



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Menter a Busnes **The Enterprise and Business Committee**

Dydd Mercher, 8 Mai 2013
Wednesday, 8 May 2013

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cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

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

Byron Davies

Ceidwadwyr Cymreig
Welsh Conservatives

Keith Davies

Llafur
Labour

Julie James	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
David Rees	Llafur Labour
Joyce Watson	Llafur Labour

**Eraill yn bresennol
Others in attendance**

Huw Lewis	Aelod Cynulliad, Llafur, y Gweinidog Cymunedau a Threchu Tlodi Assembly Member, Labour, the Minister for Communities and Tackling Poverty
Eleanor Marks	Is-gyfarwyddwr yr Is-adran Cymunedau, Llywodraeth Cymru Deputy Director of Communities Division, Welsh Government
Bon Westcott	Pennaeth Diwygio Lles a Chyswllt â'r Adran Gwaith a Phensiynau, Llywodraeth Cymru Head of Welfare Reform and Department for Work and Pensions Liaison, Welsh Government

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

Ffion Emyr Bourton	Dirprwy Glerc Deputy Clerk
Hannah Johnson	Y Gwasanaeth Ymchwil Research Service
Siân Phipps	Clerc Clerk

*Dechreuodd y cyfarfod am 9.01 a.m.
The meeting began at 9.01 a.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions**

[1] **Nick Ramsay:** Good morning. I welcome Members, witnesses and members of the public to this morning's meeting of the Enterprise and Business Committee. The meeting is bilingual; headphones can be used for simultaneous translation from Welsh to English on channel 1 or for amplification on channel 0. The meeting is being broadcast and a transcript of the proceedings will be published. Members, please turn off your mobile phones. There is no need to touch the microphones as they will operate automatically. In the event of a fire alarm, please follow the ushers. We have one apology today from Dafydd Elis-Thomas and no substitutions.

9.02 a.m.

**Effaith y Diwygiadau Lles yng Nghymru—Sesiwn i Graffu ar Waith y
Gweinidog
The Impact of Welfare Reforms in Wales—Ministerial Scrutiny Session**

[2] **Nick Ramsay:** At this morning's session we are looking at the impact of welfare reforms in Wales and we have a ministerial scrutiny session. This is a one-off session on the implications of the UK Government's welfare reforms in Wales. Although welfare is not devolved, this is our opportunity to scrutinise the Welsh Government on how it is adhering to the programme for government commitment to mitigate the impact of the changes to the benefit system proposed by the UK Government in the Welfare Reform Act 2012.

[3] I extend a warm welcome to our witnesses. Thank you for being with us this morning. Minister, would you like to give your name and position for the record, and your officers' names as well?

[4] **The Minister for Communities and Tackling Poverty (Huw Lewis):** My name is Huw Lewis; I am the Minister for Communities and Tackling Poverty. On my left is Eleanor Marks and Bon Westcott is on my right.

[5] **Nick Ramsay:** Many thanks for being with us this morning. We have many questions for you, so, rather than having an opening statement, I propose to go straight into those. The first question is from Mick Antoniw.

[6] **Mick Antoniw:** Morning, Minister, and thank you for your paper, which provides a lot of background information on the impact. One of the dilemmas is that benefits are not devolved, but the consequences are. Sheffield Hallam University research shows that, by 2014-15, our people will be suffering a loss in the region of over £1 billion a year. Minister, your paper is fine in telling us what the dilemma is, but there is very little in there on what the Government's strategy is. Can you elucidate what the Government's strategy is for mitigating the effects and the impact of welfare reform changes?

[7] **Huw Lewis:** That is a very important question. As you say, welfare is not devolved in the round, although an argument could be made that council tax benefit and the social fund, as it was, have been devolved. However, you could also argue that that was not proper devolution, because it was two elements of the welfare benefits system effectively being dumped on the Welsh Government and local authorities in Wales without negotiation and without proper arrangements being put in place, and complete with budgetary cuts as part of the package. I am afraid that playing catch up with that sort of agenda, as regards what the UK Government is doing to the benefit system, has to be the theme in terms of developing a strategy to mitigate some of the issues that have been foisted upon Wales by these reforms.

[8] In large part, this is a one-sided conversation. There was no devolutionary negotiation around council tax benefit. Similarly, there was no negotiation around the social fund. Universal credit and the effect that it has on passported benefits, which is at the centre of my concerns at the moment, is similarly a situation where you could make out a reasonable case for the UK Government forgetting about the implications of devolution and not taking them on board as part of the reform calculations. In other words, our strategy has been, and, to some extent, has to be, to take a piecemeal series of steps in an attempt to cope with an agenda over which we have no control. So, while there is good operational discussions between officials in the Department for Work and Pensions and officials in the Welsh Government—I would not fault that for a moment—and they have been frequent and constructive—

[9] **Nick Ramsay:** Excuse me, Minister. [*Inaudible.*—finish what you are saying, but

your microphone is not working.

[10] **Huw Lewis:** Great; I was on a roll then, Chair. Does that mean that I have to say all of that again?

[11] **Nick Ramsay:** It does not seem that a lot of what you said was lost.

[12] **Huw Lewis:** Thank goodness for that. Is this new microphone okay? Good. Where was I?

[13] **Mick Antoniw:** You mentioned a piecemeal series of steps.

[14] **Huw Lewis:** Yes. At present, the area of greatest concern is the roll-out of universal credit and what that means, not just in terms of the administration of universal credit on the ground, which is a big enough question when you consider the online nature of that set-up, but also the impact on passported benefits, which cover multiple areas of Welsh Government activity. Quite a number of those have legislative implications if they were to be changed, and there is a lack of clarity coming from the UK Government about how universal credit will continue to be something that we have sufficient detail about in order to be able to passport fairly. Currently, we have no data from the UK Government that would enable us to fairly direct free school meals, for instance. We can manage in the interim between now and phase 2 of universal credit in October, because potentially only tiny numbers of people would be emigrating from universal credit areas in the north of England into Wales. That is a manageable situation. However, from there on, how can we be sure that, for instance, free school meals would be passported fairly if we do not have the proper income threshold data emerging from the DWP? We do not have it yet and the clock is ticking.

[15] **Mick Antoniw:** To follow that through, Minister, what exactly is the Government's strategy?

[16] **Huw Lewis:** The Government's strategy, as the programme for government lays out, is to mitigate as best we can the real effects of the welfare reform packages in terms of the scale of the impact. The Institute for Fiscal Studies and Sheffield Hallam University studies have made apparent to us the sheer scale of the economic impact on people's incomes. Also, we must attempt to identify the most vulnerable people and places, and attempt, as best we can, to mitigate the destabilising effects that those changes might have on families, or even whole communities. As I say, we are being forced, by necessity, into a situation that, I have to say, is more tactical than strategic, Mick.

[17] **Mick Antoniw:** Yes, but what is the actual strategy and plan of what the Government intends to do? For example, we might be faced with evictions; there are a whole series of housing associations facing considerable dilemmas. Is it, for example, the Government's intention to pull together the housing associations and housing bodies in order to have a common position on minimising any evictions, or losses of accommodation, and so on? What are the practical steps that you will take and how will that be implemented, bearing in mind that the power in terms of most of these is spread across other ministerial portfolios?

[18] **Huw Lewis:** We have, of course, the bringing together of the Ministers concerned. As I mentioned, which you quite rightly point out, the implications of welfare reform range across the Welsh Government. Our ministerial task and finish group, which I am now chairing, brings together on a regular basis the Ministers who are affected. Those meetings have been very helpful in terms of making sure that we understand the scope and depth of what we are up against here.

[19] I think that you need to approach the Minister for Housing and Regeneration about

the specifics regarding the question of evictions and so on. At the moment, the situation reflects the tactical approach that I have mentioned. Despite the IFS study and the Sheffield Hallam study, it is unclear how people will cope or react to some of the welfare benefit changes. We now know the figures, but we do not understand the human reaction to those figures. It is impossible to say that such and such—[*Interruption.*]

[20] **Nick Ramsay:** Minister, as you have said, this is out of your control, and it is being foisted upon you, but if they react badly, what can you do? Can you do anything?

[21] **Huw Lewis:** We cannot do everything. That much is clear. When I mention the human reaction, and if, for instance, we took the bedroom tax as an illustration, a case could be made that simply because of the make-up of our housing stock, we will not see large numbers of people migrating into smaller properties. That is physically impossible. We could either see people staying put and taking the hit somehow—using savings and debt, and essentially cutting out all other expenditure to address the central utility and rent bills that they face, and their standard of living plummeting because of that—or we could see people be destabilised to the extent that they will be forced out of that accommodation. No-one knows what percentage of people will do one or the other.

[22] **Mick Antoniw:** My concern, Minister, is that it does not appear that there is a clearly thought out strategy. I understand that there are things that are unclear and uncertain in terms of the impact, but let us take one area that we do know about—the £22 million that the Government had to put in in respect of the council tax benefit. We know that that was effectively a one-off last year, and we know that that was to mitigate the immediate impact of that benefit change being imposed on the Welsh Government in a very short space of time. What, for example, is the strategy for next year? Is it the Government's intention, for example, to try to do that again, or, alternatively, what is the fall-back strategy in terms of preparing people for the fact that there will be a change, and that some people will start to pay council tax who have not done so before?

[23] **Huw Lewis:** We cannot say what it will be. To impose some kind of grand strategy upon the situation, to my mind, would be to presuppose the knowledge that we do not have. If someone were to come to me with some kind of strategy built on clever ideas, loopholes and insights that do not seem to be available to the rest of us, I would leap upon them, and I think that our problems would be solved. However, if you take a look at the way that the Scottish Government is dealing with the very same issues, you will find the very same response up in Edinburgh in terms of what is happening in Scotland. There are too many unknowns within the situation. Most of all, those unknowns within the passported benefits regime, which are causing me a great deal of concern at the moment, are of highest concern to me just now because they need not be unknown. If the information were to be passed to us in terms of income thresholds within the new universal credit system, we could develop a coping strategy very quickly.

9.15 a.m.

[24] **Nick Ramsay:** Minister, is this just with the current UK Government, or do you think there is a devolution gap here? If decisions of this type are being taken—it seems to me that you, and you are new to your current job, or the Welsh Government have not been involved in them at all. Could that be addressed in some better settlement?

[25] **Huw Lewis:** I am not quite clear, Chair, about the thrust of your question.

[26] **Nick Ramsay:** It seems to me that you are saying that you are being left to, ideally, sort out the repercussions of UK Government policy. Constitutionally, and strategically, would it be better if you were involved earlier?

[27] **Huw Lewis:** Absolutely, yes. As I say, there has been good operational co-working between the Welsh Government and the Department for Work and Pensions. In many ways it cannot be faulted. However, in terms of the grand strategic thrust of the UK Government's welfare reform, there has been a blind spot, to my mind, in terms of devolution—except where it serves a purpose, frankly, in terms of shuffling off things like council tax benefit and the social fund, in what I believe is a cynical, money-saving exercise.

[28] **Nick Ramsay:** It seems to me that, policies aside, in what the UK Government is doing, there has been no communication, and probably not for a long time. You are in the Minister in charge, and so we would ask you what you would do about it, but actually you have come in at the very end, so it seems unreasonable.

[29] Passported benefits were mentioned. Joyce Watson has a question on that, and then I will go back to Dave Rees.

[30] **Joyce Watson:** Good morning, Minister. I do not know whether you are able to give any clarification on the current situation—it seems that you are not—regarding the passported benefits, and how the UK Government is considering revising the eligibility criteria for those.

[31] **Huw Lewis:** As I say, it is an important question, Joyce, and we are wrangling with the difficulties of this as I speak. There are quite a large number of passported benefits, which range across Welsh Government activity from the educational side of things to the housing side, the health side, and so on. Each of them has slightly different characteristics, and these have grown up over time as a result of the policy of various Welsh Governments since devolution. I mentioned that Scotland is in a similar situation, but so are other Whitehall departments as regards the situation in England. It does seem as if either we are being presented with a situation where the Minister responsible for welfare reform at Westminster has not considered the implications of universal credit on passported benefits, or the Minister does understand, but the data that we need are not forthcoming for some reason or another. We desperately need the income threshold data to establish a fair system.

[32] I have my political objections to what the UK Government is doing here, and that is one thing, but what matters as much as that is that Governments work together to enable whatever comes out of the end of this policy sausage machine to work as best it can for communities. If we remain in a situation, come the turn of the financial year next year, where universal credit is simply a black box into which we cannot delve to discover whether someone is, for instance, eligible for free school meals, then the passported benefits system will be in danger of collapse. The UK Government needs to understand that. We need time to put together the systems that will enable those various passported benefits to continue to operate. At the moment, we do not have that information.

[33] **Joyce Watson:** Can I explore further the implication of the delivery of passported benefits? If we look at free school meals, for example, we will see that they are used by you as a Government as a poverty indicator, and there are other packages that we put into an area as a consequence of that indicator. Without the knowledge of the threshold you cannot put your criteria and policies together to deliver. Are those areas in real danger of being even more adversely affected than we might first have thought as a consequence of these changes?

[34] **Huw Lewis:** The danger is very real. We are not quite there yet. You are right to say that free school meals, for instance, are used as a proxy for all sorts of measures that we use, particularly surrounding poverty levels. The Welsh index of multiple deprivation, for instance, would have a great big hole blown in it if we were unable to identify accurately those communities where free school meals, as we have measured them in the past, are of a certain level. Thus far, we are able to cope, and the Scots are doing this too, through the idea

that, if anyone migrates into Wales who is on universal credit and they have school-age children, they will be eligible for free school meals. However, that measurement, if rolled out across the population as a whole, would be so crude as, potentially, to make a nonsense of the free school meals system and everything else that is built upon it and the issue of fairness would become a hot topic in political debate, and it need not be.

[35] **Joyce Watson:** May I explore this further? You have mentioned Scotland several times. It consulted on changes to eligibility criteria for the passported benefits in June 2012 and laid regulations in February. How do we compare with Scotland in this instance?

[36] **Huw Lewis:** We are just about in the same place. Scotland did that in June 2012, but that was a high-level, in-principle consultation and did not get into the nitty-gritty of how each individual passported benefit might work, because the Scots did not have the wherewithal or the information to be able to do that either. There is a slight difference in approach in that the Scots have taken quite a centralised look at all the various passported benefits that flow through the Scottish Government and local authorities, whereas in Wales we are looking at this much more in a department-by-department way. You can argue the merits of either case, but, essentially, the Scots and we are in the same place at the moment as regards the amount of knowledge that we have, as opposed to the amount of knowledge that we need.

[37] **Joyce Watson:** That being the case, Minister, what do you think that your next step will be in revising those criteria for passported benefits, and have you any idea of the timescale that might fall out from that?

[38] **Huw Lewis:** I will meet Lord Freud next month, and I regard that meeting as absolutely crucial in our gaining some traction as regards the clarity that we need. We need to understand how what, at the moment, is the black box of universal credit is made transparent so that we can understand which households are on various income thresholds. Without that, universal credit becomes an unmanageable instrument when it comes to being fair as regards passported benefits, and we run the risk of our passported benefits system becoming destabilised, unmanageable and, certainly, unfair.

[39] **Nick Ramsay:** There is a supplementary question from Alun Ffred Jones.

[40] **Alun Ffred Jones:** Byddaf yn ei ofyn yn Gymraeg. Rwyf eisiau mynd yn ôl at bwynt a godwyd gan Mick Antoni, sef mater datganoli budd-dâl y dreth gyngor. Roeddech yn dweud, Weinidog, nad oedd gennych wybodaeth ddigonol am y sefyllfa oherwydd diffyg gwybodaeth wrth y Llywodraeth yn Llundain, ond roeddem yn gwybod am ddatganoli budd-dâl y dreth gyngor 15 mis yn ôl. Gwnaethpwyd penderfyniad ar ddechrau eleni i geisio lleddfu effeithiau hynny. Beth yw bwriad y Llywodraeth ar gyfer y flwyddyn nesaf, gan ein bod yn gwybod beth yw'r sefyllfa ynglŷn â hynny?

Alun Ffred Jones: I will ask it in Welsh. I want to return to a point that was raised by Mick Antoni, namely the issue of the devolution of council tax benefit. You said, Minister, that you did not have adequate information about the situation because of a lack of information from the Government in London, but we knew about the devolution of council tax benefit 15 months ago. A decision was made at the beginning of this year to try to mitigate the impacts of that. What is the Government's intention for next year, as we know what the situation is in that regard?

[41] **Huw Lewis:** That is primarily a question for the Minister for local government—

[42] **Nick Ramsay:** It is not a question for this committee, then.

[43] **Huw Lewis:** No, and it is not a question that, respectfully, Chair, I can give a solid answer to at present. We have to remember that the devolution of council benefit does not exist in a vacuum; it exists in a context of wholesale welfare reform, combined with a downward pressure, which is quite unprecedented, in terms of the public purse. So, no guarantees can be made at this stage about what becomes of council tax support next year.

[44] **Alun Ffred Jones:** Fodd bynnag, gan fod y maes hwn yn gyfrifoldeb i chi, pa drafodaethau ydych chi wedi eu cynnal efo'r Gweinidog llywodraeth leol ynglŷn â chynlluniau'r Llywodraeth yn y maes penodol hwn?

Alun Ffred Jones: However, as this area is your responsibility, what discussions have you had with the Minister for local government regarding the Government's plans in this specific area?

[45] **Huw Lewis:** As I said, we have our ministerial task and finish group, which meets regularly to discuss those issues. I will be getting together with the Minister for local government very soon to discuss this specific item.

[46] **Alun Ffred Jones:** O ran y grŵp sy'n cyfarfod o dan eich cadeiryddiaeth chi, a oes cofnodion yn cael eu cadw fel ein bod yn gallu gweld datblygiad barn y Llywodraeth?

Alun Ffred Jones: With regard to the group that you chair, are minutes taken so that we can see the development of the Government's thinking?

[47] **Huw Lewis:** They are not published minutes.

[48] **Alun Ffred Jones:** Iawn, diolch. Bu ichi ddweud yn gynharach bod diffyg gwybodaeth yn llesteirio'ch gallu i ffurfio ymateb cyfansawdd a bod gennych gyfarfod gyda'r Arglwydd Freud yn fuan. Pa mor aml y mae cyfarfodydd yn cael eu cynnal rhwng Llywodraeth Cymru a'r Adran Waith a Phensiynau? Pryd y cynhaliwyd y cyfarfod diwethaf, er enghraifft?

Alun Ffred Jones: Okay, thank you. You said earlier that a lack of information was hampering your ability to draw up a comprehensive response and that you have a meeting with Lord Freud soon. How often are meetings between the Welsh Government and the Department for Work and Pensions held? When was the last meeting held, for example?

[49] **Huw Lewis:** I can certainly get you all of that information. As I said, they are held regularly at an official level. I would not like to hazard a guess as to a list at the moment.

[50] **Ms Westcott:** We have official meetings on both a weekly and a monthly basis, and there is contact on a daily basis.

[51] **Alun Ffred Jones:** Os oes cyfarfodydd mor aml â hynny, byddai rhywun yn disgwyl bod cryn dipyn o wybodaeth yn dod i'r Llywodraeth mewn cyfarfodydd o'r fath.

Alun Ffred Jones: If meetings are held that frequently, one would expect quite a bit of information to be provided to the Government in such meetings.

[52] **Huw Lewis:** Yes, you would.

[53] **Alun Ffred Jones:** A ydych yn dweud nad oes gwybodaeth, neu ychydig iawn? A yw hynny'n wir?

Alun Ffred Jones: Are you saying that there is no information, or very little? Is that the case?

[54] **Huw Lewis:** There are certain items of critical information that are not forthcoming. As I said, the internal income thresholds for universal credit are the most obvious. Without those, our entire passported benefits system is in jeopardy. We have made repeated requests

for those data to be forthcoming. We are assured that everything will be all right on the night, but it strikes me that, if those data are not in existence somewhere at the moment, then they ought to be, and, if they are, why are they not being made available?

[55] **Nick Ramsay:** When have you been told you will receive that information, Minister?

[56] **Huw Lewis:** Have we been told?

[57] **Ms Westcott:** As the Minister has said, a number of issues are outstanding, such as roll-out plans for universal credit, in terms of when Wales will see universal credit being introduced, the volumes of customers who might be claiming universal credit during that roll-out period, and the longer-term migration plans, as well as absolute assurance over the earnings thresholds and some of the design detail.

[58] As for when we will be told, as the Minister has indicated, we do not think that anyone is sitting on information; it is purely the case that the nature of the universal credit project is that detail continues to emerge. So, what we have been promised is that, as soon as information is available, it will be shared with us.

[59] In relation to the roll-out plans, the department was hoping to share those at any time from May of last year, and they are still under review.

[60] **Nick Ramsay:** There are a couple more questions. Keith Davies has the next one.

[61] **Keith Davies:** Gofynnaf yn Gymraeg. Bore da, Weinidog. Yn dilyn yr hyn oedd Joyce yn gofyn amdano yn gynharach ynghylch pasbortio, beth yw'r sefyllfa o ran diwygio'r meini prawf ar gyfer budd-daliadau sydd wedi eu pasbortio, yn enwedig prydiau ysgol am ddim, oherwydd, wrth edrych ar fandio ysgolion, bydd y canran o blant sy'n cael bwyd am ddim yn yr ysgol yn effeithio ar y bandio? Os nad ydym yn gwybod sut y bydd hyn yn gweithio allan, bydd nifer o bethau nad ydym yn siŵr eu bod yn iawn.

Keith Davies: I will ask my question in Welsh. Good morning, Minister. Following on from what Joyce was asking about earlier in relation to passporting, what is the situation with regard to revising the criteria for passported benefits, especially free school meals, because, when looking at the banding of schools, the percentage of children who receive free school meals will affect the banding? If we do not know how this will work out, there will be a number of things that we are not sure will be correct.

9.30 a.m.

[62] **Huw Lewis:** You are absolutely right. It does not end there. There are criteria upon which we build such things as eligibility for Flying Start or Communities First. You could reel out a list of things: money for school uniform support, school residential trips, and so on and so forth. There will be individual local authorities that have schemes of their own. Everything depends on clarity surrounding the income thresholds within the new universal credit system. I have to tell you that I am extraordinarily nervous about what seems to be the—

[63] **Nick Ramsay:** You hide it well, Minister.

[64] **Huw Lewis:** Thank you, Chair. *[Laughter.]* However, time is running out here. Even if we have this information very soon, there will be a great deal of work that needs to be done in terms of making sure that the delivery systems are up and running, that everyone understands them, and that they can operate sufficiently. Also, within that is a concern about the clerical costs of what we might be faced with here.

[65] **Nick Ramsay:** That is why it strikes me, Minister, that, constitutionally, there needs to be a greater capacity for co-ordination at earlier stage. I think that, over the last 10 years, that probably has been—. It has never shown itself before, but I suspect that that is what you are suffering from.

[66] **Huw Lewis:** Yes. I think that you are right. There is a dysfunction here—from my perspective—in terms of the consideration of the effect of devolution being taken into account by a Minister in Westminster dealing with what he believes is a non-devolved function. It is, in essence, a non-devolved function, but it has huge implications for the Scottish and Welsh Governments. It has similar implications for Whitehall departments, which, I have to tell you, are as nervous as I am, about that information being forthcoming.

[67] **Nick Ramsay:** Keith, have you finished your questions?

[68] **Keith Davies:** Yes, thank you.

[69] **Nick Ramsay:** Byron Davies is next.

[70] **Byron Davies:** I think that you have answered what I wanted to ask, in the main, but, regarding this information, you are conveying a sort of desperate, ‘I have done everything that I can’ sort of impression here. Is this a political problem with Government, or is it a civil service problem, and can you tell me when you asked for this information?

[71] **Huw Lewis:** As Bon has mentioned, the original information that we received would be that we would get what we needed last May. That has not been forthcoming. Of course, there are political issues here. I am trying very hard to set those aside at the moment. However, there are acute operational problems emerging here now, which would affect not just the Welsh Government, but also Scotland and the regions of England and Whitehall departments, which are part of the same governmental oversight as that which Lord Freud is a part of. So, there is emerging an operational—. There is the potential here for a car crash, frankly, and I do not think that it would be honourable of me to come to the committee this morning and attempt to downplay the situation; much better that my concern is misplaced. I hope to goodness that it is. I hope to goodness that my concern is misplaced and that everything will come out in the wash. What really matters at the end of this is fairness in the distribution of support for families that very many people have come to depend upon. I have particular concerns around families with children. Let us remember that all of the research shows us that families with children will take the biggest hit, overall, from the welfare reform package as it is anyway. So, destabilising such things as free school meals or school uniform grants heaps further uncertainty upon such families. No-one wants to get into that situation. I am sure that Lord Freud does not want to get into that situation. That is why we need that clarity as soon as possible.

[72] **David Rees:** Good morning, Minister. There are many different political views as to the impact of changing benefits, but the concern that we have is how we manage those benefits at this point in time in terms of those changes. You have highlighted some of the deep concerns about the impact upon families and individuals, and the lack of information to allow us to put things in place quickly. I will make a couple of points on that. The other issue I am concerned about is the wider economic impact because we have seen from various research, such as the Institute of Fiscal Studies research, that there will be a loss of £590 million to the Welsh economy in 2014-15. Sheffield Hallam University doubles that figure when it is fully implemented, and it indicates that most of that is going to be in deprived areas—in constituencies such as yours and mine. What are you doing as a Welsh Government to look at the economic side of things and how are you going to ensure economic regeneration, particularly in those areas? Is the welfare benefit reform that you are looking at

tying in with the Welsh Government's economic strategy?

[73] **Huw Lewis:** David is right to point with concern towards those studies that we had, one from the IFS and one from Sheffield Hallam. They take different methodologies, but anything between £0.5 billion and £1 billion is their estimate of the money that will be taken directly out of local economies by these reforms. You could make the argument that that is fine because these reforms will enable people to get back to work and that, therefore, economies will be benefitted by the removal of this cash. That is a political argument and we will see whether that becomes true or not. I am personally very sceptical about the effects, given that austerity means that Government is not stimulating the economy at the moment. So, as you quite rightly point out, the role of the Welsh Government becomes absolutely critical here. I will be looking particularly at how things like the new role of Communities First, together with our tackling poverty action plan, which I am revamping at the moment, can best address some of the geographical concentrations of what we are beginning to understand will be the effects of all this. I will also be looking at how best we can mitigate these not just through direct subsidy, but through joined-up activity between, for instance, Communities First and local government, and the Welsh governmental activity that we can provoke through the tackling poverty action plan, which will be published very soon.

[74] I am not in a position to push a copy of the action plan across the table at the moment, I am afraid, because it is something of a work in progress. However, very soon, the revamped action plan will contain some of the answers to the concerns that you raise. Welfare reform will be very much a part of the consideration of what that action plan now looks like, in a way that was not the case prior to these reforms, because certain assumptions were made about the welfare system that have now been utterly changed.

[75] **David Rees:** Just to take this a bit further, the Welsh Government has identified three enterprise zones for example in south Wales, which is one of the hardest hit areas identified in the reports. None of those are in the west side of south Wales. How are you going to look at getting people into work, as the hard-hit areas are the poor areas and transportation issues are difficult? Are you working with the Minister for transport to look at how you can improve the access to work, if work comes? I have concerns about the Government's strategy, and the UK Government strategy, with regard to getting people into work. Those issues are critical and I want to know what your involvement is and how the strategy is developing those points.

[76] **Huw Lewis:** I refer again to the tackling poverty action plan. I have two bilateral meetings today with Cabinet colleagues about their departmental contribution, if you like, towards the action plan and what can be done about issues like the ones you raise. Measureable and public milestones and targets will be agreed in terms of the contribution of each Welsh Government ministry towards that action plan. As I say, the action plan, at least in part, will have, as one of its main concerns, the impact of welfare reform.

[77] **Alun Ffred Jones:** One of your themes this morning has been that the critical lack of information about the effects of welfare reform means that you cannot create a Government strategy to try to mitigate the effects. How will you be able to create a tackling poverty action plan in view of the fact that you do not have that critical information? What will the action plan be based on?

[78] **Huw Lewis:** The action plan cannot be a whole-scale mitigating response to welfare reform. That is not what it is designed for. As you rightly point out, Alun Ffred, we do not have sufficient information at this point in time to enable us to put together that kind of mitigating strategy. The action plan goes much further than the implications of welfare reform. We understand poverty rather well in Wales. It has been studied and researched to death. We know where it is and its extent, and we know the critical factors within a community that can alleviate poverty. That work continues, and there will be elements in the

plan where we seek to target our activity to deal with some of the fallout of the welfare reform agenda. I am not pretending that the action plan is some kind of panacea—

[79] **Nick Ramsay:** With all due respect, Minister, it is not your role to mitigate it completely, is it? Electoral decisions are taken at a UK level, but there is a place for you to be consulted and to be doing what you can here. I do not think that anybody would expect that action plan to mitigate everything, because you are not a UK Government Minister.

[80] **Huw Lewis:** No. Thank you, Chair; I could not have said it better myself. Mitigation is one thing, but those seeking a counteracting force as regards welfare reform will seek in vain. The Welsh Government is not resourced to do such a thing. The strategy is not devolved to us. Those are questions for Lord Freud, not for me.

[81] **Alun Ffred Jones:** I am still not clear, then, what the action plan is supposed to be doing. Is it in response to welfare reform or is it in response to something else? I am unclear about your thinking about what role this action plan will have vis-à-vis the welfare reform and the potential impacts and your presumed impacts of them?

[82] **Huw Lewis:** The action plan responds to poverty in the round. It recognises the corrosive effect that poverty has, particularly on the young. It will be strengthened, in my view, by milestones and targets relating to each ministry within the Welsh Government being made available to everyone so that people understand the specifics that each Minister is aiming for in terms of tackling poverty as part of their brief. The strengthening of the action plan is, at least in part, a response to things like welfare reform. It is also a response to the economic downturn and the cuts in public expenditure that we are seeing at the moment. Welfare reform does not exist in a vacuum. The tackling poverty action plan has to try to take account of the whole situation.

[83] **Alun Ffred Jones:** May I press you, then, on whether the action plan will contain an indication about the Government's policy with regard to the council tax benefit cut and what has been done this year to offset that?

[84] **Huw Lewis:** No, that would be for the Minister for local government to explain. I do not regard the tactical response to a change in council tax benefit as part of a tackling poverty action plan. The plan is an attempt, as Mick has searched for, to construct a strategic response to the situation that families find themselves in.

[85] **Nick Ramsay:** We have two supplementary questions on that, the first of which is from Mick, and then Julie James.

[86] **Mick Antoniwi:** I want to move on to an additional area, if that is all right.

[87] **Nick Ramsay:** In that case, we will take Julie James first.

[88] **Julie James:** My question is half on that area and half on something else. Anyway, let us go for it. In terms of the tackling poverty action plan, Minister—and good morning, by the way—one of the issues that really concerns me, from talking to a large number of the advice agencies in my constituency, which is also one of the hardest hit, as central cities are, is the difficulty with some of the proposed arrangements for the new credit systems like moving to monthly payments and, theoretically, into bank accounts. We have a large number of people in the inner-city areas who do not have bank accounts and cannot get them, because of the difficulty that they have got into over such things as payday loans and the appalling www.wonga.com nonsense—why we cannot ban that, by the way, as they have done in America, I have no idea. Perhaps the elected Government could have a look at that.

9.45 a.m.

[89] However, we have concern from the police, welfare agencies, homeless charities and all the rest of it, that, if you give somebody a month's money, even if they have a rent to pay, they will not pay it; that they will be robbed before they get five paces from where they got the cash; that they do not have bank accounts and are unable to get them, so they will have to have cash payments, or arrange to have payment in a money order, or whatever, from a post office—in other words, in an easily robbable form; and that even those who are not robbed will say that they have been, because they will all be very poor anyway. The police are absolutely dreading the entire experience. So, we need an action plan to sort out some of those issues. Add to that the fact that many of those people are the most vulnerable in our society with already chaotic lives and mental health difficulties, substance abuse difficulties and so on. How are we to help some of those vulnerable people whose present arrangements are working but cannot continue into the future?

[90] I want to add a bit to that about making sure that advice agencies are all on the same page. We have examples of one advice agency advising something that cuts across the work of another, because they do not see people in the round. We have examples of a debt advice agency advising people to take up an individual voluntary arrangement—a credit arrangement—which will mean that they do not have access to a bank account once they have done that. In fact, it debars them from it. The debt advice agency does not understand the rest of that person's situation.

[91] I am sorry to have a complex load of questions, but, finally, once you have got some of those people into a programme, which is funded by European funding, the current rules on that—I am afraid, Minister, that I am not clear whether these are Welsh or European rules—are that you can access only one funding stream. So, we have people, for example—

[92] **Nick Ramsay:** Julie, are you asking the Minister whether these aspects are in his action plan?

[93] **Julie James:** Yes, I am.

[94] **Nick Ramsay:** Okay. I am mindful that the Minister has had a lot of information, which is all well-meant, but—

[95] **Julie James:** It is a complex situation, but these people have complex needs and the problem is that they hit all of those buttons.

[96] **Nick Ramsay:** Minister, are those issues part of your action plan?

[97] **Julie James:** If I could just finish my point about the European funding.

[98] **Huw Lewis:** Sure.

[99] **Julie James:** For example, if you are on the European social fund back-to-work funding programme, you cannot access chaplaincy services that are funded by the same funding stream and, clearly, people need both of them.

[100] **Huw Lewis:** I think that I will have to turn to officials on the European aspect of your questions.

[101] **Julie James:** I am sorry; I know that that was a lot, but really the question is: will you include those aspects in the action plan?

[102] **Nick Ramsay:** We know that you are not responsible for www.wonga.com.

[103] **Huw Lewis:** More is the pity, actually. [*Laughter.*] Financial services regulation is non-devolved, but that is something that I would, ideally, like to see devolved to us in Wales. I think that it would make an enormous difference.

[104] Julie asks the all-important question of what are we to do about this situation. In terms of the critical place of advisory services within our communities, I am not waiting for the action plan, because I have called a leadership summit of the family of advisory services in Wales—there are a surprising number of advice outlets when you really delve into it—which will be happening on 22 May. A very profound conversation will have to take place at that summit. First, I recognise that a lot of advisory services are having the ground kicked away from under them in terms of the legal aid changes. So, their ability to get by in delivering services is under threat like never before, while they have enormous need being presented to them. From the advisory services review that will be available shortly, we have a clear understanding that we have patchy advisory services, that there is some degree of duplication and, in some quarters, that there is a quality issue around advisory services.

[105] My challenge to that family of advice givers will be to address that review as a matter of urgency. The quid pro quo for that will be that I will seek to do whatever I can financially to mitigate the effects of things like legal aid reform, although we have to be clear right from the start that I am not resourced, and the Welsh Government is not resourced, to replace what has gone. However, what we can do together with the advice services family is seek to construct, in short order, a coherent advice platform delivery service in each community; whether that will be in each local authority area or more regionally, we will sort out in the coming weeks. However, it has to be clear that there has to be no duplication, and there has to be close co-operation between advisory services that, frankly, may not have experienced that before as part of their day-to-day work, and we have until the turn of the financial year, April 2014, to sort that out. If it is not sorted out or there are partners in there that feel that they cannot be a part of that new delivery platform for advice in our communities, I will not be able to finance them.

[106] **Nick Ramsay:** We have 10 minutes left and a number of questions yet.

[107] **Mick Antoniw:** I would like to move on to a slightly new area. One of the issues with welfare, benefits and the impact of this is that two thirds of benefit recipients are in work, so it is an issue of poverty in work and low pay, which is a matter that comes under your portfolio. There have been announcements in respect of work being done on the concept of a living wage and how that interacts with low pay and benefits, but also in broader terms—I have talked about, for example, the Agricultural Wages Board as setting a living wage, because it broadens out the concept into terms and conditions. One of the dilemmas that we have in constituencies like mine is that we are effectively institutionalising poverty into low pay and into work. We are effectively dumbing down a workforce that will never get out of institutionalised poverty in terms of the way that it is developing, and that is why the living wage debate is so important. Can you update us on how the Government's work in looking at that concept is coming along and what your role is within that?

[108] **Huw Lewis:** The living wage remains a campaign at the moment rather than a Government policy. I do not believe that any political party has adopted it as a manifesto policy as yet. That, quite rightly, would be part of the discussion within political parties in the run-up to the next general election. We are straying into policy—this is not confined to a particular political party; it is a question that we need to look at closely as politicians. There are issues around the subsidising of low pay by Government within the tax credit system. Is that the structural response that we want to make to people's ability to get by in our society? Is it sustainable in the long term? These are profound questions and I have to say that the

mechanisms for instituting such things, beyond campaigning, do not lie with the Welsh Government. It is important to understand, throughout this conversation, that people seek answers, rightly, they seek strategies, rightly, people ask tough questions, and so they should, but harm will be done to communities and to families as a result of these reforms, regardless of the best efforts of councils or the Welsh Government. To my mind, harm will be done, and the only real response is to vote for something else. That is the only protection that we have in the long term and the discussion—

[109] **Nick Ramsay:** Minister, as I have said before, it is not for this committee—

[110] **Huw Lewis:** That is something else for every political party to talk about as they formulate their manifestos for the next election.

[111] **Mick Antoniw:** However, Minister, Jane Hutt announced some months ago that she was calling together interested parties for a series of meetings with a view to developing an understanding and strategy in respect of the concept of the minimum wage. What would be helpful—

[112] **Nick Ramsay:** You mean a living wage.

[113] **Mick Antoniw:** I am sorry—

[114] **Nick Ramsay:** You mean a living wage, not a minimum wage.

[115] **Mick Antoniw:** I beg your pardon; did I say that? I meant a living wage. What is important to know is what progress is being made with that. Is it ongoing work or developing work? Where is that taking us?

[116] **Huw Lewis:** I am afraid that I cannot give you that answer now—I will have to drop you a line about that.

[117] **Mick Antoniw:** That will be fine. Thank you.

[118] **David Rees:** You mentioned advice services, and then you talked about the financial difficulties that people face, and I suppose this links to Mick's question as well: what about credit unions? Clearly, there is a big question on credit unions and the role that they will play in supporting people in the time ahead. The Welsh Government is ceasing funding, I understand, in September of this year. What is the Welsh Government's strategy on credit unions, and how are you working with the UK Government on credit unions?

[119] **Huw Lewis:** It is important to understand the potential of credit unions to assist at multiple points across the debate that we are having here this morning. I will be calling a summit of credit unions across Wales this month. It happens on the—

[120] **Ms Marks:** I do not have the date. It is the end of this month, start of next month.

[121] **Huw Lewis:** So, it could run into June. I want to sit down with our credit union providers in Wales and have a similar conversation, in many ways, to the conversation that I intend to have with the advisory services. Nominally, the funding for credit unions that the Welsh Government supplies will come to an end in September. That is just the timetable of the last tranche of support that the credit unions received. The world has changed since that funding was allocated, and the need for credit unions to be active in every community is, if anything, more urgent than ever. There is also, in terms of a reality check, an issue around the state of development of some credit unions—well, of all credit unions in Wales. It is quite a young movement, and it is certainly not at the same level of maturity as, say, the Irish credit

union movement, which has at its disposal all sorts of financial products, resources and other means of assisting communities and families to be able to deal with some of the issues here. For instance, we hear about things like jam-jar accounts being available through some credit unions, which would help enormously with the basic bills of households that are under financial pressure—the rent, the utility bills, and so on—making sure that they are paid before other calls on money come along. We do not have those products available in Wales yet. I will be talking to the credit union movement, asking how we can accelerate the development of things like that in Wales. How can we accelerate the development of credit unions? How can we get its resource base boosted? How can we get more people joining credit unions? That debate has to be a part of the deal, if you like, post September, in terms of how credit unions are supported by the Welsh Government.

[122] **Nick Ramsay:** We have three minutes left and three people want to ask further questions. The first of those is Eluned Parrott.

[123] **Eluned Parrott:** I just wanted to return to some of the points that Alun Ffred was making earlier—

[124] **Nick Ramsay:** Could we also keep the questions succinct, please?

[125] **Eluned Parrott:** Minister, you have cross-cutting responsibility for tackling poverty, and that is what you are going to be judged on. Could I just query whether you also have cross-cutting responsibility for the Welsh Government's response to welfare reform as a whole?

[126] **Huw Lewis:** Yes.

[127] **Eluned Parrott:** In which case, on a couple of occasions you have said to us that you are not able to advise us as to the implementation of the council tax reduction scheme, but you have cross-cutting responsibility for the response to this, do you not, Minister?

[128] **Huw Lewis:** Yes.

[129] **Eluned Parrott:** In which case, what discussions have you had to make sure that the introduction of the council tax reduction scheme next year, should it happen, is not going to be as problematic as it was this year?

[130] **Huw Lewis:** As I say, we have our ministerial task and finish group on welfare reform, which has met regularly to discuss across Government our response to things like this. You have seen the response of Carl Sargeant, who is no longer Minister for local government, but was at the time, for this financial year in terms of mitigating the effects of cuts to council tax benefits. I will be meeting very soon with the new Minister for local government to talk these issues through. I have overarching responsibility across the Welsh Government for welfare reform.

[131] **Nick Ramsay:** However, you do not have the funding. There is a distinction in the current Cabinet between responsibility and funding. That is not just you—it is across the Cabinet.

[132] **Huw Lewis:** Unified action needs to be built, and that takes conversations and it takes time. The fundamental issue here is that, although I have responsibility to speak on welfare reform for Wales, I am not responsible for it—that would be Lord Freud.

10.00 a.m.

[133] **Nick Ramsay:** Do you have an extra five minutes, Minister? Or do you have to go?

[134] **Huw Lewis:** Oh, go on then.

[135] **Nick Ramsay:** Good; thank you. Keith Davies is next.

[136] **Keith Davies:** Banciau bwyd yr oeddw'n am ofyn amdanynt yn fyr. Clywais i'r wythnos diwethaf gan fanc bwyd yn Llanelli—mae'n un o dri yno—a dywedodd y bobl yno wrthyf fod nifer y bobl sy'n troi lan wedi treblu dros y mis diwethaf, a bod rhai wedi dod a oedd heb fwyta am ddau neu dri diwrnod. Beth yw'r sefyllfa drwy Gymru? A ydych yn gwneud rhywbeth am y banciau bwyd?

Keith Davies: I wanted to ask briefly about food banks. I heard from a food bank in Llanelli last week—it is one of three there—and the people there told me that the number of people turning up there has trebled over the past month, and that some have turned up having not eaten for two or three days. What is the situation throughout Wales? Are you doing something about the food banks?

[137] **Huw Lewis:** I think that we have all seen this development. I will be visiting, for the first time, a food bank in my constituency on Friday. They have appeared almost overnight as a response in civil society, really, from the voluntary sector to the very real situation that many families find themselves in. At least temporary destitution is now a feature in our communities that, certainly in my experience as an elected representative, I had not seen up to this point. I had not come across people who were truly and genuinely destitute, aside from perhaps a small number in the refugee or asylum-seeking community.

[138] As part of the overall response and the drawing up of the tackling poverty action plan, we need a renewed conversation with those sections of the voluntary sector in particular that are aiming their activity very specifically at groups of people who are in financial trouble. That conversation will be ongoing.

[139] This is something that we need to catch up with, almost. It is something that the voluntary sector has reacted particularly quickly to—almost under the radar—and it is something that we need to enumerate and understand at the level of Government, really, in order to be, one hopes, of assistance when we can.

[140] **Joyce Watson:** As this is the Business and Enterprise Committee, Minister, I want to bring us back to the possible impact of much-reduced disposable incomes on local businesses and what that might mean for their communities. Have you had discussions around that possibility as part of your remit to mitigate the effects of this? This is one very serious effect, because if disposable income is much reduced, it could see a further depletion in those communities—

[141] **Nick Ramsay:** You have made your point, Joyce. Have you had discussions with the Minister for business about this, Minister?

[142] **Hugh Lewis:** Those discussions have begun. We have had the IFS figure of £0.5 billion, and the Sheffield Hallam figure of £1.1 billion. One thing that we do know is that there will be a considerable cut in the amount of disposable income that is circulating, particularly in some communities, and that effect will be very concentrated. Sheffield Hallam points to the old industrial coalfield belt as the area that will be worst hit. It depends on how you measure this in pounds, shillings and pence; we have had two different estimates, depending on how you measure the situation. The effect will be very real, and I think that we have to understand that when we talk about activity around programmes like Communities First, for instance, and how the relationship of the voluntary sector with government, at the local level and at Welsh Government level, ties in to supporting people on the ground. I have

talked about the idea of a resilient community as something that we need to build together over the coming months. By ‘together’, I mean the Welsh Government, local government, the voluntary sector and other agencies—at the forefront of my mind would be advice services and credit unions, as I have already mentioned. How do you best make a community resilient to the changes that they face?

[143] **Nick Ramsay:** I hate to interrupt you, Minister, but we are running out of time and we have another question from Alun Ffred Jones.

[144] **Alun Ffred Jones:** Mae gennyf ddau gwestiwn byr ar undebau credyd. Rydych yn cydnabod bod undebau credyd yn bwysig; felly, pam y mae'r Llywodraeth wedi atal ei chefnogaeth ariannol iddynt? Yn ail, a allwch roi ffigurau inni ar aelodaeth undebau credyd dros y pum mlynedd diwethaf yng Nghymru?

Alun Ffred Jones: I have two brief questions on credit unions. You acknowledge that credit unions are important; so, why has the Government ceased its financial support for them? Secondly, can you give us figures on membership of credit unions over the last five years in Wales?

[145] **Huw Lewis:** Chwarae teg. **Huw Lewis:** Fair play.

[146] We have not ceased financial support for credit unions. The current tranche of financial support is timetabled to come to an end in September. As I have mentioned, I want to approach credit unions, hopefully with a renewed offer, but as I also said, the world has changed since that initial support was offered. There is a need for accelerated development in the credit union movement. I hope that our colleagues who work so hard in those credit unions locally will be of a mind to rise to that challenge, because there are exciting things that we can do together. Look, for instance, across the water to Ireland, at the ways in which Irish credit unions are able to step in when communities or families are under pressure. We have not stopped the funding. What was the second part of your question, Alun Ffred?

[147] **Alun Ffred Jones:** The numbers involved in credit unions over the past five years.

[148] **Huw Lewis:** I can certainly supply you with that information. They are remarkable in terms of their speed of growth. We are into hundreds of thousands in terms of members, I think.

[149] **Ms Marks:** Tens of thousands and we are working with them to increase public sector take-up of the savers as well.

[150] **Huw Lewis:** I think that we need to see credit union membership as a fundamental measure of a healthy community. I am looking at ways in which the tackling poverty action plan can set targets for Government about key measures, such as the level of membership, and we are working through what is achievable on that at the moment.

[151] **Nick Ramsay:** Very briefly, and finally, David Rees.

[152] **David Rees:** Minister, you concluded your paper by stating that stage 3 of the research by the Government will be published in January 2014. From what I have been hearing, the UK Government proposes to roll out universal credit in October this year, so you will be following that roll out. Will the Welsh Government be in a position to quickly respond to stage 3, so that things are in place for the start of the 2014-15 financial year?

[153] **Huw Lewis:** We will have to be. As I say, my concern is that we can do our research to the best of our ability and in good faith, which will give us good information upon which to base policies and navigate the way forward, but if there is not a similar commitment in terms of goodwill on behalf of the UK Government to supply us with information on time—I go

back to the critical issue of income thresholds within universal credit, for instance—the damage that that could do would easily outweigh anything that we could base on our own research.

[154] **David Rees:** The reason I ask this, Chair, is because local authorities have to get themselves in place as well, because a lot of the burden will be placed upon them.

[155] **Huw Lewis:** We are asking a very great deal of local authorities and the burden will grow.

[156] **Nick Ramsay:** I thank the Minister, Huw Lewis, for being with us today, along with Bon Westcott and Eleanor Marks; it has been really helpful. Thank you for helping us with our deliberations.

Daeth y cyfarfod i ben am 10.08 a.m.
The meeting ended at 10.08 a.m.