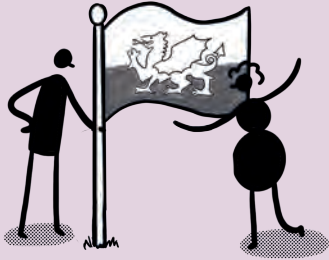


Future of Wales: what are the options?

DEVOLUTION PROTECTED



WHAT WE NEED RIGHT NOW:

Improving the way the settlement works by protecting the powers of the Senedd, putting the relationship between the devolved and UK governments on a stronger footing, and giving the Senedd new powers in line with the Scottish Parliament.

New legislation to tighten the constraints on the Westminster parliament passing laws on devolved matters without the consent of the Senedd

New legislation to strengthen inter-governmental relations based on equal partnership and co-operation

More flexibility for the Welsh Government to get value for money in managing its finances

Devolution of new powers to the Senedd – justice, policing and rail infrastructure

DEVOLUTION ENHANCED

Further strengthening of the settlement, with stronger Welsh representation at the Westminster Parliament.



A reformed Second Chamber providing formal representation of the devolved nations at the Westminster Parliament

A comprehensive review of national and regional funding, based on the needs of each part of the UK

A new process for updating the powers of the Senedd and removing outdated restrictions

A FEDERAL UK

The UK would become a federal state, with power formally shared between the governments of the UK and those of the nations and regions.



A written constitution to define the distribution of powers at each level of government

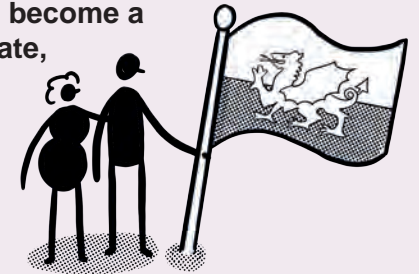
England (or the regions of England) would have its own government and parliament

Formal representation of the nations (and regions) at the UK level, for example in a reformed second chamber

Formal structures for co-operation and resolving disagreements between the UK government and the nations and regions

INDEPENDENT WALES

Wales would become a sovereign state, separate from the UK.



The Senedd and Welsh Government would be responsible for all aspects of government in Wales

Wales could apply to join the United Nations and other international organisations, alongside other sovereign states

The terms of Wales' exit from the UK, and the relationship between them after independence, would be negotiated with the UK government

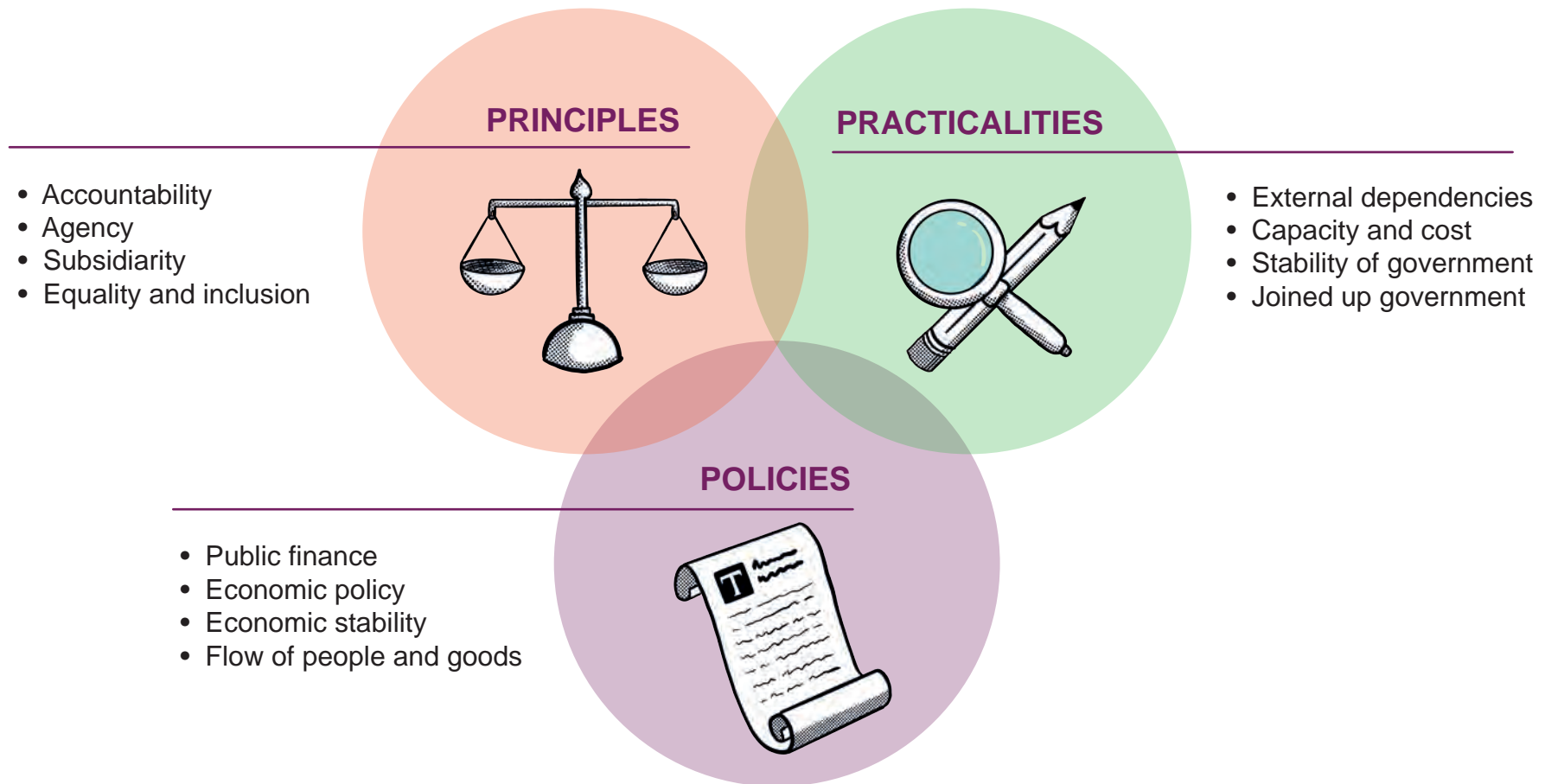
Wales could become independent without major constitutional change in the rest of the UK

Future of Wales: what do we need to consider?

Each option for the future of Wales has opportunities and challenges.

The diagram below outlines the criteria we've used to assess these opportunities and challenges, split into three core themes, and four subthemes.

On the following pages, we summarise the opportunities and challenges considered for each theme and subtheme.



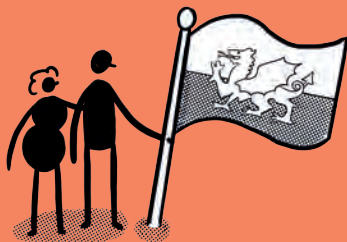
PRINCIPLES



DEVOLUTION PROTECTED & ENHANCED



A FEDERAL UK



INDEPENDENT WALES

Accountability

Measures to protect devolution would enhance accountability

Responsibility for outcomes such as poverty and employment would continue to be shared by the UK and Welsh governments

A federal constitution could make responsibilities clearer

Transparent mechanisms for resolving disputes between governments

Responsibility for many outcomes shared between federal and state governments

Most clarity of accountability for decision making

Effective accountability depends on scrutiny structures and independent media

Agency

More scope for Welsh decision-making

Welsh Government control of the total of public spending would remain limited

Senedd would have more control over state level taxes and spending

Constitutional protections enhance agency in inter-governmental relations

Citizens have more direct influence over more decisions

Decisions constrained by international agreements

Subsidiarity

Further devolution would increase subsidiarity

Federal structures have clear mechanisms for exercising powers at different levels

Clarity of status for each level of government

The division of powers decided as part of establishing the federation

All government powers exercised in Wales

Future membership of international organisations (e.g. EU) could constrain decisions

Equality & inclusion

Scope for greater policy variation between UK nations

Stronger checks and balances on the exercise of power, and more independent dispute resolution, helps enforce rights

More policy variation between UK nations, especially if competencies for equality and inclusion were held at the state level

A federal constitution can entrench equality and inclusion rights, but political choices determine whose rights are given constitutional status

A constitution for an independent Wales could embed equality and inclusion rights subject to political choices

PRACTICALITIES

External dependencies

Capacity & cost

Stability of government

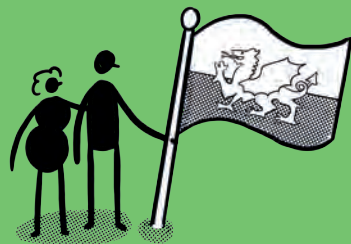
Joined up government



DEVOLUTION PROTECTED & ENHANCED



A FEDERAL UK



INDEPENDENT WALES

Requires legislation in the Westminster Parliament to enact greater powers

Greater role for the Supreme Court in safeguarding devolution

Would need the support of all four nations of the UK to enact

Terms of exit from the UK would need to be agreed with the UK Government

Needs-based funding system is more likely to meet the costs of service delivery in Wales

Additional capacity needed to exercise new powers

Continuity of many federal-level responsibilities and institutions

New policy, fiscal and financial capacity might be required if division of responsibilities was different

Opportunity to design different structures and systems

Need to create new institutions to exercise all state responsibilities with substantial cost and recruitment challenges

Constraints on the UK Government's ability to change the settlement unilaterally

Parliamentary sovereignty can make devolution unstable

Federal constitution would offer greater political and legal stability

Reduced flexibility to adjust the distribution of power as set out in the constitution

Opportunity for legal and constitutional stability

Stability would depend on external factors and relationships with other states

More coherent devolved powers, and stronger inter-governmental processes, could reduce friction between governments

Formal shared sovereignty, which opens potential for shared competence and greater co-ordination

Fullest scope for coherence and integration of government services within Wales

Need to maintain cross-border movement and/or trade agreements could constrain policy options

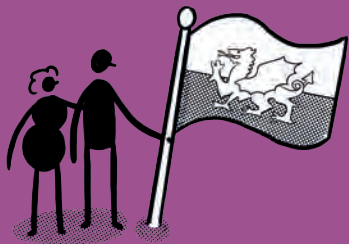
POLICIES



DEVOLUTION PROTECTED & ENHANCED



A FEDERAL UK



INDEPENDENT WALES

	Public finance	Economic policy	Economic stability	Flow of people & goods
DEVOLUTION PROTECTED & ENHANCED	A new needs-based funding system could benefit Wales	Needs-based funding system could create scope for more investment in Welsh infrastructure	Evolutionary change means greater chance of economic stability	Open border with England, good for trade and personal travel
A FEDERAL UK	<p>Federal funding mechanism, with more spending financed by local taxes and borrowing, would give more flexibility to the nations and regions</p> <p>This could increase fiscal risk unless there were financial transfers to smooth regional disparities</p>	<p>Greater freedom on taxation and spending could enable more policy innovation</p> <p>Rules-based system for allocating investment likely to benefit Wales</p> <p>Risk of 'tax flight' if Wales had higher taxes than England</p>	<p>Uncertainty and fractious negotiations to establish federation could harm market confidence</p>	<p>UK single market and open borders likely to continue</p>
INDEPENDENT WALES	<p>Would require hard policy choices in short-medium term</p> <p>Potential for fiscal deficit - scale dependent on negotiation of independence settlement</p> <p>May take 20-50 years to address structural problems, causing the underlying low tax base</p>	<p>Greater freedom to shape macroeconomic policies</p> <p>Policy options would be constrained by financial markets, fiscal capacity, and international agreements</p>	<p>No safety net for international or financial crisis</p> <p>International markets react badly to political instability and uncertainty, such as during exit negotiations</p>	<p>Movement across borders would be part of exit negotiations</p> <p>Freedom to determine own citizenship rules</p>