighshire, which are both in my patch, that pick up the bill for that. They want to care for them, but it is a real pressure on those authorities.

Eluned Morgan: I completely understand that. We probably have to have a more in-depth discussion about how we are going to deal with that because the irony is that some of these people are relatively wealthy as well. They might come in, but then when they get really old, they do not have that support network, and it is up to the council. Although they were wealthy and they were paying income tax in England, when it comes to council tax, they do that when they are a pensioner, but that is very different. I think there are some challenges for us around that.

I want people to feel welcome in Wales, but I also think that we have to recognise, for example, that in Wales there is a £100 cap on domiciliary care, and in England it is unlimited. We have to be really careful because although we want to welcome people, we have to get that balance right in terms of responsibility. This is a space where we probably do need a broader, more sensitive and difficult conversation. We are doing quite a lot of work on reforming the care service in Wales. We have a national approach where we can because every local authority was doing different things and had different rates. None of that was very satisfactory.

We are on the road to some kind of national care service. What does that look like? What does that mean? Where we can get some consistency, I think that makes sense, but none of it is straightforward, because at the end of the day, it is about where you are going to get the money from, and I do not think we have bottomed that out yet. Obviously, there is the review that the UK Government are doing at the moment in relation to that. I hope we can come to a cross-party agreement on how we do that, because it is such a difficult nettle to grasp, but at some point we have to grasp it.

There have been Governments for decades now who have not addressed this issue, and the consequences, as you all know, mean that we have got a very fragile care system, and that is stopping people from getting into hospital. We all know what the cause of those ambulance delays are: it is the lack of flow through our hospitals because of the fragility of the care sector. I was just with these EU ambassadors. We had 2,000 care workers leave after Brexit, and they were not replaced. That is not an insignificant number of people. There are consequences to these things, and we are all counting the costs of those things.

Q24 **Ann Davies:** You have touched on community pharmacy funding before.



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Pharmacies are integral to our communities, as you have already noted in answer to a previous question. However, every community pharmacy in my constituency of Caerfyrddin notes that the drugs tariff does not work for them, with examples of repayment of £2.50 per drug, which costs the business about £15 per pack. Sometimes they are reimbursed the cost, but that is not guaranteed, so why does the Welsh Government choose to adopt the same basic prices for medicines for reimbursement of pharmacy contractors as set out by the Department of Health and Social Care in the English drug tariff? Why are we following in England, when our pharmacies are very much more rural and are different types of businesses in a lot of Wales?

Eluned Morgan: First of all, it should be appreciated and recognised that there has been a significant increase in the amount of money that is going to pharmacies. It is at record levels. In the last seven years, the guaranteed funding for fees and allowances has grown by 24%, so that's £30 million—that is not a small increase—and a 6% increase has been applied for next year.

On the reimbursement mechanism, the arrangement for how pharmacies are reimbursed against NHS prescriptions is more or less the same as it is in England, which recognises that the prescribing practice is similar. But the reimbursement mechanism for contractors also delivers guaranteed profit for pharmacy contractors, so they get £55 million more for the medicines they dispense in the NHS than pharmacies pay their suppliers. So they should be in a position where that works.

Q25 **Ann Davies:** Those are not the examples that I have had, but perhaps that is something that I need to follow up with you outside this forum, if that is okay.

Eluned Morgan: Yes, I am more than happy to give you some more information on that. There are 689 community pharmacies in Wales. They are doing tremendous work and taking pressure off our GPs, so it's great.

Ann Davies: Absolutely.

Eluned Morgan: But you are right: we need to reward them correctly. If you would like, I am more than happy to send you some more information on that and how it works.

Q26 **Ann Davies:** That would be great. Do you think the Welsh Government are transparent enough in how the drugs tariff works in Wales?

Eluned Morgan: Well, it's the same thing as in England, so there is no reason why—

Q27 **Ann Davies:** No, but in fairness, I did not know or we did not know as a Committee until Stephen Kinnock sent us a letter—that is out in the public domain—that the Welsh Government follow exactly the same drugs tariff as is followed in England. None of us here knew that until Stephen Kinnock brought it to our attention. That should be out in the public domain, which it will be now because we have made a point of it, as they say.



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Eluned Morgan: Pharmacies are guaranteed a level of retained purchase profit, so it is there. I am very happy to give you a bit more detail on this. One hundred and seventy-five million pounds is paid to pharmacies as fees and allowances for dispensing prescriptions, so it is not a small amount of money.

Q28 **Ann Davies:** We will perhaps catch up outside this forum. Diolch yn fawr.

Eluned Morgan: If you would like to write to me, I will give you chapter and verse on how it works.

Ann Davies: That is fantastic; thank you.

Chair: Thank you, First Minister. We are going to move on now to a different topic.

Q29 **Claire Hughes:** We know that universities play a vital role in Wales. We talked before about this Government's focus on economic growth and we know that universities are key in delivering that, so the recent news from Cardiff is obviously very concerning, but we know that it is not unique to Cardiff or to universities in Wales. Obviously, the Welsh Government, through Medr, provide funding for higher education in Wales, but lots of the things that affect universities are reserved matters—international visas and so on. Could you tell us a little about how your Government are working with the UK Government to try to ensure a future for our universities in Wales?

Eluned Morgan: We have all been really saddened to see what has happened in Cardiff, but I think there is also a recognition that the way this is funded at the moment is not sustainable and needs a radical revision. I am of the view that it would make sense for us to do that radical revision with the UK Government, partly because 90% of the funding is not from the Welsh Government and so we cannot possibly plug the hole.

There are lots of reasons why we have seen a shift. Some of it is because we have far fewer students from EU countries coming. There is a shift in the international market beyond that—the EU structural funds used to support universities in Wales in particular—so there are lots and lots of reasons for it. We did lift the fee cap in Wales. That gave an extra £21 million. We were reluctant to do that, but we do have the most generous offer, I think, in terms of living support, for students in the United Kingdom. That is something to be proud of, but at the end of the day, are these universities sustainable? How are they going to work?

We have been given assurances that we do not think that any are in dire trouble, in that we do not think any Welsh institutions are at immediate risk of failure, but I know that the Education Secretary and the Higher Education Minister have met their UK counterparts. They are already discussing what the future could look like together, so those conversations are already happening.

Q30 **Ben Lake:** I echo the points made by the Prif Weinidog about the difficulty



that the entire sector is in. Further in the west, Aberystwyth University has had to make very difficult decisions in recent years. Perhaps most pressing is the decision that has been taken by the University of Wales Trinity St David to close its campus in Lampeter, which of course is the birthplace of higher education in Wales. Outside Oxford, Cambridge and St Andrews, I think it is the oldest higher education institution in Great Britain.

The point I think that is sometimes missed in the wider debate about the sector is that in some areas of Wales—indeed, of Great Britain, but we are just looking at Wales today—the higher education institution has a disproportionate impact on the local economy, or makes a disproportionate contribution to it, rather. Plenty of studies have been compiled over the years to extol the real benefits of higher education across all parts of Wales. When we have situations, such as in Lampeter now, where the campus will be closed, the consequences on that local economy are even more acute.

Appreciating that there are a number of moving parts here, is there anything that the Welsh Government could do in those circumstances where a sudden decision to close a campus will have serious ramifications for the local area, economically, culturally and socially? Do you think that there is a way in which the Welsh Government can help to mitigate some of that impact?

Eluned Morgan: Not without cutting budgets somewhere else. There is not a pot of funding sitting there ready to come to the rescue in any circumstances. We are spent out—we are very deliberately spent out. Some of these things are really difficult and I absolutely appreciate what you are saying. The intensity of the relationship between the university and the town is very different in some places. We also have to look at what is sustainable, though, and if we want our universities to be sustainable, they may have to make some difficult decisions. That is difficult, but it is a decision for them.

We need, obviously, to make sure that they do that in the most sensitive way, and that they work with people and offer alternatives if possible, but in terms of the local community, we do not have a pot of money ready to come in on a white steed to save the situation, no. I do think that there is recognition, for example, at the local authority level of the importance of this. That is where the public sector can try to come together and work together, and say, "Right, what have we all got in this space? What are the opportunities? Is there something that the local authority might be interested in doing in that area that might help to land a different model, something that will work and bring people into the area, but is something different?" I know that conversations are going on in that space in some of these instances.

Q31 **Ben Lake:** Briefly, Prif Weinidog, I will ask about the future of higher education in Wales. Some have suggested that greater collaboration, perhaps even greater co-ordination, among institutions could be of benefit to help the overall sustainability of the sector. Do you have any view on that? Is there a place in Wales perhaps for us to lead the other nations of

the UK in forging, or encouraging, more co-ordination among our institutions, with a view of allowing them greater specialisms in different areas without the same level of fear that competition from elsewhere might undercut their investment?

Eluned Morgan: I think it makes sense. If we can, we should try, where we can, to work as Team Wales, if people are willing to do that. You have to be a little bit careful, in terms of competition law, but what I fear is that people are actually gold-plating competition law. They do not necessarily need to be adhering to it in quite the way they are—to the letter of the law—because there are examples of where other people have co-operated. There are areas where you could co-operate, but you cannot on fees or whatever it is; you've just got to be sensitive and look at what is possible.

Certainly, the Cardiff example on nursing obviously came as a big blow. We are very keen to make sure we can keep on training nurses, but there are, I think, two or three other nursing-training establishments in south-east Wales, so it is not like we are going to lose all training abilities. Obviously, where we can, we will have to see whether they are able and willing to undertake a bit more training, because, you know, it is the Welsh Government that pays for a lot of that training. It is our money, and, obviously, if they are not doing it, we will spend it somewhere else. But it would be better to plan, wouldn't it?

I think that some of what they have been suggesting is, "We couldn't do that before because competition law stopped us from doing that." I just do think, you know—it is something we have been looking at, in terms of, "Hang on, how strict is this competition law?" But, yeah, in an ideal world, let's see where we can make sure we can collaborate, if possible.

Chair: I am sure there is some interesting food for thought there. It would be remiss of me not to mention other less-old universities, such as the University of South Wales, which also does nursing. But they have noticed a big drop-off in international students, for instance, and, again, that is contributing to the financial pressures. Hearing your words today on that is really helpful, so thank you for that.

I am going to move us on to something completely different, with David Chadwick on steel, please.

Q32 **David Chadwick:** How would you describe your engagement with the UK Government on the Port Talbot Tata Steel transition board? And how is your Government working with local councils and communities to ensure that the funding from the transition board is as impactful as possible?

Eluned Morgan: I think we are all pretty saddened and depressed about what happened in Port Talbot. But I was really pleased to see that the transition board was established, and, now money has been put into it, that we actually have had close collaborative work with the Secretary of State for Wales, who has been leading on the transition board; she was able to get money out fairly quickly after she was appointed.



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We continue with that co-operation, because it makes sense for us to co-operate in an area like that. This is a major industry, and the levers for being able to do things in this space obviously rest with the UK Government rather than the Welsh Government. We are moving from blast furnaces to electric arc furnaces; I am sure we are all very concerned to see what President Trump is suggesting, in terms of steel tariffs, and we do not know where that is going to end. It was certainly something that I raised with the Chancellor this morning, who assured me that she is very much looking at the situation and is sensitive to the needs of that particular industry.

Q33 David Chadwick: Thank you. I would like to broaden the next question out and pick up on something that you said earlier. You said that this Government—this UK Government—is all about economic growth, and, clearly, what is happening in Port Talbot is having a terrible impact on the economy of south Wales.

The Prime Minister clearly believes that devolution is good for economic growth. Welsh Labour has been running Wales for 25 years now, yet Wales remains so much poorer than the rest of the United Kingdom. The wage gap has not closed at all since 1999, and our major industries in Wales are still shedding jobs. So, why isn't devolution delivering economic growth for Wales, and where do you think that growth is going to come from?

The UK Government are focusing on projects across south-east England, for example, to promote GDP growth across the whole of the UK, but should the focus not really be on lifting up the people at the bottom, rather than focusing on the people at the top? Do you think the gap between Wales and England will close during this Parliament?

Eluned Morgan: I think we have to recognise that we have an older and sicker population in Wales. That is just a fact. If you look at the number of people over 65 in Wales compared with the number of people over 65 in England, it is not an insignificant difference—I think it is something like 21% in Wales and 18% or 19% in England. That is not an insignificant difference.

The other thing is that there are areas where we are doing better than England. One of the areas we have focused on is youth unemployment, because if you do not catch people when they are young, there is a real potential that you condemn them to a life of unemployment, and that is not what any of us wants to see. Early intervention is important. We have a youth guarantee in Wales, which means that our youth unemployment levels are at 6%; in England, they are at 11%. Something is working well in that space. I think turnover at companies in the past year is about 8% in Wales, and in the creative sector it is about 10%. There are areas that we can point to and say, "Things are improving."

Productivity is a real issue, and there are some obvious things you can do. You have to improve infrastructure and skills, and make sure that you invest, where possible, in machinery and technology. You need money behind you to do some of that machinery and technology stuff, so



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Business Wales is trying to support companies where it can, and the Development Bank of Wales is supporting companies to invest and improve their productivity, if they want to.

We have things like the individual learning accounts, which I think are really important. We have to recognise that there are jobs that exist today that will not exist tomorrow, and we have to equip the people who work in our communities with the ability to change mid-career. What we have done with the individual learning accounts is say, "Where do we have a shortage? Let's give people the opportunity to build those skills up in those particular sectors." We are trying to do what we can there. Productivity is one of the areas I am really concerned about, and that is why we are going to have a Cabinet meeting on productivity in the near future. It is something that needs a bit of focus.

The other thing to bear in mind is that we have announced that we are going to hold an investment summit. It is likely to happen towards the end of this year. That is an opportunity for us to put a massive big flag up and say, "Wales is open for business. We are inviting you here. This is a great place to invest."

Q34 **David Chadwick:** Do you think that gap will close during this Parliament?

Eluned Morgan: I am hoping it will close, yes. We are putting in some of the mechanisms and measures to help to close that gap.

Q35 **Chair:** I will bring in Henry Tufnell in a moment. You mentioned the potential tariffs coming from across the Atlantic, and you mentioned you had a meeting with the Chancellor this morning. Will there be any follow-up meetings? Obviously, the steel industry is looking with alarm at the current issues with tariffs. Do you have any other plans at the moment?

Eluned Morgan: That was obviously something I brought up, and she reassured me that this is something that she is very much working on at the moment. It was also useful to speak to the EU ambassadors, who of course have already said that they will take retaliatory measures. The danger for us is therefore that we will see some steel dumping in the United Kingdom, and that could be very difficult for us.

Q36 **Henry Tufnell:** I want to touch on the UK Steel Council, which was launched by the UK Government last month. It is expected to advise on rebuilding the industry and developing its upcoming steel strategy in spring. Can you set out the responsibilities and interests of the Welsh Government in relation to the future of steelmaking in Port Talbot and more broadly across Wales?

Eluned Morgan: We have a very proud history and tradition of steelmaking in Wales. We want to see it continue. We recognise that there are opportunities for us to use steel that will be made differently if we develop the sources of energy, in particular, to feed the electric arc furnaces. Part of the challenge here is that to make steel, you need a lot of energy. Where are you going to get that energy and how do you compete if other countries can get that energy cheaper? There are real

opportunities for us to link this up with offshore wind and try to see how we can use one industry effectively to benefit another.

We are very interested in contributing to the UK Government's steel strategy. Officials in our Department are working on that and we are looking forward to it coming out in the spring. Things like this change mean that we will have to be on our feet to be able to respond. That is part of the problem here. Whatever your strategy looks like, if you get a curveball like that, you have to be able to adjust and adapt. The extent to which we can build the opportunities to use UK steel in Government procurement is something we should explore more.

- Q37 **Henry Tufnell:** You talked about clean energy. I want to ask you about skills. There was an exciting announcement last month: Pembrokeshire has been identified as a key growth region for clean energy. There is £1 million of funding available for skills. How will the Welsh Government prioritise that money in respect of skills mapping in Pembrokeshire?

Eluned Morgan: One of the things I have done is set up a task and finish group to bring together the interested parties. There are a lot of people with interest in this, but it is about people who are going to put money on the table to make these things happen. Where are the gaps? What is going to happen? What do they think the timeframe is for these things? It is trying to get a bit more practical about when things are going to happen.

Part of my concern with the skills piece is that you do not want to go too early, either. We can put people in sixth forms through a particular green skills course at the moment and they will come out in two years' time, but floating offshore wind probably will not be ready in two years' time. You do not want to build up frustration—to watch those people be skilled up and then leave. The task and finish group is doing that detailed work now. It is mapping out the timeframe for this and who will do what at what point. The group has education representatives and there is certainly somebody from further education representing all the further education establishments in Wales that have an interest in that.

- Q38 **Henry Tufnell:** How does the task and finish group interact with the Welsh Government's net zero skills action plan?

Eluned Morgan: I would expect that group to be aware of that and to make sure that they are co-ordinating so that we are not duplicating what is already happening in that space.

Chair: We are pleased to hear about the task workforce group. In terms of the issuing of licences, and things like that, it is important to have all the players around the table.

Llinos Medi: On that point, before I go into the final question, I hope that lessons are learned and that they are then transferable to other areas such as Ynys Môn and the energy island. It is important that we do not reinvent the wheel on those projects and that we learn lessons from other areas that have already done that skills mapping and so on.



Q39 Gill German: As Henry has said, the investment from the UK Government in the green skills agenda is really welcome in Wales. We have had some really welcome funding announcements for, for example, Ynys Môn and also the Wrexham and Flintshire investment zone. It is really good to see that the UK Government are taking notice of what Wales needs.

I wondered about all parts of Wales. Up in the north in my constituency there is also a really good opportunity to bring green skills and the green energy sector into the area. We have, for example, the UK's only wind turbine engineering apprenticeship course. There is good investment up in the north, but I am also conscious that there is also this corridor across the coast. I am really conscious that we don't want to miss out. How will you advocate for all parts of Wales with the UK Government, and particularly for that stretch in the north, which has historically had issues with sustainable employment and manufacturing? All the things we had historically have very much gone and it is a real area for development.

Eluned Morgan: I think that is right. This is an example where the Welsh Government have worked really well with the UK Government. Skills is a Welsh Government area; we are in charge of skills. If they are going to lob some money our way, then thank you very much, we will have a bit of that, but we are responsible for delivery. You cannot have people helicoptering in and saying "We are going to do this for you." We are the ones with the machinery of government, but this is a really good example of where we are working together. We are co-operating for the benefit of the nation and you have got two Governments working together. It is a really good example of that.

In terms of the focus, there will obviously be a more concentrated focus in those areas where we have investment zones and where we have freeports. We know that there will be clusters and we want to see that happening.

In some areas, you need to work out if you are going to get overheating. It is quite interesting in some areas. Airbus, for example, train up so many people in that area. You will at some point come to a point where there is just not enough people to train up any more. We have just got to make sure that we spread it out so that there are opportunities for everyone.

On the skills piece, I happen to know the representative on the task and finish group on renewables, on offshore wind, happens to come from north Wales, so they will be all over it, but will have a responsibility to look after Pembrokeshire as well.

Q40 Llinos Medi: The last question is on freeports. We have come quite a long distance on freeports. At one time, we were arguing the case for parity in Wales; we got that parity around funding in competition with the English freeports.

How do you see the freeports working for the growth of the economy in Wales? And how do you see that partnership between the Welsh Government, the UK Government, local government and the business sector moving forward to secure those jobs and hopefully revive industry



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in those areas?

Eluned Morgan: As it happens, I was up in Anglesey just a couple of weeks ago, when we were able to switch on the opportunities for people to get those tax breaks and opportunities to invest.

I was really delighted to go and visit M-SParc. I have heard so much about M-SParc over the years. It is a really exciting development and a model of what can be done. That is an example of where there are plans now to expand that model to go further. The best thing about this is that you can do more of what you do well. Obviously, we need to build on the opportunities that will come as a result of working with companies like Stena, who obviously have a vested interest in seeing the port work and develop well.

Chair: Before I close the session, I thank the First Minister of Wales, Eluned Morgan, for coming to the Committee today and giving us so much of your time. Being here in person really makes a difference. Thank you for that.