HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: Impact of the 2025 spending review on Wales, HC 1087

Wednesday 2 July 2025

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Watch the meeting

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

Questions 1-32

Witnesses

I: Guto Ifan, Lecturer, Wales Governance Centre, Cardiff University, David Phillips, Associate Director, Institute for Fiscal Studies, and Dr Steffan Evans, Head of Policy (Poverty), Bevan Foundation.

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Examination of witnesses

Witnesses: Guto Ifan, David Phillips and Dr Steffan Evans.

Chair: Good afternoon, everyone, and welcome to this oral evidence session of the Welsh Affairs Committee. My name is Ruth Jones and I am the Chair of the Committee. Our session today looks at the impact of the spending review on Wales, and I am really pleased to welcome back Guto Ifan from the Wales Governance Centre at Cardiff University and David Phillips, who is online from the Institute for Fiscal Studies—and who is currently in Seville, so thank you for taking the time to join us from there, David. And, of course, I warmly welcome Dr Steffan Evans from the Bevan Foundation. Before we begin, do any members of the Committee have any interests to declare?

Gill German: I am a member of the Bevan Foundation.

Q1 **Chair:** I am also a member of the Bevan Foundation. That is the interests declared, I think. I am going to start by asking the witnesses to introduce themselves very briefly, in one line. We will start with Guto Ifan, please.

Guto Ifan: I am Guto Ifan. I am a lecturer at Cardiff University; I am part of the Wales Governance Centre and specifically part of the Wales Fiscal Analysis team.

Dr Evans: I am Steffan Evans. I head up the Bevan Foundation's work on poverty. We are a think-tank that does work about poverty and inequality in Wales.

David Phillips: I am David Phillips. I am an associate director at the IFS and I lead our work on devolved and local government finance.

Q2 **Chair:** Thank you very much. Does the funding announced in the June spending review provide an adequate settlement for Wales? We know that 115% is the floor. Is that still viable for Wales? We will start with Guto Ifan, please.

Guto Ifan: In terms of relative funding levels, that at the moment looks quite favourable to Wales. I would not imagine that changing the system might lead to more funding. I think that the issue now perhaps is just the absolute level of funding rather than relative funding in Wales, compared with England. There has been an increase in spending relative to what we were expecting, based on manifesto plans, but it is still quite a tight outlook for public spending in Wales over the next couple of years because of the settlement that has been announced.

Dr Evans: Just to build on what Guto said, in terms of the challenges that we know about, there is a serious problem around poverty and inequality, and we know that a lot of the public services are under pressure. I am talking about places that you might want to invest in to ease some of those pressures. Given some of the challenges that I am sure Guto and David will outline in more detail shortly, the concern is whether the cash is going to be there to enable them to make that investment. That is the concern: is there adequate money in the system to make the investment that I am sure we would all like to see?

Chair: Yes, I am sure we will be going into greater depth later.

David Phillips: I echo what Guto said. In terms of relative funding, Wales is probably sitting at around 120% at the moment—so, above that 115% floor. Of course, that floor is 10 years old, and Wales is ageing a bit more rapidly than the rest of the UK, so that might have changed a bit. Moving from the current system to a needs-based formula would not necessarily benefit Wales in the short term, certainly not on the assessment that Gerry Holtham produced back in 2010.

In terms of the absolute level of funding, the budget document suggests a 0.9% real-terms increase per year for Wales over the three years of the spending review. The Welsh figures are presented slightly differently, but when you put that on a like-for-like basis with the rest of the UK—Scotland, Northern Ireland and England—that is 1.2% a year in real terms for day-to-day spending. That is a bit better than Scotland and Northern Ireland. Scotland does not have that funding floor, and Northern Ireland is losing out from the end of some of the temporary—how can I put this?—political funding that it gets every now and again.

But 1.2% will be tight for the Welsh Government. Health spending is around half of the Welsh Government's budget. The increases in health spending in England are closer to 3%, so if you have given half your budget a 3% increase and your overall budget is up by 1.2%, then to match the increases in health spending in England, you actually need to cut the areas outside health on average. That will mean a need for a laser-like focus on efficiency and tough decisions on priorities both in the health service and in the other services, some of which might need cutbacks if the funding is to go to the health service.

Andrew Ranger: Thank you all for joining us today. The spending review sets out day-to-day funding for the Welsh Government up to the '28-29 financial year and investment spending up until '29-30. Does that timeframe give the Welsh Government sufficient opportunity to deliver their objectives? Is the four-year window for spending adequate to plan and deliver improvements to public services, which we have just touched on? I will start with Dr Steffan Evans.

Chair: I am going to stop you there, because there is now a vote in the House. I will suspend the session for 15 minutes.

Sitting suspended for a Division in the House.

On resuming—

Chair: I ask Andrew Ranger to restate his first question.

Q3 **Andrew Ranger:** The spending review sets out funding for the Welsh Government up to the '28-29 financial year for day-to-day spending and up to ’29-30 for investment spending. Does that timeframe afford the Welsh Government sufficient opportunity to plan and deliver their objectives, and is a four-year window for spending adequate to plan and deliver improvements to public services? I think that I started with Dr Evans.

Dr Evans: The longer that the Welsh Government has to plan, the better, so having a bit more certainty is definitely welcome. One of the challenges that we have is that possibly the timeframe does not fit quite neatly on to the Welsh political cycle this time.

There were stories in the press yesterday about comments that Mark Drakeford had made in plenary in the Senedd about the next Welsh Government budget being likely to be just an inflation rise on what it is currently. Given that the election would be coming up, would it be appropriate for the Welsh Government to set a new budget for the entire year when actually there would only be a three-month period? There is a challenge there that would not be there in other years perhaps, but the longer lead-in is certainly welcome.

Guto Ifan: To pick up on that point, the next Welsh Government will be back with another year of day-to-day spending—one extra year of plans—and thereafter they will be back to having to make assumptions about UK Government spending plans again.

One of the problems with that is that the fiscal rules that the UK Government work within incentivise you to frontload spending plans and then say that you will keep to tighter spending plans in future years, without having to spell out what that means for different Departments. That is the pattern that we have been seeing over recent years, with funding eventually being topped up. However, that leaves the Welsh Government not being able really to assume that that might happen, because there are constraints on that happening. But it is likely that the picture will change, so it goes back to that level of uncertainty of planning the budget after next year.

David Phillips: On capital and particularly infrastructure, there is the possibility to potentially go further. I think the Scottish Government, for example, has talked about its 10-year infrastructure plan, provided that there is more certainty on the UK side about a 10-year infrastructure plan. That could be an area where there is the potential to do more.

For the resource budget, a three-year period is a pragmatic compromise between wanting to enable medium-term planning but also needing to maintain that degree of flexibility, in recognition of uncertainty about inflation, the economy and how things will evolve.

One good thing about the new regime that has been brought in is that reviews will take place every two years. Describing that as a good thing might seem counter-intuitive, but let me explain why. If you wait until the third year—’28-29—to undertake the next review, by that time you would only have one year left in your review. By ’2029-30, you would not have any certainty. But by having the next review in 2027 going out to 2031, and potentially revising plans a bit for ’28-29 if necessary, you make sure that you always have that medium-term horizon and you can have some flexibility in that final year of the spending review. That is a good part of the new regime.

I might come on to this in a minute. One thing to recognise when discussing the spending reviews for Wales and Scotland is that, because of the rules of the fiscal frameworks and the fact that the Welsh and Scottish Governments rely on devolved tax revenues, as well as their funding from the UK Government, there is less certainty about funding for Scotland and Wales than there is for England and Northern Ireland. That might be an issue that is worth considering.

Q4 **Andrew Ranger:** On the second part of the question, will it give the Government the ability to deliver the public service improvements? They have clearly started on them; the improvements are already starting to be delivered. Does the window give them the chance to do that in the long term, or are there the same constraints that you mentioned before?

Dr Evans: Absolutely, and I guess it also comes back to the quantum of cash. I am sure we might come on to discuss that in a bit more detail. Having the certainty is one thing but having enough cash to deliver on that is the second part of that discussion.

David Phillips: It is clearly better than having a series of one-year rolling budgets. We have gone through a period where productivity in some parts of the public sector has really disappointed, particularly in the health service. It has taken quite a long time for the health service’s productivity to start to recover—let alone fully recover—its pre-pandemic levels. One would hope that, by ’28-29, we will start to see that turn around. Indeed, we will need that turnaround both at a UK level and at a Welsh level if, given the funding that is available, we are going to start to really tackle those long waiting lists and so on. I cannot guarantee it, but one would certainly hope that the three-year horizon would give us some ability to get recovery. If not, we are in a very difficult situation in terms of both the nation’s health and its public finances.

Q5 **Andrew Ranger:** You touched on the next point there that I wanted to address. We have had events such as the covid-19 pandemic. We have had to increase defence spending in reaction to world events that have happened recently. Those are massive changes to Government fiscal plans at quite short notice. How difficult are the choices the UK and Welsh Governments will have to make as a consequence? We have impacts such as a growing and ageing population, but is this also the end of the peace dividend? What will be the impact of that?

David Phillips: That is a really important question. It is very important for not just the Treasury Committee, but all the Committees in the House of Commons to keep in mind the very difficult fiscal situation the UK, and therefore Government Departments and the devolved Governments, find themselves in.

Tax and spending are already on track to increase by 5% of GDP compared with pre-pandemic levels. That is £140 billion a year already. We also have the rising pressures of an ageing population and spending on climate change mitigation and adaptation and defence, with this new commitment to reach 3.5% of GDP by 2032, or 2035. You have big pressures there.

You have high debt and high borrowing, which means significant exposure and risks related to interest rates on Government debts. Just today, interest rates on 10-year Government bonds have increased by around 0.125 percentage points relative to the US and Germany. If sustained on a long-term basis, that is around £2.5 billion to £3 billion extra on debt interest. That increases the cost of the changes to the UC and PIP Bill by around 50%.

I do not say that to say you should not make those changes to the UC and PIP Bill or anything like that, but because it is really important to bear in mind that it is not just the headroom against the Chancellor's fiscal rules that is limited; the public finances themselves are very stretched. New spending in one area or a tax cut in one area necessarily comes with a stark trade-off in another area—either higher taxes elsewhere or lower spending elsewhere.

We are in a situation where we need to focus on efficiency, but there are also tricky trade-offs because we are in a situation where there is not the ability to substantially increase borrowing, particularly if it looks like the Government are losing control of the public finances. That can quite rapidly deteriorate, as we saw back in 2022, and as we have seen at previous times in history as well.

Q6 **Andrew Ranger:** Just to add to that, in terms of the impact on the Welsh Government from those events, most of their funding comes from the UK Government, but obviously there is an impact from the ageing population in Wales in particular. That always gets talked about—the older, sicker population in Wales. What will the continuing effect of that be if that is not tackled?

David Phillips: I think that will be a big risk going forward. As I said, the Welsh population has aged faster already, and that is likely to continue. Even with the funding flow in there, if spending is growing, you would potentially see that funding level for Wales fall from the current 120% per capita closer to 115% per capita. That will impose a squeeze on the Welsh budget relative to the English budget, so that will be a challenge.

In the longer term, perhaps funding reform will then benefit Wales, although, as Guto and I said, in the short term, it may not. It also means that it is even more important for the Welsh Government, given the rising pressures, to really focus on the productivity of public services and to be really clear about what their priorities are. We are in a world where, you know, if you want guns and you want butter, you need to have some sort of trade-off between those things at a national level—at the UK level—but at a Welsh level as well, about what things the Government really prioritise, what their key aims and objectives are, and then really focus on those.

Andrew Ranger: Great, thank you. Guto Ifan, please?

Guto Ifan: I would just touch on the capital budget as well, because most of the increase in the capital budget is going towards non-devolved areas. That leaves the Welsh Government's capital budget falling quite substantially to the end of the decade. It has been in a slightly elevated position for this year and next year, so there is that sort of massive front-loading of capital spending, which the Welsh Government will have to invest—you would hope—to improve productivity and public services, because the outlook for capital spending beyond that is quite tight.

Then, on the day-to-day spending—I think David touched on this in his first answer—the lion's share, about 90%, of the extra consequentials for the Welsh Government are coming from health and schools spending in England; there is not that much for everything else. So, if you do increase health spending by 3% to 3.6%, alongside the historical averages for NHS spending, that leaves you having to make cuts after next year to everything else in the budget.

That is sort of carrying on a trend that we have seen for 60 years, with health spending by the state increasing as a proportion of GDP. It tends to increase as you become richer, so that is definitely a trend that we will carry on seeing, but it is then about what else in the state you can let go without increasing the size of the state. It is not surprising that we have seen that increase in the overall size of the state—it is a question of whether, over the next five or 10 years, it will have to increase again to accommodate things if we want to see that level of public services outside the health service as well.

Andrew Ranger: All right, thank you. Dr Evans?

Dr Evans: There is almost a compound effect to some of this as well. As money gets stretched, you inevitably spend more on the crisis side of stuff. Homelessness is an obvious example, with the amount of money spent by local government on homelessness increasing dramatically over the last few years. So decisions taken at a UK level, with regards to the UK social security system, for example, have direct fiscal consequences for the Welsh Government and local government budgets. It is therefore not just about how much cash they get from UK Government, but the pressure that is put on those services by decisions taken centrally.

Q7 **Henry Tufnell:** David, can I just touch on the point that you raised about public sector productivity and the link between that and greater investment in, or reform of, those public services? Are you able to comment on that?

David Phillips: What we saw following the pandemic, particularly with the NHS, was this reduction in productivity. I do not have the figures for Wales to hand, but I know that, in England, staffing is up 20% to 25%, but the actual number of treatments and so on is up more like 5% to 10%, so, for a given number of staff, you are treating fewer people.

Something that is sometimes raised there is that, as staffing has been increased, you have not had the same investment in, say, the capital side or the technology side, so you do not have the operating theatres, the diagnostic equipment or the testing facilities. In particular, you also do not have good IT systems; there are things being faxed, and things like that.

So technology is probably not the only issue there. It is also about work processes and some of the changes to how risk is assessed in the NHS. Some of it is probably because, if you have new staff, it takes time to learn things, so their productivity is initially a bit lower. But I think you are right that when we think about productivity, we should think not just about infrastructure and investment in things that develop the private sector, but about productivity in the public sector and investment in, say, the equipment, technology and software that can help improve public sector productivity as well.

Q8 **Henry Tufnell:** I have a quick question for Guto on the fiscal framework. I remember that you came in in September and talked about it, and the Wales Governance Centre has published a blog post on it. I am interested in the budget management tools and the borrowing powers, particularly in relation to Scotland as well. Can you comment on that?

Guto Ifan: I think one of the disappointments of the spending review was that they have not re-looked at this fiscal framework, which was in the Labour manifesto last year—it called the Welsh fiscal framework "out of date". There was not much detail about what that meant, but we took that to mean that they would re-look at some of the limits they have placed on the Welsh Government's budget management tools. They were set when the agreement was signed in December 2016. Since then, inflation has eroded their value by about a third in real terms. In terms of how much the Welsh Government can carry on one form of funding from one year to the next, it has substantially reduced the flexibilities that the Welsh Government have.

On some measures, with the Wales reserve system that they introduced in 2016, the Welsh Government might have been better off staying on the budget exchange mechanism that some UK Government Departments are on, in terms of the percentage of the budget that they could carry on from one year to the next. For us, it makes it difficult to hold the Welsh Government to account on how it manages public money from one year to the next, because we do not really know who to blame.

For example, in that famous case of funding being sent back to the Treasury, that could have been accommodated if the Wales reserve limit had been increased. The Treasury has been giving ad hoc flexibilities to the Welsh Government. This year, for example, they have waived the drawdown limit on the Wales reserve. But that sort of ad hoc system at the Treasury's discretion is not suitable for what is a democratically elected Government with substantial tax and spending powers.

David Phillips: We did a report on this with colleagues in Scotland, David Bell and David Eiser, back in 2021, learning lessons from the pandemic for the fiscal frameworks. Guto is right: there are issues about indexation. The limits in Wales have not been indexed as they are now in Scotland. Also, in Scotland they have removed the drawdown limit for the reserves—you do not need to draw down a certain amount.

There are also wider powers issues. If there is a shock in the year to its devolved revenues, the borrowing powers will allow the Welsh Government to borrow, so it will not need to immediately cut in-year if its revenues are not performing as well as expected. But that is not the only shock the Welsh Government can face. It might know, perhaps before the start of the year, that next year the Welsh economy might do a bit worse than the rest of the UK, given its economic structure. It cannot borrow in anticipation of that. Also, there could be a shock to the demand side of things and a hit to public services that needs additional funding. There are no powers to borrow there, so they are very limited to what is called forecast errors on the revenue side.

We made the case that Scotland, Wales and Northern Ireland should have access to a small amount of discretionary borrowing on the resource side, so that they can respond not just to unanticipated in-year revenue effects, but unanticipated in-year public service spending effects and things that are predicted a little bit in advance that the UK Government can smooth, but the devolved Governments do not have the powers to borrow to smooth. But we do say those powers should be subject to quite strict limits, because it is important to recognise that there is no England-only borrowing system in the UK. The UK Government borrows on behalf of the whole of the UK, either to fund UK-wide spending or to fund England spending, which then creates consequentials via the Barnett formula. So if you grant additional powers to Wales and Scotland, they should be limited until you also have that England-only borrowing so that it is fair across the whole of the UK.

Q9 **Henry Tufnell:** In terms of the impact on capital expenditure and long-term planning, how do you see that playing out in the future? There has been a big emphasis from both Governments on those long-term infrastructure projects.

David Phillips: Guto might want to come back in on that, but because of the issue with a lack of England-only borrowing, we do not believe that a prudential borrowing regime, which would allow substantial additional Welsh and Scottish borrowing for capital, would be fair across the whole of the UK. In effect, Scotland and Wales would get their UK borrowing-funded capital spending, and they would then have powers to borrow on top at lower rates than they otherwise would, because the UK Government are doing a large bulk of the borrowing for them. That would not be possible for England, because there is not England-only borrowing, and I know that the Scottish and Welsh Governments take a different perspective on that.

In the short term at least, without looking at the whole architecture of the UK's fiscal arrangements and how England fits into it, there is more scope to get more flexibility on the resource side of the budget to respond to those in-year shocks to public service spending needs. You can predict revenue shocks a bit in advance, which they currently do not have powers for, and I think that is where there is more scope to do flexibility in the short term. Thinking about more borrowing on the capital side is a longer-term issue, and the English position needs thinking about in borrowing for capital, whether that it is regional borrowing or England-only borrowing, at the UK Government level.

Guto Ifan: On the capital limit that the Welsh Government have, I would probably agree that, from a fiscal federalism perspective, you might argue that there should be some limit on Welsh Government capital borrowing. However, it is quite a tight limit; it is only £1 billion, and it has not been indexed with inflation—that could have been £1.3 billion by now, had it increased in line with inflation.

Even with £1.3 billion, if you look at how sustainable that would be in repayments, as a share of the Welsh Government day-to-day spending, it is actually quite small. Far below 1% of day-to-day spending would need to go to finance. There is scope for the Welsh Government to borrow a lot more, within a few percentage points of the day-to-day forecast budget, over the next 10 or 20 years, and there are some national Governments across the world with substantially more capital borrowing powers than the Welsh Government.

I would strongly argue that the tight cap should be increased substantially, especially considering that the Welsh Government do not have the legacy of private finance initiatives that other countries of the UK have. A significant portion of the Scottish budget, for instance, goes towards repaying private finance initiatives from decades ago. The Welsh Government do not have that, and they also lost out on the capital spending that that financed.

Q10 **Ann Davies:** Diolch yn fawr. How well does the current funding formula for Wales align with the ambitions of the Welsh Government and the needs of the Welsh population? Do you agree with the First Minister that the current system of funding effectively means that the Welsh Government have to go cap in hand to the Treasury for finance for Wales?

Guto Ifan: On what we get through the Barnett formula, I think there are problems in how we estimate comparable England spending. That is one of the difficulties, especially when comparability factors move around; what is included in that comparable pot of funding, which we measure the Welsh pot against, changes. I think it is very difficult to get an accurate picture of what relative spending is. We have touched on it already, but if you then compare that to relative needs, the estimate of relative need is not being updated. It is already 15 years out of date, and needs change as well, so that is something that we probably need to look at.

If you compare total spending in Wales with what we supposedly get through the block grant, it is the reserve spending where Wales substantially loses out on a per person basis, particularly when it comes to things like rail infrastructure investment. That is outside the Barnett formula; we do not get an automatic, population-based share of that spending. R&D spending, for example, is another area where Wales loses out, because it is not devolved and is not subject to the Barnett formula. Wales would be better off if we were getting an automatic, population-based share of that spending.

Dr Evans: Picking up on what Guto was saying about that tension between reserve and non-reserve spending, that could have an impact on Government positions in areas like child poverty, which I know we might come on to. The Welsh Government have their strategy and ambitions around child poverty, but their ability to get to grips with that is going to be inherently limited. If 65,000 children in Wales are affected by the two-child limit, or just over 35,000 are not having their rent covered in full by the LHA, we are seeing tensions, in that the Welsh Government are trying to achieve one thing while reserved policy and expenditure is pushing against that. That creates tensions and challenges, which is leading to increasing discretionary spending on things like the discretionary assistance fund, which is money that the Welsh Government are using to plug holes in the system, rather than being a bit more preventive, which you might want to do in other public services.

David Phillips: To echo what was said earlier and what Guto said, it is not clear at this stage that Wales has relative levels of underfunding compared with England. I agree that there are areas, which are reserved, where Wales tends to get relatively less funding—to some extent, police forces, but also rail infrastructure is one. However, we need to be cautious about asking for population-based shares where that benefits Wales and asking for needs-based shares when that benefits Wales. There needs to be some degree of consistency about how the funding arrangements work. I would be a bit cautious about saying that we need to pick the mechanism that delivers the most for Wales, because that is potentially a zero-sum game, leading to political dynamics elsewhere in the UK.

When it comes to the cap in hand thing you mentioned, the bigger issue is the quite limited scope for the Welsh Government to raise revenues themselves. As I said, I think there is scope to flex borrowing powers a bit more—I agree with Guto that the capital limit should be raised a bit, if not completely removed—but also, on tax devolution, there is scope to make income tax powers a bit more flexible and a bit larger, and perhaps to consider devolving portions of some other taxes as well, like national insurance. If the Welsh Government had more ability to raise revenues, that would give them more flexibility to chart a slightly different course on the spending side of the budget as well.

Q11 **Andrew Ranger:** That comes neatly on to a point I want to ask about. Given the complex nature of how we collect taxes across the UK and in the devolved nations, do we have any kind of accurate picture of the tax revenue generated in Wales as a whole, regardless of where it is collected and where it ends up? I will start with you, David, because you have started on that route already.

David Phillips: The ONS does produce a set of statistics on regional public finances, which has estimates of the spending both in Wales and on behalf of Wales—the population-based shares of defence, debt interest and so on—but also does that for revenues. For some revenues, we know quite well where the revenue has been collected: council tax and business rates, because they are collected by councils in Wales; and income tax, because we have the addresses of people, and national insurance. The harder ones are things like corporate tax and VAT, because exactly how are the profits accrued from different parts of the operations of businesses across the UK?

Having said that, the estimates produced are subject to some degree of error, but I do not think that they are biased—I think they are a reasonable central estimate. What those statistics unfortunately show is that, because Wales is a relatively poorer part of the UK and our tax system is quite progressive—on the income tax side at least—Wales's revenues are relatively low compared with its spending. There is quite a large fiscal gap. The way to tackle that is really through efforts to grow the Welsh economy—boosting productivity and trade, with our nearest neighbours in the rest of the UK and, as far as possible, elsewhere in the world as well, although that is becoming more difficult in the current geopolitical situation.

Guto Ifan: On the fiscal gap between revenues and spending, basically the substantial part of that gap is the lower revenues per person. In particular, it is the higher end of the income distribution that pays a lot of the income tax—taxes on income and earnings at a UK level—which the Welsh tax base does not have.

On the spending side, spending overall is not substantially higher in Wales. It is a bit higher on public services and quite a bit higher on social protection, but particularly in areas that might make a difference to economic growth—infrastructure and R&D spending, as I mentioned earlier—the shares on a per person basis are quite low. The fiscal transfer that we get at the moment is not likely to alter that relative economic picture over time.

Q12 **Andrew Ranger:** Let's say that we approach those things that you have just spoken about and increase Wales's economic output to close that fiscal gap. As a rough guess, how long would it take to close the fiscal gap?

Guto Ifan: You have some estimates that we produced in 2019. It would take 0.5% to 1% of GDP growth over and above the UK average over a period of decades to substantially change the overall relative picture.

David Phillips: Revenue in Wales is about 70% of the UK average, so, as Guto said, that is where the biggest part is. Spending is about 10% to 12% higher and revenue is 30% lower. Linking back to the economy side of things, the revenue side is where the biggest part of the gap comes from.

Q13 **Llinos Medi:** I have a quick supplementary, which I think Guto touched on. David, you mentioned the need for economic growth to plug the gap, but then you said that the capital funding has been reduced, and capital funding is there for the infrastructure and R&D. Even with the greatest will, we need a change in that capital side, the infrastructure and R&D funding, so that we can actually grow the economy. It is about having not just the ambition, but the levers to reach that ambition. I just wanted to make sure that I have that right.

Guto Ifan: Yes, and there are some examples, the classic case being West and East Germany. The fiscal transfers that East Germany was given were heavily concentrated on infrastructure and skills, rather than on subsidising public services. At the minute, the fiscal transfers that we receive as part of the UK fund higher levels of consumption of goods and services, but investment as a share of the Welsh economy is substantially lower than the UK average.

Chair: I am conscious of time. These are big in-depth issues and questions, but we want to get on to some others as well, so can I please ask for brevity in the answers? I appreciate that it is complex.

Q14 **Steve Witherden:** I would like to shift the debate on to rail infrastructure investment. I would like to hear from the entire panel, but I will start with Dr Evans. Should the £445 million of rail enhancements for Wales announced at the spending review be seen as a win?

Dr Evans: I think David and Guto will be better qualified than myself in terms of the maths behind that. The one point I would make is that there has been conversation around whether this matches up with what the Welsh Government have been asking for. If the Welsh Government had some of that money and could choose what to do with it, they could top up expenditure in other areas; for instance, the Welsh Government are bringing forward the bus franchising Bill at the moment, and that is going to cost money as well. If this was devolved, rather than reserved, that would free up the ability of the Welsh Government to use some of the capital, which they might not be ready to use on rail infrastructure, on other infrastructure projects instead. But I will defer to David and Guto on the actual quantum.

Guto Ifan: The rail enhancement spending for the next four years of this spending review period—that is, the £300 million, plus the £48 million on the core valley lines—is in the context of £35 billion of planned spending on rail enhancement across England and Wales. So the Welsh part of that is about 1%, which is in line with what we have been receiving over the last decade. That compares with Wales's population share of 5%, as we mentioned, and Wales's share of the UK network length, which is 11%. The Transport Secretary admitted in January that we have seen very low levels of rail enhancement spending. This settlement does not change that picture; it probably perpetuates the underfunding of rail infrastructure in Wales.

David Phillips: I would add that the announcement of £445 million is small beer in the grand scheme of rail investment funding. One thing that we are lacking is full information on which parts of subnational rail funding in England are going to generate Barnett consequentials for Wales. We are lacking what is called a block grant transparency report, which tells you which programmes in England are going to generate funding for Wales. It is a little bit of a side issue, but transparency around what funding is generating funding for Wales, and how those decisions are being made, is important.

I will come back to the point I made earlier. We need to have a consistent picture about whether funding should be based on need or whether it should be based on population. We should not cherry-pick which one suits in different circumstances. We need a clear and transparent picture of how they are assessing need, how decisions have been reached, and then what the consequential funding is. It is not just about the direct funding by the UK Government for rail in Wales, but also the funding that flows through the Barnett formula that the Welsh Government can also spend on rail—or whatever they want. That is also being generated by the kind of rail investment that is not being classed as England and Wales—it is being classed as England only. More transparency is needed alongside it as well.

Q15 **Steve Witherden:** We have heard some very interesting responses. Myself and my colleagues on the Committee have all been in a position, coming up to the spending review, of having rail infrastructure projects in our constituency that we are keen to see. Thinking about my own constituency, we are desperate to see a station in Carno, and to see Ruabon station become compliant with the Equality Act 2010 and disability friendly. We have all been waiting for confirmation, allocation of funds, and timescales. I have to ask, is the funding package for rail infrastructure sufficient to fund the projects identified in the spending review?

David Phillips: I have not looked at the cost of the individual projects listed in the spending review, and how those align with the total amount that has been made available for Wales. It will not meet the full ambition of the Welsh Government—and indeed, the UK Government—to fully transform the rail system in Wales. While I do not want to make a claim on specific projects mentioned in the spending review, it is not enough to deliver all the projects that have been mooted for Wales.

Guto Ifan: A couple of weeks ago we were hearing about some of the projects, like Cardiff Central station, that are going to be funded from the same pot. I think that pot is quite stretched to deliver the five new stations announced, considering just how much rail infrastructure costs, and I do not know what that leaves for everywhere else in Wales. I refer the Committee to the work of Mark Barry in terms of the business cases that have been put forward for various projects. What he was calling for was about £250 million per year, which would have been an adequate and fair share of rail enhancement spending. This announcement falls drastically short of that.

Steve Witherden: Do you have anything you would like to add, Dr Evans, or has it been covered?

Dr Evans: No.

Q16 **Ann Davies:** My question follows up from Steve's question. Bear in mind that we were hoping to have £5 billion. I am delighted that Cardiff east is having all of these new stations, but I am looking out for the west, to my patch, similar to Steve. HS2 should have given Wales £5 billion in consequentials, which would have electrified the line from Cardiff to Swansea. That line is still not electrified—let alone further west and having a station at St Clears, which has been on the cards for years. On the projects identified in spending review, how can we ensure that Wales has its fair share of the rail funding that it deserves and needs?

Guto Ifan: The original sin was the refusal of rail infrastructure devolution in 2006. That would have put us in a great position now; we would have had an automatic share of the spending. This spending review highlighted just how problematic HS2 is, in terms of Wales's position. It eats up the lion's share of all rail enhancement spending across England and Wales. It is almost two thirds of the entire budget. We are losing out on that project, and we do not even get a population share of non-HS2 spending.

On a technical point, the Welsh Government estimated that we have so far lost out on £431 million up to this year. We now have capital budgets to the end of the decade, and we can work out that it is about £845 million by the end of the decade. Of course, over time that will increase. That will increase during the next spending review.

On the effect on the comparability factor of how the Barnett formula works, David mentioned the other projects that were announced last week and the other part of Department for Transport spending. We now get a smaller share of all that spending in this spending review, which is equally problematic.

Q17 **Gill German:** Very quickly—David touched on this before—the funding that has been announced, as far as I understand, is not the end of the package. We know it is a downpayment on what we want to achieve initially in Wales, but we will obviously be pushing for more coming down the track, if you will excuse the pun. I want to ask about the benefits that will come to Wales from cross-border transport. I live in north Wales, and the main station that I get to from the north Wales main line is in Chester. A lot of the work and growth opportunities are very much cross-border. I wonder whether there has been any analysis on the broader benefits of what will happen over the border and how that will bring economic growth to Wales.

David Phillips: Very quickly, the initial estimates suggested that HS2 might actually harm Wales and the south-west of England by making the midlands and the north easier to reach from London and enhancing the trade links there. There could have been some diversion of economic activity, certainly from south Wales, to the north-west and the midlands. Having said that, HS2 is obviously quite a different beast now, so we must question whether that is still the case now.

We should not downplay improvements to cross-border links. One thing that we should be mindful of, whether rail is devolved or not, is that the east-west links between England and Wales, as well as links within Wales, are really important economically. Wales is a bit like Canada: most of the population lives along the border, and there is a lot of trade across the border.

Whatever happens with rail, we want to make sure there is effective co-ordination of plans on either side of the Welsh border to maximise those links. It will always unfortunately be easier for north Wales to trade with the north-west of England and south Wales with the south-west of England than the other way round because of the economic and physical geography of the country, so those east-west links are very important.

Gill German: Guto and Steffan, I am not sure if you have anything to add. You looked a bit put upon with that question. I suppose the broader point, as David said, is that we do not just exist within Wales. Particularly in my patch, it is absolutely crucial that we invest in both sides. I just wanted thoughts, but thank you for your input, David.

Q18 **David Chadwick:** I am pleased to see you all; thank you for joining us. I would like to continue with the theme of rail infrastructure funding. Guto, my question is for you, because clearly you have done a lot of research into this. You stated in your recent analysis that Wales would continue to lose out due to the classification of HS2. Putting the continued arguments about that to one side for a moment, do you see a clear path to a fair funding settlement for rail in Wales? Isn't it fair to say that we will just continue to have these funding scandals unless the system itself is changed? That is what I would like to hear more on. The Liberal Democrats want to see the full devolution of heavy rail to Wales to ensure we receive consequential funding from rail projects in England. What systemic changes do you think are needed to ensure Wales gets its fair share when it comes to transport funding?

Guto Ifan: I probably agree that only devolution would ensure that, with lobbying on the part of the Welsh Government and ensuring they have worked hard in arguing the case. You will have heard that Eluned Morgan has bored the Prime Minister by mentioning HS2 all the time, but it should not take the Welsh Government spending so much political capital to gain what is quite an underwhelming settlement. That points to the problem of needing structural, systemic changes so that Wales gets a fair share—and so it does not have to battle in its corner in every spending review or control period.

Q19 **Llinos Medi:** Why is child poverty so high in Wales?

Dr Evans: There has been virtually no progress in child poverty rates in Wales for the best part of 25 years. There was a new piece of work out a couple of weeks ago; we worked with the Joseph Rowntree Foundation on the Poverty in Wales report, which looked at what has been going on. What is really clear is that while poverty rates themselves have stayed pretty flat, the depth of poverty has increased significantly. So those who are poor are actually much, much poorer. Looking at the very poorest, take a couple with two children classified as living in very deep poverty—they would need an extra £13,500 a year to move out of poverty. The gap is huge in terms of the amount of cash people need.

Fundamentally, there are three core drivers, and they have not really changed. One is work: access to it, and if you do get it, whether the hours are sufficient and the pay is good enough. Then there is the benefits system—for those who do not work or who need to top up—to give them that security. And ultimately, that living costs are affordable. Housing in particular is a way we measure poverty, but things like childcare and extra costs for disabled people. Those are the factors and they have not changed—we just have not invested enough in the solutions around each of those key drivers.

Q20 **Llinos Medi:** We have seen data saying that by 2029, child poverty in Wales will hit 35%. In Scotland we have seen it will be 19%. Do you think there are lessons we can learn from other nations?

Dr Evans: Yes, absolutely. I think there are two key things that may make Wales different from Scotland. One is that housing costs are generally cheaper in Scotland. That means that, in the way that poverty is measured and calculated, you need less cash to not live in poverty.

The second is that the Scottish Government's investment in the Scottish child payment has undoubtedly had an impact on their child poverty rates. There are lessons to learn from that; the UK Government could introduce a top-up to the general social security system, or we could have some of those powers devolved to Wales. The Welsh Government could use those powers to introduce a Scottish-style payment, because there is no doubt that has had a positive impact on child poverty rates in Scotland.

Q21 **Gill German:** The UK Government are due to publish their child poverty strategy in the autumn. It is a UK-wide strategy, which will obviously need to consider the needs for Wales as well, so I am wondering from the Welsh perspective. I am familiar with the drivers of poverty that you mentioned, Steffan, and that despite good efforts, child poverty rates remain stubbornly high in Wales. While those issues are UK-wide, do we need something Welsh-specific in there that really gets to the nub of why we still have the highest child poverty rates?

Dr Evans: Fundamentally, one of the things that would make the biggest difference is decisions around the social security system. The Welsh Government have tried to take positive steps in recent years, but it is almost like proving a counterfactual: had they not put that money in, child poverty might be even worse. That is kind of what we are looking at.

I touched earlier on the impact of the two-child limit, the LHA, the bedroom tax—all of these are policies taking money out of the pockets of the poorest families in Wales. If the UK Government child poverty strategy does not get to grips with that, that will be an inhibiting factor to anything that strategy would include.

On employment, that might be an area where you could look to see if there is any room for the Welsh and UK Governments to work together. We know pay is generally lower in Wales and that there are issues around part-time work and unemployment. The reason why child poverty rates are so high in some of our rural communities is that there are lots of part-time, holiday and tourism-related jobs that are seasonal and so on—and lots of self-employed workers as well in the agricultural industry. Can you think about what you and the Welsh Government, combined, could be doing to boost pay in those sectors? That is something that the Welsh Government do not have full control over, and where working together would likely lead to more beneficial effects than the Welsh Government trying to do something themselves without the support of the UK Government.

Q22 **Gill German:** So there are things that both Governments can do towards that, particularly on housing and childcare. There is work to do on one side of the border and then the broader work, such as on the benefits system, would come from the UK.

Dr Evans: Absolutely. It is worth reiterating that the stuff that the Welsh Government have done, such as universal free school meals in primary schools, is good and worth doing. Even if they do not have an effect on the overall rate of child poverty, those things are making lives better for children and families—they are making a difficult situation less bad. That is a key message that we always push: even if you cannot see the fruit of your labours come through in the official figures, you know that you are making lives better. Given that those things are not there in other parts of the UK, children living in those parts of the UK might not benefit from them.

Q23 **Gill German:** I suppose my greatest wish is for us to do something about the drivers, rather than mitigating the impact, which is what we have focused on so far. I think that joint working is crucial, because devolution means that some of the levers will be with the Welsh Government, and some with the UK Government. I hope that is what will happen. I know that there has been consultation and joint working already so, fingers crossed, we can move together with that.

Moving on slightly, I know that the Bevan Foundation has looked quite closely at the needs of families at different stages of the child's life, and how that has an impact on child poverty, particularly in the early years. Do you think that there is scope for looking at how we address child poverty in an age-bracketed range, so that we look at different stages of life?

Dr Evans: Absolutely. That is something that we are actively looking at now. Over half of children living in poverty in Wales live in a family in which the youngest child is younger than five. That is largely down to the fact that the birth of a child often leads to increased expenditure and lower incomes at the same time. You touched on childcare and, in a Welsh context, that is an obvious tool in the gift of the Welsh Government on which we would like to see more progress to ensure good-quality early learning for children, and to help parents back into work. It is usually the mothers who are locked out of work during that process.

Recently, we did some modelling with Policy in Practice that showed that just moving parents who are not in work because of barriers related to childcare into part-time work would have a significant impact on those families, and on child poverty more broadly. You also need to look at things such as maternity pay. That is a bit of a Cinderella issue; it has not really had the attention that it probably deserves. I know that the UK Government have announced some positive stuff on that. These are all things that we need to see happen so that the money is there for people when they need it, as life changes significantly for those families.

Gill German: Thank you, that is valuable input.

Q24 **David Chadwick:** One word I was surprised not to hear you mention is "education". I know that is because you are being very succinct and brief, but when we are talking about long-term multigenerational poverty, surely educational outcomes are critically important?

Dr Evans: Absolutely, and we know that there is a direct link between whether a child lives in poverty and how well they do in their educational outcomes. Children in poverty are significantly less likely to get the best GCSEs, or the best A-levels. Fundamentally, if you make sure that there is cash in families' pockets, that is one of the key things to get to grips with: making sure that families have the money that they need to get the resources that they need for children to benefit in schools.

We also need to think about the way that we work in the education system. School uniforms are an obvious example. Despite multiple iterations of guidance from Welsh Governments about affordable school uniforms, we still have schools with frankly ludicrous uniform policies that are, in part, leading to children missing days in school. We know that absentee rates are higher for children from families living in poverty, so there are changes to our education system that would not cost anything but would make the system kinder to children growing up in poverty, improve engagement, and possibly have an impact on results.

Q25 **David Chadwick:** Do you think that changes to school uniform policies will improve educational outcomes in Wales?

Dr Evans: That is just one factor. Of course, if you just change that, and not everything else, it wouldn't. It is one part of a broader package of tools. Child Poverty Action Group has done quite a lot of work looking at the cost of a school day. It shows that the cost of sending children to free education is really quite significant. We have heard from that work that there is often a huge drop in school attendance rates on "wear your own clothes and bring in a pound" days. Children in poverty are locked out of those experiences, including school trips, and that has a knock-on impact on their ability to develop as people and develop their educational skills.

By looking at those things, we make sure that the school setting is not a hostile place for children who are growing up in poverty.

David Phillips: Very briefly, I agree with much of what was said there in terms of the impact that poverty has on education. We should also recognise the circularity where education—and hence, productivity and wages—feeds back through into poverty rates. A poverty strategy should not sit on its own; it needs to link up with the strategies on economic growth, housing—which is often seen as part of the growth agenda—and education. One of the sad things we have seen in recent years in Wales is that there has been an unfortunate relative decline in results, participation in higher education and several other things, which could end up feeding back into itself and making the situation for the next generation in Wales harder.

I think sometimes in Wales we have a slight defensiveness about when things are going wrong and being compared with England in ways that are not always favourable to us. We need to try to avoid that, because if we cannot recognise that there are problems, you cannot start to solve them. I agree that there is a link from poverty to education, but education links back through to poverty. We need to recognise that that has not been going as well as it should in Wales, even compared with countries like England, which is itself struggling to get back from the pandemic.

Dr Evans: I will add one thing to what David said about looking at this holistically. The group that has probably been most overlooked in discussions around poverty, welfare reform, etc. has been single adults and single young adults. It is worth remembering that single young adults can become single parents quite quickly, or a couple of adults can become parents quite quickly and give birth to children who live in poverty. When we are thinking about this, we cannot just look at the children; we also need to think about the lives of their parents. If we just focus on the child, we are missing some of the bigger picture—as David said—around some of the stuff around employability and factors like that.

Q26 **Henry Tufnell:** I have a quick question on the new Brand Wales programme from the spending review, which I think has just over £2.5 million. How does that become more than just a symbolic exercise with limited real-world impact?

Guto Ifan: I am guessing that it will not go very far in changing the outlook for investment into Wales and the Welsh economy. Far more important in determining and attracting investment will be infrastructure, skills and energy costs for industries, for example. I am not sure how much the role of government in terms of changing perceptions will change the overall picture, especially given the limited amount of funding that it would entail over that time period.

David Phillips: In terms of pure fiscal impact, I agree this is really limited. We saw that brands can be important. The WDA gave out significant amounts of money, but it also had a recognised brand. Although I would not expect this to have an overnight transformative effect—this will be quite a small initiative—we should not downplay the importance of having a coherent brand that can package up the support and opportunities available in Wales. Ireland and Scotland use their brands to an effect. I think Wales should be looking to do the same to recapture some of what was lost when the WDA was rolled up.

Q27 **Gill German:** The spending review announced that there would to be a replacement for the shared prosperity fund and that the money that Wales would have received would be safeguarded in the round, which was good news, but it is safe to say that we are looking at a different way of doing things. What is the best way to use structural funding in Wales? What criteria and needs-based calculations would you like to see? Guto, I will start with you.

Guto Ifan: In terms of the quantum of the funding, it is good news that the £210 million will be maintained, but it is in cash terms and it is maintained from a much lower level than in previous years. If we compare it with the structural funding that Wales would have received from the European Union—about £350 million in real terms each year—over this five-year period, Wales is losing out to the tune of about £600 million.

Q28 **Gill German:** Just to clarify, this is about what was allocated by the previous Government. I take your point all day long about EU structural funds, but I am asking about the point we were at with the shared prosperity fund.

Guto Ifan: But what the shared prosperity fund did was ramp up spending over a period when EU funding was being drawn down. Now, we can clearly say that Wales has lost out on a substantial amount of funding.

Q29 **Gill German:** I would not disagree, but my question is about what would have been in place had we carried on with the previous Government.

Guto Ifan: I think the rationale behind Wales getting £210 million was to protect Wales's share of the total, but we do not know what the share is because we do not have a budget for England at the moment.

Q30 **Gill German:** But how would the fund as it stands be best used in Wales? Where should we be going with criteria and needs-based calculations?

Dr Evans: I guess it depends what the level of funding is in terms of the schemes that will be invested in. We saw quite piecemeal investments in the last iteration. Is the aim to spread the jam thin, so to speak, or to put a lot of jam, but in fewer places? Knowing that will have an important impact on what we look at. We would say that the money needs to be prioritised in areas where the incomes are lowest. We need to make sure that, in doing that, we consider factors in rural areas that often get overlooked. You need to look at the combined impact. We know that there are pinch points in the Welsh economy where people are struggling.

David Phillips: I agree that we need an understanding of what the theory of change is here. Is this to fund the small things—initiatives like the towns fund? In that case, allocations to local authorities could make sense. On the other hand, if this is more about bigger programmes and bigger investments that are more regional, as opposed to very local, you need to think about allocations to the city regions or, say, the mid-Wales region, and so on, for that to make sense.

One thing that should definitely change compared with the allocations received under the shared prosperity fund is the formula. The formula penalises areas of Wales with high populations. Councils that have high populations, such as Rhondda Cynon Taf, Swansea and Cardiff, are penalised under the current formula because a key part of it did not account for population. That should definitely be fixed, whatever the basis is going forwards.

If this is operated at the UK Government level, it is important that it lines up with initiatives that the Welsh Government have taken. There has been a lot of criticism from some that this has been centralised to the UK Government. My view is slightly different. It is not unusual for central Governments to have a role in subnational economic development. The UK would have been unusual in having all economic development devolved to its subnational levels. There is a case for saying, politically, that this is a cross-UK solidarity issue. But the UK Government have a direct role in allocating this funding to local areas rather than it being fully devolved.

If that is what is being done, which I think is the case, it needs to line up with what the devolved Governments are doing, and there needs to be a good co-ordination mechanism. Some change is needed, good co-ordination is needed, but the most important thing is to have a clear sense of what this is about. Is it about small things, liveability and improving things at a local level, or is it about more transformational regional initiatives?

Q31 **Ben Lake:** Thank you, gentlemen, for joining us this afternoon. There is probably unanimity on this Committee about the overall pot compared with what we used to have from the European structural funds. Putting that to one side, are we any wiser as to the programme length for this funding? Some of the old European structural funds would have had five-year or seven-year periods within which to plan. First, do we have any idea as to whether there is similar longevity for people to plan under the announced plans? Secondly, do you have any suggestions as to whether that ability to plan and longevity has any material impact on the outcomes of that spending?

Dr Evans: David and Guto may correct me, but—as Guto said—we do not actually know how much is going to be spent in England on some of this. That creates a layer of uncertainty before we even start the conversation because we still do not know the full size of the pot. Having more time to plan obviously opens the possibility of doing more complex things. If you are trying to do something really short term that inevitably leads you to doing the simple things. Sometimes that is the answer, but sometimes the challenges we face are quite complex and we might need to invest in things that take time to deliver.

There are potential benefits from doing it, but you need quite a clear plan and vision for what you want to do over that period for things not to get lost. The risk is that over five or seven years the chances are that there will be changes in political colours—who is elected, etc.—at all tiers of Government. That would have an impact. You need something that everyone has bought into for it to really make a difference in terms of what is delivered.

Guto Ifan: The commitment for the Welsh funding part is for three years to 2028-29. We do not know what comes after that. There are some commitments to providing 10-year settlements for mayoral areas in England, but I am not aware of anything very specific that would affect Wales in that regard. I do not know whether David has any ideas.

David Phillips: I agree. I think this is for three years. Compared with seven-year plans, that gives less time to plan. You are right that there are some longer-term plans for some parts of England. For the budget as a whole, you need that trade-off between providing medium-term certainty versus flexibility if the fiscal or economic situation changes. With some of these smaller pots, where there is a particular benefit to longer-term planning, you should do those longer-term horizons. The size of the new growth-type funding is really quite limited in the overall UK budget. It is not the kind of thing where flexing up or down will make much of a difference to your fiscal headroom. There could be scope to go further there.

We know from evaluations of the effectiveness of the aid that EU schemes provided that two things are really important internationally in terms of sustaining the improvements. One was the quality of governance at the local level. In areas where there was less good governance, the programmes got less out of the EU schemes. Education was also important, with areas where there were underutilised skilled workers that got EU funding doing well out of it. Those areas that had low skills did not capitalise on it so much. To come back to my earlier point, getting education back on track a little is really important, not just for poverty but for maximising the use of growth funds as well.

Q32 **Chair:** As you may be aware, we have the Secretary of State in front of us next week. If you were sat where we are, what would be the one question you would ask the Secretary of State for Wales?

Dr Evans: It would be around the plans to try to complement what the Welsh Government are doing with what the UK Government are doing. Where there are some tensions with what they are trying to do, I would ask about her plans to join up those connections, so that we do not end up with the Welsh Government trying to do one thing and the UK Government's policy moving us away in another direction.

Guto Ifan: On brand, but I would probably ask about the Welsh fiscal framework and any plans or thoughts to reform it. I would ask about perhaps putting pressure on the Treasury to relook at those, because it seems that the Treasury do not want to let go of powers in this area—in what would be a rounding error for them, but quite important for the Welsh Government.

David Phillips: I agree on that. I would ask about the fiscal framework, given that the Welsh Government sought more powers to manage their own budget. Adding to that, how open are the Government to fiscal devolution? The Government make a big case about how they are devolution-friendly, but actually, within English local government there is very little on fiscal devolution and the ability to raise revenues and set taxes. I would ask about that for Wales, because if Wales wants to chart a slightly different path for its public services, benefits system and so on, it needs to be able to raise more money itself. So I would ask about both the fiscal framework and how willing the Government are to consider devolution of real revenue-raising powers to Wales.

Chair: Thank you very much—you have probably done some of our homework for us. I thank all three witnesses, Guto Ifan, Dr Steffan Evans and David Phillips, for appearing in front of us. I will now close the session.