



HOUSE OF LORDS

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The Select Committee on the Constitution
Inquiry on

THE UNION AND DEVOLUTION

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3.45 pm

Witnesses: Ben Cottam and Steve Thomas CBE

Members present

Lord Lang of Monkton (Chairman)
 Lord Cullen of Whitekirk
 Baroness Dean of Thornton-le-Fylde
 Lord Judge
 Lord MacGregor of Pulham Market
 Lord Morgan
 Lord Norton of Louth

Examination of Witnesses

Ben Cottam, Head of External Affairs, Federation of Small Businesses in Wales, and **Steve Thomas CBE**, Welsh Local Government Association

Q281 The Chairman: Welcome to this session of our inquiry. We were in Scotland before Christmas and we had a session with your counterparts in local government and in small business, which was extremely interesting. I hope we will also find this an interesting session. I am afraid we only have 45 minutes, but I hope we will be able to cover the ground without too much difficulty. I should explain that one of my colleagues, Lord Judge, is going to have to slip away before the session finishes because he has pressing business elsewhere in the country later on.

I shall ask the first question. What are the most important features of the union to the people of Wales? What matters to them most? Do they appreciate that, or is your perception of what matters to them most different from what they might say themselves? Would you like to start, Mr Thomas?

Steve Thomas: I tried to rewrite your question. I read it a few times and worried about the arrogance of speaking on behalf of the people of Wales, which I cannot do. I think that what you are asking is whether the idea of nationhood is still attractive enough to keep the distinct parts of the union together, as much as anything else.

The Chairman: That is an underlying theme of our inquiry, yes.

Steve Thomas: In the Welsh context, all available polling evidence—if we take that with a pinch of salt—tends to suggest that the union is greatly valued by the Welsh people. A poll undertaken by BBC Wales last year showed that an extraordinarily high level of people want more powers to come to the Assembly while an extraordinarily low level of people in Wales support the concept of independence. That said, I think the union is a shifting entity. What we are seeing today in many of the regions and nations of the UK is people outside London saying, “Enough is enough. We want some of the power back”. Because of that, I think there

is a view that the devolution journey is not yet concluded. I think many people in Wales are supportive of the concept of devolution, but clearly for them the linkage with England and with other parts of the UK is equally important, not least because of the sense of economic well-being.

The Chairman: Yes, and they understand that sometimes what is devolved might undermine the union.

Steve Thomas: Absolutely.

Ben Cottam: From a business perspective, there is clearly still great regard and indeed need for the union, if nothing else for maintaining a very strong market for businesses. In Wales we have a very porous border, and organisations trade across it on a day-to-day basis. The existence of the union maintains the integrity and strength of that market. In looking further afield, the union is a brand for business that businesses of all sizes can capitalise on. Obviously my individual members will hold very individual views, but I am not sure they are sufficiently well versed in the alternative to form a view of what the change in the union has meant for them on a day-to-day basis. Still, there is some perceived strength in the union maintaining the market that is available to businesses.

Q282 Lord Judge: Local government is a devolved area, while business is business. Since 1999 there has been steady devolution, and I have a whole list of things for which the Government of Wales Act says the National Assembly for Wales is responsible—agriculture, fisheries, and so on down to Z. To the extent that there are differences in government policy as enunciated in the National Assembly and those that emerge from Westminster, have they affected either business or local government?

Steve Thomas: For local government there are positives and negatives. The differences can be positive for local government in the sense that we have a different policy regime in the Welsh context—for example, we are very much free to set our own council tax levels within a defined capping limit, we still retain local education authorities in Wales, and we have seen Welsh local government cut but not as badly as some of our counterparts in England. The negative is that we can no longer speak of a common local government system across the UK. The differences now are so pronounced, structurally and financially, that there is no symmetry across local governance in the nations, and that is reflected in a number of settings. One anecdotal example is that the trade magazine for local government, the *Local Government Chronicle*, should become the *English Local Government Chronicle*; it has never got to grips with the fact that there are devolved and different systems of local government across Wales and Scotland. So there are a range of issues there. On one hand, that could be seen as a good

thing—it could be seen as a newly defined localism—but most of this confusion is the creation of central government and domestic statecraft. That is a problem for an identity for local government across the UK.

Lord Judge: You do not have a series of different forms of local government, do you? You do not have unitary, metropolitan, and so on and so forth—you have the one single system.

Steve Thomas: We have unitaries and town and community councils, but we are also talking about another structural reorganisation in Wales, probably in 2020. The proposals are to take us down from 22 authorities to eight or nine. So there is constant talk about the structure of local government; it is a hardy perennial.

Lord Judge: And businesses?

Steve Thomas: In terms of the differences in decision-making, there is certainly confusion. I do not think that fundamentally it causes day-to-day problems for businesses. In getting used to the lines of responsibilities, what business wants to see is a clear line of accountability, clear lines of understanding of where responsibility lies for what area. There is certainly some confusion within that. Steve mentioned the differences in local government. That presents opportunities as well. We as an organisation would like to see a greater focus by local government on local economic development, for instance, and there is an opportunity maybe to phrase the conversation differently here in Wales. The differences in the lines of policy-making are really issues for politicians and constitutional lawyers more than they are my members, but it is beholden on organisations such as the FSB and certainly on politicians to make that very clear to businesses. It can cause some confusion. I heard the First Minister say this morning that when he has a surgery the members of the public have that confusion. The same is writ large for businesses, but they are making commercial decisions based on some of these issues, so it is very important that there is a clear communication of the impact of the differences in policy-making lines between Westminster and Cardiff Bay.

Lord Judge: If you had to ask the politicians to stop doing something or to start doing something that they are not, what would the members of your organisation say is the worst feature of this divided system? Do you have a raw example in mind?

Ben Cottam: I have a very current example. There is the very unfortunate situation with Tata Steel at the moment. There is an expectation on the part of business in instances such as that, or more broadly in terms of economic development and policy-making, that Governments in Westminster and Cardiff Bay are seen to work very collaboratively and in concert to the best advantage. There are plenty of occasions where that has been the case, but it is fair to say—I should predicate this by saying that the FSB as an institution has no constitutional position—

that the story of devolution is that we have clearly been moving over the past few years towards institutions, or at least governance, of a different colour, and there have been growing pains with that. It has posed some challenges to economic development; in major crises, major decisions have been required where there is a different competence. Businesses have an expectation of clear decision-making and clear lines of accountability. That has not always necessarily been reflected in the decisions that have come from both Governments.

Q283 Lord Cullen of Whitekirk: We understand that Cardiff is likely to agree a city deal with the UK Government, perhaps to be announced later this year. Do you think that Wales would benefit more from expanding this form of devolution to cities and regions or from greater powers being granted to the National Assembly? Either way, which do you think are the most important powers?

Ben Cottam: On the principle of city deals—particularly in the immediate instance, as Cardiff poses a huge opportunity—some meat on the bones is required before businesses can make a decision about the likely impact of them, but a city deal focuses an economic development conversation more locally and encourages the collaboration that we as an organisation would want from local government and business in relationship with the Welsh Government. There is potentially a compelling case for looking at other opportunities around Wales. I know that there has recently been a conversation within the media, particularly in north Wales, where the lines of economic trade are east-west rather north-south. There is an opportunity for areas of north Wales to collaborate with the northern powerhouse in the north-west of England, for example, although whether that would be through a city deal model is probably another question. The city deal as a principle allows for a focus on localised decision-making, and as an organisation the FSB applauds and supports the principle of localised decision-making. It brings our members closer to the decisions on economic development that will directly affect them, so there is a huge opportunity. With regard particularly to the Cardiff city deal, the proof of the pudding will be in the eating as to how that translates across the border. The border of Wales is a social and political one, not an economic one, and is not recognised by businesses. Sometimes we forget that when we come to policy-making, so the need to collaborate closely with regions outside Wales is imperative.

Lord Cullen of Whitekirk: My question, I think, was asking among other things whether that was more significant as a development than more powers being granted to the National Assembly. Can you make any form of comparison?

Ben Cottam: No, I am not sure that I could.

Steve Thomas: I think you have to be sensitive to the complexities of place. There are not only city deals; there are a range of regional or regional models across Wales of economic development. Swansea is also thinking about a city deal, and there is something called the North Wales Economic Ambition Board, which is very much looking to link into the northern powerhouse. There are a range of sub-regional economic development and regeneration initiatives across Wales. The city deal is an interesting proposal. It sees the possibility of a £1.2 billion investment fund; it sees 10 local authorities in Cardiff and the south-east Wales region working together, which is good; and there is the possibility of some big anchor projects with it. It also sees the possibility of a discussion into the future about where business rates sit, and what that means in the Welsh context. There is a huge debate raging in England at the moment about business rates and local government. That debate is not happening within Wales. The city deal initiative will bring that debate to the forefront. It has to. If you are to do things within the capital regions that we have, you are going to need some financing to push it forward.

Lord Morgan: The one city deal that is going ahead is in Cardiff. That is, of course, easily the most prosperous and thriving area of Wales, and I wonder whether you feel that the National Assembly should make an effort to spread that kind of advantage more widely. You mentioned the possibility of a Swansea city deal. I used to live in Swansea, so I declare an interest, but it seems to me that, since then, west Wales has suffered by comparison quite acutely. Might there be a push towards localised decisions being made there?

Steve Thomas: In local government at least, the leaders of the rural authorities in Wales, particularly Ceredigion and Powys, are looking to develop their own initiatives. A lot of that will depend on things like broadband going into rural areas, but you are right to think that if you are not careful the danger is that you get a two-speed Wales and you exacerbate the differences that already exist across the country. However, one of the advantages of having 22 local authorities is that they are fiercely protective of their areas, and they are looking to ensure that they all have a slice of the action. North Wales, to be fair, seems to have got its act together more quickly than south Wales. As a result, I think there is an even spread across Wales.

Lord Morgan: I am ignorant about the Swansea city deal. Is it close to—

Steve Thomas: The Swansea city deal is slightly easier to construct because it involves a smaller number of authorities. The leader of Swansea made an announcement about moving forward this week, and that makes a lot of sense. There has of course been a proposal with

regard to local government reorganisation for what in effect would be a Swansea city region local authority.

The Chairman: And the business organisations are closely involved in the negotiations, are they?

Ben Cottam: They are indeed. It would be disingenuous of me not to suggest, particularly in areas in the west and north-west Wales, that my members do not feel very far not only from the decision-making but maybe the outputs of things like city deals. There is a responsibility to ensure that there is a feedback loop and a dividend from what is going on, and that a lot of light is shone on the city deal. That is about not just about west and north Wales but particularly up into the valleys. Ensuring that the city deal benefits the valleys as much as it benefits Cardiff is of huge importance. With regard to the conversation in Swansea, as a native of Pembrokeshire I know that people in Pembrokeshire feel very far even from Swansea, so ensuring that, where there is an opportunity to focus on localised economic development, you are bringing in as much of the community as possible, and from as reasonably wide an area as possible, is very important. We cannot have city deals everywhere but we can at least use them as a template for localised decision-making and collaboration. That is what I want to see coming from the structure and the example of city deals.

Q284 Lord MacGregor of Pulham Market: I want to ask a question about the social union, which we have been discussing quite a bit during the day. The sharing of risks and benefits in a social union—I am talking particularly about welfare and other social benefits—is seen as important to the union. The Scottish Government are particularly keen on it; they are increasing the level of fiscal responsibility—or, as they would describe it, full fiscal autonomy—the principle that revenue is raised and spent at the same level of government. Does increasing the level of fiscal responsibility for devolved Administrations and city regional mayors risk increasing inequality, especially if the level is not minimal but reasonably high, by reducing the UK-wide redistribution?

Steve Thomas: We gave evidence on Monday to a committee chaired by Lord Kerslake, which is covering some of the same ground that you are. One of the things that became clear from the discussion we had then about the risk of inequality—if I can speak to the local government element of this—was that in England there is clearly a risk of two-speed devolution. What I mean by that is that there is a proposal on business rates. If I were in a London borough like Westminster, which currently raises £1.8 billion worth of business rates, I would be banging the drum and screaming very loudly for more devolution on a daily basis. Alternatively, if I were the leader of Newcastle, seeing my tax base not even covering the

level of my services, I would be doing a reverse impression of Lord Coe and running a mile backwards. There is a problem in the inequality that could arise. We have not had that proposal in Wales yet, and one of the problems that we have, I suppose—again, this is the distinction between England and Wales—is that we are still hugely dependent on the revenue support grant, which has been phased out in England. How that then plays out in the great machinations of the Barnett formula, with someone putting that through the sausage machine in the Treasury and working out some sort of formula for us, will be very interesting to watch, but it shows a very different way of doing devolution, which I think can lead to regional inequality and even, if you read the local government press at the moment, inequality between the counties and some of the urban areas. There are some real and distinct issues to worry about on that front.

Ben Cottam: From the perspective of business, clearly we are in the early stages of getting used to what the devolution of powers of taxation will mean. It is clear that there is a lot of work to be done to help businesses to understand that, not least to understand the emerging nature of differential taxation for those who actually train across the whole of the UK, which, from the perspective of administration, can be difficult to understand. With regard to local government, we are very supportive of the idea of the repatriation, if you like, of business rates, which allows local government to fund and capitalise on their local economic development objectives. For business, this represents quite a significant challenge in the emerging powers of taxation and responsibilities and exactly what that will mean to them in the long term. This is a process, and we are seeing emerging conversations about income tax. We are therefore seeing taxation of a completely different order, and businesses struggle to come to terms with this, although, as I say, as an organisation we are supportive in principle of the idea of localisation.

Lord MacGregor of Pulham Market: There is a distinction in a way between revising the Barnett formula, and all the complexities that lie with that, and giving local authorities more powers to raise their own local revenues, with a concomitant requirement, if you are a comparatively poor area, to raise much higher revenue to deal with social deprivation than would otherwise be the case. There are differences there.

Steve Thomas: If you held in Wales the debate about the equalisation formula that there is in England, Cardiff would outstrip everyone in the amount of business rates that it raises, while Pembrokeshire raises quite a lot because of Milford Haven, the refineries and so on. There would have to be an equalisation formula because if you are in Bryn Y Gwynt, or one of the valleys, you are never going to make that level of rate rises pay as your base financial support.

Q285 Baroness Dean of Thornton le Fylde: Following on from that point, we are getting different responses to the question of a minimum level of welfare benefits. Scotland has said that it does not want it and it goes against its whole principle of devolution. In Wales, that is not quite the situation. Looking at Mr Cottam in particular, should a minimum level of welfare benefits be set for citizens? If there should be, who should set it? How would your members respond to the difference between the minimum level being set and perhaps a higher level being required? Where would the money come from?

Ben Cottam: I am not sure it is appropriate for me to say whether or what that should be. I can, however, comment on the principle of dealing with that, which, particularly for the smaller businesses, could be very complex. It is very difficult; I am conscious we are saying that we are supportive of localisation and generally supportive of devolution but perhaps not of the consequences of it. That is something that businesses clearly need to reconcile. I would say that within these emerging conversations, the engagement with businesses and the effort to reach out to them in the first instance is pretty limited. The way in which businesses can deal with the consequences of fiscal responsibility and the differential in welfare reforms is sometimes an afterthought. What concerns members is the ability to deal with and respond to it in a way that does not put them at risk of prosecution or whatever, and allows them to treat competitively. I do not think it is for me to comment more directly on the differential of welfare systems across the UK; it is more for me to comment on the complexity of dealing with the consequences of any change.

Baroness Dean of Thornton le Fylde: Mr Thomas, perhaps you could come in on this. At the moment we have a universal welfare system. There are exceptions in Scotland, such as student fees and prescription charges, but at the moment we have what could be called universal benefit. If devolution brought a change to that, the element of the poorer, lower-GDP parts of the country might not feel that change because it is a universal benefit, so the tax raised from the wealthy areas covers it and it is paid across the board. With devolution, that would probably come to an end, if you look at the direction of travel at the moment. How do you respond to that from a Welsh point of view?

Steve Thomas: May I respond with an example? When the devolution of council tax reduction benefit was announced, it was devolved and immediately there was a 10% cut.

Baroness Dean of Thornton le Fylde: You did not ask for it?

Steve Thomas: No. It was devolved—and then a 10% cut. The Welsh Government took a view that was different from that of the UK Government: they did not want to cut the benefits. In effect, the view in England was that local authorities take a view to subsidise or not. In

Wales, the view was that there would be an all-Wales view to continue paying the same levels of council tax benefit to families across Wales. That required the Welsh Government to find an extra £22 million from their budget and require local authorities to find money from their budgets. That is an example in the welfare system of a devolved Administration taking a view about the value of the benefit and the impact of inequality and using, within a universal framework, a distinct devolved approach to ensure that something did not happen. So it was a gatekeeper role rather than a proactive role. Those people in receipt of council tax benefit were very grateful indeed. There are examples across the system, such as the way student finance occurs in Wales, of different ways of providing what would be described as welfare or support programmes which devolved Administrations are taking on board. The Assembly was asked at one time to take on board the impact of the so-called bedroom tax. The costs of all these things are something that devolved Administrations are prepared to invest in, but I imagine that there would then be questions from the English side of the border about where the money would come from to pay for it.

Baroness Dean of Thornton le Fylde: And where did the money come from?

Steve Thomas: In this case it came distinctly from the Welsh Government budget and local authority budgets, but if it had been a much bigger benefit than that, at the end of the day it would all have been money collected through Her Majesty's Revenue and Customs.

Baroness Dean of Thornton le Fylde: So there were no implications in that situation for small businesses or businesses?

Steve Thomas: There were no implications for businesses, but there were massive implications for people who did not have their benefit cut.

Q286 Lord Norton of Louth: To come on to another dimension—public engagement and accountability—Mr Cottam, a few moments ago you touched on a point that one of your colleagues made to us the other week, when looking at decentralisation, that small business felt that it was left out of the process and there was not much opportunity to have an input. There is a wider question about the public getting involved in the process. A lot of the negotiation is taking place at governmental and intergovernmental level, and the public are not necessarily part of that process. Could anything be done to ensure more public input as this process continues in respect of devolution? We have the Scotland Bill before us along with the draft Wales Bill and continuing discussions. Is there a mechanism by which the public can actually feel they are involved in the process?

Ben Cottam: My comments were more about the effects on business quite often being an afterthought. The experience of the FSB as an organisation, and of our members, has been

that devolution has at least brought the conversation closer, and the opportunities to contribute are much more than they otherwise would have been under the system that was focused on London. However, there is clearly an increasing imperative to seek further engagement from businesses. The decision-making process is quite complicated, and, as we see, variable lines of accountability are problematic, but for businesses that seek to engage and want to do so, I commend both the Secretary of State but particularly the Welsh Government in their efforts to reach out to the business community. The outputs and fruits of our labour are not necessarily always what we would want them to be. Nevertheless the process is there, although probably not capitalised on.

Lord Norton of Louth: You have the advantage, though, that you are an organisation, so you are familiar with government. That means that you can make representations to them and you know what is going on.

Ben Cottam: Absolutely. That is what we are here to do.

Lord Norton of Louth: In a way, it is the public, who are not organised, who are the ones who will feel the effects of devolution. It is about how they can feel involved rather than simply being the recipients of whatever is agreed by the Government or those who know how to influence government.

Steve Thomas: We are talking about less involvement, then, are we not? There is currently a debate in the Conservative Party about whether there should be a referendum on income tax-raising powers in Wales. In the last referendum, it was put to the Welsh public that there would be such a referendum, so if there is not going to be one, cynicism may arise as a result. That said, the average person on the Cardiff omnibus is not that worried about the constitutional niceties of Welsh devolution; they are probably slightly more worried about the National Health Service in Wales, education and the economy. The debate on the constitution in Wales is in danger of boring large parts of the Welsh public to death.

Q287 Lord Norton of Louth: Once you have things in place—there is a changing picture of accountability, which perhaps adds to the confusion—people are probably bored by the process, but once it is agreed it has consequences for them, and in a way they need to know who is responsible for what, not least for reasons of accountability. Much of the evidence that we have been hearing is about how much confusion there is about who they think is responsible for what. Could more be done to enlighten people? Obviously as a principle they should be enlightened anyway—they should know—but how do we go about achieving that? How do we keep abreast of what is a changing picture, because those lines of accountability are changing?

Ben Cottam: I think there is a balance of proactive versus reactive. It is fine to say, for example, that this, as an institution, is open to all, but the National Assembly as the legislature could probably do more to go out and be much more proactive in its engagement, and to engage organisations and individuals in the process. Clearly there is a role for individual Members themselves, and I will absolutely take that point, but as an institution it has to fight against the relative indifference that is shown at the ballot box, with low turnouts at both the Westminster elections and the National Assembly elections. There needs to be a redoubled effort to engage. You are right that organisations like the FSB are a conduit for that, but we cannot be the only answer. There is a real danger that for organisations that work very closely with the Assembly and the Government it is seen as enough to work with them because, “We are working with the wider community”. I would always encourage my members to become as involved as they can individually, not just through organisations such as ours.

Steve Thomas: We as an association support the First Minister’s call for a constitutional convention. Looking at it in the Scottish context, something like that played a part in electrifying the debate there. However, I do not sense that that debate is happening to that level in the Welsh context in any sense. In terms of codifying powers, which is probably your next question, there needs to be a much clearer understanding of who does what. It is very messy at the moment; the devolution settlement remains untidy. Because of that, I do not despair of my fellow countrymen not understanding it, because I do not understand large parts of it myself.

Lord Norton of Louth: That is part of the problem, is it not? It is untidy and not clear-cut; it does not just say to the public, “That is there and that’s that”. It is untidy and there is a continuing untidiness. I take your point that people are not necessarily going to be interested in the mechanics of it or the debate about how we get there, but once we get there, as I say, the question of accountability and who was responsible for delivering those services affects people. Mr Cottam is suggesting that the National Assembly for Wales has a particular role in disseminating material. Would that be sufficient?

Steve Thomas: Again, I do not think there is great understanding of the various functions of the Welsh Government or indeed the National Assembly for Wales. I think the National Assembly should be much more proactive in its approach to spreading the practice and the benefits of devolution. However, there are issues that the current debate is just not engaging with. I have never had anyone come up to me and say, “The greatest problem we face in Wales is the lack of a reserved-powers model in devolution”. It does not roll off the tongue and excite the general public. However, we are in a position where that understanding then

permeates a range of other issues. A poll a few years ago showed that nearly 50% of Welsh people did not understand that the Welsh Government control the NHS in Wales, which is pretty poor. I was delighted to see in the same poll that they understood that education came within local government—that was good news, really. That might suggest that the more localised a function is, the more readily understood it is. We complain about people not engaging in politics, but I can tell you that in Wales if you announce that you are about to shut down a school, you will get a big public meeting. A school was shut in Gwyneth recently. There were 20 pupils at the school, but 500 people turned up at the public meeting. Clearly, those 20 had a very large extended family.

Lord Norton of Louth: In a way, the problem when they are complaining is knowing who to complain to.

Steve Thomas: Absolutely.

Ben Cottam: There is a problem here. We are talking effectively about the growing pains of devolution and the settlements across the UK. The imperatives of understanding and coming to terms with that are clashing with the reality that it will be the next generation who understands this perhaps better than ours does. This is why there is a need to engage younger people and schools in that conversation, and it is unfortunate that in Wales the funding for a kind of youth movement, for instance, the youth assembly, has been cut. Those are opportunities to engage with and inform younger people. It will come through in a generation, but clearly there are economic and social issues that cannot wait that long.

Lord Norton of Louth: That has been a theme of the discussion today: that education is the route to ensuring that people are informed. It will take a generation.

Q288 Lord MacGregor of Pulham Market: Just on your last point, Mr Thomas, I recall that some years ago, when I was an MP for a very large constituency with loads of villages and towns, by far the biggest meeting I ever had, and we used to do them very regularly—I could not even get into the hall because it was so full—was about a local proposal to have a wind farm next door. That really did engage the local community in a way that I had never seen before.

Somewhat on the same theme, would it help that process of local engagement, and for policy reasons, for greater tax and regulation to be devolved below UK and devolved national Governments to local government in all regions? What would be the benefits and risks to your members of pursuing that approach?

Steve Thomas: In one sense, that has happened in the Welsh context: the Welsh Government have gobbled them up. Stamp duty, business rates and a range of other things have been

devolved into Wales, and I have seen some of the literature coming out of the combined authorities in England asking for much greater devolution. From our point of view, we would like to see a debate about that in Wales. Our problem at the moment is that there seems to be a perception in the Welsh context that devolution stops in Cardiff Bay. From our point of view, it is our role—and we are paid to do it—to bang the drum for localism. The debate about more localised approaches in Wales seems to be tied to this question of local government reorganisation and, “You can have more powers as long as you reorganise”. Fine, but that is not going to happen until 2020. Indeed we have been talking about it since 2013, so even if we achieve it by 2020, we defeated fascism in Europe more quickly than we will have reorganised Welsh local government. We are in a position where the debate about the devolution of things, particularly financial mechanisms, down to authorities being conditional is not raging in Wales, and that is a problem. The debate is primarily about devolving more functions to the National Assembly, particularly financial instruments. Obviously at some point the next stage of the debate will be about devolved income tax powers.

Ben Cottam: The most pertinent example for us is business rates. As I mentioned earlier, we would like to see the local retention of business rates. Beyond that, with competence for business rates, we would like to see a complete overhaul of the business rates system, which we see as rather unresponsive, clunky, difficult to negotiate and in many ways unfair. There is an opportunity to use these powers and—I agree with Steve—to use a new conversation about what that should look like to best benefit our communities. There is an opportunity now to refocus on more localised economic development. In various areas of Wales we have significant systemic problems within communities that need localised solutions, but they need localised funding that would be able to support that. We certainly support the principle of the local retention of business rates, which I think is a good example from our members’ perspective.

The Chairman: Thank you very much. You have both been extraordinarily articulate and informative. We have covered the ground without going into overtime, which has sometimes happened to us over the day. We are extremely grateful to you. The great advantage of these occasions is that we do not need to take notes ourselves because we see a transcript afterwards, and we shall certainly be studying the things that you have told us. From my immediate recollection, there are a number of very interesting points that we will want to dwell on. Thank you very much indeed for coming in to see us.