



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a  
Chymunedau](#)

[The Equality, Local Government and  
Communities Committee](#)

21/09/2017

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Public from the Remainder of the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w dystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

## Aelodau'r pwyllgor yn bresennol Committee members in attendance

Gareth Bennett <a href="#">Bywgraffiad</a> <a href="#">Biography</a>	UKIP Cymru UKIP Wales
Janet Finch–Saunders <a href="#">Bywgraffiad</a> <a href="#">Biography</a>	Ceidwadwyr Cymreig Welsh Conservatives
John Griffiths <a href="#">Bywgraffiad</a> <a href="#">Biography</a>	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Sian Gwenllian <a href="#">Bywgraffiad</a> <a href="#">Biography</a>	Plaid Cymru The Party of Wales
Bethan Jenkins <a href="#">Bywgraffiad</a> <a href="#">Biography</a>	Plaid Cymru The Party of Wales
Rhianon Passmore <a href="#">Bywgraffiad</a> <a href="#">Biography</a>	Llafur Labour
Jenny Rathbone <a href="#">Bywgraffiad</a> <a href="#">Biography</a>	Llafur Labour
Joyce Watson <a href="#">Bywgraffiad</a> <a href="#">Biography</a>	Llafur Labour

## Eraill yn bresennol Others in attendance

Mark Drakeford <a href="#">Bywgraffiad</a> <a href="#">Biography</a>	Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol) Assembly Member, Labour (The Cabinet Secretary for Finance and Local Government)
Ed Evans	Cyfarwyddwr, Cymdeithas Contractwyr Peirianeg Sifil Director, Civil Engineering Contractors Association
Andrew Marchant	Cadeirydd, Cynghrair Ffederasiwn Adeiladu Cymru Chair, Wales Construction Federation Alliance
Sue Moffatt	Cyfarwyddwr, Gwasanaeth Caffael Cenedlaethol Director, National Procurement Service
Dr Lisa Scullion	Darllenydd mewn Polisi Cymdeithasol, Prifysgol Salford Reader in Social Policy, University of Salford
Dr Sharon Wright	Uwch-ddarlithydd mewn Polisi Cyhoeddus, Astudiaethau Trefol, Ysgol Gwyddorau Cymdeithasol a Gwleidyddol Prifysgol Glasgow Senior Lecturer in Public Policy, Urban Studies,

School of Social and Political Sciences University of  
Glasgow

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Chloe Davies	Dirprwy Glerc Deputy Clerk
Megan Jones	Y Gwasanaeth Ymchwil Research Service
Naomi Stocks	Clerc Clerk
Gareth Thomas	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 10:05.*  
*The meeting began at 10:05.*

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau**  
**Introductions, Apologies, Substitutions and Declarations of Interest**

[1] **John Griffiths:** Okay. May I welcome everyone to this first meeting of the autumn term of the Equality, Local Government and Communities Committee? We haven't received any apologies for today's meeting, but Janet Finch-Saunders is unable to join us at the current time, but she will be joining us later by video-conference from north Wales. Are there any declarations of interest? No.

**Ymchwiliad i Dlodi yng Nghymru: Gwneud i'r Economi Weithio i'r**  
**Rheini sydd ag Incwm Isel—Sesiwn Dystiolaeth 7**  
**Inquiry into Poverty in Wales: Making the Economy Work for People on**  
**Low Incomes—Evidence Session 7**

[2] **John Griffiths:** Then we'll move on to item 2 on our agenda today, which is our inquiry into poverty in Wales: making the economy work for people on low incomes. And this is our evidence session 7. So, welcome to our witnesses. Would you like to introduce yourselves for the record, please, starting perhaps with Lisa?

[3] **Dr Scullion:** Hi. Yes, I'm Lisa Scullion. I'm reader in social policy at the University of Salford.

[4] **Dr Wright:** Hi. I'm Sharon Wright. I'm senior lecturer in public policy at Glasgow university, and we both work on a welfare conditionality project together. So, we're looking at people's experiences and how ethical and how effective welfare conditionality is.

[5] **John Griffiths:** Okay. Thank you very much. So, in terms of welfare benefits, the subject of our questions to both of you this morning, perhaps I could begin by just asking some background questions and firstly whether you believe there any conclusions that may be drawn so far from the limited roll-out of universal credit.

[6] **Dr Wright:** So, we've got a stream of work on the project that I lead that is about universal credit. So, on the welfare conditionality project, we've interviewed 58 people about their experiences of universal credit, and those people were in the first stage of the roll-out. So, that first stage is quite simple cases. It tends to be people who are single, who don't have children, who don't have complex housing issues. What we found in that first phase is that people had mixed experiences. So, some people liked universal credit. Some people preferred it and found it simpler.

[7] There were mixed views about the issue of housing payments. So, in universal credit, the housing payment is included in with the personal income payment as a monthly sum. So, that means that, when people get their money, they get a large—relatively large—sum of money in their bank account and then they have to pay their own rent. So, some of our interviewees liked that; they found that quite helpful, and they preferred to have control over their housing payment, because they wanted to make sure their rent was paid so that they were not at risk of eviction or rent arrears. Other people in our study didn't like that because it took them a long time to get their payments. So, we had people who waited for 10 weeks since making their first claim to get the money. So, that was, for them, two months of their rent that wasn't paid. So, some—well, actually, more of the people in our study preferred to have their rent paid directly as it previously had been under housing benefit.

[8] The other major thing is sanctions. So, what universal credit does is extends sanctioning to people who wouldn't have previously had it—so, people who already have a job who would previously have claimed working

tax credit, carers, partners of people who are in and out of work—and that causes difficulty for people. So, also, under universal credit, the sanctioning rate is higher and the sanctions regime is tougher. So, we found in our study that people had very negative experiences of being sanctioned, that it caused a lot of hardship: as you would imagine, financial problems, material difficulties, health impacts, mental health difficulties, including widespread anxiety, depression, worsening of existing conditions and onset of new conditions. And a big risk is related to housing because of the way that housing element comes in. So, eviction and homelessness were new risks brought in with universal credit.

[9] So, what I would expect the effect of a full roll-out of universal credit to be is a larger-scale experience of those sorts of issues. So, large-scale risks of poverty, destitution, food bank use, and especially those housing risks—they are likely to increase.

[10] **John Griffiths:** So, would you say that what levels of government should expect is increasing need, increasing poverty and, consequently, increasing calls on Government funding at different—[*Inaudible.*]*—clear and stark, would you say?*

[11] **Dr Wright:** I would say so, because the design of universal credit builds in waiting periods, so there are seven days that you have to wait—seven days without any income—then the assessment period is one month. So, the minimum waiting time, if the payment is made on time, is five weeks. The people we interviewed had often waited substantially longer than that, although I saw a DWP report just this week that said that there were hardly any delays, formally, in the system. But it's that waiting period. So, that means that people already are having trouble paying their rent and paying for basic necessities by the time they get their first payment, which is paid in arrears.

[12] **John Griffiths:** Yes, so, it would be backdated to the beginning of the claim, but there's that waiting period during which they—. Yes, okay. Rhianon, you wanted to come in at this stage.

[13] **Rhianon Passmore:** Just really to flesh out a little bit more in terms of what you said about the current research that you've done, and obviously, in terms of it now being rolled out to more vulnerable groups. I'm thinking of lone parents, disabled—particularly women suffering from domestic violence. Could you flesh out for me the impacts around those vulnerable groups that

you perceive are going to happen from what you already know? And what is your impression of the House of Commons Library's own data that say that those who are claiming universal credit's families will be £1,300 worse off by the end of next year? Do you feel, therefore, from what you've said, that it will increase poverty in the longer run?

[14] **Dr Wright:** Yes. I think there's no doubt. Even in the first version of universal credit that was quite widely seen as a positive move, even in that initial assessment, that was going to mean that 600,000 more children would experience poverty, Britain-wide. What's happened subsequently since 2016 is that there's been a cutback in the rates of payment, and the system's been made less beneficial to people who are in work. So, the whole idea was if you got into work, you would be better off. That has been undermined by the changes in 2016 that now mean that fewer people will be better off as a result of moving on to universal credit.

[15] **Rhianon Passmore:** So, bearing in mind—if I may, Chair—the aims and objectives of this conditionality approach, which were to get more people in work and therefore alleviate poverty, would you say at this stage that that is even wrong-headed, or do you just feel that there's potential for it to meet its aims and objectives?

[16] **Dr Wright:** I would say there's potential, but that would need, at this stage, significant reform, because of the changes that were made in 2016—

[17] **Rhianon Passmore:** So without that reform, you would say that it's not likely to meet its aims and objectives.

[18] **Dr Wright:** It's not likely to meet that objective. So, it's likely to meet the objective of pushing people towards work, because of the threat of sanctions. People will be pushed towards work, but that work is not guaranteed to lift people out of poverty. So, in-work poverty is expected to continue and be at a high rate, and out-of-work poverty will also be at a high rate, because of the level—

[19] **Rhianon Passmore:** What about the vulnerable groups who are not in that position to be able to—? I'm thinking of lone parents and those who may just leave the system. Have you any evidence to suggest that there are those who are just leaving the welfare system because it's far too complex and the sanctions are causing too much issue and debt?

[20] **Dr Wright:** Part of our project interviewed people who were claimants, but we also did some focus groups with support workers who were working with universal credit claimants. A major concern of theirs was that there would be a withdrawal. So, some support workers, already, at an early stage, had experience of—. For example, one support worker knew a family who were living in a car because they didn't want to go to the jobcentre because they found it too anxiety provoking—it was too difficult an experience. So, they preferred to live in their car and be homeless, rather than to claim universal credit.

10:15

[21] Our own study—we're currently in the phase of analysing our final findings. So, we are securing what our first-wave findings told us. So, that was the first time we interviewed people. We then followed up twice more to see what happened over time. We're still in the process of doing that analysis, so we don't have evidence from our project that directly talks about that long-term experience. So, we don't know for sure what happened to the people in our study in terms of disengagement. We suspect there will be people who disengage from the system as a result of this.

[22] It's certainly true that universal credit is designed as a disincentive. There are several parts of the system that make it obstructive for people to claim. So, for example, the digital-by-default claims process—there's no paper form, you have to claim it online. So, if you have a vulnerability, for example, if you are illiterate, or if you have a learning difficulty, or if you have a dyslexia-type difficulty, that would make it difficult to make that initial claim, although there is some provision for those groups—they can go into the jobcentre, if they are allowed to do that, or they can do it over the phone. But the type of contact is quite difficult. So, the phone line is a premium rate number. It's a 0345 number, so that could cost people—I know—10p to 15p a minute, depending on their provider. If you're already experiencing poverty at the time when you make your claim, that makes it very difficult, if you've got any kind of query. We had people in our study who said that they'd been kept on hold for half an hour, or that each time they phoned they spoke to a different person who didn't have a clear idea of what was going on with their claim. So, one thing that would help a lot is just to make that number free; that would be an easy thing to do that would make it much easier for people.

[23] The whole system is designed to stop people from claiming it. It's



meant to save money. So, universal credit was firstly designed on this basis that work should pay and that it would help ease that transition in and out of work. We have interviewed some people who have had that transition eased, but for many people the main impact is less security, more vulnerability. For those groups like lone parents, there's less protection. So, there's been a shift from the old system, which had certain provisions written in guidance, so people could appeal, for example, in relation to distance to work or hours that you need to spend working if you've got caring responsibilities—

[24] **Rhianon Passmore:** Those are the easements that you speak of in terms of—

[25] **Dr Wright:** That's right, yes. So, they've come out of the formal provision into guidance, so it's an area of discretion. It's now the case that a work coach may agree that, but it's not a guarantee, so there's less protection and there is generally more discretion. That affects people in lots of vulnerable groups, because they're relying on a work coach agreeing something different from what is written in their claimant commitment, or as part of a conversation in which there is a power dynamic.

[26] We have picked up examples in our study, because it's a joint claim process as well, where that disadvantages people who are victims of domestic abuse. So, we had two cases where there was a sanction, because of the behaviour of—in this case, it was the male partner who didn't attend an appointment and was sanctioned, but that applied to the whole claim. The woman that we interviewed had experienced domestic abuse and was financially worse off because it was a joint claim, rather than an individual claim, and that claim goes to the main earner, rather than the main carer. So, that's another thing that could be changed—to change the payment so that it comes to the main carer instead. That would help a bit to make sure that women and children would have their financial needs preferenced.

[27] **John Griffiths:** Okay. I'm going to bring Joyce in in just a second, but I just wonder if you could say, typically, why you would expect a number of people to be worse off having moved from being out of work into work, because I think you said, Sharon, didn't you, that you would expect one of the effects of universal credit to be more people moving into work, but a number of them, at least, would be worse off rather than better off? Typically, why would that be the case?

[28] **Dr Wright:** Okay, so I guess in my assessment I looked at a range of

things together. So, one of the dimensions of being worse off is the quality of experience. Under the previous system, under working tax credit, if you'd got a job that meant you could qualify for working tax credit, that meant you no longer had to go to the jobcentre. It's a respectable payment that comes through the tax system, and it's just a sort of normal part of working life. Many people—for example, in the public service—get tax credits and that's absolutely fine, respectable. Now, the situation is that if you get a job, you still have to go to the jobcentre. Many people experience that as a stigmatising experience. It's something that's high pressure. We had interviewees who talked about being very upset, anxious and worried the night before going in, and on the day. A lot of people are actually quite scared that they're going to get sanctioned, because if they put a foot wrong, that's going to mean that they're going to have essential money taken away from them.

[29] So, now, if you're in work you can still be sanctioned. We interviewed someone who was working. They'd be called into work at the time when their jobcentre appointment was, so they phoned the jobcentre and said, 'Can I rearrange my appointment?', and the jobcentre said, 'No', and then they were sanctioned. So, the way the jobcentre system works is very inflexible and service users don't tend to have much power in relation to altering appointments or changing things. So, part of that experience of being in work is that you can still be sanctioned, and our interviewees felt that that was really unfair, actually, and resented it, because if there's anything that proves that you're willing to work, it is that you actually do have a job. So, they felt they shouldn't have to go to the jobcentre, and that they certainly shouldn't have to be sanctioned.

[30] It may be the case that people are financially better off if they move into work, but it's within a very tight margin. So, the whole system is pressurised. If you earn quite a lot of money, you won't be able to claim universal credit. If you earn a small amount of money, you'll be able to keep a little bit of that. Then, what happens with the other earnings above that is that, in effect, 63 per cent of it is taken away from you. So, it's almost like you're being taxed 63 per cent above that floor, so that means that a lot of the money that people are earning is then taken away. And the question is: does that really balance up against the penalties of having to go to the jobcentre if you don't like that experience, the risk of being sanctioned, and the uncertainties that that experience brings?

[31] **Rhianon Passmore:** Chair, can I ask a question? Can you outline what

you mean by being sanctioned? Are you talking about money? I know you just did an example, but in terms of having to pay back retrospectively, is that part of a sanction regime as well?

[32] **Dr Wright:** Yes, so—

[33] **Rhianon Passmore:** So, you could go to a jobcentre and not have an appointment for a very valid reason—obviously, there are huge issues around mental illness et cetera, et cetera—and then you could actually end up having to pay money back.

[34] **Dr Wright:** Yes, that's right. So, if you have a valid reason that should be taken into account—. But there are a lot of administrative issues around sanctions. People in our study had experienced a sanction that they hadn't expected. So, quite a lot of people had gone to a cash machine, found there was no money, had no idea why there was no money, and then had to subsequently work out, 'Well, what's occurred? How has this come to be?', and it's been a sanction maybe for something that happened a lot time ago. So, maybe six months ago, they were late for a meeting, but there's been an administrative backlog, and then, suddenly, they're sanctioned, and by that time, they can't really remember well what happened that day—'Is that right? Was I late that day? Was it because my kids were ill? Was it because I was in hospital? Was it because—?' One man in our study was in hospital because he tried to take his own life and he was sanctioned because he missed his jobcentre appointment. So, there's not a very clear-cut relationship between when the sanction happens, when it comes into force, and you have to have evidence. So, if you want to have that taken into account, you need evidence. People don't always have evidence of family emergencies or things that happened a long time ago.

[35] **John Griffiths:** Sharon, I think you mentioned stigma, didn't you? So, with the difficulties you describe, the stigma factors that have always been involved in claiming benefits or not claiming benefits, is there evidence already that people are not claiming, that the rates of people not claiming when they're entitled to claim is increasing?

[36] **Dr Wright:** I don't know about that, but—

[37] **John Griffiths:** But, from what you said, that's what you would expect.

[38] **Dr Wright:** That's what I would expect, and even people in our in-work

sample said that they felt criminalised by having to go to the jobcentre. That's the word they used—'criminalised'—and they have to use the Universal Jobmatch system, which is the online system for looking for work. And one of our universal credit recipients called that 'universal spy match' because everything you do in that system is observed. If you don't log in to it often enough, or if you don't apply for a job that your adviser has flagged for your attention, that can be used as cause for a sanction.

[39] And just to come back to your point as well about what happens about the money, when you're sanctioned, that sanction is for the living allowance part of universal credit. You're meant to still get the amount that's for your housing, although, in some cases, that doesn't necessarily happen, which is what we've found. So, what could happen then is, say you're monthly payment includes £300 to cover your rent, then another amount, maybe another £300 to cover your living expenses, the sanction takes away the living expenses part, but you still have that money for you rent. But then you're in an impossible situation—do you pay your rent and have nothing to eat and you can't heat your home, or do you use some of that rent money to live off? And it's putting people in a really, really pressurised situation, and already that includes some people who have children, because there's nothing to protect the child's needs within that situation, or if it's a main earner household, the carers' needs—the sanction just applies to the whole household.

[40] So, people can apply for a hardship payment, but under universal credit, the hardship loan has to be repaid, just like in the initial claims process. You can apply for an advance, but, again, that has to be repaid. So, people then get into trouble. It may be a long time—that carries on and can intensify, so people can end up with rent arrears, with debt, because they've had to buy food, and are having to repay things. And, overall, that payment that people are getting is not set at a level that allows them to be out of poverty. So, this whole time, they're experiencing poverty and having things taken away from that.

[41] **John Griffiths:** Okay. I know that Jenny and Joyce want to come in at this stage. Joyce, is it on these particular points, or were you going to move on to—?

[42] **Joyce Watson:** I wanted to just flag up the back-to-work support, just really for the record. You talk about people being in work having to sign on, and yet, we need to understand what that means. Are we talking about

people in full-time work or part-time work? Particularly, and I'm looking at it here, it's understanding that under the gender perspective, where, now, if women are working part-time, there's an onus placed on them to increase their hours, regardless of the caring responsibilities that they might have. So, I just want to try and understand that.

10:30

[43] **Dr Wright:** So, the design of universal credit is, as you say, that people are encouraged to look for more work. So, that could be multiple jobs or it could be more hours with the current employer. There is some scope for carers to reduce their hours, but that's an area of discretion, so they need to negotiate that with their work coach. So, for example, if you have a child of school age—up to the age of 13—you can limit your hours for looking for work and taking work to, say, 25 hours. So, that would be that during school hours you're expected to work. It can be negotiated, but there's no guarantee that your work coach will accept what you're asking for.

[44] In terms of the gender impacts of that, we have got people in our study who didn't know that they could request that, who were expected to look for work for 35 hours a week and who didn't have their childcare taken into account. So, we need to keep a close eye on what's happening in implementation. Are the potential protections being realised? And even if they're not, it still means that people are being pushed towards more work—that's the default position. So, even if you can restrict your hours of job search to 25 hours, you're still being encouraged—. So, say you get a job for 10 hours a week, that suits you very well and it allows you to take your kids to school and do the things you need to do—previously, that would have been fine, but now it means that you'll still be encouraged for those other, say, 15 hours. You still need look for work and if you don't prove that you're looking for work during those hours, you'll be sanctioned and you'd still be under pressure to take another job or to increase your hours.

[45] **Dr Scullion:** I'm thinking of a woman who I interviewed myself, because one of my roles within the project has been field work, so I've been interviewing people. One of the women I interviewed is in her early sixties and she had three jobs, and she was kind of under pressure to take an additional job. It suited her—the three jobs—because she was hoping to work towards retirement, but she'd been increasingly feeling that pressure now, over the years, each time she went for an appointment at the jobcentre, that she was either expected to get an additional job or to find a job that's

full-time because she was currently doing 20 hours. It's just really to reiterate what Sharon was saying: it's that kind of intensification of conditionality and the 35-hour-a-week job search—people find that incredibly difficult. Like Sharon said, there is a lack of flexibility at the moment—it's a bit one size fits all. So, a women who's in her sixties, who's hoping to retire, is being expected to find a full-time job when she already has three different jobs—it seems quite unreasonable, really.

[46] **Joyce Watson:** Can I just ask, because there's another obvious question in all of this: if people are getting multiple jobs and they're low paid, because they wouldn't need multiple jobs if they weren't low paid, there's the minimum wage that comes into play—. But the other factor that is absolutely clear here is pensions—the fact that there won't be any provision placed upon the employers to put those in any pension scheme. So, not only will they be poor now, as a consequence of this system, but they will also be poor forever, if they find themselves continually in that position. I don't know if you've done any work on comparing and contrasting that between the males and females in your cohort group.

[47] **Dr Wright:** We haven't in our study, but I think it's worth stepping back a bit to look at the system overall and what that system's likely to produce. Because, really, if you look at what in-work universal credit does, it has the same function as the previous working tax credit and those earning top-up benefits that that go back to the 1970s—you know, family income supplement, family credit. But what is that? What's it for? It's to top up low wages. The only reason that's necessary is that employers are not paying wages at high enough levels. So, a different route to addressing that issue would be to require employers to pay adequate wages and to emphasise high-quality work. But the point at which that argument doesn't hold is where people are doing part-time work, because the reason that their earnings are not adequate might be that it's part-time rather than full-time. But, as we know, part-time workers are overwhelmingly women, although, since the 2007 recession, underemployment has become more widespread.

[48] But then we need to think about what this universal credit system is doing in pushing people towards work versus what's happening in the labour market. So, from an equalities point of view, we know that the labour market is deeply divided. It's segregated along gender lines. So, both horizontally and vertically, women are disadvantaged in the labour market, and mothers especially so. In terms of unequal pay, in terms of progression, women are less likely than men to have the highest status, highest paid jobs, but also

there's that sticky floor. Women are very likely to be stuck in low-paid poverty work, and that is true, actually, across the globe; it's not just a local issue. That's a very entrenched gender pattern in any country that is comparable.

[49] So, what universal credit does is that it pushes people towards the labour market without the sorts of protections that they previously had in a relatively undifferentiated way. But the labour market doesn't treat people equally; it treats people very unequally. So, I suppose the next question in terms of Wales is: what can you do about it? And maybe one thing is to look at that employer side to see if there is any scope for agreement about what constitutes quality work. Could you have a sort of Wales-wide agreement, with maybe employers signing up to a proper job charter that pays a real living wage, that does have scope for people to move out of poverty, and which offers the sort of dignity and respect that our interviewees have not had in their experiences?

[50] **John Griffiths:** I'm keen to move on to matters in terms of what Wales might do, mitigation and devolution issues, and back-to-work programmes, but before I do, I know that Jenny Rathbone—

[51] **Jenny Rathbone:** I just wanted to tie down consistency. You've already well described that there is no equity in the system, but you mentioned easements in your paper, which you've jointly submitted. Who decides on what the terms and conditions of easements are? Is it open to some little Hitler in a particular part of the country to absolutely ignore all local circumstances, while others may take a more rational and humane approach to this? So, I just wondered: you've already got these algorithms that track whether or not somebody is using the system to apply for jobs; are there algorithms to ensure there is some consistency in the system?

[52] **Dr Wright:** That's interesting. I don't know of any. It's discretionary now, so it's up to each person to agree with their work coach what's a reasonable number of hours to have in their claimant commitment, what's a reasonable distance to travel, or time to travel, but what we do know overall from the DWP's own statistics is that most people who claim universal credit—and this is partly because it's not been fully rolled out yet—are in the highest level of work availability. So, they are subject to the greatest conditionality and the greatest expectations about work, and even for lone parents, once their child is three, they are then expected to be in full sort of job-seeking mode after that point.

[53] **Jenny Rathbone:** So, for somebody with a child under three, what's the expectation there?

[54] **Dr Wright:** There are different expectations for two-year-olds and one-year-olds. It sort of goes down in a tiered level. For two-year-olds, they'd be expected to prepare for work, but they wouldn't be under pressure to apply for jobs. For a one-year-old or under, I think there's no work-related conditionality just now.

[55] **Jenny Rathbone:** Okay, well that's helpful to know, because one of the—. In terms of anxiety over the impact on children, there is a disconnect here between the expectation that adults will work and the support services that are commonplace in places like Scandinavia and France, but are non-existent in the UK—well, very scarce on the ground. There's an expectation that somebody's looking for work, but there's nobody to leave the child with.

[56] **Dr Wright:** One of the benefits of universal credit, though, is that it does open up the childcare component for more people, so you can get help with the cost of formal childcare. Not everyone has access to formal childcare, and some people might want the flexibility of having their mum look after the kids, for example, but there's a potential—maybe one of the greatest benefits of universal credit is that it does allow for some of the cost of childcare, up to 85 per cent, to be covered. So, that would be a real benefit compared with the old system, particularly for women who are doing mini jobs, a small number of hours, or a medium number of hours. That could actually be really beneficial, but then there are other issues. So, age is a very stark cut off point, and a child's needs are not necessarily determined by their age. You could have a child who's 15, for example, who might have a lot of needs, and a 15-year-old child is not a standard reason to have any adjustment in your claimant commitment for how much work you need to look for. If you were having trouble with your 15-year-old you'd have to negotiate that individually with a work coach and rely on them being sympathetic to your discussion.

[57] And then there's just the other side of care. There's huge need for care and it's not just for children, it's for older people. We had people in our study—not just women; I spoke to one man in Inverness who's caring for his mother, and we had another man who was sanctioned, actually, when he was with his mum when she died—. There's caring for the older generation as well as caring for the younger generation. So, there's some provision to



negotiate work expectations for a disabled child, there's some provision, if people know about it, for sort of temporary situations, but, nevertheless, if we take a step back and look at what does our society need overall, there's a huge need for care, and, in the current way of doing things, a lot of that care is unpaid and a lot of that care is done by women.

[58] **Jenny Rathbone:** Okay. So, moving on to mitigation—

[59] **John Griffiths:** Jenny, I think we really have to move on, we're in danger of not getting—

[60] **Jenny Rathbone:** Yes, so moving on to mitigation—

[61] **John Griffiths:** —to what the devolved Government can actually do.

[62] **Jenny Rathbone:** What role can Welsh Government or Welsh local authorities play in ensuring that there is consistency in this—you know, in the way in which people's individual caring responsibilities are taken account of in not being sanctioned?

[63] **Dr Wright:** I think it would be good to see if there's any scope for a Wales-wide agreement or discussion, constructive discussion, with the key people who are involved, so, with DWP, with Jobcentre Plus, to agree certain things. So, for example, you could agree, throughout Wales, not to use sanctions. The DWP in London might not be very happy about it, but it's a conversation that could be—. You know, legally, it's not possible, right, but you can have a discussion with the key people who are involved in Wales. Local authorities, employers, jobcentre workers, claimants themselves, carers—all the people who are involved could reach an agreement about how to best deal with these issues in Wales.

[64] **Jenny Rathbone:** Clearly, the state will be picking up the tab anyway when people become homeless. I just wondered if you can just tell us how big a campaign there's been about ensuring that the payment goes to the main carer rather the main earner, because this is absolutely crucial in terms of ensuring that children are getting the support.

10:45

[65] **John Griffiths:** If you could answer quickly, because I'm very keen to stick now with mitigation and what Welsh Government might do and the

devolution aspects—.

[66] **Dr Wright:** Okay. I don't know of a big campaign for that carer.

[67] **Jenny Rathbone:** Okay. Because in terms of addictions and all that, that's—

[68] **John Griffiths:** Okay. Sian on mitigation and devolution.

[69] **Sian Gwenllian:** Rydym ni wedi clywed y darlun gennych chi, ac rydym ni'n gyfarwydd iawn, trwy'r gwaith achos rydym ni'n ei wneud, o rai o'r problemau rydych chi'n eu disgrifio. Beth sy'n bwysig yng Nghymru ydy ein bod ni'n ceisio lliniaru'r effeithiau hyn y gorau gallwn ni. Rydych chi'n sôn am lobïo. Mae hynny'n rhywbeth gallem ni ei wneud, ond beth ydy'r camau ymarferol y gallem ni fod yn eu gwneud? Rydych chi wedi sôn am un: trïo cael pawb i weithio efo'i gilydd i beidio â chael sancsiynau. A oes yna unrhyw beth y gallwn ni fod yn ei wneud yng Nghymru sydd o fewn ein hawliau ni, sydd o fewn y gyfraith sydd yn bodoli yn y wlad yma?

**Sian Gwenllian:** We've heard you explaining about the big picture, and we're very familiar, through the casework we do, with the problems you're describing. What's important in Wales is that we try to mitigate the effects and the impacts of this as much as we can. You've mentioned lobbying. That's something we can do, of course, but what are the practical steps we could be taking? You've mentioned one: trying to get everyone to work together to avoid sanctions. Is there anything we can be doing in Wales that is within our powers and within the law that exists in this country?

[70] **Dr Scullion:** I wanted to raise the issue of support, really, because we've focused a lot on sanctions, haven't we? One of the elements of our projects is looking at the other side—the support side—and it's fair to say, I think, from what we found from our initial analysis, that the balance is tipped towards sanctions at the moment, and not enough emphasis on appropriate support for people. So, I think that's something that's potentially an area to look at. I know there is work going on in Wales, though—things like Communities for Work—where you have pilots that are more holistic support for people who are out of work, which look at wider needs, not just a work-first approach. So, I think that's one of the things, in my view, that would definitely come out of the proposed Communities for Work.

[71] **Sian Gwenllian:** But that's a wider—

[72] **Dr Scullion:** That's a wider, yes—.

[73] **Sian Gwenllian:** —issue. What about in the actual set-up of the universal credit and the sanctions? Is there anything practical that we can be doing within the powers that we have?

[74] **Dr Wright:** It's in the interest of the Welsh economy to have as much money kept in the Welsh economy as possible, so to minimise sanctions, but also to appeal against sanctions. What we've found—and also the wider official evidence—is that people rarely appeal sanctions. So, you could have—. Well, two things. You could have an uptake campaign, so you could specifically target people in work to make sure that they continue to claim—because there are lots of reasons why they wouldn't—to reduce the stigma and make it as legitimate to claim in-work universal credit as tax credits. So, a take-up campaign, but then also tools to help with appeals. You could have standardised templates, for example, that people could use—welfare rights advisers could use, local authorities, housing associations—so that all those organisations that are working on the ground could use resources that you've prepared or enabled to appeal to make sure that money stays in the country and to maximise income. There's also—. Well, there's a lot more that could be done, but it would depend no money, wouldn't it, in terms of support services or making payments to people.

[75] **Sian Gwenllian:** A hardship fund, for example, but that depends—. Within the situation of austerity that's also facing us in Wales, is that a practical way forward?

[76] **Dr Wright:** People definitely need money and food bank use will increase, so, if there is any prospect to increase money that goes to people, or practical or in-kind support that goes to people—.

[77] **Sian Gwenllian:** A gawn ni **Sian Gwenllian:** Can we move on?  
symud ymlaen?

[78] **John Griffiths:** Just before you go on, Sian, could I just welcome Janet Finch-Saunders at this stage, joining us from north Wales by video conference? I hope you can hear us, Janet, and, if you indicate whether you can or not—

[79] **Janet Finch–Saunders:** Yes.

[80] **John Griffiths:** Yes, we can hear you as well. Okay.

[81] **Janet Finch–Saunders:** Yes, and good morning, Chairman, and committee members. Good morning. I think there's a slight time delay. But, no, I think if you can see me, I can see you and hear you.

[82] **John Griffiths:** Okay. Thank you, Janet, and please let us know if you wish to ask a question. Sian, please continue.

[83] **Sian Gwenllian:** Yes. Are there any more practical examples or suggestions that you can make? I think those are really useful, you know.

[84] **Dr Wright:** Working with employers: so, employers are really key to this, so it'd be important to help employers understand why people are asking for more hours and more pay. It would also be good if you could have some sort of agreement or charter about how employers deal with people, and also we're talking about some of the big employers here, because this will include public service workers, people who work for local authorities. It would be a lot of people. People who work in jobcentres themselves would be subject to this, and people working in the NHS, so you could have a public sector campaign for high-quality work, proper jobs, but also good practice. You could identify examples with good practice and how to make it easy for people to get the work that they want, and also—. There are no resources within the universal credit system, there's no support, really, for people who're in work. There's no support for these very difficult conversations they might have to have with their employers. So, if you could develop tools for people to use, then that would be useful.

[85] **Sian Gwenllian:** Okay. Well, hopefully, some of those suggestions can alleviate some of the problems, but, in the long run, do you think that—I mean, you have noted this—the Welsh Assembly should have more powers?

[86] **Dr Wright:** I think so. I think so.

[87] **Sian Gwenllian:** Which powers would they be, and can you just explain how the system works in Scotland and Northern Ireland?

[88] **Dr Wright:** Sure, yes. I don't know so much about Northern Ireland, but you could lobby for powers equal to those in Scotland. So, legislative power

to have named benefits so you could take over responsibility for benefits and invent social security payments of your own. You could make clear statements about how things should be done in Wales, so you could, for example, establish a right to social security in the areas that you have power over. You could, as the Scottish Government are in the process of doing, establish that those are based on dignity and respect, and that would be a massive improvement. You could go even further and say that they should be humanised, that they should involve empathy and compassion, and those are the sorts of principles that could link to a much better system.

[89] **Sian Gwenllian:** And those would be possible without having extra taxation powers?

[90] **Dr Wright:** Yes, because the Scottish Government hasn't yet used its tax-varying powers. Ideally, tax-raising powers would allow you do much more.

[91] **Sian Gwenllian:** Do you think that our energy should be concentrated on this area, because this is where we could make the most difference at the end of the day, by taking the matter into our own hands, if you like, and starting to develop our own, fair social security system?

[92] **Dr Wright:** I think that would be up to you to decide, but, in the current way of things, universal credit is here to stay. There has been a massive investment in it, so, even if there was a change of UK Government, I think it's likely that universal credit would stay, even if the payment levels or the sanctions regime were altered. Since that's the case, it might make sense for you to lobby for more powers if you want to do something different.

[93] **Sian Gwenllian:** Lisa, do you agree with the powers and that aspect?

[94] **Dr Scullion:** Yes. I just wanted to go back to the—. I know you mentioned it. You were talking about practical steps, and I just wanted to go back to the support side again, because I've been involved in a lot of projects around that. There's work in greater Manchester at the moment that's, I think, a precursor to the Work and Health programme, that's piloting a more holistic approach to supporting people, and also talking about non-mandated, so voluntary, participation. This goes back to some of the heart of our research, this idea of conditionality. Certainly something that they're talking about in Scotland is voluntary participation, so part of that dignity is not being forced to do something, to comply, it's actually voluntarily coming

forward. And it's certainly, in greater Manchester, working well. The evaluation we've seen of that is that there are often more sustainable outcomes for people—better outcomes for people—when there isn't that kind of compulsion to take part in something.

[95] **Dr Wright:** Another area that you could argue for is power over the Work and Health programme, so power to determine that at a Welsh level, and if you got the budget for that, rather than—as the Scottish Government have done. I don't know about the financial side, but they have power to design the programme for disabled people to a greater extent. Disabled people are one of the groups who have benefited least from the Work Programme. So, enabling services for disabled people that don't involve compulsion or threats of sanction could offer a great deal.

[96] If you compare Britain to other countries, the type of support that we have for people moving into work is very, very basic. It's like a bargain-basement style of support. It's like—to say something controversial here—if it was an airline, it would be Ryanair. [*Laughter.*] Other countries do a lot more. So, you could do the sorts of things that other countries do: create jobs or have sheltered work placements for people who can't compete in the open labour market. You could have training, you could develop specific training that's not just very low level, that's just about pushing people towards work, but training that's meaningful in relation to what employers want. That's where it would make sense, actually, to work with employers to see what the employer need and how can you help employers get what they need. That's the sort of thing that works well in a small area, rather than a, sort of, whole UK level.

[97] **John Griffiths:** Okay, thank you. Jenny.

[98] **Jenny Rathbone:** Yes, we do a lot of that stuff already. I just want to focus on the time it takes for people to be assessed and why there isn't then a consistent approach to making the hardship fund available as a stopgap, because I assume that once people have been assessed, they then have their claim backdated to the date they made the claim. Is that right?

[99] **Dr Wright:** Yes. So, a lot of people do apply for advance payments, but they have to be paid back, so that means it stores up trouble for a later time.

[100] **Jenny Rathbone:** Well, it shouldn't do, so long as they, obviously, maintain a budget, which they're going to have to do anyway, under this

scheme. If they have an advanced payment, then they know that, once they've been assessed, they will get that money paid into their account that they then have to pay back. So long as that's made clear to people, why should that be, in itself, a problem?

[101] **Dr Wright:** Because the rate of the payment is low. It's still difficult to manage on that. It's not enough to meet basic needs, so they don't have enough money and they—

[102] **Jenny Rathbone:** Okay, well, that's—. Even once they've been accessed, that's going to be the problem, is that right?

[103] **Dr Wright:** Yes.

[104] **John Griffiths:** I'm keen to stick with what we might do for the remainder. Rhianon.

[105] **Rhianon Passmore:** Thank you, Chair. With regard to the horrific UN—

[106] **Janet Finch-Saunders:** Chair—

[107] **Rhianon Passmore:** Sorry, I'll just finish. With regard to the UN report about the treatment of the disabled across the UK, and the horrific 61 per cent successful appeal rate for those who have gone through the personal independence payment process—I'm very unhappy about that. So, with regard to the whole of the universal credit system, accumulating the rest of the bedroom tax issues and all the other cuts that have occurred to the welfare system, the focus of this inquiry will be and is strongly poverty. So, in your opinion—you've mentioned a few things that Welsh Government could look at, and some of them very strategic. In your opinion, do you feel that what's happening to the welfare system is going to create more poverty for the United Kingdom or less? Outside of some of those points that you have made strategically, would you like to see Wales pursue a different route to what's currently happening with the welfare system at the moment across the UK?

[108] **John Griffiths:** I think you've probably already indicated, haven't you, that—?

[109] **Dr Wright:** Yes.

[110] **Rhianon Passmore:** You would. Thank you. That's all I want to hear. Thank you.

[111] **John Griffiths:** Janet Finch–Saunders, by video–conference. Janet, did you want to ask some questions?

[112] **Janet Finch–Saunders:** Yes. Thank you, Chairman. In terms of the devolution of Welsh powers, could I ask the witnesses—can you hear me okay?

[113] **Dr Wright:** Yes.

[114] **Janet Finch–Saunders:** Could I ask the witnesses: if we had the powers over welfare benefit, how would you expect that National Assembly and the Welsh Government—? What changes would you like to see made?

11:00

[115] **Dr Wright:** I would like to see completely reformed employment services. So, currently, the system that's offered by Jobcentre Plus has been in decline as a result of Government cuts for many years. They have pursued strategies like minimising footfall, which basically means, 'Don't come to our office, and don't come and see us', and digital and telephone services. So, our research, and other research in the field, shows that people want and need to speak face to face, so better services would be those that are locally available, that are face-to-face services that offer people practical help with things like form filling, that treat people with dignity and respect, that don't involve dehumanising and very distressing assessment processes like the work capability assessment, that don't involve the private sector, that don't involve contracting out. Those could offer many advantages.

[116] **Janet Finch–Saunders:** Okay, and are there any changes to the welfare benefit system that you'd like to see if we did have those powers?

[117] **Dr Scullion:** I think, as we've put in our evidence document, there's a need to look at sanctioning—intensification of conditionality, but sanctioning of vulnerable groups. Those that previously wouldn't have been subject to conditionality—so, as you've already mentioned, disabled people, lone parents. There's a need to look at whether that's something that you could change—whether or not you could look at whether it's appropriate to be doing that, applying sanctions in those situations. Is that something you can



stop if you were to have the power to look at?

[118] **Dr Wright:** In terms of new benefits, you could have—well, if you lobbied for extensive welfare powers, you could have power to design new benefits, and you could take a radically different approach. If you have radically different values and concerns from those of the current UK Government, you could establish a system that does give people adequate income and ensures people don't live in poverty, and you can observe those sorts of systems around the world, particularly in the Scandinavian countries, where payments are made at a level to meet basic needs.

[119] **John Griffiths:** Okay. Bethan.

[120] **Bethan Jenkins:** I would agree with that, having visited many Scandinavian countries myself, but I only have a small question based on the Scottish Government's—you say they've made statements of dignity and respect, and I just want to understand how they operate in practice, because, of course, it's good to make statements, but do they actually permeate through to the user? The second question is: you said that we need to perhaps have more face-to-face services—well, you know as well as I do that the UK Government are closing jobcentres and these are UK Government agencies. So, how, then, do you suggest that we would have to potentially open up our own type of service in that regard? Is that what you would be suggesting?

[121] **Dr Wright:** So, that's what's happening in Scotland. So, currently, there is social security legislation that's going through the Scottish Parliament and they've stated that it will be based on the principle of dignity and respect, and that social security will be established as a human right. But you're quite right to question how that is translated into practice. So, the Scottish Government is setting up a social security agency, but the Scottish Government's powers are only over 15 per cent of benefits. So, they don't even have power over conditionality or sanctions. They can't, except for in relation to disabled people, remove sanctions. The UK Government has been very keen to hold onto that power.

[122] But in theory, you could lobby for power over that, and you could establish a new agency to deliver that. In the absence of those sorts of new powers, you could work with what's already in place: local authorities, local jobcentres. You could still establish principles that you then negotiate with the local people who are delivering them, in conjunction with welfare rights

advisors. So, independent advice is also an important part of the equation. But you're right—it's a challenge, and it's also a risk for a smaller legislative body because if you promise big and then can't deliver, because actually the main powers are held elsewhere, then the electorate may not fully understand the situation, and you could end up with some consequences that you didn't intend.

[123] **Joyce Watson:** Could I ask a question?

[124] **John Griffiths:** If it's very short.

[125] **Joyce Watson:** It's very short. You talk about public sector employment, but we've also got large multinationals in Wales. We're not completely cut off from the rest of the world. So, therefore, I would like to ask you: have the Scottish Government looked at, within their planning system, when they're granting planning permission for yet another multinational—have they used the planning system in any way to influence the jobs that we all see coming, like '100 jobs', but we have no idea what that might mean?

[126] **Dr Wright:** I don't know of any examples of that being done, but that's something that you could commission some research on, for example, to have an international review. That's certainly another of these trade-offs, isn't it? If you have good-quality work, then maybe the big companies don't locate in your area. It's the risk of that kind of strategy, but you could commission some research on that.

[127] **Joyce Watson:** Thank you.

[128] **John Griffiths:** Okay. Thank you very much. Thank you for your evidence. You will be sent a transcript to check for factual accuracy. Thank you both very much for coming along this morning.

[129] **Dr Wright:** Thank you.

[130] **Dr Scullion:** Thank you.

[131] **John Griffiths:** Okay. The committee will break until 11.15 a.m.

*Gohiriwyd y cyfarfod rhwng 11:06 ac 11:15.  
The meeting adjourned between 11:06 and 11:15.*

**Ymchwiliad i Dlodi yng Nghymru: Gwneud i'r Economi Weithio i'r  
Rheini sydd ag Incwm Isel—Sesiwn Dystiolaeth 8**  
**Inquiry into Poverty in Wales: Making the Economy Work for People on  
Low Incomes—Evidence Session 8**

[132] **John Griffiths:** Okay. Welcome back to committee as we move into evidence session 8 of our inquiry into poverty in Wales: making the economy work for people on low incomes. So, we will now deal with the construction industry and procurement. I wonder if you could both introduce yourselves for the record, starting with Ed, please.

[133] **Mr Evans:** Good morning, bore da. I'm Ed Evans. I'm the director of CECA Wales—that's the Civil Engineering Contractors Association. I will just say now that my submission is very much focused on the procurement element of things. So, obviously pick up anything you wish to pick up, but I wanted to be specific about that. It's a particular area of passion for me, so, hopefully, you'll forgive me if I get a little bit too animated about certain things. [*Laughter.*]

[134] **John Griffiths:** Okay. And Andrew.

[135] **Mr Marchant:** Thank you, Chairman. Andrew Marchant. I am, for my sins, presently chairman of the Wales Construction Federation Alliance, and I'm also national executive officer for a specialist engineering contractors group; as which, we are members of WCFA. As Ed has said, you'll forgive me too, if I become somewhat animated. I think Joyce will understand my passion in terms of procurement and issues that relate to what we'd like to see improvements with in Welsh Government and construction, but here we go.

[136] **John Griffiths:** Thanks very much for that, and I'm sure the committee shares your passion to get procurement right for the benefits of the people of Wales—

[137] **Mr Marchant:** Absolutely.

[138] **John Griffiths:** —so, let's see if we can explore some ways we might do that. Perhaps I might begin, then, by just asking whether you think that the Welsh Government's current community benefits policy benefits people on

low incomes and deprived communities in Wales.

[139] **Mr Marchant:** Well, if I may say, Chairman, with the greatest respect, we don't see that as an umbrella trade organisation. We don't see that actually working. What we've said in our written submission is that our members, where it's appropriate, want to engage, but the opportunities don't seem to be greatly out there. So, I would respectfully suggest that it isn't working as it was intended to.

[140] **Mr Evans:** Slightly differently, for me, the whole policy is extremely well intentioned—

[141] **Mr Marchant:** Sorry, I should have said that too.

[142] **Mr Evans:** —and it sort of evolved from an early start. I would say we were discussing this in the early 2000s as an industry. I should say as well that my background, while I'm representing contractors here, is very much from a client background. I worked for local authorities, particularly in Valleys communities, hence the passion bit, to be quite honest with you. So, it's very well intentioned, it's made some great strides, and there are some really good examples of things that can be done out there, but I feel that it's plateaued, and it's plateaued for quite some time. I think it's in danger of getting into a little bit of disrepute now because I think that many people on different sides of the, if you like, client-supplier relationship are almost playing a game now. I think there's a lack of commitment from lots of client organisations—employers, whether they be health trusts or anybody who's procuring construction works—and then you have probably a supply side that moulds itself to that behaviour, which is why my submission is very much about promoting a new model, and perhaps we'll come to that.

[143] **John Griffiths:** Yes, I'm sure the committee would be very interested to hear from you just how that new model would work and, you know, how it would deliver better on community benefits through construction activity in Wales than the current way of doing things. So, if you would like to flesh that out a little bit for the committee, that would be very useful.

[144] **Mr Evans:** Yes, as I said, I've tried to come at this because there's always a danger, I think, when you have somebody who is representing a supplier or contractor body to be viewed as—'Well, you would say that, because you're promoting the interests of your members.' So, I'm trying to explain, really, that my background is very much from a client side, and I'm

trying to understand some of the pressures from that area but also some of the opportunities. I think if you look at the current way that a lot of these policies are implemented, they're done in a fairly transactional way, where you have very different client organisations, whether they be local authorities or health boards, who may be well intentioned, particularly at a strategic level. I think if you speak to any leader of a council, they will say that they're incredibly passionate about this, but when it works its way through that machine to get to a point where you're transferring those requirements to a supplier, it happens in quite a transactional way. In other words, 'We want this, we write it in a contract, you'll price for it and we'll take it from there'. I think that's why we've plateaued, because everybody understands the game now, and I think there are some quite unrealistic expectations there. Things are viewed on a very contract-specific basis. So, 'For this particular contract we want this many apprentices, we want this many people who are long-term unemployed', et cetera, et cetera. Some of those are realistic, some of them are not. But if you consider who is best placed to shape that, it is actually those client organisations. It's local authorities who understand how communities work—how their communities work. It's local authorities who understand the school systems and how the suppliers can support that. The way we work at the moment is lots of clients just passing that on to a contractor and saying, 'Get on with it. And then when you've finished the contract, well, you may not win the next one, so we start from scratch again'.

[145] I think the approach I am proposing here is that we link into the whole collaborative and regional agenda, which is developing, and we look at this as a client-led issue, with client organisations and, collaboratively, local authorities et cetera coming together and putting the support structures in place for contractors to just effectively pick off that. So, if they win a particular project, there is a support structure there already, which is—. I'll use the Cyfle example from west Wales, which is a fantastic shared apprentice scheme where contractors literally, if they win a job, pick off an apprentice from there, and they give that apprentice experience for that period of time. They are not then—I say—stuck with that apprentice. Effectively, when a contract comes to an end, if they don't win the next one, what happens to that apprentice? Now, with a shared apprentice scheme, they go back into that and they are fed through to another employer, another supplier, who gives them continuity of experience. You then start to build up that pool. At the moment, it's a bit too stop-start. So, for me, that's an example of the client organisations taking charge of this.

[146] You can extend that to school engagement. If I was a contractor and

I've won a contract and I'm going into a school to give so many hours' time, I think that's really great, but, from the school's perspective, it's probably quite disruptive; it doesn't tie into their curriculum. It doesn't knit into the whole support of STEM subjects because it's a one-off. That school may never have a project in that area again. They may never have that contractor coming to see them again. If the client organisations—the local authorities, the local education authorities—are in charge of that process, you've got continuity; you've got resources that are consistently delivered by whichever contractor comes into this. So, for me, it is about that shift from contractor to client led, and to a strategic view as opposed to individual transactional contracts.

[147] **John Griffiths:** In terms of taking people out of economic inactivity and into work, would you see that same sort of approach working?

[148] **Mr Evans:** For me, that is just an extension of this particular process. I think, historically, if you look at certainly Welsh small and medium-sized enterprises in the construction industry, they're embedded in their communities. It's almost bread-and-butter, this link to, I have to say, from a contractor's point of view, probably the more deprived areas, because we're not necessarily talking about university graduates here; we are talking about the people who will, maybe, be digging a hole or maybe on an excavator. I guess this whole thing is well suited to those particular communities. I suppose that's where my particular passion came from because you see it day to day in the Valleys communities, particularly in the northern valleys, but equally around rural mid Wales and north Wales as well.

[149] **John Griffiths:** Okay.

[150] **Mr Marchant:** Could I just, Chairman, if I may?

[151] **John Griffiths:** Andrew, yes.

[152] **Mr Marchant:** Just a little bit in the round, as Ed has sort of described in his view. What our written submission tries to highlight is that what we, as an alliance, feel can greatly assist community benefits and the like is that there must be a greater thrust towards procurement—the procurement model being far more robust than it is at the moment so that we don't—. We've stopped this cycle of lowest tender wins all the time. So, we help the supply chain and the tier 1s to make a return that they can generate, engaging younger people, those who are less privileged than, dare I say, we

are, and those who this committee obviously seeks to try to help.

[153] But without a revised, robust procurement model, we think, overseen by an ombudsman so that best practice can be highlighted and malpractice thrown away—perhaps that’s not the right word—but that can be highlighted, then, we see that as a better way of helping those to whom this committee, I would respectfully suggest, intend, so that licence to trade, cash flow and all those things that we tried to highlight in our written submission actually make Welsh construction thrive, and by making it thrive, we can help. Because some of these things have to be paid for, Chairman, don’t they? So, how do we do that if the supply chain is not making any money? It just doesn’t work. So, in my view, and in the alliance’s view, we have to create the situation in Wales where there’s a far stronger, more robust procurement route than there is now. That, we feel, will make that situation flow far more readily to the instances that Ed has made reference to in terms of either shared apprenticeships or full-time apprenticeships, which will help the lower-paid economy.

[154] **John Griffiths:** So, this is the licensing scheme that you’ve referred to in your—

[155] **Mr Marchant:** It’s partly that. It’s partly that, Chairman, yes.

[156] **John Griffiths:** Right, okay. Rhianon.

[157] **Rhianon Passmore:** Thank you. There is a dichotomy here, isn’t there, in terms of community benefit and social procurement? So, for instance, I’ve seen fantastic work in my own constituency with Willmott Dixon and the absolute culture within that organisation to be able to give something back to those communities. And there is a growing culture within some organisations—UK and multinational, sometimes—to be able to do so. But then, when we go back to the SMEs and the local businesses that for the first time are dipping their toes into the waters of procurement and contracts, there is that need for support. Obviously, they don’t have the manpower and the organisational knowledge to be able to do that. So, I’m very encouraged to hear that you say that you would look to refresh, in a sense, our community benefits package that’s out there. And in your view, apart from having more rigour in the system, how would you like, if you had a magic wand, to see this create both those elements of having real payback into a community and at the same time being able to grow those small indigenous businesses that we all want to be able to do? Have you anything that you can

offer on the table, other than what you've already just said?

[158] **Mr Marchant:** Well, go on then if you have something—. I'll have some thinking time.

[159] **Mr Evans:** It's a double act here. I think you've hit the nail on the head in terms of the resource element, because to do this properly, you do need lots of resources, either as a client or as a contractor organisation. Willmott Dixon is one of those examples. They do have the scale; they have that critical mass to be able to employ people, to do community benefits, to manage that process. Some of our smaller SMEs don't have that, which is why, I think, the Cyfle arrangement works great, and you've got an example there of small contractors coming together to help create that critical mass, and it works very well. I think it's culturally accepted down west. It would be great if I had a magic wand and if that was culturally accepted across the whole of Wales. So, I think there's model that we can take forward.

[160] **Rhianon Passmore:** Okay, so you would look to that model as a blueprint. Okay, thank you.

[161] **John Griffiths:** Okay, Joyce.

[162] **Joyce Watson:** Can I pick up on Cyfle—something I know lots about? It started, as you say, with small businesses together in Carmarthenshire, and that was the businesses, the local authority, the Welsh Government and the training boards getting around the table to make sure that they had a continual supply of apprenticeships, giving an opportunity. Now, we know that Cyfle works on that same shared apprenticeship scheme with five local authorities involved. So, I suppose my question to you in terms of looking at the clients is: why hasn't that spread? Why haven't others taken it on when that model's there? They haven't got to reinvent anything whatsoever, and yet there's none of it happening in the Valleys or in south Wales anyway, south of Neath. So, I suppose that's my first question. And then, following from that, why not, I suppose, which is a big question in itself?

11:30

[163] But, looking at community benefit and SME expectation for delivery, the other question I want to ask is: when the contracts go out—and they can be quite large scale—they will go out to the big players who then subcontract down, and by subcontracting down, they subcontract the liability of



delivering the community benefit to the small player. So, what would you like to see happen to change that so that community benefit is equal and fair and affordable, and actually resides then within that community?

[164] **Mr Marchant:** Thank you, Joyce. I referred earlier to this perhaps grand idea of an ombudsman to establish what is good practice, what isn't good practice, how good practice can be encouraged and how bad practice can be ruled out. So, personally—and Ed may agree or disagree—unless we have some rigour in this process, unless there is some compulsion to do something, it ain't going to happen, with the best will in the world. When you talk about the multinationals in terms of tier 1s, Joyce, very respectfully, how many people do they actually themselves employ in terms of their turnover? So, you rightly identified the community benefits requirement is passed down the line and expected to be picked up by the supply chain, who are often SMEs—and Ed and your good self have alluded to the difficulty there—where they are on a greasy pole, on the way down, and it's a job to get back up. I would suggest there must be, in answer to your—I was wondering if they were rhetorical questions—

[165] **Joyce Watson:** [*Inaudible.*]

[166] **Mr Marchant:** Absolutely. So, we must have some form of rigour, we must have some form of those being—. There must be evidence proving that what is in the contract is being delivered by whom it is supposed to be delivered, not abrogated to somebody else.

[167] **Mr Evans:** I'd add similar lines, really. If I take the large versus small bit, first of all, I think we do have a broad church across the construction industry. There is room for both, there's no two ways, and there's a need for both as well, for a whole host of reasons. But there's no two ways that the larger companies are essentially management contractors on the whole, and they as a matter of course employ those people to—careful what I say here—make sure they can give robust responses to whatever procurement processes are out there. The issue for me is we need to support those smaller guys to get to the same level of sophistication, and I think, again, back to Cyfle and APPrentis in south-east Wales—. I'm not familiar with the similar arrangements in north Wales, but there may well be—

[168] **Janet Finch-Saunders:** Chair.

[169] **John Griffiths:** Carry on.

[170] **Mr Evans:** It's making sure that the support structures are in place for those small companies to literally tap into those things. If I'm a local authority person, I know what my community needs, on the whole. So, why wouldn't I put the arrangements in place for suppliers to tap into that, to deliver those benefits back to me? Because, at the moment, all that's happening, on the whole, is transactional: 'I need 10 apprentices'—regardless of the reality of delivering those levels of benefits—'and you'll deliver it, and, by the way, I probably won't police you, either, in delivering them.' So, we've kind of played the game to a certain extent, but we've not delivered any real benefit. Support structures in place, not contractor led, but client led—I think that that gives a support structure for our smaller companies to grow, and they will employ. They are the ones who do employ these young people.

[171] **Mr Marchant:** Forgive me, this is part of my passion. When you have a main contract that is written by the client, signed up to by the tier 1, there is no requirement for the provisions in that contract to be amended when they are passed down the supply chain. So, for as long as that continues—. And that's why—forgive me, ladies and gentlemen; I just feel there needs to be a more robust approach in the whole thing—the whole thing tends to fall apart, because there's no compulsion on, for example, the tier 1. He can chop and change that contract as much as he wants to when he passes it down the line. If the client said, 'No, you can't', well, you can't.

[172] **Joyce Watson:** Do you want to explain what a 'tier 1' is? Because I know what it is, but—

[173] **Mr Marchant:** Sorry—the constructor.

[174] **John Griffiths:** Okay. At this stage, I'm going to bring in Janet Finch-Saunders from north Wales. Janet.

[175] **Janet Finch-Saunders:** Thank you, Chairman. Just on the points made there about the supply chain, I know from experience up here in north Wales that quite often with Welsh Government funded projects, the smaller companies just cannot afford the bureaucracy of tendering, because the tender applications can be quite overwhelming. But what does happen—. We've just had vibrant and viable communities—and I'll declare an interest, because a property that I have an interest in has actually had some of that funding allocated to it. However, the actual contract is causing me concerns

because the company is based over the border in England, and then there are so many different sub-contractors below that, and in terms of real local jobs and community benefit, I am yet to be convinced of that. I've had to ask a series of questions, but that is just one.

[176] The construction industry here—I've spoken to developers, house builders, and they are really frustrated that one of the qualifications can be that you are based in Wales. You only have to have a registered office somewhere in Wales and the rest of the business, and the actual wealth created from that scheme is going out of Wales and it is not creating jobs. The Cabinet Secretary, Jane Hutt, I've worked with over the years and raised many questions about how we procure, how that helps community benefit, and more importantly, how does that help local jobs. What can the Welsh Government do? I'm asking—. I can't see the witnesses, sorry. But what can the Welsh Government do? How can we tighten up and hold these people to account more when we're giving out contracts?

[177] **John Griffiths:** Okay, Janet. Well, obviously we'll have the Cabinet Secretary here later on, but we'll put those points to our witnesses. Andrew—or Ed?

[178] **Mr Evans:** To date, I would say the Welsh Government has been tied a little bit, and sometimes we look a little bit too much to Welsh Government to do this. I think there should be—again, back to collaboration here. Very rarely is it that it is the Welsh Government that's actually procuring some of these works. It is local authorities, it's health boards, it's police authorities, it's fire authorities, and I think if Welsh Government can have a little bit more of a policing and enforcement role with those clients, and perhaps its own departments as well in some cases, then you can do something. I think it's that lack of follow-through and enforcement afterwards. Now, that may, legislation-wise, be something that needs to be addressed, potentially.

[179] **John Griffiths:** Okay. Well, we'll come on to some of those issues as well. Bethan.

[180] **Bethan Jenkins:** I hope I'm within this part. If I'm not, then I'm sure I'll be told off. This is not my area of expertise, but I know from some of the work that I've done locally in the Neath area there are a lot of companies—a lot of individuals who live in the area who are contracted outside of Wales when they would like to be able to do jobs in the community and stay, then, in their local family area. What happens is they're spending most of their

lives in hotels in England when they can see that there are jobs contracted in the community with the skills that they have. So, I'm wondering whether you've done any research on—you know, we talk about the brain drain in relation to university students—the brain drain in relation to construction, where we have the skills in Wales, but they're not being utilised in Wales. Therefore the community loses out because a lot of the time—and I don't want to gender bias this—it is the men who are living in another country for most of the time, and the families suffer because of that. So I'm just wondering if you have an opinion, or if you've done any research on that in particular, because it would help me inform the more general picture on this.

[181] **Mr Marchant:** Chairman, with your forgiveness, and thank you for that, I fully understand that we haven't done any research, at least not that I'm aware of, unless Ed, within CECA, has done so.

[182] **Mr Evans:** Well, a couple of things to add to that. Anecdotally, I was with one of our members last night from the Port Talbot area, who says he frequently sees the vans going the other way. There's two ways of looking at it. I think there is an export element to this, where I know a lot of companies, the larger SMEs, should we say, in Wales, actually do benefit from working across the border from time to time and they bring wealth back to a certain degree, and we've got major projects such as Hinkley, which are always going to attract—you know, we do and should have a wealth of labour that we can export, but bring them back.

[183] We've been working with the CITB to develop what we call a skills forecasting model to try to link the work that is happening in Wales with the labour that we need to do that, to give contractors the opportunity to—well, the encouragement and confidence to invest. And that does account for movements both within Wales and beyond Wales. So, not a great answer, I know, but I think we're aware of the issue. It's not always a bad thing.

[184] **Bethan Jenkins:** No, I'm not saying it's always a bad thing, I'm just saying, when we're talking about communities, how then we can sustain a positive community when actually it's affecting their home lives and their—. Perhaps that's not a concern for people in the construction industry, but it's certainly a concern when we're talking about the communities that we live in.

[185] **Mr Evans:** To be fair, I think it is a concern. There is a transient element to construction anyway, but if you can work at home, it's better for your company, because you're not paying so much to move people around.

[186] **Bethan Jenkins:** But there's nothing in the contracts that could be changed, if someone preferred to have a contract in a certain location or something like that.

[187] **Mr Evans:** I think this whole thing about community benefits is about how can we draw out that localism and encourage people to be working locally and to take people on locally. It's not perfect at the moment, I probably can't say a great more than that at the moment, but I think we're aware of it and, as much as possible, you try to manage that. The key to it though is the flow of, 'How much work have we got in Wales?' If we can identify that, then you can link it to labour and give people confidence to invest. It's a little bit woolly at the moment and, I have to say, uncertainty around tidal lagoons, the M4—whether you agree with them going ahead or not, they are still pieces of investment that are still played with politically, and that doesn't help confidence or local employment.

[188] **Mr Marchant:** Sorry, Chairman, if I may, what I was going to say in response to Bethan's point is that Welsh Government has invested in its own supplier qualification information database, but there's no rigour—. I'm sorry if I'm being negative, but the reality is there's no rigour with that either, because what we're finding is the client doesn't—. So, if one of your members in Neath or Port Talbot or wherever it is wanted to be able to work in that supply chain, let's say just for example there is a prison going to be built in Port Talbot, heaven forbid, or whatever. I'm just—

[189] **Bethan Jenkins:** No, don't use this. Don't you see my little badge?  
[*Laughter.*]

[190] **Mr Marchant:** All right then, whatever it is—schools, whatever it is—if they want to be engaged with that project, if they are satisfying the requirements of SQulD, fine. They're going to moan, though, if, having done so, there is no requirement from the client to the constructor to employ somebody who is SQulD registered. There is none. So, in the nicest possible way, you've got a great system of SQulD, which we can use, which we want to use. The reality is, it isn't getting used, and that's because there's no compulsion to do it. So, all these things that are nice to have and in theory work or should work—in practice, I'm afraid, not so much.

[191] **John Griffiths:** Okay, we're going to come back to monitoring and enforcement. Sian.

[192] **Sian Gwenllian:** Rydych chi wedi sôn am sefydlu asiantaeth caffael adeiladu cenedlaethol. Sut fyddai hynny'n helpu'r sefyllfa? Yn amlwg, nid yw'n gweithio ar hyn o bryd, neu ddim yn gweithio'n ddigon da, neu mae o wedi stopio gweithio—yr holl faes caffael a buddion cymunedol. Ond, sut ydych yn gweld asiantaeth caffael adeiladu cenedlaethol yn helpu i wella'r sefyllfa? Rwy'n meddwl mai i Andrew mae hynny.

**Sian Gwenllian:** You've spoken about establishing a national construction procurement agency. How would that help the situation? Obviously, the situation isn't working, or not working well enough, or it's stopped working—with regard to community benefit and procurement. So, how would you see a national construction procurement agency helping to improve the situation? I think this is a question for Andrew.

11:45

[193] **Mr Marchant:** Thank you. I wish I could reply in your native tongue. What we as an alliance see is that there are certain things within the procurement route that simply are falling down, like I was saying to you about what our provision in the main contract is, written by the client, that passes to the tier 1, the constructor, and the tier 1 just is able to amend it. So, in terms of cash flow and certainty of payment, if an ombudsman, or for want of your expression, a procurement agency, were employed—and after all, it's Welsh Government who provides the funding for the local authorities, for the health boards, whatever—surely it's within Welsh Government's interests to ensure that those things within proper procurement practices are overseen by some form of procurement body, or an ombudsman is the term that I've used, to filter down to—. We want to make the work as indigenously undertaken as possible, and we want that to filter down in community benefits to help the people of Wales who need it, whereas we're just going around in—. To my mind, we're just going around in a circle, and for me it's extremely frustrating because I've been involved in this industry—well, in mechanical engineering services, anyway—for longer than I care to remember. That's why I've got all these lines on my face. When there's no more room for any lines, I better give this up. It is extremely frustrating that we have been for so long chasing each other and chasing each other with the inevitable result.

[194] **Sian Gwenllian:** Would it bring efficiency savings?

[195] **Mr Marchant:** Yes, it would, because when we talk about licence to trade, we talk about—. If you pre-qualify on SQulD, and SQulD is the accepted route that you must use to procure the supply chain, why would you be chasing your tail around with all these other groups within—? I can't remember the acronym at the moment, but there are 20-odd outfits out there, like Constructionline, like—. I can't remember who they all are, but if companies—indigenous companies—are having to spend money applying to get registered with CHAS, with Constructionline, what's the point? That is all wasted money that could be better sourced in what we want to see in Wales to the benefit of the Welsh economy and to the Welsh people—when SQulD does that. SQulD does that. It wipes it out in one go, but it's not happening, because the client doesn't insist that SQulD is employed down the supply chain. So, one tier 1, one constructor, would say, 'I want my supply chain to be CHAS registered' or 'I want it to be SafeContractor' or 'I want it to be Constructionline' or whatever, and there are 20-odd of them out there—20 to 30 pre-qualification bodies out there—which takes time, resource and therefore money to have to register on. Value Wales have come up with a figure of £20 million that is wasted annually on pre-qualification. That builds half a school, doesn't it, roughly?

[196] **John Griffiths:** Okay, and Ed.

[197] **Sian Gwenllian:** Gosh, it would build four primary schools.

[198] **Mr Evans:** I do think that there are some opportunities here, though, for a whole host of reasons. A lot of this boils down, for me anyway, to—. We have lots of people across Wales procuring construction works, and I think the quality is highly variable. There are some fantastic examples. There are some dreadful examples. So, I think there is a critical mass issue here. I think lots of public authorities are maybe getting a little bit too small to do some of this stuff themselves, but it introduces a huge amount of variability. We do, I think, have an opportunity through the whole regional collaboration—. The direction is there, but I think it's very difficult to keep coming back to Welsh Government saying, 'Sort this out; do it,' because you're not always the procurer, but maybe you do have a role to, maybe, police and enforce some of those procurement practices a little bit better. Ultimately, this has got to be a fundamental change in the way we procure works. It has to shift away from a transactional approach—'I'll tell you what to do; give me a price; you do it'—to a collaborative approach. We have to get to that position. We'll never really squeeze the benefits otherwise.

[199] **John Griffiths:** Okay. Rhianon, is it on this point?

[200] **Rhianon Passmore:** Yes, thank you. So, in terms of the regional approach, you would see that there is light at the end of the tunnel, but you would, to précis what you said, look to see a support structure in place, so that that can therefore then be better monitored and enforced at a higher level, yes? Okay, so my question, really, then, is how would the protected scheme for delayed payments work in practice? I know that it's done in other countries. Do you see that as being of an economic benefit to Wales, because obviously, in terms of delayed payments for SMEs, then it's a huge and massive issue in terms of moving forward for community benefit?

[201] **Mr Marchant:** Well, it's a hobby-horse of the Specialist Engineering Contractors' Group, of which I'm a part, so you will forgive me being biased, but your words are music to my ears, because if there's no cash certainty, we're in the mire where we are now. When there's abuse in payments in the supply chain, which can be up to 90 days or 120 days, the client is paying the constructor within 15, 16 days, and project bank accounts allow the supply chain to receive that money within that same time frame. As well as that, it protects the upstream contractor—or the downstream contractor—against the bankruptcy of the upstream because it keeps that money in a ring-fenced account and it also leads on to retention fund money, which we've also been talking about, and I'm sure that you are aware of. We want to see that in a ring-fenced account because that is abused. If a company has held 5 per cent or 3 per cent of the overall, the client holds that, the tier 1 holds that bit, and if they go 'pop', well the client can't go 'pop', can they? But if that one goes down, that money goes to the liquidator who says, 'Thanks very much, I'll have that' whereas if it's a ring-fenced account he can't. So, in answer to that question, surely it's self-evident that it helps the economy because you're getting certainty of payment, you're getting payment on a good timescale, it's protected, you're protected and retention is protected. If that doesn't help to boost the economy, well, I give up. And that's what we're fighting for.

[202] **John Griffiths:** Okay. Janet Finch-Saunders.

[203] **Janet Finch-Saunders:** The points I made—

[204] **John Griffiths:** Have been covered, have they? Okay, Janet.

[205] **Janet Finch-Saunders:** Yes, thank you.



[206] **John Griffiths:** Okay. Jenny.

[207] **Jenny Rathbone:** Thank you for your excellent papers with your practical suggestions. You obviously make some quite robust accusations about public bodies using retentions to finance other capital works or, in some case, investing in the overnight money markets. Given the history of 2008 et cetera, that looks like a very dodgy procedure. Are you able to name and shame? You say that 50 per cent of local authorities are ignoring Welsh Government ethical policies.

[208] **Mr Marchant:** We undertook, or Specialist Engineering Contractors' Group undertook, an exercise using the Freedom of Information Act 2000. So, therefore, it is in the public domain. You will forgive me, Jenny, that I don't have that information in front of me, but I am happy to share with you the two processes that we undertook in 2014 and 2016 that highlight the issue, and there's naming and shaming within that. So, if you tell me where you'd like me to pass it to, I'll e-mail it to you this afternoon.

[209] **Jenny Rathbone:** To the clerk, please.

[210] **John Griffiths:** Okay, yes, to our committee clerk, please.

[211] **Jenny Rathbone:** So, you mention that Jane Hutt suggested the piloting of integrated project insurance with twenty-first century schools. Did that actually happen?

[212] **Mr Marchant:** No.

[213] **Jenny Rathbone:** Why not?

[214] **Mr Marchant:** That is a rhetorical question for me; I can't answer it, Jenny, I'm afraid. It's something that we've—

[215] **Jenny Rathbone:** Okay. We'll pick that up with—

[216] **Mr Marchant:** —discussed with Jane's successor. There seems to be an understanding and appreciation of how it might bring 20 per cent savings within construction that we—. Not anecdotally now, we actually have discovered by a college in Dudley that has used it, Defence Estates agency have used it. So, we know it works. We know it brings back, because of the

cost plan being insured. We know that it works, and, again—I'm sorry to repeat myself—if we can't use those smarter procurement routes to bring improvements to the economy in Wales and to drill down into where this committee seeks to have influence and make improvement—.

[217] **Jenny Rathbone:** Well, given the restraints on public expenditure, it is surprising we are not taking measures to design out poor design, inadequate information and to delete bureaucratic procedures. Why are organisations not using SQuID?

[218] **Mr Marchant:** Well, because they're not required, because the client—. Because they don't have to. There's no compulsion to do it.

[219] **Jenny Rathbone:** Okay. All right, we'll pick that up too. But, have you had conversations with those 50 per cent of local authorities who are failing to adhere to the proposed way of behaving?

[220] **Mr Marchant:** They won't talk to me.

[221] **John Griffiths:** Well, these are matters we can raise with the Cabinet Secretary later.

[222] **Mr Marchant:** I can send them an e-mail—. Forgive me, Chairman. I can send them an e-mail and say, 'Could you please—?', but, you know, whether it gets answered is a different kettle of fish.

[223] **Jenny Rathbone:** Okay.

[224] **John Griffiths:** Okay, Sian, did you have further questions?

[225] **Sian Gwenllian:** Just on the targets, do you think that not having sufficiently clear, robust targets is part of the problem? You know, the outcomes then aren't clear, are they? If the targets aren't clear in the first place, the outcomes—.

[226] **Mr Evans:** Do you mean in terms of community benefits, saying to a supplier, 'We would like this many—'?

[227] **Sian Gwenllian:** Yes.

[228] **Mr Evans:** I think that's one of the things that has led this laudable

process into disrepute, because, if you have a client who is maybe not heart and soul into this, at the end of the day, they want to build something, and they will be measured probably on whether they will bring it in on budget and time, et cetera, and this other stuff is not always seen as that important. Let's be blunt about it. So, the easiest thing to do is, 'I'll just take a few targets from a job that somebody else did and I'll put it in there and I've dealt with it. It's in the contract, it goes to the contractor—"Just do it".' Those targets may not be appropriate for that particular contract in that location. What works in Blaenavon doesn't necessarily work in Dolgellau. So, it's back to an informed client who is bothered about this, who thinks it's important—they will make it happen.

[229] There are plenty of examples of best practice out there to learn from, but you have to want to do it, and it comes back to what Andrew said: you don't really have to do it; it's good, and we all talk about it, but you don't have to do it. That distorts the marketplace quite considerably, because if you have a contractor who really gets this and goes for it, they do price—they have to price—some kind of resource in there to do it, so there is a cost with it, but the benefits should outweigh the costs. You've then got somebody who maybe understands that that client isn't that bothered about this. 'We'll put the tender in. We won't price that in because we'll never be held to account for it.' You've got an imbalance then straight away in that tendering process, and the better contractors don't like that, because it's not fair.

[230] **Sian Gwenllian:** But should the emphasis in changing this be on getting the targets right in the first place? Is that one of the key elements?

[231] **Mr Evans:** I think that because the targets do vary, depending on the project and where it is, which is why the approach I've recommended here is more of a strategic and long-term approach, not a contract-specific approach—. Because what benefits one area—. You can maybe get lots of apprentices in a particular area working on this—far more than any target might say—but, actually, you haven't got the same school engagement, maybe. But the next contract, with maybe another contractor but the same client is the other way around. So, holistically, over the course of five years or whatever, you are really upping the ante here, but it's not on a contract-by-contract basis. We're trying to force things, I think, into certain pots, and they don't fit. You need to be an informed client to be able to do that. You need to have the competence to be able to do it and the will.

[232] **Mr Marchant:** Could I just add, not to protract the thing, but could I

just say, Chairman, if I may, that, when we talk about disparities, those companies in Wales who comply with SQulD, that's a cost to them, isn't it? That's a cost to them in terms of time, resource and whatever. And, as I alluded to earlier on, to all this other plethora of outfits out there that pretend to be—. But, those who have demonstrated their competence against those who haven't, the former are disadvantaged somewhat because it has cost them, it's added to their overheads to operate their companies, and yet the supply chain can be a scattergun approach and somebody from anywhere—.

12:00

[233] To quote, Bethan, one of your constituency members who may have qualified under SQulD, but it isn't being used, it's cost him money, where that money could be better used somewhere else. Either you chuck the whole thing away—you chuck the baby out with the bathwater—or, with respect, you go wholeheartedly at the thing of saying, 'Well, that's the purpose of it. Let's do it.'

[234] **Sian Gwenllian:** Yes, but in these austere, challenging times for local government, et cetera, they are going to be challenged, aren't they, when there is a contract that comes in cheaper that doesn't have the community benefit in the same way?

[235] **Mr Marchant:** I understand that. I do fully understand that. Of course I do. Nevertheless, there have been peaks and troughs since Nelson lost his eye, nearly, but the fact of the matter is that we're not going to get the benefits out to the people in Wales that we want without some robust changes to procurement and making sure that this is driven top-down.

[236] **John Griffiths:** Okay. We're going to have to move on, I'm afraid. We've got 15 minutes left. Jenny, delivery of Welsh Government procurement policy on ethical employment.

[237] **Jenny Rathbone:** You represent the industries that you're involved in. What more could you do to get those who want to bid for Welsh contracts to sign up to the code of practice? And, in particular, I wonder if you could pick up the point about small businesses really having very low awareness of the code of practice.

[238] **Mr Evans:** It's still fairly early days, I think it's fair to say, in terms of

the policy. I can tell you I've taken it to our board straight away, for a number of reasons, actually. One is because clearly it's the right thing to do. I think most businesses do get it, but I also wanted to bring in, as a potential warning, that this may be coming at them through the procurement process at some time. Because, again, as we've been discussing, with community benefits, it would be quite easy just to write that into a tender document, 'You get on with it.' It adds to the bureaucratic process if we're not careful. So, I think it's important that the private sector does engage with this and tries to positively shape the way they need to demonstrate how they meet the requirements of the ethical procurement policy. Again, it's that fine line between being a good thing and being a bureaucratic process. If it's the latter, we've lost—*[Inaudible.]*

[239] **Jenny Rathbone:** But if it's combined with early engagement in the whole project, so that we design out the wastefulness and the poor designs, then that ought to surely be an incentive. Does the one thing need to go with the other in order to get people to engage?

[240] **Mr Evans:** I think so, and it picks up a lot of the issues that Andrew has raised as well—that early engagement and, as clients, making sure that you have a reliable and competent supply chain. The ethical element—it all falls out of that, but you have to select your partners properly. You can't keep going down this lowest cost route. I accept the issue around pressure on budgets, but when do we start thinking more holistically? When do we start thinking about the Well-being of Future Generations (Wales) Act 2015 so we're not just looking at the economics? It needs to be that broader view. So, a massive cultural change. But procurement is fundamental, for me, because that's the link between public and private.

[241] **Jenny Rathbone:** Do public bodies now still have the ability to eliminate poor design, which obviously ends up costing a lot more money in the long term? Because a lot of the building regulations—type of people have been—

[242] **Mr Evans:** Lost.

[243] **Jenny Rathbone:** —lost. So, I just wondered if you could comment on that.

[244] **Mr Evans:** As you deliver a project, there are plenty of points, I guess, at which you check, review, et cetera, that design process. There's enough in

there to safeguard that, but I think we probably all have experiences where designs haven't always performed that well. But the process is there. There's an issue of competence, potentially, but I think that is in there in terms of design quality. The ethical procurement element: I'm not convinced. Unless, as a client, you take an interest in the procurement processes that your supply chain goes through—'Where do you get your labour from? Where do you get your materials from?'—unless you do that—and I know it's a bit of a policing role—then you'll never have the assurance. But if that isn't important to you as a client, you probably won't do it and you'll just say, 'Tick the box', tick that you're procuring from the right places, and it becomes that. That's the danger, I think.

[245] **Mr Marchant:** So, you have that danger, Chairman, don't you—and forgive me, Jenny—of that being brought into disrepute as well, as Ed has suggested, as we are with community benefits.

[246] **Jenny Rathbone:** Any sign of any change in attitude as a result of Grenfell?

[247] **Mr Marchant:** I'm not sure we'd want to go there.

[248] **Jenny Rathbone:** Well, I just think, you know, if we're not paying any attention to the materials we're going to use, you know, that—

[249] **Mr Marchant:** Yes, you're right.

[250] **Mr Evans:** Yes, but probably for the wrong reasons. Probably from a damage-limitation as opposed to a proactive—. I think it needs a lot more emphasis put on the lessons learnt, hopefully, from Grenfell.

[251] **Jenny Rathbone:** Okay, thank you.

[252] **Mr Marchant:** I see we've got 10 minutes now, Chairman. Can I just come back with one quick comment in response to what Sian said? When is lowest price best value?

[253] **John Griffiths:** Okay. Gareth, if we can get onto the monitoring of enforcements on ethical employment.

[254] **Gareth Bennett:** Thanks, Chair. Andrew, you've spoken a lot about the need for a more robust system and you seem to have an idea in your mind as

to what that system may look like. You've spoken about an ombudsman and a licensing scheme, but you also have the possible opportunity of regional working in future. Could you add any detail? Do you want to add any detail to how you think the best scheme would look and what features it would have?

[255] **Mr Marchant:** I think, if I may, Gareth, Chairman, what we've made in a suggestion box at the end here is that perhaps, through Welsh Government and ourselves, dare I say, if we could look to collaboratively work that forward so that it looks right, it is right for everybody's benefit. Is that reasonable?

[256] **Gareth Bennett:** Yes. That's reasonable as a start, and thanks for the evidence that you've given, because you said earlier that you don't want to be negative, but you've been very honest and we've had good evidence as a result. Now, the problems that we've got that have been mentioned by both of you are to do with compliance and tick-box exercises, and we've had evidence from the Federation of Small Businesses Wales that there are construction businesses—I guess these are the tier 1 contractors—reclassifying existing staff to meet requirements for the jobs created, and they've got other ways of getting around the ban on umbrella contracts. I think you've kind of alluded to this. Is there any evidence that you'd like to bring to light regarding that?

[257] **Mr Evans:** I think we'd struggle to get evidence to be honest with you, because of that process—

[258] **Gareth Bennett:** Well, how widespread do you think that these practices might be?

[259] **Mr Evans:** I think they're probably more widespread than we'd like to believe.

[260] **Gareth Bennett:** Right.

[261] **Mr Evans:** For me, it comes back to this willingness: do you see this as important as part of your procurement process or do you not? If you do, then you should be delving a little bit further into some of these things to really understand it. And yes, I think people will, unless they're going to be—. If they're struggling to meet quotas for apprentices or people who are long-term unemployed, and there's continuity, you know, 'We won a contract there and we took on so many people, and then we won another one here,

and we can't take another batch on, so we'll reclassify and they'll become new, again'—. So, I think there's a number of different negative drivers. It just doesn't feel right. So, again, this comes back to what we've been discussing really—a completely different approach to this, because we're trying to force things and that's why it comes into disrepute.

[262] **Gareth Bennett:** Okay, thanks.

[263] **John Griffiths:** Okay, Gareth. And, Joyce.

[264] **Joyce Watson:** Ultimately, all of this will come down to procurement officers, because they're the people who are procuring your services, your members' services. All the evidence I've heard is a lack of investment by local government and others in procurement officers so that they truly understand, because some of this might be done by not truly understanding the expectations of what they ought to be doing in the first place. Is that a fair statement, because that's what I'm being told by the construction industry? If it is, what are the particular skills you think that procurement officers ought to have in the very first place to make sure that then everything flows from that? Because, if they're procuring—local government mostly—the project, then they ought to be seeing the outcome.

[265] **Mr Evans:** We've got lots of people procuring across Wales. I don't think that's helpful because you do then get a very different approach wherever you go, and that's very difficult for the supply chains to engage with. I think we've got to accept as well that the skills to procure paper and pens, which is transactional, are very different to the skills needed to procure major works, which does need a more collaborative approach. So, I think there is—. I'd like to see room for consolidation, to be honest with you, and I think the regional agenda potentially gives us that opportunity to do it, in the same way as it gives us opportunities to build up these support structures for shared apprentices, and so on. So, there is an opportunity there, but it's very difficult, isn't it, to get people to move into that direction. I would have thought with the city regions, the growth deals, et cetera, surely there's got to be some kind of drivers and incentives there to pull that together.

[266] **Mr Marchant:** If I may, Joyce, when the alliance met last with the Cabinet Secretary for finance there was talk of perhaps, in its early stages of—. Because, obviously, local authorities didn't like what was going to happen to them in terms of being reduced from 20-odd wards or whatever, there was some talk hopefully of collaboration within the reduced number of



local authorities whereby, as others have explained, there's so much going on in terms of those who procure. If it was brought to what Mark Drakeford seemed to be alluding, to a smaller number of those people representing a wider range of clients—local authorities—that surely would be helpful in terms of that which you mentioned, Joyce, would it not, because there would be more focus by those particular people on procuring for whether it's four, five or six local authorities, rather than just one.

[267] **Joyce Watson:** And if I can, again within the construction industry, we've got a ticking time bomb because the average age of builders is 55 plus, so in 10 years' time they're going to be gone, and we're not bringing enough people into that space. So, if we're talking about procuring now and securing a future in that industry, what do you think is the best answer in terms of this opportunity now to do that?

[268] **Mr Evans:** For me, this is the crux of it, really, that skills and employment and, really, where those people are likely to come from. Are they going to come from those who are in the more deprived communities, people who are already on lower incomes? And let's not forget that this is an industry that actually provides quite good salaries. So, you can make a big step change there, but you need to engage with the schools, you need to engage with the employment agencies, you need to engage with the communities themselves. This is the opportunity to do that, but we have to take it seriously, and it doesn't feel serious at the moment.

[269] **Joyce Watson:** Okay.

[270] **Mr Marchant:** And those things are going to just perpetrate greater frustration within our members within SMEs because the will seems to be there—and I'm sorry if I bang on about—. As Ed has said, you can't expect Welsh Government to do everything. You can't. There are some big boys out there who ought to be able to fight for themselves, but, unfortunately, they're very selfish about it and that's a fact; it's no good hiding behind the fact that they're not, because they look at the self-interest, don't they?

[271] **John Griffiths:** Okay. Are there any other questions from committee this afternoon? No. Okay. Well, can I thank you both very much for coming in to give evidence today? You will be sent a transcript to check for factual accuracy. Thank you very much.

[272] **Mr Marchant:** Thank you; I've enjoyed the experience and the

opportunity to do so. Thank you.

[273] **John Griffiths:** Okay, the committee will break for lunch until 1 p.m.

*Gohiriwyd y cyfarfod rhwng 12:14 ac 13:03.  
The meeting adjourned between 12:14 and 13:03.*

**Ymchwiliad i Dlodi yng Nghymru: Gwneud i'r Economi Weithio i'r  
Rheini sydd ag Incwm Isel—Sesiwn Dystiolaeth 9  
Inquiry into Poverty in Wales: Making the Economy Work for People on  
Low Incomes—Evidence Session 9**

[274] **John Griffiths:** Okay. May I welcome everyone back to this meeting of the Equality, Local Government and Communities Committee, and our inquiry into poverty in Wales and low incomes? I'm very pleased to welcome Mark Drakeford here as the Cabinet Secretary for Finance and Local Government, and his official, Sue Moffatt, director of the National Procurement Service. Welcome to you both.

[275] **The Cabinet Secretary for Finance and Local Government (Mark Drakeford):** Thank you.

[276] **John Griffiths:** I wonder if I might begin by asking an initial question on 'Prosperity for All' and the aspect within it that seeks to maximise the value of Welsh public service procurement to Wales, while ensuring that employees get a fair deal for the work they undertake, funded by public money, and just ask, really, generally how Welsh Government will seek to achieve that over the course of this Assembly term.

[277] **Mark Drakeford:** Well, thank you, Chair, and I'll take the question in the two component parts of it. We've had a long ambition in the Welsh Government to make sure that the considerable money spent by the Welsh Government and by Welsh public services in procuring services and goods, that that money is used to maximum impact in terms of jobs created, economic activity and so on, and there's been an effort over a number of years to try and make sure that we devote a larger share of that spend to companies who are either based here in Wales or who have other direct impacts on the Welsh economy, and I think the figures demonstrate that we've been able to make progress in that, and that we have a higher percentage of our spend devoted in that way than we have ever in the past.

[278] Over the rest of this Assembly term, what we will have to do—and I'll make an announcement on this very shortly—is work to reposition the National Procurement Service and the effort that we make in the Brexit context in particular, because we operate within a particular rulebook at the moment, and that's a rulebook that's essentially set at the European level, and when the United Kingdom leaves the European Union, there will be some changes that will need to be made there. We need to prepare for that early on. Some work has already begun, and we'll say something formally about it very shortly, as to how we will try to reposition our efforts in that direction. And in that way, we will then try and make sure that we are in the best place possible to continue to maximise the impact that comes from public procurement and the spending of public money in Wales.

[279] As to how we do that in a way that protects people in the workplace, then most of our—. The engine room for that discussion comes through the workforce partnership council, which is the place where public sector employers, public sector trade unions and the Welsh Government come together. We meet three or four times a year. It's chaired more or less alternately by myself and the First Minister, and that's been the sort of engine room through which a series of policies has been developed to try and make sure that we are able, on the one hand, to address abusive practices and to bear down on them—.

[280] My predecessor Jane Hutt did a lot of work with the workforce partnership council on making sure that blacklisting is not part of the way we do things here in Wales, for example, and at the last meeting of the workforce partnership council, we formally launched the code of ethical procurement in the supply chain, and that was as a result of a lot of work bringing trade unions and public sector employers together to design a code that can not just make sure that bad practices are rooted out, but that we create a culture of positive ethical practice in the supply chain, protecting workers here in Wales and workers in other parts of the globe as well.

[281] **John Griffiths:** Okay, thank you for that, Cabinet Secretary. I wonder if I might follow up in terms of ethical employment and procurement policy. We've heard from some witnesses, including the Bevan Foundation and indeed FSB Wales, that the code of practice is not being effectively implemented on the ground in terms of its policy objectives, and I just wondered whether you recognise that picture, and if so, what Welsh Government will do to make sure that it is effectively implemented.

[282] **Mark Drakeford:** I think my main reaction to that observation will be to say that I think it's premature to come to that conclusion. I mean, the code was only adopted on 9 March, so to have expected that it is already possible to detect its direct impact on the ground I think would be more optimistic than we would have expected to be. Signing up to the code is a commitment to take action, rather than an indication that everything is already in place, and therefore we are bound to think of a 12 to 18-month horizon in which the impact of a code on the ground can be traced and the extent to which it is successfully making a difference can be properly evaluated. Many contracts in the public sector are for more than 12 to 18 months in the first place, so they won't even have come up for negotiation or renewal during the time that the code has been in place. So, I feel very positive about the code because it has had such a strong endorsement from the organisations that we will rely on to deliver it. I think to have expected to see enormous, tangible changes in a few months is probably more than we had expected of it, but I do think that over that 12 to 18-month period we will see it making a genuine difference on the ground.

[283] **John Griffiths:** Has sign-up been everything you would've wanted it to be, Cabinet Secretary?

[284] **Mark Drakeford:** Well, sign-up, as well, is a process, Chair. We aim to lead by example here, so the Welsh Government is signed up to the code, the National Procurement Service is signed up to the code, and we have an increasing number of public bodies that are signed up to it already. The Welsh Local Government Association is working with us to have all 22 local authorities signed up to the code by the end of this calendar year. Cardiff council is already a signatory to it. All four police forces in Wales have indicated that they intend to be signatories to the code. We are working closely with the national health service, where, of course, as an employer, it's a member of the workforce partnership council and a signatory to the code in that sense, but now we need to go down to individual health bodies and we expect them to be signatories to the code as well.

[285] So, it is a process. Not everybody's signed up immediately, but I think we've both got a significant number of organisations signed up already—the higher education sector I don't think I mentioned, but they are already signatories to the code—and we have signatories beyond the public sector as well. We have over 20 signatories in the private and third sector. We have signatories in the housing association sector. I think Cartrefi Cymunedol

Gwynedd is a signatory to the code already—the housing association in that part of north-west Wales. So, there's a momentum behind the code and we will see more and more signatories to it over the coming months.

[286] **John Griffiths:** Okay. In a similar sort of vein, Cabinet Secretary, could I ask you about awareness of the code amongst small businesses, because obviously there are benefits to them in terms of the 30-day stipulation for payment of suppliers, for example?

[287] **Mark Drakeford:** Sure.

[288] **John Griffiths:** But we've heard from Helen Walbey that awareness amongst these small businesses is not as high as we would all want it to be. Again, do you recognise that picture? Obviously, again, as you say, it hasn't been in existence for very long, but nonetheless, do you feel that awareness amongst those small businesses is what you would want it to be at this stage?

[289] **Mark Drakeford:** Well, I definitely agree, Chair, that there's a job of work to be done in continuing to raise awareness of the code. We try and do that through existing networks and organisations, through the Federation of Small Businesses, through the Confederation of British Industry, through organisations that firms are likely to be involved in and to sometimes take messages maybe a bit more directly if they come from their own networks or are endorsed by those than coming directly from Government. But we do try and take whatever opportunities that come our way to publicise the code.

[290] So, the single largest procurement event in Wales is the annual Procurex conference—that happens here in Cardiff, and it'll happen in November this year. It's a major conference. It has hundreds of firms—Sue's involved in setting it all up—hundreds of organisations there, and we will make a major push on the code at the Procurex conference this year. But there are other ways. Sue will know better than me, really, the ways in which we try and use the opportunities that come our way to promote the code to small and medium-sized enterprises as well as to big, public sector organisations.

[291] **Ms Moffatt:** If I can add to that, Minister, we are planning a number of campaigns through Sell2Wales, which is the primary interface between the public sector and the private sector for advertising contract opportunities across Wales. We're also planning a series of events through the FSB and the

CBI, and we're also making sure that all public sector bodies are aware of the guides that support the code that provide standard contract terms that can go in contracts and tenders to make sure that they've got awareness of the types of questions they should be asking at a tender stage to promote awareness. In addition, the new Welsh supply chain school that's being funded by the construction industry is now engaged with us, and we're planning to provide training material to them to actually become part of the training that individuals in the construction industry get so that employees are aware of the code as well, not just the private sector and the public sector employers.

13:15

[292] **John Griffiths:** Okay, thanks very much for that. We'll move on then to Jenny Rathbone and Welsh Government monitoring and enforcement.

[293] **Jenny Rathbone:** I think that various organisations are expressing concerns about how effective this will be. It's obviously got lots of good intentions. The FSB are saying that it's in danger of being a tick-box exercise. Unison are saying that a voluntary approach won't provide the necessary incentive to public bodies, and the Wales TUC seems to be calling for legislation to enforce it. So, I heard you say that we need 12 to 18 months to be able to evaluate whether people are grasping this. Could you just tell us, at the end of that period, if you don't see substantive change, would you consider legislation?

[294] **Mark Drakeford:** Well, Chair, this is a debate we have very regularly with our trade union colleagues at the workforce partnership council. The position of the Welsh Government would I think be this—. I'll give you an analogous example if I can because this is an example where things have already happened so I can more easily make the point. So, the two-tier code, which was agreed again through the workforce partnership council—abandoned in England but retained here in Wales—means that if people are employed by one organisation and then employment moves to a different organisation, then your terms and conditions of employment are protected through the two-tier code. Trade unions have regularly argued that the two-tier code should be made statutory and that it should have the force of legislation behind it and so on. My position with them has been that while the evidence we have is that the two-tier code is working effectively, then I'd rather we did it that way where we can rely on people's commitment to it and their wish to make it work. But I equally say to the employers at the WPC that

if the evidence is that they're not complying with the two-tier code, then they won't be able to expect me not to have further discussions with trade unions about moving towards a legislative base.

[295] So, with a two-tier code we have an annual reporting cycle. Every year the WPC has a report from every local authority in Wales on the application of the code and any examples where it has failed to be implemented. And every year, so far, there has been a small number of cases where the code has not been complied with. But they have been a handful of cases every year. I then write directly to the leader of that council asking for an explanation, and, so far, every time a council has been found to be in default I get a letter back from the leader of the council mortified that somehow it's slipped through the net in their local authority, and providing a series of assurances as to how they'll make sure that they put that right for the future. While you've got goodwill of that sort and buy-in of that sort, and I think positive evidence of it working, then I'm not attracted to legislation. But if the evidence was that it wasn't like that, if what we got back was evidence that the two-tier code was being not observed in a much larger way, and that when I wrote to leaders of local authorities they said, 'Well, we looked at the code but we really didn't take it very seriously', then, of course, I'd have to think about different ways of making sure that it was happening. And that's the attitude that I will take here too, Jenny. At the moment, we have a very significant amount of enthusiasm and commitment from public sector bodies and trade unions in Wales to the code, and I want to try and capitalise on that and make that commitment work. As a backstop, I do not rule out doing it in a different way if relying on that sort of commitment didn't deliver.

[296] **John Griffiths:** Before you go on, Jenny, I think Sian wants to come in on this point.

[297] **Sian Gwenllian:** Jest ar y pwynt yma'n benodol, felly. Rydych chi'n agored, efallai, i'r angen i ddeddfu petai'r dystiolaeth yn dangos nad ydy'r model presennol yn gweithio. Mae yna dystiolaeth yn dechrau crynhoi rŵan nad ydy'r model yn gweithio. A ydych chi'n rhannu fy uchelgais i ein bod ni'n caffael llawer iawn mwy yn gyhoeddus yng Nghymru nag ydym ni ar hyn o bryd, **Sian Gwenllian:** Just on this point specifically then, please. You are open, maybe, to the need to legislate if the evidence shows that the current model isn't working. There is evidence starting to come together now that the model isn't working. Do you share my ambition that we procure a lot more on a public basis in Wales than we do at the moment, and that we need to do something

a bod angen gwneud rhywbeth eithaf radical rŵan i godi'r lefel i fyny o'r 53 y cant, neu beth bynnag ydi o, er mwyn inni fod yn debycach i rai o wledydd eraill Ewrop, oherwydd yr angen i greu swyddi, a swyddi o ansawdd, a bod hwn yn erfyn penodol y gall Llywodraeth Cymru ei ddefnyddio i wneud y gwahaniaeth? A ydych chi'n ddigon uchelgeisiol—dyna yr wyf yn ei ofyn, felly—ac ai deddfu ydy'r ffordd o fod yn fwy uchelgeisiol?

quite radical now to bring that level up from the 53 per cent, or whatever it is, so that we are more similar to other countries in Europe, because of that need to create jobs, and high-quality jobs, and that this is something specific that the Welsh Government could use to make a difference? Are you ambitious enough—that's what I am asking—and is legislation the way forward?

[298] **Mark Drakeford:** Wel, i mi mae'r ddau bwynt yn bethau gwahanol. Mae gyda ni uchelgais; rŷm ni eisiau gwneud pethau yn fwy effeithiol yn y dyfodol. Dyna pam rydym ni wedi cyhoeddi y cod. So, rŷm ni'n gallu dweud, heb amheuaeth, fod gyda ni uchelgais. A ydy hynny'n mynd yn syth at, 'Yr ateb yw deddfu'? Wel, nid wyf i'n siŵr. Ond, y pwynt cyntaf yr oedd Sian Gwenllian yn ei godi oedd: a ydym ni'n agored i ddeddfu yn y dyfodol os nad yw'r ffordd rŷm ni'n gwneud hyn nawr yn effeithiol? Wel, rydw i yn agored, ond nid wyf i'n mynd yn syth i ddeddfu. Rydw i eisiau trio gweithio gyda phobl sydd wedi dweud wrthym ni yn barod eu bod nhw eisiau gwneud pethau mewn ffordd sy'n mynd i fod yn llwyddiannus.

**Mark Drakeford:** Well, for me, the two points are different. We do have ambition; we do want to do things more effectively in future. That's why we have published the code. So, we can say, without a shadow of doubt, that we do have that ambition. Now, whether that leads us straight on to the response being legislation, I'm not sure. But, the first point that Sian Gwenllian raised was whether we are open to future legislation if the way that we are doing it now isn't effective. Well, yes, I am, but I'm not going straight to legislating. I want to work with people who have said to us already that they want to do things in a way that is going to be successful.

[299] **John Griffiths:** Diolch yn fawr. Jenny.

**John Griffiths:** Thank you. Jenny.

[300] **Jenny Rathbone:** Obviously, you have mentioned the November Procurex conference, where you are going to have a big push on this. Are the



public bodies well represented at that conference, or is it mainly commercial organisations? Clearly, it is the public bodies that are going to have to be the enforcers of the code to make it not a tick-box exercise, because they are the ones who are procuring goods and services.

[301] **Ms Moffatt:** Last year, we had over 800 people attend Procurex, and that was almost a 50/50 split of public sector and private sector individuals. That had grown from just under 300 for the first year that we'd had Procurex. So, the event is growing in terms of profile, but the split of attendees is well balanced between public and private sector. We are making sure that the suppliers that are actually exhibiting have got a strong link to Wales. In addition, we are making at least 11 of the stands available free of charge to the third sector, credit unions and organisations that support the principles of the code as well.

[302] **Jenny Rathbone:** Okay. Thank you. I have got other questions, but later on I'd like to come back in.

[303] **John Griffiths:** Okay. Rhianon.

[304] **Rhianon Passmore:** In regard to public procurement, and more around social procurement, we heard evidence earlier from our construction colleagues that support structures need to be in place to support tier 1 contractors in terms of passporting down responsibility around community benefit to subcontractors. What is your view on that, or do you feel that it is adequate—the situation at the moment?

[305] **Mark Drakeford:** Well, I might ask Sue to answer that to begin with, but then I will come in.

[306] **Ms Moffatt:** So, in terms of community benefits, there are two types: there are core community benefits focused around education and training opportunities; and then non-core, which you can't differentiate on in a tender, but you can actually impose contractual terms and conditions around them. I think the key to making sure that community benefits are actually delivered is accountability within the supplier and within the buyer organisation to make sure that somebody owns the delivery and that the sanctions for non-delivery are proportionate to what's not being delivered. So, there are standard terms and conditions, but really it is about effective contract management and programme management on the ground when it comes to construction contracts, to make sure that terms and conditions do

flow through the supply chains.

[307] **Rhianon Passmore:** Chair, if I may, to follow that up, I accept that fully. The evidence that we heard earlier from witnesses is that, on paper, it's there, but, in reality, even though there is great work ongoing in terms of community benefit—and I mentioned a firm, Willmott Dixon, that was doing great work in my constituency around apprenticeships and training et cetera—but they were saying that the evidence they're getting is that it is getting lost because there is no effective oversight or monitoring of that application. So, they're actually calling for more rigour in that system. So, it's just really a question around: does there need to be additionality in terms of support to monitor and to actually help, for instance, SMEs to deliver this rather than the big multinationals?

[308] **Ms Moffatt:** We are actually doing a piece of work at the moment to revise the community benefits policy, to widen it out and make sure also that the reporting is easier and more accessible, moving to perhaps an online, more regular model. But also, it will need additional training for public sector bodies that are managing and ensuring the delivery of those contracts as well, which is part of the wider programme for procurement that the Minister's asked us to develop.

[309] **Sian Gwenllian:** Can I just ask on that: what's the timetable for that piece of work?

[310] **Ms Moffatt:** The refresh of the community benefits policy is ongoing at the moment. We expect to make some announcements in October time.

[311] **Sian Gwenllian:** Okay.

[312] **John Griffiths:** Just as an example of the sort of evidence we've heard, we've received evidence from the FSB, not this morning but previously, that often existing employees are simply reclassified to meet some of the requirements of community benefits and they just tick a box, as it were, and there's no effective monitoring to ensure that that isn't happening and there is genuine compliance with the community benefit requirements. How would you respond to that evidence?

[313] **Mark Drakeford:** We wouldn't say for a minute that there aren't examples of that sort of thing happening. I don't think we would accept that they would be typical, but, in the commercial world, there will be

organisations that try to maximise their commercial advantage and do it in ways that manage to observe the letter rather than the spirit of the requirements. Chair, it goes back, in a way, to a question that has already come up a couple of times, which is what is the best way to secure the advantages we're trying to secure. Is it via stronger statutory underpinning of these things? One of the downsides of that, not that I've closed my mind to it at all, but one of the downsides of it is that you can find evidence that what that does is to produce a tick-box response, because now you're not relying on people's commitment to things, their wish to do things in the way that we've agreed. All they will do is look to see what the minimum requirements they have to meet in the law are, and so long as they can tick the box to tell you they've done it, that's as far as it will go.

[314] **Sian Gwenllian:** [*Inaudible.*]

[315] **Mark Drakeford:** Well, I don't know, Sian, whether—. I'm not saying for a minute that there aren't examples where people could point to and where you could have a reclassification-type issue that the Chair pointed to, because I've seen examples of that myself. But in many ways that comes back to a point that Jenny made at the end of her last contribution: that effective action in this area relies in the end on the public body as the contractor. They hold the contract and they have to be able to police that contract effectively. If they're able to do that, they will be able to drive out the benefits, including the community benefits, and if they don't do it in that way, then they will become vulnerable to the other party to the contract acting in ways that pay lip service to the contract or don't even do that. So, it really does rely a great deal on the ability and the determination of the public body to monitor that contract to ensure compliance with the contract and to work with their contractors to make sure that they are observing the spirit as well as the letter of the codes.

[316] **John Griffiths:** Okay. Rhianon.

13:30

[317] **Rhianon Passmore:** On that particular point, I fully accept the argument in terms of a consensual approach at this moment, if it's deemed to be working, around the will and the cultural drive in organisations to want to be the best. And I accept that the public body has that oversight role. Going back to evidence that we received earlier, there have been cases, I'm sure, from looking back at that evidence that you will see, whereby that

public body therefore has not maintained that role. So, who is monitoring that oversight? Because it is so important that we maximise and optimise community benefit from the public pound.

[318] **Mark Drakeford:** Well, I absolutely accept, Chair, that Welsh Government has a role in making sure that there are monitoring arrangements in place so that we can track whether community benefits are being secured, and where there is evidence that they are not being, or that they are being observed in a way that is just there to fill the form in, we are able to intervene in that way. I've explained how we've tried to do it in relation to the two-tier code, using the WPC and using our trade union colleagues. They're very, very important partners to us in on-the-ground compliance with these sorts of things, and, at the WPC, you can be sure that if we get reports from employers that everything is fine, and if trade unions think that that has gilded the lily at all, we'll get a very direct challenge to that sort of thing.

[319] In the code on ethical employment and supply chains, we've set up a monitoring set of arrangements there too, and we have the same in relation to community benefits. Now, they don't track every contract, partly because, if you try to do that, the scale would be very significant. But all contracts above a certain value we do monitor, we do receive reports, we are able to let you know the number of jobs that have been secured as a result of them, we're able to tell you how many hours of training have been secured as a result of them, and where there are obvious breaches of those things, then, where they are contractual breaches, it is possible for the public body that's entered into the contract to pursue those breaches in a contractual way.

[320] **John Griffiths:** Could I just say, on these issues, Cabinet Secretary, that, earlier, from the construction sector, we heard a strong plea, really, to take a different approach to procurement and community benefit from procurement, which would put the clients in the driving seat in many ways, so that local authorities, for example, in their view, best know what community benefits need to be delivered locally and might be delivered through procurement, and there could be a regionalisation of those local authorities in terms of procurement, and that they then might set out what community benefits they want over a more extended period of time? Contractors could then come along and say, 'Well, we think we can deliver this bit, or we can deliver that aspect', and it could become less mechanistic, more flexible and, in their view, more meaningful and deliver better. Is that an approach that you might be open to, or one that you'd consider?

[321] **Mark Drakeford:** Well, Chair, I read the evidence that the Wales Construction Federation Alliance had provided to the committee, and my approach to this will definitely be that if there are new ideas or different ways we could do things that would be more effective, then I'm very keen to explore those and to learn from them. So, I have already asked my officials to meet with the alliance, and I think that meeting's arranged for 5 October, to explore the evidence that they've provided to you and some of the ideas—a licensing scheme, for example—so that we can learn more directly from them how they think that might operate on the ground. And if there are ideas that have arisen in the course of the inquiry and from the evidence, where we think that could help us to do a better job in this area, then, of course, we are very open to learning from them. And the regionalisation idea I think would go with some of the grain in the system already. Regional working in north Wales has produced a construction skills academy established with the construction training board—

[322] **Ms Moffatt:** The CITB.

[323] **Mark Drakeford:** CITB—I get the initials mixed up—the Construction Industry Training Board in Wales for north Wales, and some of our proposals in local government for greater regional arrangements I think will be consistent with that as well. So, there's something in here that is going with the grain of Welsh public policy.

[324] **John Griffiths:** Okay. Sian.

<p>[325] <b>Sian Gwenllian:</b> Pa mor bwysig ydy'r gwaith yma—y gwaith caffael—o fewn strategaeth economaidd y Llywodraeth? Rwy'n gwybod ei fod yn dod o fewn eich <i>remit</i> chi, ond os ydy'r Llywodraeth o ddifri yn gweld hwn fel blaenoriaeth ac fel ffordd o yrru newid, a ydy o'n bwysig yn y strategaeth economaidd hefyd?</p>	<p><b>Sian Gwenllian:</b> How important is this procurement work within the economic strategy of the Government? I know it comes within your remit, but if the Government is serious in looking at this as a priority and a way of driving change, is it important in the economic strategy too?</p>
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<p>[326] <b>Mark Drakeford:</b> Mae'n sylfaenol i'r strategaeth economaidd, Gadeirydd, achos pan rwy'n gwneud penderfyniadau gydag aelodau eraill</p>	<p><b>Mark Drakeford:</b> It's at the heart of the economic strategy, Chair, because when I make decisions with other members of the Cabinet on</p>
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y Cabinet ar sut i ddefnyddio'r caffael how to use the procurement that we  
 sydd gyda ni, un o'r pethau rydym have, one of the things that we  
 ni'n ystyried bob tro yw yr effaith ar consider every time is the effect on  
 yr economi—yr economi leol, er the economy—the local economy, for  
 enghraifft. Mae'r CITB wedi dweud example. The CITB has said that

[327] the future of the construction industry in Wales is more optimistic than any other part of the United Kingdom because of the way in which—partly, not wholly—partly because of the way in which the Welsh Government is making major capital investment decisions with their economic impact as one of the most basic factors that we take into account in doing it. So, Sian is absolutely right—

[328] **Sian Gwenllian:** So, we should see an increase in that percentage.

[329] **Mark Drakeford:** We should see more jobs created as a result of it and greater economic impact. And that is certainly part of our ambition—going back to your earlier question—it's part of our ambition for the way that we deploy capital to try and help it not simply to produce the particular building or the particular development, but to drive skill acquisition, broader economic benefit in supply chains locally, and so on.

[330] **John Griffiths:** Okay. Rhianon, briefly. We need to move on.

[331] **Rhianon Passmore:** I'll be brief. In regard to the importance and the driver behind community benefit and what it could mean economically for Wales if it's optimised, one of the things that has been highlighted to us as a committee is the importance, or the potential importance, of a protected delayed payment scheme. So, in regard to your dialogue that you've talked about previously that you will be having, then hopefully that will be something that you will at least consider.

[332] **Mark Drakeford:** Well, we have these discussions. That idea is raised with me during the meetings that I have with the sector. I know they will have said things already to you, Chair, about—I want to say project bank accounts, but I may have got that—

[333] **Ms Moffatt:** So, we've already got a policy around project bank accounts and the Minister's actually asked us to refine that, and we'll be making an announcement on that at Procurex, I think, in terms of actually improving the benefits for suppliers within the supply chain in the

construction industry. And additionally, both the Wales infrastructure investment programme and the new mutual investment model have got community benefits and the code embedded at the heart of them. And in particular on the mutual investment model, the contract management and commercial assurance regime will put a lot more scrutiny from a Welsh Government perspective on those organisations engaged in those PFI and PPP schemes to make sure that the community benefits and adherence to the code are actually complied with.

[334] **John Griffiths:** Okay, and Joyce, did you want to move on?

[335] **Joyce Watson:** Yes. One of the areas in procurement—if we come back to regional investment—one of the community benefits through the core approaches is training and skills. You will know, of course, about the Cyfle scheme. It's the joint scheme between five local authorities in mid and west Wales, and it is the largest in the UK, probably in Europe. But there isn't anything else, which is the point that I'm coming to. So, I'm asking you, Minister—. Except, of course, for north Wales, but there's nothing south. So, I'm asking you whether, when you look at regionalisation, you might look at why it is that within some of our biggest cities, which would probably be procuring the biggest contracts, we're not seeing those skills developments being written into and taken advantage of for the futureproofing of an industry where the average age at the moment is 55, and the majority of the workers are male, excepting the 11 per cent female.

[336] **Mark Drakeford:** Chair, I'm very happy to take up those points. There are some major opportunities to do so with the Swansea city deal, the Cardiff capital city deal, and the metro and so on. There are a series of developments where we're raising those questions and making sure that opportunities that might otherwise be missed are taken up. I'm very happy to provide an assurance that, in the discussions that I have with local authorities and other partners, I'll make sure those questions are raised directly with them.

[337] **Joyce Watson:** One of the other issues that has clearly come out of this is the inadequacy—not my word, but I've been told—about procurement officer investment by local government. Very often, in most cases where the budgets are being reduced, which they are, the squeeze has fallen on the investment in procurement officers, and if the officers who are procuring the contracts aren't there, and don't have the necessary skills, then it would be little wonder that some elements of that are falling further down the chain.

[338] **Mark Drakeford:** I think those are very genuine concerns, and the need to build up the capacity of people who are involved in major decisions about very significant sums of public money, and who then have the responsibilities we were talking about earlier of managing those contracts and ensuring that the benefits are seen through—we need to make sure that local authorities and others don't regard those as simply back-office, mechanical-type functions. They're much more important than that. Are things as we would like them to be? No, they're not. Things do definitely need to be improved, and we've had a series of discussions with Professor Kevin Morgan—for example, his assessment of the Home Grown Talent project and others. There are a number of steps, Chair, that we are taking already, and will go on taking, to try to promote the importance of the procurement profession, and to make sure that we have an adequate supply of properly trained and committed people to do this very important work.

[339] So, we're going to have a new programme for procurement, as I said earlier to you, Chair, trying to make sure that we've got our procurement services for the future in a place where they will be able to respond to the new landscape. People in that—making sure we've got people trained and ready to do the job—will be part of that. We hope to be able to have a new apprenticeship scheme in procurement so that we have a pipeline of talent coming through for the future. We carry out a series of procurement fitness checks, a programme that Jane Hutt instigated when she was finance Minister, in which we report on the fitness of public sector organisations to carry out these responsibilities, and as part of those checks, we're going to put a new emphasis on professional development opportunities for people doing these jobs, to make sure that they are properly valued and that investment is made in them. We are putting a greater effort—and Sue is particularly important in doing this—into making sure that the most senior staff in procurement in Wales are linked into networks, not just in Wales, but beyond Wales in other parts of the United Kingdom, so that we have the leadership that we need for procurement professionals in the future as well. So, I wanted to say explicitly that I recognise the points that Joyce Watson has made, but also to say that there are a series of ways in which we are taking action to try to make sure that we have more of a focus on making sure that we have people properly equipped, properly trained and properly valued to do these very important jobs.

13:45



[340] **John Griffiths:** Okay, thanks for that.

[341] **Jenny Rathbone:** Can I just quickly—?

[342] **John Griffiths:** If it's very quick, because—

[343] **Jenny Rathbone:** Very quickly, if SQuID is working—if the supplier quality information database is working—why do you need these additional checks? Isn't that going to be sufficient to make sure that they're fit for purpose?

[344] **Mark Drakeford:** The procurement fitness check is much broader than SQuID. SQuID is an important component in it, but the procurement fitness checks are about this much broader landscape that we've been talking about this afternoon in terms of the way that local authorities, for example, use their purchasing power to create economic impact in their areas and so on.

[345] **Ms Moffat:** If I could just add to that, SQuID is about having a standard pre-qualification questionnaire so that suppliers aren't burdened with filling it in for every organisation. The fitness checks measure almost every aspect of procurement, from whether or not the organisation is e-enabled and doing electronic tendering, through to how they train and develop their staff as well, and their internal policies and processes. So, the fitness checks are much broader and we're working through refreshing those at the moment.

[346] **Jenny Rathbone:** Okay, thanks.

[347] **John Griffiths:** Okay, and Rhianon on Better Jobs Closer to Home.

[348] **Rhianon Passmore:** Thank you, Chair. Further to the actions that have been taken around blacklisting and umbrella working, and also the work around two-tier that you mentioned earlier, can you outline the intended impacts of the four pilot projects I believe that Welsh Government is hoping to reserve for procurement? Also, there have been issues identified—. Sorry, this is around the Valleys taskforce. The Wales TUC, according to this, has identified that there have been some reservations about moving this forward in terms of departmental working. So, I don't know if you have any comment on their comment.

[349] **Mark Drakeford:** Chair, I'm not ministerially responsible for Better Jobs Closer to Home.

[350] **John Griffiths:** No.

[351] **Rhianon Passmore:** I thought not. You're going to pass it.

[352] **Mark Drakeford:** And nor, indeed, am I a member of the Valleys taskforce, which is where Ministers, collectively, have oversight of it. I know of it, of course, because it is discussed regularly at the workforce partnership council, because of the trade union interest in it. So, you're right, Rhianon, there are four pilot projects—two of them are due to begin in April—each one of them with a plan to try to extend their scope and their impact. The TUC has been concerned at some points as to whether or not there is a collective Government effort behind them all. It's why the First Minister has asked Julie James to take a sort of ministerial lead in relation to Better Jobs Closer to Home, and to make the Valleys taskforce the place where that sort of plugging together of all the different bits of Government takes place.

[353] **John Griffiths:** Okay, Cabinet Secretary. Obviously, we can write to other Government Ministers on these matters. Sian Gwenllian, then, on procurement and gender equality.

[354] **Sian Gwenllian:** Rydych chi'n **Sian Gwenllian:** You know, of course, gwybod bod gen i ddiddordeb that I have an interest specifically in penodol yn y maes yma. Faint o this area. How much use does Welsh ddefnydd ydy Llywodraeth Cymru'n ei Government make at the moment of wneud ar hyn o bryd o gaffael fel procurement as a way of promoting ffordd o hybu merched yn y byd women in work? Is it part of the gwaith? Ydy o'n rhan o'r broses o process at all? gwbl, felly?

[355] **Mark Drakeford:** I might ask Sue to give the more specific detail, but of course, it is legally possible to include gender as one of the considerations in the way that contracts are let and are pursued and we are very keen indeed to make sure that, in the construction community, for example, where women are so badly underrepresented, we take what action we are able to, through the various mechanisms available to us, to try to use procurement as one of the ways in which we can improve the performance of that industry here in Wales.

[356] **Ms Moffatt:** So, in terms of, more broadly, gender equality, the Welsh Government is committed to the Stonewall index, and we're raising

awareness of organisations signing up to the Stonewall index. There are a range of policies that comply with the Equality Act that we actually make sure are embedded into the strategic risk assessment tool that's actually applied to all procurements over 25,000. And that's from a Welsh Government perspective and there is guidance available to organisations, and we have seen specific community benefits approaches aimed at raising the number of women in construction, for example. But it's very difficult to mandate because, once you get into the regime of mandation, there's actually evidence that it can actually distort the outcomes and have a negative effect rather than a positive effect. So, it's making sure that whatever we do, from a policy perspective, is appropriate and proportionate.

[357] **Sian Gwenllian:** Mae Chwarae Teg, wrth gwrs, yn defnyddio enghraifft Berlin fel enghraifft dda iawn o beth sy'n gallu digwydd lle mae yna gontractau mawr ar gyfer cwmnïau efo mwy nag 11 o weithwyr. Mae'n rhaid cynnwys mesurau hyrwyddo menywod, ac mae yna lawer o ffyrdd o wneud hynny ynglŷn â gweithio oriau hyblyg, tâl cyfartal a chyfleusterau gofal plant ac yn y blaen. Dyna'r math o beth rydw i'n ei ofyn. Mae o'n bosib i'w wneud. A oes gennych chi awydd, ac a ydych chi'n mynd i symud i'r cyfeiriad yna?

**Sian Gwenllian:** Chwarae Teg, of course, do use the Berlin example in relation to what can happen where big contracts for companies with more than 11 employees are in existence. They have to include measures to promote women, and there are many ways of doing that, like flexible working hours, equal pay and childcare facilities and so on. That's the sort of thing I'm asking. It's possible to do it, isn't it? Do you have any desire to do so? Are you going to move in that direction?

[358] **Mark Drakeford:** Wel, Cadeirydd, gwelais i'r dystiolaeth gan Chwarae Teg am Berlin ac, i ddweud y gwir, nid oeddwn i, yn bersonol, yn gyfarwydd â'r hyn y maen nhw'n ei wneud yn Berlin. So, rydw i'n mynd i ofyn i Sue a phobl sydd yn gweithio yn y maes i gasglu mwy o wybodaeth i ni, ac i siarad â Chwarae Teg, jest i gael mwy o wybodaeth ganddyn nhw am beth y maen nhw wedi'u wneud yn Berlin yn barod, beth yw'r effaith o'r hyn y maen nhw wedi'i wneud, ac

**Mark Drakeford:** Well, Chair, I saw the evidence from Chwarae Teg about Berlin, and I personally, I have to say, wasn't familiar with what they were doing in Berlin. So, I am going to ask Sue and the people who work in this field to gather more evidence for us and to speak to Chwarae Teg to get some more information about what they have done in Berlin already, what the effect has been of what they've done, and whether it would be possible to transfer what they've

a yw hi'n bosib i drosglwyddo'r seen there that has been effective to  
pethau y maen nhw wedi'u gweld help us here in Wales.  
yno, sydd wedi bod yn effeithiol, i'n  
helpu ni yng Nghymru.

[359] **Sian Gwenllian:** Ocê, diolch. **Sian Gwenllian:** Okay, thank you.

[360] **John Griffiths:** Okay. Rhianon.

[361] **Rhianon Passmore:** Very briefly on that particular point in terms of the—. You've answered partly what I was going to ask. There is great practice out there, and USA legislation has some very important—what they call—'goals' that have been achieved now around women in business—5 per cent of those procurement contracts. So, there is a lot of information out there in terms of what others are doing that we could possibly hope to emulate. So, I would look forward to that research.

[362] **Mark Drakeford:** Well, Chair, for those of us who are not attracted to the fact that we are leaving the European Union, one of the things that we might be able to take some advantage from is that it may give us some new flexibilities in the procurement field and weigh ability to learn some things from other places that, at the moment, the way the rulebook that we have bought into doesn't allow us to do. That's partly why we're keen to have this refresh of the way the National Procurement Service and Value Wales will operate.

[363] **Sian Gwenllian:** A ydyw **Sian Gwenllian:** Is that entirely hynny'n hollol gywir, felly, fod y *state* accurate, therefore, that state aid, for *aid* ac yn y blaen wedi bod yn ein dal example, has been holding us back, ni'n ôl, ac efallai bod yna gyfle? and maybe there is an opportunity Achos mae yna *directives* ers 2014 here? Because there are directives in sydd wedi helpu llacio pethau. Mae place since 2014 that have helped to gwledydd fel Ffrainc yn llwyddo i'w make things a little easier. Countries wneud o fewn yr Undeb Ewropeaidd, like France, for example, are able to felly—. do it within the European Union, so—

[364] **Mark Drakeford:** I understand that point. What you get told all the time is that the European rulebook is a straightjacket and prevents us from doing all sorts of things. I'm not completely convinced myself that when you look into that in more detail it is necessarily like that, but it is still true that there

may be opportunities after 2019 to do some procurement things in a way that we can design it more directly ourselves, and therefore make some of these things more directly aligned with Welsh needs and circumstances. If it is, I just think we ought to try and take advantage of it.

[365] **John Griffiths:** Okay. Could I just ask a question in terms of procurement based more on best value rather than lowest cost, Cabinet Secretary? We heard from Federation of Small Businesses Wales that they considered that the current balance isn't optimum, and that if there was more of a move towards what they might consider better value rather than lowest cost, this would allow greater community benefit. Also, they had a point about self-employed people being enabled to take up insurance for sick pay and other forms of leave and that not fitting with the current model of lowest cost. Are those issues that you recognise and are considering?

[366] **Mark Drakeford:** Well, look, I fully agree that people who are self-employed bidders for contracts should be able to factor in all the costs associated with their bid, and the sort of costs you've just outlined seem to me completely legitimate costs that they should be able to include. It would not be an accurate characterisation, however, of the way that we do contracting in Wales to say that all we're interested in is the lowest cost. We are clearly not. You know, when you look at the way the contracts and tenders are constructed, cost is bound to be a factor. In an age of austerity when there isn't enough money to go round, it is inevitable that public bodies will be looking at the cost element of it, but that is one element in what will always be a more complex set of factors.

[367] Just to give you one example, when I was the health Minister in the Welsh Government, I would see almost every week contracts come across my desk that were being let by the NHS in Wales. Cost would be a factor, but clinical effectiveness would always have a higher weighting in the way the contract was let than cost would do. So, if you're going out to buy surgical instruments, for example, then the top—and these things are all scored, as you know—the highest percentage, the greatest weighting, in any contract would always be: 'Are these the most clinically effective instruments to buy?', not 'Are they the cheapest ones to buy?' So, the FSB—we'd have a conversation with them about how good we are at achieving that goal, but the goal is a shared one. We're interested in greatest value, not lowest cost.

[368] **John Griffiths:** Okay, thank you for that, Cabinet Secretary. And finally—and I know we've only got a few minutes left—Rhianon, some

questions on the social care sector.

[369] **Rhianon Passmore:** Thank you. In regard to the requirements of the code of practice and the action we're already in the process of on zero-hours contracts in regard to social care, what assessment have you made as to how these could impact on employment conditions in the social care sector.

[370] **Mark Drakeford:** Well, Chair, we are very well aware as a Government of the fragile nature of the social care sector and the need to improve the status and the value attached to the workforce there. We have to be very careful. When I was taking the Regulation and Inspection of Social Care Bill through the Assembly, I was sternly lectured by lawyers from one end of the day to the other on the fact that, for the National Assembly to legislate, employment is not a devolved matter; social care is. So, what we had to demonstrate, but were able to demonstrate, I felt, very clearly through the work done by Manchester Metropolitan University, was that, if you have decent terms and conditions for your staff, that leads to better quality of care outcomes for individuals, and that's why we are legitimately able to take an interest in things like zero-hours contracts.

[371] So, you will know that Rebecca Evans, using regulations from that Act, has been consulting on a number of actions—for example, requiring employers, if someone's been on a zero-hours contract for 12 weeks, to offer them a fixed-hours contract, based on the average number of hours worked during that 12-week period. That's because those actions, which are entirely consistent with the code, tell us that, if you've got a workforce that feels valued and is properly respected and rewarded, they are able to do a better job, and that's to the benefit of the people relying on their service.

14:00

[372] **Rhianon Passmore:** Thank you. And I've got a further question in regard to Unison's comment that local authorities' care contracts are not in a position to be able to meet basic employment standards, and that further additional funding is necessary to be able to ensure that procurement is conducted on a best-value basis. How would you respond to that?

[373] **Mark Drakeford:** Well, this Government provided £55 million extra for social care services in our budget for this financial year. That included £19 million directly to help take account of the so-called living wage in social care. I intend to make that £19 million recurrent. Now, I'm not saying for a

minute that that takes the problem off the table because we know how hard things are in our public services and the challenges that our local authorities face in trying to meet all the different demands that they face for services, but what I have said to local authorities is that we have to have a tripartite solution here.

[374] The Welsh Government will try to play our part, and the £19 million that we put on the table, and £10 million of that was part of our agreement with Plaid Cymru at the last budget round—we will put £19 million on there. Local authorities have to make a contribution in the way that they organise and procure their services, and employers have to make a contribution as well. If, through the actions of public authorities, we have a profession in the future that will be registered, because we're going to make it a registered profession, if we're going to have it better rewarded and better recognised, they will see the benefit as employers, because they will have people who will be willing to stay longer with them, they won't have 30 per cent of their workforce turnover every year, and that means they won't have recruitment costs, they won't have training costs, and they will have people whose skill levels will be improving and will therefore be able to make a better contribution to their businesses. Those businesses have to be willing to recognise that investment by being part of this tripartite solution. If we all play our part, then there is a fighting chance that we will be able to do the sort of things we'd like to see done for the profession in Wales.

[375] **Rhianon Passmore:** Okay, thank you.

[376] **John Griffiths:** Okay, thank you very much, Cabinet Secretary, and your official, for coming along to give evidence this afternoon. You will be sent a transcript to check for factual accuracy in the usual way. Thank you very much. Diolch yn fawr.

[377] **Mark Drakeford:** Thank you very much. Diolch yn fawr.

14:02

### **Papurau i'w Nodi Papers to Note**

[378] **John Griffiths:** We move on, then, to item 5, which is papers to note. Is committee content to note those papers?

[379] **Bethan Jenkins:** I just wanted to ask a question about one of the letters from the Welsh Refugee Coalition—it mentions that they've asked for a meeting with you, so I was just wondering whether you had met with them or whether you were intending to, because I agree with them in that we need to track the outcomes of the report on refugees and asylum seekers.

[380] **John Griffiths:** No, I haven't met with them, but I've every intention to meet them, Bethan. It's something I'm sure Naomi, as the clerk, will pursue. Similarly, with the letter from the human rights commission—they too are seeking a meeting, which we will facilitate. I'm always very happy to meet and then obviously report back to committee.

[381] **Bethan Jenkins:** Fab. Brilliant.

[382] **John Griffiths:** Okay, any other points on those papers or any other papers, or is the committee happy to note? Okay. We note those papers.

14:04

**Cynnig o dan Reol Sefydlog 17.42(vi) i Benderfynu Gwahardd y  
Cyhoedd o Weddill y Cyfarfod  
Motion under Standing Order 17.42(vi) to Resolve to Exclude the Public  
from the Remainder of the Meeting**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu that the committee resolves to  
gwahardd y cyhoedd o weddill y exclude the public from the  
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in  
17.42(vi).*

*accordance with Standing Order  
17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[383] **John Griffiths:** The next item, item 6, is a motion under Standing Order 17.42(vi) to resolve to exclude the public from the remainder of the meeting. Is committee content so to do? Thank you very much. We'll move into private session.

*Derbyniwyd y cynnig.*



*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 14:04.*

*The public part of the meeting ended at 14:04.*