

Bring our Government Home

Proposals for empowering Wales

September 2014

Introduction

The political context in these islands has changed for good.

A return to piecemeal constitutional change is no longer an option.

For too long, every incremental change in Wales' constitution has been inadequate and has failed to meet the needs of the people of Wales.

The current Wales Bill is insufficient and does not adequately provide the levers to revitalise the Welsh economy and boost our public services.

Scotland's referendum has offered an unprecedented opportunity to rebalance power in these islands.

The result has also presented Wales with an opportunity to cease to be a spectator in its own national journey and instead assert its own aspirations.

The people of Wales are sovereign.

The UK is an unbalanced state and it is encouraging that this is finally being recognised.

Many promises were made by the Westminster parties during the referendum campaign and the Prime Minister has reaffirmed his commitment to rebalance power in the UK.

We know that Scotland will be offered new powers and that a fast-tracked timetable for introducing the necessary legislation has been unveiled.

A new Scotland Bill is likely to proceed through Parliament almost concurrently with the current Wales Bill.

It would be unthinkable and unacceptable if MPs voted for substantial new powers for Scotland whilst also voting on a second rate bill for Wales.

If our devolution journey has taught us anything it is that piecemeal, incremental change in our settlement leads to unsatisfactory outcomes for the people of Wales.

In the following pages, Plaid Cymru - the Party of Wales outlines the basis for a radical reframing of the current Wales Bill and we propose the introduction of a new Wales Bill, side-by-side with the new Scotland Bill.

We believe the current Wales Bill should be radically redrawn to include the devolution of financial powers recommended in the first part of the Commission on Devolution in Wales, removing the income tax 'lock step' and removing the requirement of a referendum on devolving income tax.

With radical reframing, the current Bill should also include devolution of the areas covered by the second report of the Commission on Devolution in Wales, if all parties are prepared to come together.

A second Wales Bill should then be a 'balancing' bill, ensuring that powers offered to Scotland in their new Bill are also conferred to Wales.

All new powers recommended should be in place for the Fifth Assembly in 2016 or during that Assembly term.

We look forward to working with all who seek to enhance the ability of our national institutions to meet the needs and aspirations of the people.

Leanne Wood AM

Leader of Plaid Cymru - the Party of Wales

Empowering the people of Wales

Since its inception, Plaid Cymru - the Party of Wales has advocated that it is the people of Wales themselves who are sovereign and it is they who should determine the national future of our country.

Independence is a natural state for any country that seeks to take its place in the international community and shape its future based on its own values and aspirations.

Devolution is a process that, to date, has allowed successive Westminster governments to determine the pace and nature of constitutional change in Wales. Most recently, this has resulted in a Westminster government – that did not win popular support in Wales – limiting the progress of the devolution journey of the country.

The Commission on Devolution in Wales was established in a spirit of cross-party cooperation and for Plaid Cymru - the Party of Wales, it was a process of compromise.

Plaid Cymru's contribution to that process was based on a vision and a plan to bring about more self-government for Wales that would unlock our nation's economic, social and political potential and create the opportunities for our people to thrive.

That compromise was agreed in good faith, for the good of the people of Wales, and in order to maximise the opportunity for transferring new responsibilities being to Wales.

It is therefore regrettable that the United Kingdom Government decided against implementing all of the recommendations of a cross-party commission that encompassed the broad political views of the country.

Recent developments have now rendered the current Wales Bill insufficient.

Wales has been a spectator nation in the constitutional development of the nations of these islands and indeed, it has been a spectator in its own national journey.

Plaid Cymru - the Party of Wales maintains that a new constitutional framework is required where the people themselves are empowered to decide the pace and nature of that change.

Transfer of Responsibilities to Wales

It is proposed that powers over the Welsh constitution be transferred to the National Assembly for Wales, including powers to hold binding referenda.

Plaid Cymru – the Party of Wales has long argued that a reserved powers model be adopted to provide the necessary powers for Wales and to ensure clarity and accountability to the electorate.

It is proposed that the following areas be reserved matters of the Westminster Parliament and the United Kingdom government for the time being:

- Monetary policy
- Currency
- Financial services
- Financial markets
- Money laundering
- Insolvency
- Competition
- Intellectual property
- Import and export control
- Product standards
- Immigration and nationality
- Extradition
- National security and counter-terrorism
- Emergency powers
- Xenotransplantation
- Surrogacy and human genetics medicines
- Medical supplies and poisons
- Social Protection*
- Defence
- Control of weapons of mass destruction
- Ordnance Survey
- Time
- Outer space

- International relations
- International development
- Regulation of international trade
- The Crown

This would result in all other matters becoming the responsibilities of Wales, including, but not limited to:

- Policing
- Criminal Justice and the courts
- Sentencing, Legal Aid, Crown Prosecution Service and judiciary
- Prison service and probation service
- Public Sector pay and conditions
- Elements of Social Protection*
- Addition Planning Powers
- Broadcasting
- Natural Resources and Energy
- All licensing and oversight powers for the exploitation of natural resources
- The Crown Estate
- Water, including sewerage
- Ports and harbours
- Maritime Coastguard Agency
- Wales and Border rail franchise
- Network Rail operations in Wales
- Speed limits and drink drive limits
- Bus and taxi regulation
- The Welsh Constitution and Electoral Arrangements

* Recent discussions have suggested that elements of social protection could be devolved to Scotland in a new Scotland Bill. In the event of this occurring, Plaid Cymru – the Party of Wales proposes that Wales and Scotland should be treated on the basis of equality. It would be sensible for elements of social protection that are linked directly to fields already devolved, such as housing and training, to be devolved, provided the necessary financial transfers follow.

Justice

Plaid Cymru - the Party of Wales proposes the creation of a Welsh criminal justice system and the transfer of responsibility over policing to Wales.

The need for the developing body of Welsh law to be supported by its own administrative and institutional structures is increasingly apparent.

Growing divergence between Welsh and English law means that the legal system operating in Wales must be tailored to the national context. An independent judiciary, firmly grounded in Welsh law, is necessary to ensure that individuals can hold the executive and legislature to account and obtain remedies where necessary.

The National Assembly for Wales is the only devolved legislature in the UK that has no control over the justice system operating in its territory.

A transfer of responsibility would enable the development of justice structures that are managed locally, operate efficiently, respond to the needs of Wales and are grounded in Welsh law.

A legal jurisdiction for Wales should be established. This would require the establishment of a Welsh court and tribunal structure. This should be complemented by the transfer of powers over the justice system as a whole, including the police forces and those services responsible for prosecution, probation, prisons and youth justice. These steps would create a coherent and workable system of devolved justice, enabling the adoption of an integrated approach that is tailored to Wales.

The establishment of a legal jurisdiction for Wales would involve the creation of a Welsh court structure, to be complemented by the devolution of responsibilities covering the justice system as a whole.

A member of the Welsh judiciary should sit on the UK Supreme Court. This would end the anomaly where Wales is the only devolved UK nation or territory not represented. A database and commentary covering all Welsh laws should be compiled as a central reference source. This should be a public service, as is the case in Northern Ireland.

Relationships between the Welsh police forces and UK services such as the Police National Computer and the Serious Organised Crime Agency/ National Crime Agency should continue as at present. Separate arrangements for complaints and inspections will be established.

An independent crown office should be established, based on the recently created Crown Prosecution Service Wales Area. Arrangements for reciprocal enforcements of warrants and judgements will be developed, potentially similar to those between the various UK jurisdictions.

Responsibility for the Wales Probation Trust and prison services in Wales, both currently part of the NOMS executive agency under the UK Government, should be transferred to Wales. The Youth Justice Board's activities in Wales should also be transferred. Such transfers would enable the Welsh Government to develop a more integrated approach to justice that takes greater account of Welsh circumstances.

Energy and Resources

Plaid Cymru - the Party of Wales maintains that Wales must have responsibility for all energy and natural resources. This includes powers over consenting licences.

Decisions on whether to exploit our natural resources should be made by those directly elected by the people of Wales and any profit made from such exploitation should benefit the people who live here.

Water resources and responsibility for sewerage for the whole territory of Wales, should be the responsibility of the Welsh Government, as recommended by the Commission on Devolution in Wales.

The Crown Estate is not currently accountable to the people of Wales, whilst all profits from its holdings (including from onshore and offshore wind farms) are passed to the UK Government. These are likely to grow substantially, mainly due to the demand for renewable energy. Ownership and control over the Crown Estate in Wales should be transferred to the Welsh Government.

Broadcasting

Plaid Cymru - the Party of Wales proposes that the Welsh Government and National Assembly for Wales are better placed than the UK Government to understand the significance of broadcasting to Welsh people and to the Welsh economy and are therefore better placed to listen to the people of Wales and to make the right decisions. Through the federalisation of broadcasting we would bring broadcasters closer to the Welsh people, making them accountable to the people affected by their decisions, rather than to officials in London.

This would include full responsibility for and funding for S4C; a BBC Trust for Wales and greater Welsh representation in Ofcom. With these powers we would safeguard and develop broadcasting in Wales to ensure it meets the needs of the people of Wales.

Greater powers for Ofcom Wales would include the authority to take licencing decisions. The members of Ofcom's Advisory Committee for Wales should be appointed by the Welsh Government. This would be best achieved through the federalisation of the work of Ofcom in a UK context. These transfers would allow for proper scrutiny of the industry and its expenditure, much of which is public money.

It proposed that the Ofcom Advisory Committee for Wales should have greater powers, including over local radio licences. The Committee should be appointed by the Welsh Government and the appointment process should include public hearings held by the National Assembly for Wales. The Committee's Chair should also serve as the representative for Wales on the main Ofcom board.

Public Sector Pay and Conditions

Plaid Cymru - the Party of Wales maintains that as key policy fields have been devolved to the Welsh Government and National Assembly for Wales, and with enhanced policy competence under our proposed model of self-government, the pay and conditions of workers in Welsh national public services should become the full responsibility of the Welsh Government.

Plaid Cymru - the Party of Wales proposes the creation of a Civil Service for Wales, supported by a National Civil Service College to meet Wales' needs as a functioning democracy.

Railways

Responsibility for railway infrastructure, as overseen by Network Rail's recently created Wales Route, should be transferred. The Welsh Government should be able to decide how the train network in Wales is operated, following the expiry of the current franchise in 2018. It should have the power to decide the way in which it wishes to negotiate with train operating companies to provide their services, whether within the franchise system or outside it.

If the franchise system is retained, then the Welsh Government should be the lead decision maker for the Wales and Borders franchise.

Jobcentre Plus

Responsibilities over education, training and some aspects of economic development have been devolved. For example, the Welsh Government operates large-scale social inclusion programmes whose aims include the improvement of employability. However, Jobcentre Plus services remain reserved to the UK Government.

Jobcentre Plus should be transferred to the Welsh Government, as is the case in Northern Ireland. This would unite the provision of employment support services and create a more integrated, effective and accountable service, potentially leading to better outcomes for both jobseekers and employers.

Funding Arrangements

In addition to enhanced powers, Plaid Cymru - the Party of Wales proposes new funding arrangements for Wales.

A shared fiscal regime can facilitate the development of Wales into a robust economic and fiscal entity in its own right and also ensure the necessary framework for stability and cooperation between the two governments.

Enhanced fiscal responsibility would require sufficient institutional capacity. Plaid Cymru - the Party of Wales supports the recommendation of the Commission on Devolution in Wales to establish a Welsh Treasury.

Plaid Cymru - the Party of Wales proposes the Welsh Treasury be subject to the leadership of the Finance Minister and would be answerable to the National Assembly for Wales through that minister. It would be the responsibility of the Finance Minister to ensure the Welsh Treasury is adequately resourced and includes the necessary expertise to function.

Plaid Cymru - the Party of Wales advocates an incremental funding process that would see Wales develop into a fiscally autonomous entity over time. It must be recognised that, having been detrimentally impacted by the economic policies of successive governments at Westminster through policies of intentional de-industrialisation, it is appropriate that a period of rebalancing takes place that can address decades of under-investment in Wales.

Taxation

The transfer of income tax revenues and powers would enable the creation of a system tailored to Welsh circumstances. Each UK income tax rate applicable in Wales should be reduced by at least half. Revenue associated with the balance would be retained by the UK Government. The Welsh Government should have the power to set Welsh income tax rates without restriction. These would be additional to the remaining UK rates. However, this involves the risk that changes at a UK level (such as to personal allowances and bands) would negatively impact on Welsh revenues.

The index deduction method to be applied to the block grant as recommended both by Holtham and Silk should compensate for any such changes.

Assignment of VAT revenues as part as a package of fiscal devolution would link a significant proportion of the Welsh Government's income or revenue to taxes raised in Wales. As variation of VAT within European Union member states is constrained by tax harmonisation rules, at least half the imputed VAT revenues in Wales should be assigned to the Welsh Government.

Whilst a range of factors apart from taxation contribute to economic growth, corporation tax offers a powerful tool to facilitate increased performance. All corporation tax revenues should be transferred, as should the power to set rates. It would also be desirable to transfer powers over structural elements of corporation tax, such as the definition of taxable profit.

National Insurance Contributions (NICs) are notionally hypothecated to fund social protection services. If current arrangements remain unchanged, NICs should remain the responsibility of the United Kingdom government.

Wales should be able sustainably to exploit its natural resources for the greatest environmental, social and economic gain. All powers and revenues associated with existing resource taxes such as landfill tax and aggregates levy (subject to EU approval) should be transferred. Wales should have the power to create and levy new taxes on all aspects of resource exploitation, including water and renewable energy.

Plaid Cymru - the Party of Wales supports the transfer of responsibility over Landfill Tax, and Stamp Duty Land Tax to the Welsh Government, as currently proposed in the Wales Bill.

The Welsh Government should also have the powers to levy new taxes.

There should be the greatest possible devolution of taxation powers and revenues when permitted by European law. In relation to some specific taxes, powers and revenues relating to taxes on property and land (such as stamp duty land tax and capital gains tax on property and land) should be transferred to Wales, as should air passenger duty. We would also support devolution in relation to alcohol and tobacco excise duties. However, the potential for economic distortion and tax avoidance would need to be taken into account when formulating the most appropriate approach.

It is proposed that a needs-based formula be adopted and the budgetary position of Wales is set for each Spending Review period. Plaid Cymru – the Party of Wales proposes the adoption of the funding formula recommended by the Independent Commission on Funding and Finance.

This would result in a needs-based block grant. The final block grant figure would then incur a reduction based on the value of tax revenue raised in Wales that are the responsibility of the Welsh Government. Calculating those reductions would follow the same principles set out by the Commission on Devolution in Wales with regards to the indexed deduction method for income tax, and other appropriate methods for the remaining taxes.

This package would ensure budgetary stability and would ensure sufficient resources to meet Wales' economic challenges. Alongside meaningful revenue responsibility, the arrangement would meet demands for greater accountability, clarity and would result in the Welsh Government possessing the levers required to revive the Welsh economy.

It is must also be stressed that enhanced fiscal responsibility provides a significant incentive for the Welsh Government to consider the impact of each policy position on its revenue. This would enhance the accountability of the Welsh Government and would lead to decisions reflecting the economic needs of Wales.

Borrowing Powers

The ability to borrow is a basic function of any government at any level and the Plaid Cymru – the Party of Wales proposes borrowing powers for Wales that would provide a foundation for investment and flexibility in terms of revenues.

Even with reform of the block grant, Wales' investment needs in terms of capital spend will not be taken into full consideration.

Plaid Cymru - the Party of Wales proposes capital borrowing powers for the Welsh Government with limits agreed between both the UK and Welsh governments ahead of each UK Spending Review. This would result in the Welsh Government setting annual capital borrowing limits on itself, subject to the scrutiny of the National Assembly for Wales.

In the same way, the Welsh Government should have responsibility for revenue borrowing, particularly as Wales gains tax powers that involve an element of uncertainty over future revenue levels. The Welsh Government should outline its revenue borrowing plans in a similar way to the proposed method for capital borrowing, subject to the scrutiny and approval of the National Assembly for Wales and the agreement of the UK government.

The Welsh Government should be able to issue bonds or obtain commercial funding in addition to having the option of borrowing from the UK Treasury's Debt Management Office.

Macro-economic Policy

Whilst macro-economic policy will remain a function primarily held with the United Kingdom Government, Plaid Cymru - the Party of Wales will seek Welsh input and representation into the relevant processes and institutions.

To this end, it is proposed that a Welsh Government nominee is appointed to the Bank of England's Monetary Policy Committee. The Bank's decisions have consequences for Wales, and the current economic imbalance within the United Kingdom makes the need for Welsh voices at the Bank a necessity.

As the Bank of England is the central bank of the UK as a whole, whose decisions impact upon the people of Wales, it is proposed that a Welsh Government nominee sit on each of the Bank's committees.

Plaid Cymru – the Party of Wales proposes that the Bank of England be given a statutory requirement to take the needs of the Welsh economy and the policy objectives of the Welsh Government into account in reaching their conclusions.

It is further proposed that the Governor of the Bank of England address and face questioning by the Finance Committee of the National Assembly for Wales twice a year.

Developing Wales as a Fiscal Entity

As Wales matures as a fiscal entity, incremental enhanced responsibility as suggested by the Party of Wales would entail a review at the beginning of each new Assembly term to assess Wales' continued progression.

It is proposed that the National Assembly's Finance Committee review the state of the economy and public finances of the country and to assess the need for further devolution of fiscal powers.

It will be a matter for the political parties themselves to decide when Wales reaches the necessary level of financial strength to seek full fiscal autonomy, and as in any functioning democracy would be a matter for political parties to outline and seek approval for such proposals in their manifestos ahead of an election.

Governance

It is proposed that all parties in the National Assembly agree to detailed proposals for increasing the number of assembly members. This step is crucial in ensuring the National Assembly has the capacity to fulfil its new responsibilities effectively on behalf of the people of Wales. As a new relationship between Wales' government and the government of the UK emerges, the Party of Wales further proposes the abolition of the Wales Office and an agreement between the parties on a reduction in the number of MPs elected from Wales.

Gwydr House in London should be made available to the Welsh Government to aid it in ensuring a presence for Wales.

Should agreement be found between the parties on matters of governance, Plaid Cymru - the Party of Wales proposes the abolition of the current D'Hont system for the National Assembly and its replacement with a more representative system of proportional representation.

Principles of gender balance should be incorporated into new electoral arrangements.

Relationship between the Welsh Government and the UK Government

Plaid Cymru - the Party of Wales proposes the reform of the Joint Ministerial Council so that agreement can be sought between the national governments of the UK on matters that are the primary responsibility of the UK Government.

Where there is disagreement between one or more governments on matters that are the primary responsibility of the UK Government, arrangements should be made to accommodate such disagreement.

It is proposed that the JMC meet in full plenary (i.e. with each head of government in attendance) at least quarterly and that the JMC meet for specific subject discussions (i.e. economic policy, transport etc) with the appropriate minister(s) from each administration.

Agreements will be formalised through Memoranda of Understanding and where applicable, legislation through the United Kingdom Parliament and through the legislatures of the nations where appropriate, particularly when divergence occurs.

The primary role of the JMC should include:

- Finding agreement for areas of shared responsibility at UK level
- Accommodating arrangements for divergence in policy in shared areas where agreement cannot be reached at UK level
- Make arrangements for sharing UK leadership roles in international bodies (e.g. sharing the UK's presidency of the EU Council in 2017)

Timetable for implementation

Plaid Cymru - the Party of Wales sees no reason for delaying the constitutional development of the nation. The United Kingdom has changed and it must now adapt without delay.

The UK parties, during Scotland's referendum campaign, outlined a timetable for swift transfer of functions to Scotland, in the event of a 'no' vote. Wales should be afforded the same respect.

The current Wales Bill must be radically redrawn to ensure that the responsibilities proposed by the Commission on Devolution in Wales are incorporated, removing the so-called income tax 'lock step' and removing the requirement for a referendum on income tax powers. The current Bill could be redrawn to include the areas covered by the second report of the Commission on Devolution in Wales.

A second Wales Bill should be published at the same time as a new Scotland Bill and it should mirror new powers offered to Scotland.

It is proposed that the new provisions proposed in this document are in place in time for the convening of the Fifth National Assembly for Wales in May 2016 or during that Assembly term.