House of Commons
Welsh Affairs Committee

The responsibilities of the Secretary of State for Wales

Oral and written evidence

10 July 2012

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The Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the National Assembly for Wales).

Current membership

David T.C. Davies MP (Conservative, Monmouth) (Chair)
Guto Bebb MP (Conservative, Aberconwy)
Geraint Davies MP (Labour, Swansea West)
Glyn Davies MP (Conservative, Montgomeryshire)
Stephen Doughty MP (Labour, Cardiff South and Penarth)
Jonathan Edwards MP (Plaid Cymru, Carmarthen East and Dinefwr)
Nia Griffith MP (Labour, Llanelli)
Simon Hart MP (Conservative, Carmarthen West and South Pembrokeshire)
Mrs Siân C. James MP (Labour, Swansea East)
Karen Lumley MP (Conservative, Redditch)
Jessica Morden MP (Labour, Newport East)
Mr Mark Williams MP (Liberal Democrat, Ceredigion)

The following Members were also members of the Committee during this Parliament

Stuart Andrews MP (Conservative, Pudsey)
Alun Cairns MP (Conservative, Vale of Glamorgan)
Susan Elan Jones MP (Labour, Clwyd South)
Owen Smith MP (Labour, Pontypridd)
Robin Walker MP (Conservative, Worcester)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/welshcom

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in printed volumes.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Marek Kubala (Clerk), Anwen Rees (Committee Specialist), Alison Mara (Senior Committee Assistant), Baris Tufekci (Committee Assistant), and Jessica Bridges-Palmer (Media Officer).

Contacts

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List of witnesses

Tuesday 10 July 2012

Right Hon. Cheryl Gillan MP, Secretary of State for Wales, Right Hon. Cheryl Gillan MP, Glynne Jones, Deputy Head and Tim Hemmings, Deputy Director of Policy, Wales Office

List of written evidence

1      Rt Hon Cheryl Gillan MP, Secretary of State for Wales
Oral evidence

Taken before the Welsh Affairs Committee on Tuesday 10 July 2012

Members present:
David T.C. Davies (Chair)
Geraint Davies
Jonathan Edwards
Karen Lumley
Jessica Morden
Mr Robin Walker
Mr Mark Williams

Examination of Witnesses


Q1 Chair: Secretary of State for Wales, thank you very much for coming along this afternoon. I understand that you would like to read out a very short statement first, lasting for about three or four minutes. That may be a surprise to the other Members because I have not mentioned it to them yet, but please feel free to carry on. It will not change any of the discussions we have had.

Mrs Gillan: Good afternoon, Chairman, and thank you very much for inviting me here. Can I introduce my two officials? On my left is Glynne Jones, who is the deputy head of the Wales Office and I think he will be familiar to most of you, as will Tim Hemmings, who is currently head of policy at the Wales Office. You might like to know that Tim starts a new job next week. He has been recruited to a very important division of the Foreign Office where he is going to be looking at the future of Europe. Many congratulations to Tim. This will be one of the last duties he performs at the Wales Office. He has been a superb official and given us some very good advice over the years.

First, I apologise for not having the annual report and accounts available for you today. I wrote to you, Chairman, about it. The reason is twofold. First, you will appreciate that everything we do has to be translated into Welsh, and this is the first year that we have also become our own accounting unit. The accounts have to be cleared by the National Audit Office and, because it is the first year, they are obviously going through it with a fine-toothed comb. There is nothing to worry about in that sense, but that is the reason I was not able to present them to you here today. I am hoping that I will be able to lay those accounts before you at the September sitting—it has to be when the House is sitting—and that it will be for your convenience. I am very willing to come back and answer questions on the annual report when that happens.

When I last appeared before you on Wales Office business—not associated, of course, with your inward investment inquiry—I was very pleased to report that I had completed two out of the three commitments that were in the Coalition Agreement relating to Wales. To remind you, they were the referendum, which was successfully held, and, of course, the housing LCO, which had been held up for some time, which we committed to pass to the Welsh Government. Now I am pleased to report that we have completed all three parts of our commitments in the Coalition Agreement. The last one was the establishment of a Calman-like commission and, of course, as you all know—and you will probably want to question me on it—the Silk Commission is up and running.

I am very proud because I am meeting the cost of the Silk Commission from within my existing Wales Office budget. It is quite a chunk out of my Wales Office budget, but I thought that was right in these austere times, and we have made adjustments accordingly. I am also very proud because, despite that, we are within our budget and the performance indicators, which will come before you in the report, show that we are one of the best Departments in Whitehall as far as performance is concerned. We have also better managed our resources and have a saving of some £250,000, in fact, over two years. You may want to question me on that as well.

May I also congratulate you on this Committee because I have found your reports very useful, particularly the one on inward investment? I am looking forward to reading more on infrastructure and on cross-border health services.

Chair: Thank you very much indeed.

Q2 Karen Lumley: Secretary of State, you have mentioned inward investment several times. Our report stated that only 1.3% comes into Wales of a UK total, and that is the lowest of any UK nation. Can you tell us what your Department and you are doing to try and reverse that trend?

Mrs Gillan: Yes. First, I need to make the key point that economic development and inward investment are primarily and mainly the responsibility of the Welsh Government. But I think that Wales has a lot to offer and it is also essential that both the Welsh Government and the UK Government work together to attract inward investment. It is a pretty tough marketplace out there and there is a lot of competition, not only from our neighbours in Europe but right around the world with what has been happening with the economy.

One of the things that I have been trying to highlight and concentrate on is our excellence in the aerospace industry. In fact, earlier today—and I have come from
I think I last met the Business Minister Mrs Gillan: months have you met the Business Minister yourself? on 2 June.

Q4 Karen Lumley: to.

ultimately, that is where the responsibility will move the responsibility—and the budget and the finance—opportunities there are in Wales. However, technically, encouraging and showing people and businesses what side of things. We all have a responsibility towards evidence to this Committee on the inward investment Business Minister chose not to come and give in any one direction, although I was very Mrs Gillan:

Q7 Karen Lumley: I know you are very proactive in Wales—we read about you all the time—but how much time do you think you spend in Wales? Mrs Gillan: I think the week before last I did three separate days in Wales. It was the Monday, the Thursday and the Saturday. I can't count really, although the statistics are readily available. It equates to at least once a week, possibly more.

Q8 Chair: Out of interest, do you know how often the Business Minister comes to London to look for inward investment opportunities? Mrs Gillan: I could not answer that question accurately but you should know, Chairman, that on Thursday I have been invited to the opening of a new office which the Welsh Government is opening along Victoria Street. They have had a small office in London elsewhere but, of course, they have had access to Gwydyr House and a room to use freely and at will. They have chosen now to rent their own offices and I am very much hoping—because I would always encourage the Welsh Government to interface with the City and with all opportunities—that this will yield great things. I know how costly Victoria Street is, so I think the cost-benefit analysis will be looking to create great sources of income and new investment through having this presence in London.

Q9 Mr Williams: I was going to ask you about the vexed issue of the collaboration between yourself and the Business Minister in the National Assembly, but Mrs Lumley has asked that question. However, I would like to explore it a little further. It strikes me that a meeting every three months on an issue of such magnitude to Wales is somewhat limited. Are you satisfied that the extent of that contact is sufficient? Mrs Gillan: In all honesty, I think we need to have increased contact, but not necessarily with me. Quarterly for the Secretary of State for Wales is probably sufficient, but I would hope to encourage—and indeed have no reason to believe otherwise—good contact between the Welsh Government Business Minister and Ministers in other Departments, for example, DTI, the Foreign Office, and so on. I am not a dog in the manger. I do not say that all contacts have to come through the Wales Office. What I do say is that all contacts and letters need to be copied to the Wales Office because we need to be kept informed so that we can act as co-ordinator, as we frequently do. The right hand does need to know what the left hand is doing. I do not think her contact necessarily needs to be increased with me, but it will need to be increased—and at an official level. I had, for example, Nick Baird, who you are familiar with, from UKTI in to meet my Business Advisory Group last week, and I would like to see increased contact. I notice that the Welsh Government has announced that they are going to have 10 outward trade missions, starting in September this year. I would hope that those would
be well co-ordinated with the Foreign Office, with UKTI and with our missions abroad.

Ever since the Foreign Secretary announced that he was very keen to have commercial and trade diplomacy, it is even more important that our devolved administrative Governments work closely together. I would like to see more collaboration—it is a great shame that there is not more—between myself and my Parliamentary Under-Secretary of State with Welsh Government Ministers on these missions. Scotland works very well. Both UK Government Ministers and Scottish Government Ministers conduct missions abroad together, and that appears to be a very successful formula. I am hoping that we could follow that in Wales. I would want to encourage, and would want you to encourage the Welsh Government to do so.

Q10 Mr Williams: Are you confident that dialogue between relevant Assembly Ministers and different Departments, such as DTI, is taking place, and that there is a proper ongoing relationship between the two where appropriate? You mentioned possibly joint initiatives overseas to promote Wales. What was the National Assembly Government’s involvement in your trip to south-east Asia?

Mrs Gillan: That is a fair point, but my trip to south-east Asia was only partially on a Welsh brief. It was also for the UK Government on the GREAT campaign, which was very important and significant. In addition, I was announcing a new UKTI representative in Cambodia, in Phnom Penh. I was the first Cabinet Minister to go to Cambodia and indeed had a two-hour-and-20-minute meeting with the Prime Minister there. So I was paving the way for the UK Government as well. But I think that is a fair point. My involvement with the Welsh Government on that trip was not huge because, basically, a lot of it was for the UK Government.

Q11 Mr Williams: One of your initiatives in December 2010 was to set up your Business Advisory Group. Could you elaborate a little more on the successes of that group so far and the impact and influence that has had at a UK level?

Mrs Gillan: The Business Advisory Group was set up to keep our Department in touch with what is happening in the business community. It is very easy, I think, as a politician, to lose touch with the real world—what is going on outside—and the Prime Minister has a Business Advisory Group. What happens is that everything that comes in—all the information that comes into my Business Advisory Group, which meets four times a year—is fed into the Prime Minister’s group to inform general policy-making of the Government. What is important is that it gives me direct feedback about the business climate and the reaction to policies that the Government are putting in place. It means that Welsh business has an undiluted voice at the heart of Government. Otherwise, it would probably only be messages coming through the Welsh Government. It gives them a direct link in so that we can see what effects our policies are having on those businesses.

Q12 Mr Williams: My last point is this. You have mentioned at previous meetings the importance that devolution is properly understood across Whitehall. I think I am correct in saying that there is an earmarked designated person responsible in each Department to ensure that devolution is understood. How successful is that? Do you think the message to other Whitehall Departments is clear and there is that understanding?

Mrs Gillan: Let me make two points on that. We have had two meetings of the Devolution Ministers’ Network, which is chaired by the Deputy Prime Minister. It is up to the Deputy Prime Minister to convene that meeting. It is underpinned by a series of officials in each Department, but we have been engaged in trying to educate other officials in other Departments about devolution. I am going to turn to Mr Jones now. Perhaps you have the details because we sent out our officials to do the training. Would you like to deal with this?

Glynne Jones: Yes. Most recently, for example, our officials met those from the Youth Justice Board. We have a team that is almost dedicated to devolution awareness-raising, as we call it, so they have been getting out and about into Government Departments and meeting strategy teams in main Whitehall Departments to discuss how that Department works and how best we can embed an awareness of the devolution settlement in those Departments. It is going to be a key area of work for us.

Q13 Mr Williams: What does that training amount to? Can you give us a taste of the kind of things that you discuss?

Chair: Very briefly.

Glynne Jones: The most recent example would be where we had ourselves and the Welsh Government attending. We would explain the Wales Office role where the devolution settlement is concerned and how we play a part in it and the Welsh Government representative would do the same so that the Departments better understand who fits where in this jigsaw puzzle that is the devolution settlement. We tailor it to individual Departments. They will bring to us specific issues that they have had and we can say, “If you come to us this is the kind of advice, this is the steer, we can give.” It is very much a flavour of how the settlement in Wales works and looks.

Q14 Mr Williams: But, as devolution develops, that is an ongoing process, presumably?

Glynne Jones: Absolutely, yes.

Mrs Gillan: Chairman, can I make one other point?

Chair: Very briefly, Secretary of State.

Mrs Gillan: I think it is worth saying that since the referendum and the primary powers have passed in the devolved areas to the Welsh Government, we have a very pivotal role in examining legislation that is being passed and promoted in the Welsh Government as well as here. We have quite a complex role in looking specifically at those policies, consultations and legislation, both here and in the Welsh Government now, to make sure that it is all in order. That is a real educative role that is being performed on a daily basis by my officials who are constantly interacting with other Government officials in other
Government Departments to make sure that we do not drop anything through the cracks in the pavement.

Q15 Jonathan Edwards: I have a quick question on UKTI. Obviously I welcome the development of having an officer located in Wales. It is something I have been calling for. But when this Select Committee visited Germany—and you know I have raised this matter with you in dealing with the Welsh grant—German trade and investment, which is the German equivalent of UKTI, had a specific mandate to allocate investment to the poorest parts of the state as part of their reunification strategy, but the UK is more unequal in terms of regional wealth than the German state. Therefore, we have asked questions of the Business Secretary and he is opposed to a similar intervention and deliberate strategy in terms of UKTI. What can be done by the Welsh Office or by the Welsh Government to put pressure on the Business Secretary to change his approach so that the UKTI actually operates in the interests of the communities that we represent in some of the poorest parts of the European Union?

Mrs Gillan: Mr Edwards, that is a very interesting question. Can I say that nobody is more conscious than I am that Wales remains, sadly, the poorest part of the United Kingdom? The settlement that we have inherited and that I work within in the Wales Office—and indeed the Business Secretary Mr Cable works within—is one that we inherited in terms of structure. I am not sure that the strategy practised in Germany would entirely suit us here. We are very different from Germany in our make-up. However, what I would like to see, and I have been pressing for it—as has this Committee in its report, which I thought was excellent—is this greater collaboration. I believe that whenever a UK trade mission goes anywhere they should be carrying with it information, if not a representative, from Wales, from the area that is dealing with trade and investment, so that we are never making that offer internationally in isolation. Wales is not always going to be the recipient of inward investment in certain areas but it has had such a fantastic reputation in the past with what the WDA brought in; indeed, we still have some major international trading companies that are in Wales. I am always saying that this is one of the greatest places to come and do business because it is only a stone’s throw away from London, and with the electrification by 2017 we are going to bring that travel time right down. I am always pressing for electrification of the valleys lines, and, indeed, I am looking at Mr Geraint Davies when I say that I am always pressing for Swansea as well.

Chair: He is looking to come in as well in a moment. Mrs Gillan: So I think we have our own offer that we can make up there without us dictating to inward investors. When I was looking at inward investment, I wanted to dictate where was going, not the Government, but the country—Chair: I appreciate the enthusiasm. Did you want to explore this any further, Mr Edwards, or come back later on?

Jonathan Edwards: I think we need to move on with the questioning. I will wait for another occasion.
Mrs Gillan: Can I turn to my officials? I am unsighted on that. Does anybody know the answer? We will drop you a line on that. I am sorry, I am afraid we can’t know absolutely everything.

Q21 Geraint Davies: Turning to the 2nd Battalion Royal Welsh, obviously everybody in this room is very disappointed by the loss of the 2nd Battalion—650 places. I wonder what you feel about that, given that the evidence we heard here, from academics and from the Army, suggested that the Army should have looked first at ceremonial groups, at the Gurkhas and at the Scottish regiments, and that in fact the Scottish Secretary was doing a better job supporting Scottish regiments than you were as Welsh Secretary supporting our soldiers coming back from Afghanistan.

Mrs Gillan: First, let me say that I was very pleased Wales remains firmly at the heart of our British armed services. I think it is very important, and have always maintained that it is very important, to keep a significant military footprint here in Wales and that all our regiments are playing a key role in the Army’s future. Yes, I was disappointed to see two proud battalions of the Royal Welsh merged into one, but I have spoken at length to the Defence Secretary and I was assured that this was necessary to ensure that the Army remains adaptable for future challenges. I am pleased that the 2020 review has resulted now in keeping the Welsh Guards, the Queen’s Dragoon Guards, the 1st Battalion Royal Welsh and 160 (Wales) Brigade, all of which will play a vital role.

Q22 Geraint Davies: Can I move on very quickly to the Severn Bridge tolls? There is a conversation about whether tolls should be used for borrowing powers for Wales. Do you agree with the argument that higher tolls are basically a tax on trade and inward investment into Wales and, therefore, not a good thing, and perhaps the Government should simply provide the money Wales needs for capital investment in the first place? Finally, would you ask Vince Cable whether he would commission a study about the elasticity of demand for tolls across the Severn Bridge and other bridges because, after all, it is a UK asset?

Mrs Gillan: First, I would be wrong in not acknowledging that there are concerns about the Severn Crossing toll fees. But the tolls, as you know, are collected by the concessionaire, Severn River Crossing plc and—

Geraint Davies: Yes, but in 2017 that ends, doesn’t it, and we can reduce them to £1.50?

Mrs Gillan: Hold on one second, Mr Davies. First, they are essential to recover the costs that have been associated with the construction, operation and maintenance.

Geraint Davies: Yes, up to 2017.

Mrs Gillan: Actually, no, it is not to 2017 now. There is a delay, which means that the forecast end of the concession has now moved to 2018. There has been a proposed extension of that concession because there was an adverse relevant event. So that will go up to 2018. Can I just say—

Geraint Davies: Yes, but also traffic—

Chair: Order. Finish that point and I will try and come back to you, Mr Davies, if there is time.

Mrs Gillan: At the end of the concession period, we will then be in discussion. What I think is good is, once again—and officials will correct me if I am wrong—the UK and the Welsh Government are working together. The tolls, the bridge, borrowing and improving the M4 have all been interlinked in discussions between the two Governments.

Geraint Davies: I know. It’s crazy.

Mrs Gillan: There is no outcome at the moment, but I think it is fair to say that we are focused on this. As we get close to the end of that concession, we will be looking for mutually acceptable and agreeable solutions because it is, of course, a major gateway into Wales.

Q23 Geraint Davies: Finally on this, do you think it would be rational for the Manchester city region—which has about three million people in it—to suddenly put a toll on the motorway between London and Manchester and spend the money on building buildings? Would that be a rational approach to economic development?

Mrs Gillan: Interestingly enough—I said Mr Hemmings is going to Europe—of course, road tolling and tolling is a huge part of many of our European neighbours. They recover their costs by using tolling. It is a natural form of—

Tim Hemmings: There are some English toll bridges, like the Dartford crossings.

Chair: Order. That is basically that for the moment, if that is all right. May I now call Robin Walker, please?

Q24 Mr Walker: Returning to the area of business, jobs and the economy, Secretary of State, you have spoken in the past about your support for enterprise zones. I wonder if you could tell us a little about what you have been doing to encourage the take-up of enterprise zones in Wales and liaising with the Welsh Government on the introduction of more enterprise zones.

Mrs Gillan: You know that I have always been very keen on enterprise zones. What happened was that Wales was behind the curve in the way they were progressed by the Welsh Government. They were taken ahead faster in England than they were in Wales. However, we do have one enterprise zone, which now has enhanced capital allowances, and that is Deeside. It is estimated to create up to about 5,000 jobs. We have a commitment to work with the Welsh Government on other additional sites as the Business Minister has designated several other areas as specific enterprise zones and we will continue to support the Welsh Government in this. Certainly a key issue is going to arise as to what else is on offer within those zones. Not to put too fine a point on it, there are concerns about the treatment of capital allowances and further support because of the state-aid restrictions. Indeed, this would probably be a good point to turn to Mr Hemmings on the state-aid restrictions because they are something we are looking at closely at the moment.

Tim Hemmings: Certainly the rules that the Treasury have applied to enterprise zones in England came
about as a result of negotiations with the European Commission on what would be state-aid compliant and what would not. Now discussions are happening between the Welsh Government and colleagues in the Treasury about, first, whether they would apply in Wales and, second, if something different is going to be done, whether that would still be state-aid compliant.

Q25 Mr Walker: How different do you think enterprise zones can be in Wales? How much flexibility is there, obviously taking into account that issue of needing to obey the same European rules?

Mrs Gillan: Personally speaking, I don’t think how different they are as long as they encourage businesses to come into those areas, and either grow or do business in those areas. Obviously it is important that we clarify some of the positions on that, but that should not hold up the Welsh Government going ahead. I do not know exactly what the latest status is yet on the Deeside enterprise zone, but perhaps, as you have been inquiring about it, I can contact the Business Minister in the Welsh Government and find out exactly what the latest position is on that zone.

Q26 Mr Walker: On the subject of Europe, one of the things that we heard on our visits to Brussels was that Wales could be doing a lot better in attracting support and funding for its universities from Europe. Do you have a role, as Secretary of State, in promoting that and do you think that is another area where perhaps more work could be done with the Welsh Assembly Government to encourage an outward-looking approach?

Mrs Gillan: Interestingly enough, I do have good contacts with the Universities and Science Minister Mr Willetts and we have set up a Business Advisory Group subgroup that has been looking at that. They reported back to the Business Advisory Group and we fed that to our Universities and Science Minister. But there is no doubt that there are an awful lot of opportunities for doing business with other countries based on the university sector. One of the most exciting projects that I have been to look at recently is potentially an international collaboration at Glyndŵr university with the telescope there. They are polishing mirrors for the largest telescope in the world. They are polishing mirrors to such a fine degree, and the technology is superb. It is that little optics sector which is in and around Glyndŵr university that came out of the Pilkington glass era. We have some fine spin-off companies there and there is a great deal of opportunity for doing business with other universities.

Q27 Mr Walker: I would certainly encourage more work to go on in that area. I have one final question, if I may, and I apologise but I am going to have to leave this session a little early because I am trying to go back to the main Chamber to take part in the debate there. You are sitting in front of a Committee of MPs, we can see, who are holding you to account and scrutinising you. I would not want you to comment specifically on the policy we are debating this afternoon, but do you feel that the Welsh peers in the House of Lords play an important part in scrutinising the work of your Department?

Q28 Mr Williams: Very quickly, and applauding what Mr Walker has just said about Welsh peers, would you also acknowledge that one of the strengths of the legislation that is being debated shortly in the main Chamber is that there is a strong regional and national dimension to the proposed composition of the new House of Lords and there will be guaranteed a large number of Welsh peers there to argue our case?

Mrs Gillan: Mr Williams, I have to say that I sit on the Silk Commission and I support Government policy in this area. I will be voting with the Government tonight, if that is a roundabout way of asking me. But it is a very serious aspect. One of the things that devolution has delivered is the lack of a revising chamber for primary legislation in the Welsh Government. I think, therefore, it is important to have a loud Welsh voice in the other place, not least because those men and women who have that experience can turn round and make us think twice. Also, of course, so much of our legislation, as was proved with the Queen’s Speech—every Bill except one in the Queen’s Speech—has an effect on or is relevant to Wales.

Q29 Chair: Thank you very much indeed. Can I take you back over a few things before I call Jessica Morden? First, Secretary of State, have you considered doing joint missions overseas for trade to encourage trade and inward investment with representatives of the Welsh Assembly or Welsh Assembly Government?

Mrs Gillan: I made an offer to the First Minister on his trip to India. I suggested that it might be good co-operation if my Parliamentary Under-Secretary of State joined him on that mission. That was declined. So I have made an offer, and I would like to be able to think that I could make an offer again or discuss it.

Q30 Chair: You have offered to put somebody on one of a Minister’s visits. Would you be willing to accept somebody from the Welsh Assembly Government or Welsh Assembly on one of your visits?
Mrs Gillan: Absolutely. I think it is essential. Any company or group of companies that is looking to invest in the UK is going to want to know that they are not only connected to the local government, the Welsh Government, but also to the UK Government, as, of course, the driving policies for the environment in which they work mainly come from there.

Q31 Chair: I spoke to the director of a company that opened up a large base in Belfast recently. I met them—I think I saw somebody from the Committee while I was doing that—and asked why they had gone to Belfast and not Cardiff. They said they had tried to get hold of Cardiff and by the time Cardiff had returned the call they had met the First Minister of Northern Ireland, people had been over to see them in London to offer them places to stay and some other help had been extended. Once Wales had got back to them, Wales were very good, but they had more or less decided by the time that happened—and they gave me a period of several weeks. Have you ever done any mystery shopping, as it were, to ring the helpline? They told me that the helpline number did not work when they rang it and it took a long time to get anyone to come back to them. Have you explored this?

Mrs Gillan: No, I have not been a mystery shopper. Have you ever not work when they rang it and it took a long time to get hold of Cardiff and by the time Cardiff had returned the call they had met the First Minister of Northern Ireland, people had been over to see them in London to offer them places to stay and some other help had been extended. Once Wales had got back to them, Wales were very good, but they had more or less decided by the time that happened—and they gave me a period of several weeks. Have you ever done any mystery shopping, as it were, to ring the helpline? They told me that the helpline number did not work when they rang it and it took a long time to get anyone to come back to them. Have you explored this?

Mrs Gillan: No. I have not been a mystery shopper. If I was now there be would be no mystery about it, I am afraid. So I think the question has ruled that out.

Q32 Chair: How do we explore it?

Mrs Gillan: I was pleased to hear that, finally, when the company that you were talking to did engage with the Welsh Government, the service was good. But, my goodness, isn’t that a feather in the cap for the Northern Ireland Administration? I want that feather in the cap for our Administration. I am sure these proceedings will be looked at and the transcript read, but it would be very nice to have that. I always think it is that first contact you have that is so important, isn’t it?

Q33 Chair: Do you think you will be able to work closely with Jonathan Jones? I do not want you to say anything that might strain your relationship with the Welsh Assembly, but do you even get the sense that perhaps they do not really want to work with you and that they want to do things by themselves?

Mrs Gillan: I like to think that I am a critical friend. I will occasionally speak out and speak as I find because I think that is my role as Secretary of State, but I have always literally held out the hand of friendship in terms of co-operation between the two Governments.

Q34 Chair: Do you feel that friendship has always been returned?

Mrs Gillan: I think it is for others to draw their own conclusions. However, for me, there is no other option because, for Wales to benefit, it has to have both Governments working together for it. That is a message which I think is being well received now. I would have said things were improving.

Q35 Chair: Would you say that there is room for improvement?

Mrs Gillan: There is always room for improvement.

Q36 Chair: Would you say quite a lot of improvement perhaps in terms of the relationship?

Mrs Gillan: You also have to take into consideration that there is a political dimension. The Welsh Government is of a different political complexion to the coalition Government as well, so you are always going to have the natural tensions that occur because of politics and policy.

Q37 Chair: But we know that in Scotland where you have that—

Mrs Gillan: You have taken the words out of my mouth. In Scotland it has worked very well and I would like to think that we could replicate that because this is too important for politics.

Q38 Chair: Why do we apparently have a Secretary of State for Defence in Wales now in the Welsh Assembly?

Mrs Gillan: I understand that Mr Sargeant has been appointed the Armed Forces Minister. I know no more details than that. I can confirm that defence remains a non-devolved matter.

Q39 Chair: Have you thought about perhaps appointing a Minister for the Health Service and Education in Wales in Parliament?

Mrs Gillan: No, Mr Davies, I have not. That would be absurd.

Q40 Chair: I would be interested in the job if it comes up.

Mrs Gillan: That would be absurd. I am presuming—but only presuming because I have had no notification of this from the Welsh Government—

Q41 Chair: So the Welsh Government have appointed a Minister—

Mrs Gillan: Unless my officials can tell me different, I am presuming that Mr Sargeant will be involved in delivering those matters that are devolved that are relevant to the care and welfare of our armed services personnel and their families. I am presuming that is the intention. But I do not suppose it is the intention to give the impression that defence is non-devolved.

Q42 Chair: It was not discussed with you beforehand.

Mrs Gillan: No, it was not. Can I confirm that with officials? It was not discussed with our Department.

Q43 Chair: So a Minister for a non-devolved issue was appointed by the Assembly and no discussion took place with the people who hold the power over that area?

Mrs Gillan: That is correct, but let me also say that I think the title, Minister for the Armed Services, is perhaps not the whole picture. I am presuming that Mr Sargeant will be responsible for co-ordinating the military covenant, the support to services children and
Karen Lumley: Members of the Committee.

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Mrs Gillan: However, let me make it very clear. Defence is a non-devolved matter and matters pertaining to the armed services remain firmly with this Government.

Chair: I turn to some of those who were nodding.

Q44 Jessica Morden: On that general point, do you think it in any way helps relations with the Welsh Assembly if you publish a Green Paper on their electoral arrangements without asking for their consent?

Mrs Gillan: First, let me make it clear that I inherited, from the last Labour Government at Westminster, a structure which meant that the electoral arrangements were non-devolved. The last Labour Administration chose to leave all those responsibilities here with the UK Parliament. I had discussions with the First Minister—indeed I have spoken to all four party leaders—about the Green Paper. It is not an option to do nothing because, after de-coupling the parliamentary constituency boundaries from the Assembly constituency boundaries so that there were no problems over the last Assembly elections, we have no method to review the boundaries of the Assembly seats. That means that I have to put in place, at the very least, a method of reviewing those boundaries because no parliamentary or Assembly seat can continue without having a proper boundary review process in place.

Q45 Jessica Morden: When you first came to this, when you became Secretary of State, there was a big play on one of your priorities being the respect agenda. I do not really understand how that plays into one of your priorities being the respect agenda. I have found sustained jobs?

Mrs Gillan: I am not the Secretary of State for Defence. I am not the head of our armed services.

Q47 Jessica Morden: Therefore, are you in a position to be able to make that kind of statement through your political spokesperson?

Mrs Gillan: Yes, I am. My Department is able to make that statement after confirming what the situation was at the time of that announcement and continues to pertain at the moment after the announcement of the military-led decision to adjust the position of the Welsh regiments.

Mrs Gillan: It is as much of a guarantee as I can possibly give, having confirmed that with the Ministry of Defence and the Defence Secretary. The 2nd Battalion, as far as I understand it, will be absorbed into the 1st Battalion and it was explained to me that in the Army there are people constantly joining and constantly leaving for one reason or another. It is not a static position. Therefore, it is hoped that there would be no compulsory redundancies at this stage. However, Ms Morden, you know as well as I do that I cannot sit here and give you an unqualified guarantee. However, I am making sure that I am being kept fully informed on all developments on this because I have backed all our Welsh regiments to the hilt right from the beginning, despite some of the disparaging remarks of people about my support for the armed services.

Q49 Jessica Morden: The Welsh Government has yet to announce a replacement for council tax benefit which is being devolved to it. They say they cannot get any firm answers out of Whitehall about what core funding will be available and also about whether there will be any help with the costs of administration. Can you tell me what role you are playing in this, given that the new scheme will have to be in place by April 2013, which is quite soon?

Mrs Gillan: Yes. The council tax benefit situation is that Wales is not being treated any differently from any other part of the UK. I think you should know that our Minister, Lord Freud, met Mr Sargeant, the Welsh Government Minister, and went through the details with him some three weeks ago. I think that there is, first of all, a misunderstanding because the Department for Work and Pensions was not able to identify some of the figures that were coming from the Welsh Government. I think the DWP figure was 11%, but the Welsh Government figure was some 14%. I also understand, because the forecasting position changes, that in fact the actual figure for the transfer—which is supposedly £214 million in 2013–14—will not be confirmed until a further forecast about the time of the Autumn Statement. So it is not the final word, as far as I understand it.

Q50 Jessica Morden: This is my last question. I wanted an update on how the Work Programme is going in Wales and how many Jobseekers referred have found sustained jobs?
Mrs Gillan: I was looking at this myself. The first Government data on the Work Programme suggest that the scheme is having a very positive effect and helping the long-term unemployed. Apparently, a year after the payment by results scheme was launched, significant numbers of participants are spending at least three months off benefits, according to the data. The publication of the figures on 9 July reveals that, after the first nine months, almost one in four—that is 24%—of the participants who started in June 2011 had already completed at least three successive months off benefits. So the early signs, as I understand it, are that this is continuing to rise and we are hopeful that this might reach the region of about 30%.

Q51 Jessica Morden: Given that the Work Programme was based on 2.6% growth or whatever, and given the difficulties we have had in Wales, do you forecast that this will be a problem with the minimum requirement targets for the Work Programme-based companies?

Mrs Gillan: I do not want to make that prediction. If you would like more details, Ms Morden, I will make sure that we get a brief to you on the latest position from DWP.

Q52 Jessica Morden: If we could have the current update with the figures of how many people have been placed into the Work Programme. These are the initial figures. I am reading to you the latest from 9 July, from DWP, but I will certainly do my best to obtain whatever information we can.

Chair: We would appreciate that as a Committee.

Tim Hemmings: We can ask, but this is very early days for the Work Programme. These are the initial statistics, and we can certainly talk about breaking them down.

Q53 Jonathan Edwards: How are the discussions between the Welsh Government and the UK Government on the Barnett reform and borrowing powers proceeding? When can we expect a culmination of these negotiations and an announcement?

Mrs Gillan: I will tackle the last question first, Mr Edwards. I can’t tell you what date we expect any firm conclusions. On the Barnett Formula, may I say that it is clearly understood that our priority is to get the economy back in balance? The Barnett Formula, and any future discussions on the future of the Barnett Formula, doesn’t only affect Wales. It affects the whole United Kingdom—Scotland and Northern Ireland.

On other matters in the bilateral discussions, in fact there is a triangle. I met Mrs Jane Hutt, the Finance Minister of the Welsh Government, last week. She also met Mr Alexander, the Chief Secretary to the Treasury. I have met the Chief Secretary to the Treasury on this and we are continuing our discussions. What we are trying to establish between the Welsh Government and the Treasury is an agreement about the level of need and the direction of travel of the economy in Wales. Those are ongoing and positive discussions, I have to say—very positive discussions.

Q54 Jonathan Edwards: Is the Housing Revenue Account subsidy scheme a part of these discussions? The scheme has never existed in Scotland and Northern Ireland, but it has cost Wales about £2 billion over the last 20 years. It got scrapped in England under your Government and there is no justification whatsoever to continue it in Wales. It is costing Welsh councils about £80 million a year—£5 million from my council in Carmarthenshire—and the Treasury’s position is that they are quite willing for the Welsh Government to scrap it as long as it is cost-neutral to the Treasury. That simply isn’t good enough. What is the Welsh Office doing in terms of these negotiations and the Welsh Government? Is the Welsh Government pushing the case?

Mrs Gillan: What I can tell you, Mr Edwards, is that it is a subject that has been raised. I do not know whether officials can enlighten us on any further details. I do not think so at this stage. If I could I would, but I cannot at the moment.

Q55 Jonathan Edwards: We obviously have the Silk Commission going on while these discussions are taking place and they were not remitted to look at Barnett and other matters in terms of borrowing powers, so how are they being kept informed? Clearly the conclusions that they might come to are going to be heavily influenced by the discussions between both Governments.

Mrs Gillan: At this stage I will take on board what you are saying to me and will make sure that it is passed back to my colleagues.

Q56 Jonathan Edwards: The Holtham assessment on the funding gap was about £400 million, but that is about two or three years down the line. It is well out of date, probably about £150 million-odd out. What reassessments are the Welsh Government or the Welsh Office doing in terms of that to inform the discussions between the Governments and the work of the Silk Commission?

Mrs Gillan: Mr Edwards, you are bandying figures around there and they are not accurate. As far as I remember—but we will check and I am sure we will check that I have got the right figure—Gerry Holtham made an estimate that there was, in his view, some £300 million worth of underfunding. However, I am very pleased to report that I have looked at the figures and since this Government came to office we have passed over and above the settlement—just under £500 million worth of money on top of the settlement. So I think we are keeping ahead of the pace on that, and I will certainly keep my eye on it.

Q57 Jonathan Edwards: Who is responsible for reassessing those figures? Is it the Treasury or the Welsh Government?

Mrs Gillan: The Holtham report was carried out for the Welsh Government. I am sure if the Welsh Government wishes to reassess it they will do that. I would not dictate it.
Chairman, can I correct something? I think I mistakenly said June instead of February for the last meeting with Mrs Hart. I would not want to mislead the Committee. It was so vivid in my mind that I thought it had happened more recently than last February.

Chair: Indeed. Jonathan Edwards, do you have any further questions?

Q58 Jonathan Edwards: I have one final question on the Silk Commission and their possible recommendations. How do you envisage those reaching legislation: before the General Election, after the General Election or parked indefinitely?

Mrs Gillan: Again, Mr Edwards, you are way ahead here. The Silk Commission has not reported. I do not know what the Silk Commission is going to report. It is not without the realms of possibility that its report may contain elements where no legislation is required. I do not want to pre-judge the outcome of the Silk Commission. As you know, they asked for an extension of time. I think they have found part I and the remit they have had in the terms of reference thoroughly absorbing. They have been doing some phenomenal work on it. I think there were some 44 responses.

Chair: Thank you very much.

Mrs Gillan: They have taken a lot of evidence.

Chair: Indeed. I have given some myself.

Q59 Karen Lumley: Can I go back to that February meeting? Have you got another one pencilled in the diary for the next few months?

Mrs Gillan: I will have to let you know whether we have one. It is up to my diary team and I will let you know if we have one in. Certainly, I have been saying—

Tim Hemmings: There isn’t one at the moment.

Mrs Gillan: There isn’t one at the moment.

Q60 Karen Lumley: Going back to your budget, I know you share some staff with the Scottish and Northern Ireland Offices. Have you thought about any other back-room function sharing, such as HR or finance?

Mrs Gillan: I am going to ask Mr Jones to have a word on that, but I can say, yes, we do share some back-office functions. We have had to make some considerable savings in the way in which we operate, and I am constantly looking for synergies. One of the things that I am delighted to give you specific examples of is that I have saved £284,992 since I took office in the management of resources and contracts in my Department. That includes reducing the amount of cars, stopping first class travel for Ministers and officials and driving down overtime. I even reduced the amount of newspapers supplied to both the London and Cardiff offices. It is reducing our costs from £19,515 to £6,582, a saving of 66%. We have rationalised media monitoring. We have saved by using freesat in our buildings and we save by using central Government contracting for hotel bookings. So that you really know, the cost of my predecessor’s average rail trip to Wales was a staggering £120. My average cost is just under £37. But, Mr Jones, could you comment?

Glynne Jones: Yes. We have a shared parliamentary service and there are officials from all three Departments looking at other areas, as you said. Accommodation is a possibility and the way we handle FOI cases and the processes around that. So we are looking for other areas where we can better share services.

Q61 Karen Lumley: Obviously, I can’t just let the Chairman be controversial. One of the ideas being floated around—not by me or anybody on this Committee, I hasten to add—is that perhaps we should have a Secretary of State for the Union as lots of powers are now devolved back down to the countries. What is your view on that?

Mrs Gillan: I think that the Secretary of State for the Union is the Prime Minister. The Prime Minister leads the country and I think the Prime Minister, as he is head of my party, also, as the Prime Minister of the country, heads up the Union.

Chair: Thank you. We have the briefest of final questions from Geraint Davies.

Q62 Geraint Davies: It is a very simple question. Secretary of State, you know that 2014 is the centenary of Dylan Thomas’ birth in Swansea and I was wondering what you have done or might do to encourage, say, a “Visit GB” campaign to promote this, to encourage inward investment and tourism into south-west Wales in particular. Obviously you have a run in and there is an opportunity for the Olympics perhaps to be a shop window for Britain, but I was wondering whether you were taking any opportunity to help that.

Mrs Gillan: Mr Davies, can I pay an absolute tribute to you for raising this topic on every occasion with me?

Q63 Geraint Davies: Yes, “Under Milk Wood”. Mrs Gillan: I can’t pass you in the corridor without you raising it with me. I have raised it with DCMS and I understand that the First Minister in the Welsh Government is putting together a whole series of events. I would encourage you, as I have said before, to talk to the Welsh Government and of course I will do as much as I can. If there are any ideas or anything you want me to help you with, I am entirely supportive.

Q64 Geraint Davies: Could UKTI and those facilities be used to promote and encourage this?

Mrs Gillan: I would be very pleased to sit down and have a discussion with you and someone from UKTI to see what we can do, absolutely.

Q65 Chair: Thank you, Secretary of State. You will remember, of course, that in a few years’ time we will be celebrating 600 years since the Battle of Agincourt, won by a man who was born in Monmouth. We might be looking to have similar discussions with DCMS then perhaps.
Mrs Gillan: Mr Chairman, you are such a redoubtable fighter that I would have thought that you were a direct descendant.

Chair: Thank you very much indeed.
Written evidence

Supplementary evidence from the Rt Hon Cheryl Gillan MP, Secretary of State for Wales

I undertook to provide Jessica Morden MP with the latest figures available on the Work Programme. Figures published earlier this month show that 738,000 people across Great Britain (39,980 in Wales) have been referred onto the Work Programme from 1 June 2011 to end of April 2012.

Following the referral of a participant to a Work Programme provider, that provider is responsible for contacting the participant to discuss the programme and begin planning the steps needed to support them into sustained employment. Once this activity has taken place, the provider registers an “attachment” to the Work Programme. The total number of attachments to the Work Programme from 1 June 2011 to the end of April 2012 is 693,000 across Great Britain of which 34,570 were in Wales.

Reliable data on job outcomes from the Work Programme is not yet available, as most claimants have to be in a job for six months before providers receive an outcome payment. Official statistics will be published for the first time in the autumn. However, as I indicated to the Committee, initial indications show that in the first nine months, almost one in four—24%—of participants who started in June 2011 had already completed at least three successive months off benefits.

Finally, Jonathan Edwards MP raised an issue about the level of perceived underfunding for Wales identified in the Holtham Reports. The Commission’s first report led it to conclude a level of underfunding of around £300m per year. The Commission’s final report estimated that there was under-funding of around £400m in 2010–11. However, these estimates are based on figures now several years old. The levels of spending per head in Wales (on Barnett-funded programmes) and the English regions have diverged since Holtham reported.

August 2012