

Agenda – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 18 March 2020

Meeting time: 09.15

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6565

SeneddFinance@assembly.wales

1 Introductions, apologies, substitutions and declarations of interest

(09:15)

2 Paper(s) to note

(09.15)

(Pages 1 – 3)

Minutes of the meeting held on 12 March 2020

2.1 PTN1 – Letter from the Minister for Finance and Trefnydd – Finance Ministers’ Quadrilateral meeting

(Pages 4 – 5)

2.2 PTN2 – Letter from SEC Group Wales, Federation of Master Builders and CIOB to the Minister for Economy, Transport and North Wales

(Pages 6 – 7)

3 Renting Homes (Amendment) (Wales) Bill: Evidence session

(09.15–10.15)

(Pages 8 – 25)

Julie James AM, Minister for Housing and Local Government

Simon White, Head of Housing Strategy and Legislation, Welsh Government

Rob Owen, Housing Strategy and Legislation, Welsh Government

[Renting Homes \(Amendment\) \(Wales\) Bill](#)

[Explanatory Memorandum](#)

Research Brief



4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting, the meeting on 26 March 2020 and the start of the meeting on 22 April 2020
(10.15)

5 Renting Homes (Amendment) (Wales) Bill: Consideration of evidence
(10.15–10.30)

6 Work of the Inter–Ministerial Group on Paying for Social Care: Technical Briefing
(10.30–11.00)

Anna Adams, Deputy Director, Head of Tax Strategy, Policy and Engagement

Matthew Jenkins, Deputy Director, Partnership and Cooperation Division

Gareth Griffiths, Paying for Care, Partnership and Cooperation Division

7 Oversight of the Wales Audit Office: Recruitment of the Wales Audit Office Board
(11.00–11.30)

(Pages 26 – 36)

Paper 1 – Recruitment of the Wales Audit Office Board

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Thursday, 12 March 2020

Meeting time: 09.03 – 11.10

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/5983>

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Alun Davies AM Siân Gwenllian AM Mike Hedges AM Rhianon Passmore AM Nick Ramsay AM Mark Reckless AM
Witnesses:	Professor Kent Matthews, Cardiff Business School Dr Long Zhou, Cardiff Business School Rebecca Evans AM, Minister for Finance and Trefnydd Anna Adams, Welsh Government Tom Nicholls, Welsh Government
Committee Staff:	Georgina Owen (Second Clerk) Christian Tipples (Researcher) Gemma Gifford (Deputy Clerk)



1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members and witnesses to the meeting.

2 Paper(s) to note

2.1 The papers were noted.

2.1 **PTN1 – Letter from the Minister for Finance and Trefnydd – Vacant Land Tax – 3 March 2020**

2.2 **PTN2 – Letter from the Minister for Health and Social Services – Health and Social Care (Quality and Engagement) (Wales) Bill – 4 March 2020**

3 Impact of variations in national and sub-national income tax: Evidence session 4

3.1 The Committee took evidence from Professor Kent Matthews, Sir Julian Hodge Professor of Banking and Finance, Cardiff Business School and Dr Long Zhou, Research student, Cardiff Business School on the impact of variations in national and sub-national income tax.

4 Impact of variations in national and sub-national income tax: Evidence session 5

4.1 The Committee took evidence from Rebecca Evans AM, Minister for Finance and Trefnydd; Anna Adams, Deputy Director, Head of Tax Strategy Policy and Engagement, Welsh Government and Tom Nicholls, Economic Adviser, Welsh Government on the impact of variations in national and sub-national income tax.

4.2 The Minister agreed to provide details of the number of higher rate earners in Wales employed in the public sector.

5 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting

5.1 The motion was agreed.

6 Impact of variations in national and sub-national income tax: Consideration of evidence

6.1 The Committee considered the evidence received.



Llywodraeth Cymru
Welsh Government

Llyr Gruffydd AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

09 March 2020

Dear Llyr,

I am writing to inform you that a meeting of the Finance Ministers' Quadrilateral will take place on 10 March.

The agenda will cover the UK Government's plans for the UK Budget and Comprehensive Spending Review, including replacement EU funding and future participation in EU programmes as well as fiscal flexibilities. There are also items relating to inter-governmental relations, including the Statement of Funding Policy and strengthening the finance machinery of government. We will also discuss areas of shared interest, including tackling climate change and Covid 19 (Coronavirus).

I will report to the Committee on the outcome of the meeting.

Yours sincerely,



Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

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Correspondence.Rebecca.Evans@gov.wales
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd



Llywodraeth Cymru
Welsh Government

Llyr Gruffydd AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

11 March 2020

Dear Llyr,

Further to my recent letter advising you of the Finance Quadrilateral on 10 March, I wish to feedback on discussions.

The meeting was constructive and I took the opportunity to emphasise the need for additional funding in Wales to tackle Covid 19 and to address the impact of recent flooding. After the meeting I issued a joint press notice with the Finance Ministers of Scotland and Northern Ireland.

Link to the Welsh Government press notice: <https://gov.wales/government-must-engage-devolved-administrations-eu-negotiations>

The Chief Secretary indicated that he is planning for a UK Spending Review in summer, and we expect a three year timeframe for this. We had a positive conversation on the Terms of Reference for the Quad and Statement of Funding Policy, and committed to continuing our collaborative work in developing these frameworks.

As expected, the Chief Secretary was unable to share details about the forthcoming Budget, but I look forward to providing a written statement to members once the Budget is published.

Yours sincerely,

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

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Agenda Item 2.2

Welsh Assembly Finance Committee

FIN(5)-10-20 PTN2



12th March 2020

Ken Skates
Minister for Economy, Transport and North Wales
Welsh Government
5th Floor
Tŷ Hywel
Cardiff Bay CF99 1NA

Via post and email (Correspondence.Ken.Skates@gov.wales ;
Ken.Skates@assembly.wales)

Dear Minister

Retentions in the Welsh Construction Industry – request for a meeting with industry

As witnesses to the recent inquiry on retentions in the Welsh construction industry, organised jointly by the Welsh Assembly Committees for Finance & Economy, Infrastructure and Skills, we were made aware of the letter on 4th March from the Committees to you. We are extremely grateful for the Committees' time and effort in gathering their evidence. However, we are deeply concerned that this subject will continue to be discussed but not addressed.

We are seeking a meeting with you and representatives of our three organisations so we can explain that the status quo exposes our members, predominantly SMEs, to an unsustainable and risky business environment; especially as Welsh Government has an ambitious infrastructure programme which aims to generate economic and social growth for our local companies. We know that this is an issue also championed in the past by First Minister Mark Drakeford.

The Committees' summary of evidence shows the consistency of evidence on some key points:

- the current retention system is destructive of SME profitability
- there is inequality of insolvency protection along the supply chain
- adjudication costs deter SMEs from challenging the system
- the waiting time for return of retentions (if ever returned) has expanded
- the business model is dysfunctional
- payment issues also drive poor behaviours which can cause harm to people

Since the Committee held its evidence session, Scottish Government published research (by Pye Tait) which shows the impact of retentions on the Scottish economy and prompted the current consultation on retentions. It is worth noting that in their consultation paper the

Scottish Government accepts that the status quo is unsustainable and asks opinions on a retentions deposit scheme option; the latter is favoured in the Scottish Pye Tait research. As indicated in the Committees' summary, a pilot model for a retentions deposit scheme has been developed by a consortium of partners which includes a Tier 1 contractor, and experts in banking, insurance and software development. We can update you on this very important work at our meeting.

Moreover, two weeks ago, the Department of Business, Energy and Industrial Strategy published the summary of responses from their consultation which ended in January 2018, a couple of days after the collapse of Carillion. It shows that there was no doubt in the mind of respondents that retentions abuse was significant and detrimental to the industry. A Retentions Deposit Scheme (RDS) was the majority choice since it will eliminate the elements of retentions' abuse and there was also overwhelming support for a scheme that has statutory/legislative footing:

- *"69% of the 49 responses in Citizen Space believed all retentions held for a contract should be placed in a RDS."*
- *"82% of 55 responses in Citizen Space believed a RDS should be set up on a statutory footing. ... Of the 8 business representative organisations / trade bodies that responded to this question, 75% believed a RDS should be set up on a statutory footing."*

This echoes the support from the industry and the MPs in Westminster for the Peter Aldous Bill. We believe that the Bill offers a draft which Welsh Government and Welsh Assembly can build on for a solution that will address the risks and concerns of companies in the Welsh construction industry and deliver on the targets set by the Welsh Government's procurement plans.

We believe that this is a timely opportunity for the Welsh Government to tackle this issue with agility and precision and unlock the potential of our companies to grow their businesses.

We look forward to hearing from you.

Kind regards.

Peter Davies

Chairman of SEC Group Wales/Cymru
& Director, CMB West Ltd

Ifan Glyn

Senior Hub Director/wales Director
Federation Of Master Builders

Kyle Spiller on behalf of the CIOB

Cc

Mark Drakeford AM, First Minister (PS.FirstMinister@gov.wales)

Rebecca Evans AM Minister for Finance and Trefnydd
(Correspondence.Rebecca.Evans@gov.wales)

Llyr Gruffydd AM, Chair of Finance Committee (Llyr.Gruffydd@assembly.wales)

Russell George AM, Chair of Economy, Infrastructure and Skills Committee
(Russell.George@assembly.wales)

Robert Lloyd-Williams, Deputy Clerk, Economy, Infrastructure and Skills Committee, National Assembly for Wales (SeneddEIS@assembly.wales)

Catherine Griffith-Williams, National Executive Officer SEC Group Wales/Cymru
Rudi Klein, CEO, SEC Group

Agenda Item 3

By virtue of paragraph(s) vi of Standing Order 17.42

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Agenda Item 7

By virtue of paragraph(s) vi of Standing Order 17.42

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