

Welsh Affairs Committee

Oral evidence: [Responsibilities of the Secretary of State for Wales](#), HC 96

Thursday 28 May 2020

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Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Robin Millar; Beth Winter.

Questions 32 – 106

Witnesses

I: Rt Hon Simon Hart MP, Secretary of State for Wales; and David T C Davies MP, Parliamentary Under-Secretary of State for Wales.



Examination of witnesses

Witnesses: Simon Hart and David T C Davies.

Q32 **Chair:** Good afternoon to the Secretary of State, Simon Hart, and Minister David T C Davies. Welcome to the Welsh Affairs Committee. We are grateful that you have made yourselves available for the very full agenda that we want to get through. For the next two hours we will be asking you a range of questions, principally on the subject of the response to the coronavirus emergency in Wales and the particular roles that you are playing in that as members of UK Government. Individual members may want to ask other questions that are broadly relevant. Thank you again.

What I would emphasise to us all, members and yourselves as witnesses, is if we could be really concise with questions and answers this afternoon, that will enable us to get through all the material and all of the ground that we want to cover. Forgive us if at any point we interrupt your answers. No impoliteness is intended; it is just to keep us moving.

I will start, Secretary of State, with a question to you. On 22 May you tweeted that, following a discussion with all of the police and crime commissioners and the chief constables of the four police forces across Wales, there was a consensus that being able to travel, drive, 10 to 15 miles from home to fish, play golf, surf or exercise was fine. I retweeted your tweet because I thought it was a significant announcement. That has since been described by the Dyfed-Powys Police Chief Constable as incorrect. What was actually said at that meeting and what is your understanding of what the actual rules are in Wales around exercising?

Simon Hart: Thank you, and thanks also for your introductory comments. Of course, David T C and I are both very happy to deal with any questions as they apply to our job in Wales.

That particular question is perplexing for me, you will not necessarily be surprised to hear. We had a formal meeting, which was minuted and both Ministers were part of it. We asked for some clarity on certain expressions—for example, “in general” and “local” are expressions used in Welsh Government guidelines. We asked the police for their definition of “in general” and “local,” and that is the explanation we got. The reference to traveling 10 to 15 miles to play golf or fish was actually Chief Constable Mark Collins’s own words, not mine, and it was not disputed by anybody on that call. It seemed to us a helpful bit of clarification.

That is going to the beach to fish, and we have taken some subsequent legal advice on what would be the view if you went to the beach, for example, to undertake yoga or something like that. The advice came back that it would be in exactly the same bracket. That is what we said, and we were quite surprised, I will not deny it, when that comment was somehow interpreted as being incorrect. We took an official record and



HOUSE OF COMMONS

legal advice, and we sought the opinion of the chief constables. We didn't think there was any dissent to that comment, and that is what we did.

Q33 **Chair:** Is it your understanding that the chief constable put out that clarification, or made his comments about your tweet, following advice from the Welsh Government to do so?

Simon Hart: I do not know whether he had any contact with the Welsh Government. He and I certainly had quite a lot of contact, subsequent but in private, which helped clarify the situation somewhat. His response was that Welsh Government guidelines refer only to fishing and golf and, therefore, nothing outside those two activities is covered. That is not the interpretation we had, and hence why we said what we did.

Q34 **Chair:** The way it is left is that you are both saying each other is basically wrong in their interpretation.

The reason I am asking this line of questions, Secretary of State, is that it is important because there are now significant differences between the rules in Wales and the rules in England. At the Liaison Committee yesterday afternoon, the Prime Minister described the differences in rules as—I think he used this word—marginal. They are not marginal at all, are they? They are really quite significant. There are things that you can now do openly in England as part of the rules on exercising and going out of your home that will get you fined in Wales. Are you comfortable that there is now this growing disparity in the rules and regulations in Wales and in England?

Simon Hart: It is that problem that got us to raise this question with the police in the first place. Not only that, but there is now a £1,000 fine that comes with some of these transgressions. That is a lot more serious for people who are trying to weigh up what the advice actually means. What I was trying to establish was what the law thought about it. Precision is important in these situations, and I have to say that I think the less divergence the better for disease control purposes, for economic purposes and, indeed, for some of these other areas that we are talking about now. Every time we have a meeting with the Welsh Government, we have this discussion about trying to minimise divergence for those reasons. I think that works quite well eight times out of 10.

As you are quoting the PM, I am going to quote the PM, too. The PM has made it very clear from an early stage that if there is some evidential basis for divergence between England and Wales, and if the Welsh Government need to take a different approach because the evidence supports it, we have never been precious about that, but we have always wanted it to be evidence led.

Q35 **Chair:** Have the Welsh Government ever shown you evidence to support any of the divergent rules that you are talking about?

Simon Hart: Not as such, no. Not in those stark terms. We have had conversations about the R number and whether the R number was



slightly different in Wales than the rest of the UK, which gave Welsh Government arguably less headroom to make bolder statements around, for example, relaxing lockdown. We have attempted to engage Welsh Government, suggesting maybe we could come to some of their meetings and have some face-to-face discussions around this so that, when it comes to making public announcements, we are as closely aligned as we can be, and if we are not we can explain why.

Q36 Chair: Why do they not want to be as closely aligned as you are urging them to be?

Simon Hart: We totted up, as I think we did for your last meeting, the fact that there have now been well over 100 meetings—I think I announced 103 or 104—between Welsh Government and UK Government on all of these issues. We suggested to Welsh Government that perhaps we could have a reciprocal arrangement where some of our officials or Ministers were at their planning meetings, for reasons I pointed out. That has not met with an affirmative answer. We have had a limited offer of engagement. To some extent this is about devolution and the Welsh Government's right to take decisions within the devolution settlement. We have tried to respect that, but we have also tried to respect it in the context of a global pandemic that requires a UK approach to a very significant UK problem.

Q37 Chair: On that point about the legitimate exercise of devolved competencies, over the last three months we have seen Welsh Government use its law-making powers to create Welsh regulations and guidance for the movement restrictions as part of their response to the pandemic. Welsh police forces are enforcing those Welsh regulations. Does the experience of the last few months in that respect give you any reason to change your view or the Government's position on future devolution of policing to Welsh Government?

Simon Hart: None whatsoever. The existing arrangement of policing remaining a UK reserved matter, along with the criminal justice system, is absolutely right. I have heard nothing during the last few weeks that has changed that, including the views of people working within law enforcement.

Q38 Chair: Do you accept that in enforcing the rules of this current period—the most important issue facing the nation at this time—they are taking their guidance from Welsh Government rather than UK Government?

Simon Hart: They have to. I don't think there is any dispute about that. My biggest concern is that they can only do what those regulations permit them to do. My criticism of this is that those regulations have been, at times, quite opaque and unclear, which makes the job of policing all the more difficult. If I have a concern, it is about the clarity of the regulations. I am more concerned about that than I am about the manner in which the police have approached them.

Q39 Chair: You have been critical about the lack of clarity. You have also



HOUSE OF COMMONS

been critical about the delays in introducing and expanding testing in Wales. Today the testing and tracing project is being introduced in England and Scotland. Where is Wales?

Simon Hart: We are told it is coming up soon. By that we mean days rather than weeks. This absolutely illustrates the point we are trying to make here about divergence. Even where the policy may necessarily be the same, if there is a timing difference that in itself could cause a problem. At the beginning of this, if you remember, there were some financial announcements, particularly around business rates, where there was a delay between the announcement by UK Government and the announcement, which was identical bar one or two small details, by Welsh Government.

I understand there is a different legal jurisdiction and a different process. I understand there is a legitimate democratic right for the Senedd to take its own position on this, but clearly in a crisis of this significance it is about making sure that alignment, pace and timing minimise the opportunity for misunderstanding. Whether it is about law enforcement or economic sustainability, those things can make a massive difference.

Q40 **Chair:** I will move the discussion on slightly and wrap up my set of questions with a question about the economic impact on Wales of this pandemic. What was demonstrated by the figures we received from the Department for Work and Pensions—which we asked for following our last meeting when we asked you about statistics for Wales—is that there has been a surge in applications for Universal Credit, reflecting the fact that people in Wales are either losing their jobs entirely or are seeing big cuts in the hours they have been working.

As you well know, Secretary of State, a huge amount of work has gone on in the last 10 years to turn around unemployment in this country to get to a position of almost full employment, and we have seen remarkable progress in Wales. That progress is being wiped out right now because of the economic effects of this pandemic. Have you had any discussion with Treasury colleagues about the economic interventions that may be needed to support the Welsh economy in recovery? I will be very specific and ask you, Secretary of State, whether you think the Barnett consequentials, the additional spending for Wales, provide Welsh Government with enough financial fire power to do the job that it needs to do in helping the Welsh economy?

Simon Hart: It may be, if I can make a suggestion, that David T C has some views on growth deals that might be helpful to the Committee.

First of all, it is an absolute tragedy. With the progress that was being made—this is not just in Wales but across the whole UK—with some fantastic, innovative, progressive job-creating opportunities, I think we were on the dawn of a fantastic opportunity in Wales in so many different ways, across the whole country. You are absolutely right that all of this



HOUSE OF COMMONS

has been brought to a grinding halt by the very unwelcome intrusion by Covid.

You mentioned DWP earlier, and DWP probably does not get a lot praise for its work, but it has done really great work across the UK and Wales in making sure that it has been available under significant pressure to look after the interests of people who have been plunged into a very unwelcome position. You, like me, will get the unemployment figures by constituency, and the most recent ones, which showed that spike, make for depressing reading. I could almost go so far as saying that we speak of little else with Welsh Government and Treasury other than what packages are needed, what the long-term sustainability looks like, how we recover from this position in terms of jobs and growth, what triggers are needed and how we can work collaboratively to achieve that. All of that is now a matter of daily discourse between us. Obviously the quicker we can get out of this, the more chances we have of a reasonable recovery.

At the moment, I think the figure stands at about £2.2 billion-worth of Barnett consequential money to Welsh Government as a result of Covid interventions. Don't forget that on top of that there is probably—and I can't be too precise—a similar amount of value attached to furloughing schemes and other economic interventions. I know from colleagues in Welsh Government that they realise the Welsh economy at the moment is being sustained, or however we want to describe that, by UK Government Treasury intervention. There is no argument about that. Whether the future will look different and Barnett needs to be revisited, Covid has taught us one thing: never say never.

Q41 Chair: It is not so much about rewriting Barnett, it is about whether this crisis calls for interventions that go above and beyond what Barnett provides for Wales.

Simon Hart: It has called for that, and I think that is what has been provided. Barnett produced £2.2 billion to Welsh Government, but for all of the other interventions you could double that. I do not even calculate within that, for example, the value of the use of the MoD in Wales to help with the day-to-day crisis, and what that is worth. It is probably not factored into those figures. I absolutely agree with your general principle.

Q42 Tonia Antoniazzi: I appreciate your earlier comments about the need for precision and less divergence. Why do UK press conferences keep creating more rather than less confusion about the different policies and what rules are applicable in the various devolved nations? Surely it is the responsibility of the UK Government and the Prime Minister to reinforce the reasons for necessary devolved divergence.

Simon Hart: Some of that is about communication as much as it is about policy. Forgive me if I have misinterpreted the question on that. It came up the last time we gave evidence to this Committee, whether the differences could be made clearer. The answer to that question—I am



probably going to give the same one today as I gave a few weeks ago—is that it can always be better. After every announcement we have an analysis to make sure that we got those distinctions correct and, if we didn't, what we need to do about it. Without wishing to be too churlish, I would say that the struggle is sometimes not so much with Government but is to do with the media, who occasionally appear slow to pick up on what the devolution settlement means. I sit in front of my television at 5 o'clock quite often, too, and just yell "England only" at the screen. That distinction is not made.

Q43 Tonia Antoniazzi: The issue is even more highlighted now. My constituent Mandy has faced abuse from people who have travelled from London to stay in their second home in Mumbles, and their excuse yesterday evening was that they were doing a Dominic Cummings. This is undermining everything that the people in my Gower constituency and across Wales have been working on. What are the Government going to do to address this? It is now a real issue after what has happened in the last week.

Simon Hart: Leaving that particular issue to one side, I think that problem has been the case for some time. I have experienced exactly the same anecdotes as you have here in west Wales. How do I look at it? Again, I will repeat the answer I gave a few weeks ago. Going into lockdown is quite straightforward, and coming out of lockdown is extremely complicated. It has real communication issues, which we haven't always got right. I would be the last to claim that we have a monopoly on perfection. There has been some heightened frustration—I suspect from comments on social media and other forms of media, too—around the particular issue that you raise. I don't think that has been particularly helpful, and I agree that clarity, simplicity and pragmatic logic are really important parts of making this work.

Q44 Geraint Davies: On stay at home versus stay alert, would you prefer to have seen, on the one hand, basically empty Welsh beaches or, on the other hand, beaches like Bournemouth where people are packed together like battery chickens and spreading infection? There is no two-metre law in England.

Simon Hart: The question of stay alert versus stay at home has been quite well rehearsed. We felt there was a need to shift the emphasis a bit from where we were to where we are trying to get, as we slowly extract ourselves safely from the lockdown situation. Looking at photographs I have seen of beaches and popular destinations around the west Wales coast, I think most people understand what the message is, frustrating though it might be. The conversation with the police the other day was interesting because we asked them specifically what sort of reaction they had from people who they were pulling off the A40 outside Haverfordwest in their campervans. Was it (a) they did not understand the guidelines or was it (b) they understood the guidelines but were chancing their arm? The answer was mainly (b). People knew exactly what the rules were, but they were just seeing if they could get around them.



Q45 **Virginia Crosbie:** You mentioned the police, and North Wales Police has been doing an excellent job in very difficult circumstances. I recently had a meeting with Carl Foulkes, who is the Chief Constable of North Wales Police, and he said that with the police not being devolved it was very challenging policing in a devolved Administration. I would be interested in your thoughts on how we can give the police more support.

Simon Hart: That is not an issue that has been raised by the police with me. There are always some interesting funding issues around crises like this, but the devolution issue, whether there is an argument for further devolution of policing, has not been raised. It has been a UK Government position for some time, for UK-wide strategic reasons, that that is not a desirable route to go down, and nothing that has come my way has suggested that should not remain.

That said, we should always take a holistic view of policing in the UK. Even within Wales there are some very stark differences between the requirements of policing in, for example, Cardiff and Newport and the type of policing pressures and priorities in your part of the world. We visited Mr Foulkes at North Wales Police with the Home Secretary back in February, when we were allowed to do that sort of thing, and we heard it at first hand. I know the Home Secretary was very keen to make sure that in her UK-wide thinking were the individual pressures around policing—particularly where there are cross-border crime issues, which we talked about when we were there with Priti Patel—that are applying pressure on the police.

Q46 **Beth Winter:** The first question relates to the previous discussion regarding the divergent approaches in interpretation of the guidance. The Government's most senior adviser, Dominic Cummings, chose to interpret the advice as loosely as possible to serve his own needs while the rest of us followed the rules correctly. I have been inundated with queries from constituents who "are incensed" by the actions and the lack of action by the Government. Would you share our concerns that his actions could directly impact on the public's interpretation of the guidance moving forward? Do you deem him to be a fit and proper person to continue to sit on the SAGE committee as the Prime Minister's representative and adviser?

Simon Hart: On the question of divergence there is, as I said at the beginning, always an argument and a constant effort—I think sometimes people interpret the distinctions between UK Government and Welsh Government as almost a deliberate opportunity to create divergence for the sake of it. That is not the experience that I have heard. There are some decisions that are a bit mystifying and have no obvious evidence base. I go back to what I said about most people appearing to be very patiently, very diligently, very sensibly applying common sense. There is not an MP in the UK who has not been hit by a wave of frustration over recent events and I am, I suspect, no different from anybody else, especially being in a holiday area.



You have described the frustration as Government lack of action; I would probably say it is not so much lack of action but action with which people have not necessarily had much sympathy. The position is clearer today. The police have expressed an opinion on what they thought was the extent of the offence, and the Prime Minister has expressed an opinion. We will all be writing to our own constituents, if we have not already, I have no doubt, explaining where we sit, given that we now know a little bit more about this than possibly we did before.

Of course nobody is suggesting for a minute that anything that causes confusion or dispute around the interpretation of guidelines is especially helpful. Nobody has said that, least of all the Prime Minister. We want these things to be clear but in these very difficult times, if I sat here and told the Committee, "Do not worry, there will be no mistakes in the next six weeks, everybody's judgment will be perfect, nobody will step out of line, nobody will interpret the thing differently than they should do," there would be howls of derision and complaint from your Committee that I was being unrealistic.

Q47 Beth Winter: The second question I have relates to the economy. The Institute for Fiscal Studies has reported that Wales is at particular risk of having insufficient funding to respond to the coronavirus pandemic. Wales has already spent about £2.4 billion on Covid. In the first three months of Covid, costs for local government in Wales have increased at a rate of about £100 million, with lost income estimated at £78 million. The Welsh Government have tried to set aside funding to cover these costs. However, local government across the UK will continue to face huge pressures in the months ahead, and this is on top of 10 years of austerity and the additional costs as a result of flooding. The Local Government Association in England suggests there could be a £10 billion shortfall, and this is going to have a huge impact on Wales under the Barnett formula. What representations have you made to secure more funding for Wales and to ensure that we are properly and fairly funded during this pandemic?

Simon Hart: I don't know if I heard the question correctly, but did you suggest that Welsh Government have spent the £2.4 billion that the Barnett formula has provided, that they have received it or that they will receive it? That bears some relevance to what my answer might be.

Beth Winter: Sorry?

Simon Hart: Apologies to the Chair for this. Between £2.2 billion and £2.4 billion is the Barnett formula sum that the Welsh Government will get as a result of Covid. What I do not know and what I was trying to ascertain was whether that has been earmarked or spent. I don't think it has, but either way it is a substantial sum of money that is based on the Barnett formula, which will address some but, I accept, probably not all of the concerns that you raise.



HOUSE OF COMMONS

I have also had conversations with local authorities about the longer-term effect of this once UK Government intervention starts to be withdrawn—assuming it does. As I said to the Chair earlier, £2.4 billion is just the Barnett formula. There is then a similar amount on top of that at least. It is a loose calculation rather than a precise one about what the value of furlough and what the value of other UK Government interventions might be for the Welsh economy.

Longer term, and particularly sector by sector—I know there have been questions about agriculture, tourism and local authority cashflows—are these systems and processes set in stone? I think the way the Chancellor has described all of this suggests that there is always and must be flexibility around the future funding requirements, whether that is Barnett or other things. What I have been saying to Ken Skates and others in the Welsh Government is that if you want to have a conversation about the reserve fund, or if you want to have a conversation about some of these technical details, let's have that conversation. I don't think the Chancellor, and certainly me in my current position, is remotely wedded to the idea that there is only one solution and we are going to remain attached to it for ever and ever. That would be crazy, particularly given what we have learned from Covid. I want to be as flexible and realistic as possible, and the Chancellor wants to be as flexible and realistic as possible, but we will need to have those quite lengthy and far-reaching conversations with Ken and others to ascertain precisely what they think the requirements will be and over what timescale.

Q48 Beth Winter: My constituency of Cynon Valley is located in Rhondda Cynon Taf, which was the worst affected by the floods in February. I welcome the work that you have been doing in co-operation with the Welsh Government and Mark Drakeford to ensure the tips are safe, as has been outlined in your joint letter on 22 May, so thank you for that. However, the devastation caused by the floods has remained to a large extent with households displaced, businesses closed and dozens of river walls washed away. There are nine bridges that are still down and culverts that need completely rebuilding.

The emergency flooding summit a short while ago estimated the cost to pay for the damage in Wales will run to hundreds of millions of pounds. The current figure for the Taf loan stands at £67 million. Can you please reassure us—my constituents and those across the country affected by the floods—that central Government will provide the funding required, the amount that will be provided and explain how it will be paid to cover the damage that remains in these constituencies?

Simon Hart: I probably cannot answer your question absolutely word perfectly. Just around the time that Covid started to bite, we were having a pretty regular and open dialogue with the Welsh Government about what the financial requirements were, over and above those that had already been provided for and those that would normally come under the Welsh Government or local authority spending responsibilities. We got to that point and I seem to remember that it was a case of, "Tell us what



HOUSE OF COMMONS

the damage is, financial as well as physical. Tell us what the remedies are and over what period of time. Tell us what the costs are and over what period of time, and tell us, therefore, what you want us to consider as the UK Government in relation to that.” We never got to the end of that conversation, unfortunately.

No blame is attached to the Welsh Government or to the local authorities in this regard because Covid took over, but it is a timely reminder that there is some very important and unresolved business that we need to attend to. I will definitely give you a guarantee that I will do that.

The reason that the coal tip letter went out last week was because Mark Drakeford and I both took the view that there are other things going on that are important, and we must not lose sight of them.

Q49 Chair: Can I pick up on that point? Was it a decision on the part of the UK Government, the Welsh Government or both to park the discussion about flood relief when the Covid pandemic hit?

Simon Hart: I would not be at all surprised if I am about to get this answer wrong, so I beg forgiveness in advance if I do have this wrong. I do not think there was any discussion or decision taken. I think the discussions just did not progress.

Chair: They were left on the shelf?

Simon Hart: I think it was unfinished business. If I am wrong about that, I will definitely make sure the Committee is aware of where we ended up, but I think it just got parked.

Chair: Thank you, Secretary of State. Just another reminder to everyone to keep their questions and answers nice and concise, please.

Q50 Simon Baynes: I want to move on to industry, finance and the economy. We have heard a lot of concerns from industries such as aerospace and hospitality about job losses in the future. My constituency of Clwyd South, which has many people involved in both those industries, is no exception to that. What steps can both the UK and Welsh Governments take to secure the long-term future of high-skilled engineering and research and development jobs in Wales?

Simon Hart: I am conscious—and I am trying to catch the Chairman’s eye on this—that David T C leads on north Wales growth deals and mid-Wales growth deals and may have a view on this. I might pass the ball to him, if I may.

Before I do, I think in the aerospace sector there has been a lot of discussion around the future of air travel, the future of airlines. The situation around BA has focused everybody’s mind on that. That clearly has a huge impact on organisations and institutions like Airbus not that far from where you are. At this stage it is quite difficult to second guess where the airline industry is going to end up and, therefore, where the supply chain is going to be. Of course, all of the usual measures apply



HOUSE OF COMMONS

and all of the job retention schemes and other such Treasury interventions apply for those institutions, just as they do for others. Thank goodness they do, because that has been an absolute lifeline for some of these companies. Likewise, some of the special arrangements where UK Government looks at individual companies that might fall slightly outside all of the other specific categories has been an important part of this.

Chairman, without making it sound like I don't know the answer but I know somebody who does, would I have your permission to ask David to just fill in that gap?

Chair: Nice and quick.

David T C Davies: There is no one single, simple answer to this. As far as the growth deals are concerned, they are still very much in place at the moment. There has been progress made with projects in the Swansea region. I had a conference call yesterday with Frank Holmes and Kellie Beirne in the Cardiff Capital Region. I have spoken with the North Wales Growth Deal team as well, and the mid-Wales one is coming along. That is the one that perhaps the most work needs to be done with.

One of the things that came out of the conversation yesterday was the importance of using the growth deals to support jobs, and high-quality jobs as well. As Frank Holmes was saying yesterday, a business may look at an investment and look at the return. What is happening in Cardiff, and what will be happening elsewhere, is that there is a much wider calculation going on, not just about whether or not a certain project is going to bring a financial return but about what the return is going to be in jobs and what sort of jobs they are going to be.

I cannot give you a simple glib answer to it, but the importance of supporting high-quality jobs in Wales and using growth deals for that purpose is very much in everyone's mind.

Q51 **Simon Baynes:** We have heard concerns about the suitability of loans for many businesses and, as MPs, I am sure we have all had a full mailbox on the subject. That, of course, is related a lot to the fact that repayment is uncertain, looking ahead. Is there a case to be made for more grant aid or tax rebates, particularly as we look into the medium term when some of these businesses will not necessarily recover as fast as others?

David T C Davies: That one sounds a bit above my pay grade, to be honest with you.

Chair: Secretary of State, do you want to try to answer that one, please?

Simon Hart: It is possibly a bit above mine, too, but I think Mr Baynes's comments have been repeated in quite a few conversations that have been going on between the UK and Welsh Governments about the risk of increased debt. Also, and I suppose we have all had this, there are a



number of examples where we have contacted companies to say, "This is what is available," and they have come back to us and said, "Even if it means closing our business, we are not going to take up these offers because they involve a degree of debt that we do not think is sustainable." That is quite a serious message.

The Chancellor is looking at interventions to keep the economy going, to keep people in jobs and to sustain livelihoods, but clearly there has to be an economy at the other end of where we are, for whatever sector you are in to be sufficiently thriving, so that people can go back to work under their usual arrangements and for those companies to be able to sustain themselves in the short and medium term. Clearly, individuals will have to make a judgment as to whether grants or loans work in that capacity. The Treasury also has to look at how it is going to redress the biggest chunk of Government borrowing pretty well since records began.

Q52 Simon Baynes: My next question is interrelated with that. The Chancellor has arguably created the largest and most comprehensive support package of any country in the world, and that has obviously fed through to the Welsh Government. It has enabled both Governments to have significant firepower during the course of the crisis. Of course, these are only temporary measures. What work is under way on developing more medium to longer-term arrangements to support those businesses?

Simon Hart: You are quite right to point out that these interventions are not designed to last forever. They cannot last forever. They are designed to get us through a crisis, for us to get out of that crisis as soon as possible and to get a functioning economy going again. I don't think the idea that we could drift into next year, or even beyond, on the basis of current interventions is a realistic prospect.

Absolutely, the economic recovery element of this is designed to make sure that there is an economy capable of sustaining the activities of millions of people and millions of businesses once we are safely through coronavirus and that we are able to return to a degree of normality. As the hospitality sector has said to us, this will be a very hollow support package if all that happens is that businesses close in October rather than in May. We will have achieved very little if that is the outcome.

Back to what David T C and others have been saying, this is where the growth deals and infrastructure deals come in. This is the inward investment, the levelling up, the strengthening of the Union and all of those issues that we were happily talking about in the run-up to the election, to Christmas and to the Budget, and which then hit some very deep sand in March when Covid came along.

I have heard the PM say on a few occasions—I do not know if he said this to the Liaison Committee yesterday, Chairman—that all of those exciting investment opportunities are probably even more important now, as part of the recovery process, than they were when he first made them during the course of last year.



Q53 **Tonia Antoniazzi:** It is very interesting hearing you talk about medium and long-term arrangements, but can you be specific? People need to know when the Government are going to come forward with clear proposals on steel, the aerospace industry, especially Airbus and British Airways, and other anchor industries in Wales.

Simon Hart: In mid-crisis it is very difficult to give you a clear answer. For example, we know steel orders have reduced significantly during the Covid crisis because of the slowdown and, in some cases, the stoppage of the entire manufacturing chain. We know that, so I cannot say to you, "Look, that is going to be fine in September, October, November, and therefore Government intervention will be able to be withdrawn and the industry will be able to return to normal productivity by a certain date." I cannot do that. I think I would be widely chastised by the Treasury were I to do that.

What I can say is that since way before Covid—as colleagues of yours will attest—there has been a lot of talk about what a sustainable UK steel industry looks like. In the context of whether it is Celsa, Tata or Liberty, as three prominent manufacturers in Wales, the view has been from them, as much as it has been from the UK Government, that we need to work out and decide what the strategic position looks like before we can decide for certain what they want from the UK Government and, in a sense, what the UK Government want from them with a decarbonisation process.

Likewise on aerospace, we all want the market to return to what it was before and improve, as we improve our competitiveness and win more orders. We cannot make that commitment until we are further on in our recovery process than we are now.

Q54 **Virginia Crosbie:** You mentioned that investment opportunities are even more important, and you mentioned decarbonisation. *[Interruption.]* Sorry, I live right next to the RAF and that is the noise, so I do apologise. I had a meeting with the All-Party Parliamentary Group on Nuclear Energy yesterday. Wylfa Newydd is the nuclear power station here on the island, and it is one of the best sites in Wales, Europe and the world. What are you personally going to do to champion sectors like nuclear with the UK Government?

Simon Hart: We have discussed Wylfa on numerous occasions—we personally, let alone we as UK Gov. There is real enthusiasm for this project and projects like it. It ticks all the boxes, to use the cliché, whether that is local growth in jobs or the wider UK energy production ambitions.

We recently had a meeting with Horizon, and I think you probably did, too. We are constant. We have face-to-face meetings—if we can call Zoom face to face—with colleagues in BEIS. This process is proceeding with the intention of it having a happy ending. That is as far as I can probably go for now. There are very few people who think this is a



fundamentally bad idea. That does not mean that getting to the starting line is not fraught with difficulties, as you would expect with a project of this magnitude.

Q55 Robin Millar: The Welsh economy, in very many ways, is dependent upon large individual sectors. Prominent among those is tourism, the hospitality industry and the associated parts of that. It is, unfortunately, also one of the areas of the economy that will have been hit first and will see the relief last in many respects. What discussions have you had within the UK Government and with the Welsh Government about ways to support the sectors that are hardest hit by this pandemic? In particular, I am interested in aspects such as the seasonality that affects particular sectors like tourism.

Simon Hart: Yes, it is described at the moment as a 12-month winter, isn't it? I thought that was a really apt description of the sort of feeling within holiday and hospitality. Clearly, there have been some intervention measures provided by the UK Government that have kept a huge number of businesses from going under in weeks two, three or four. I can think of some very big, very successful, very sustainable operations in my part of the world that were instantly plunged into a really serious cashflow issue with no prospect, had it not been for furlough, CBILS and other measures, of necessarily being around even today.

However, that possibly gets us through only to mid-season or even the end of this season. There is then a long winter, which is normally devoted to investment and essential spend. That is going to be under risk, which has a supply chain knock-on, and then the assumption is that we can resume as normal next spring. That is a big assumption to make, we would probably both agree.

The conversations with the Welsh Government and the UK Government—and DCMS has been doing quite a lot of work on this—is on what flexibility we have to have within these systems around furlough, for example, to take account of the fact that there are some big seasonal differences in different sectors in different parts of the UK. Again, David T C may have a view on this, but I think the Chancellor's comment back at the beginning—and he has re-emphasised this most of the times that he has taken to the podium in Downing Street—is that our ambition as the Government of the UK is to make sure that we save and preserve as many businesses and as many jobs as we are physically and fiscally able to do so. The caveat is that we will not get every single one.

Q56 Robin Millar: Forgive me, but I think we can take it as a given that the UK Government's response has been fantastic. I am sure many of my colleagues have—certainly I have—spoken to many hotels and businesses who have said they simply would not have been here without the speed, scale and pace of that response. The question is: what about Wales and Welsh businesses within Wales? What support will they be able to access and receive?



HOUSE OF COMMONS

Chair: David T C Davies has also indicated that he wants to answer.

Simon Hart: All right. Why doesn't he go first and I will shut up?

David T C Davies: I was going to surprise everyone by saying I wanted to shower some praise on the unions. I had a Zoom meeting with representatives of most of the trade unions in Wales, I think two weeks ago, and it is very clear that they share that aspiration; of course they would. What they are doing is providing health and safety support for companies within Wales so that they can get back to work again. I thought that was very impressive, so there is a lot of work going on not just within Government but also among the trade unions and businesses talking to them to try to get companies up and running. I think that is a very good thing.

Simon Hart: I think your question is about support for Wales specifically, and the Barnett consequences of what the UK Government are able to do for jobs and livelihoods. That has been referred to and it is, as we know, a matter for the Welsh Government to decide how that is assigned and distributed. Then there are the reserved matters, which hopefully will help individuals, that do not have to go through the process of Welsh Government decision-making.

The longer-term consequences of this are really significant. There are no resolutions on that yet, but there is recognition, however, that we cannot just bring the thing to a date on an arbitrary day in September and say, "Right, that is it, we are out of here" because the effect on these industries is going to be much longer.

Q57 **Robin Millar:** One of the characteristics, I would suggest, of the tourism sector but also business across Wales is that 95% of businesses are microbusinesses, even though they are responsible for 35% of employment. The nature of that is one of dispersal, and it is right across Wales. It is not a question of hotspots and clusters. In terms of practical support for them, there have been grants offered to some businesses that have a business rating but not all of those do. In that case, has there been any discussion around commercial rents, for example, where a small business might be paying a rent but not be registered in that way, to enable them to access existing grants?

Simon Hart: Yes, there has, and I have had that conversation with Ken Skates. It is an ongoing one. The truth is that there probably is not much progress in this area. There is a little bit around protecting people against eviction, which is, in a sense, starting from the wrong end of the problem in my view. Clearly the UK Government's desired position is to avoid people getting into a situation where they are going to be in this difficult, stressful and embarrassing position in the first place. Truthful answer: we are not as far forward with this as we should be, and we probably need to put our foot on the accelerator.

Q58 **Robin Millar:** Shifting the focus a little bit, there is a lot of talk of



supporting business, and of business being supported, but I am equally interested in what business is doing itself to grow. If you will indulge me in an image, there is lots of talk of plugging holes in the boat but a lot less talk about setting the sails and adjusting the rigging to get going again. What opportunities can the UK Government give in Wales to encourage investors and unlock private equity and capital?

Simon Hart: This is the big question that we have been wrestling with in the Wales Office during Covid, because we want to be ready for that moment when we are back on the world market and we want to ensure that people do not miss out on an opportunity of inward investment in Wales. Again, I keep deferring—with good reason, I would like to think—to some of David's comments on growth deals. The PM has also commented on big infrastructure improvements, big Union-building, levelling-up projects that will present Wales in a much more prominent, accessible and exciting way than perhaps before.

Out of adversity comes opportunity, and there are examples of people who are looking to adjust their business models, change the way they do things and look at other ways to incentivise customers. At a very micro level, here in west Wales in the darker moments I have been rather cheered by the number of people who refuse to lie down, refuse to leave their business, which they have spent a lifetime building and investing in, and refuse to let Covid get the better of them. In that refusal, what they have been doing is thinking, "Okay, well, we might not be able to do it like this anymore, but we can do it differently." Some of that is around social distancing, some of it is around, "Actually, we are probably going to live either with this pandemic or other pandemics for a bit, so we have to change the way we practise."

Q59 **Robin Millar:** Forgive me again for interrupting, Secretary of State.

Simon Hart: No, I was banging on a bit.

Robin Millar: I have been allocated a number of questions, and I must get through them.

Simon Hart: Yes, fair comment.

Chair: Nice and quickly, please.

Robin Millar: I will crack on then. Thinking about supply chains, which are obviously a key part of business, one of the observations of this pandemic has been that a more localised approach to procurement will build more resilience, and there is a need to focus more on developing local supply chains. How confident are you that the supply chains in Wales and the rest of the UK are, in fact, robust enough to navigate this pandemic and its aftermath?

Simon Hart: I am probably not as confident as I would like to be at this stage as the reality has become much starker. I heard a very interesting anecdote from somebody in the vehicle manufacturing industry recently—without being too precise—when we were talking about the reduction of



carbon footprint. They made the right observation that in the manufacture of vehicles we have been too fixated on what comes out of the exhaust pipe and not what goes into the manufacturing process.

From that example, we ought to be looking at ways in which we can be much more effective in our supply chain. That is, to rely less than we have on foreign imported parts in that particular industry. Rather than just sticking a machine at the end of the exhaust pipe, measuring that and declaring it either advanced technology or not. We are approaching that problem the wrong way.

If people have become aware of that as a consequence of Covid and the vulnerability of the supply chain, we have a chance of being able to encourage and create investment around supply chain manufacture, for which at the moment we simply rely on China or South Korea. That would be a significant step forward.

Q60 Robin Millar: You mention China, and clearly we are in the middle of a number of trade negotiations and deals as the UK. How confident should Welsh businesses broadly be—and very close to my heart there is Welsh farming—that the UK will secure some good deals in this round of negotiations? Obviously, the EU and America are other sources.

Simon Hart: I was getting more and more confident before Covid struck. In some ways, Covid has not dented my confidence that there are some really good deals to be done and arguably, as I say, in some cases there are probably some enhanced deals to be done as the world comes to terms with the pandemic's impact on the global economy.

As I say, if we get the levelling up and the strengthening of the Union bit right—to use those two clichés—I think Wales is going to have a much more prominent place on the world stage with deals, if it is doing deals direct or if it is doing deals under the umbrella of UK Government.

Q61 Robin Millar: Having said that, of course, the UK economy is big. It is the Gulliver in a land of Lilliputians when you look at the individual home nations. If the UK economy switches on ahead of Wales—going back to the subject of divergence—do you think there is a risk that Wales might get left behind and suffer for that divergence?

Simon Hart: My conversations with Ministers in the Welsh Government suggest that they are concerned about that, yes.

Q62 Robin Millar: To give a very real example, I was speaking to one gentleman just this morning—a provider of a tourist attraction—who has close to £1 million of forward bookings, and he was telling me he is certain that those will be lost because they are seasonal. He is certain that those will be lost to other businesses outside of Wales if Wales does not switch on at the same time as the rest of the UK.

Simon Hart: I absolutely support that concern, with one important caveat. If there was evidence that suggested divergence is necessary for



public health reasons, we may have to take a view, just as we might if there was an outbreak somewhere else in the UK, on a regional basis. Any divergence that is just to make a political point comes with the risk that you have described. We would never be forgiven if we allowed that to happen.

Q63 Robin Millar: Finally, I turn to universities and the role of higher education. They are key economic contributors to Wales, generating about £5 billion of impact and supporting some 50,000 jobs. How concerned are you about the potential impact of the pandemic on the university sector and the engagement you have had around that? How concerned are you that it will leave a permanent scar on our universities?

Simon Hart: Obviously, as with a number of other sectors, our intention is that it should not. I have a meeting next week with the university vice-chancellors. They are concerned; we are concerned. There have been some measures. The student loan element of this is not devolved, even though education is, and there have been some adjustments to the student loan arrangement that are designed to help universities. Whether that is enough to avoid problems is a different matter. It is a genuine concern, so much so that we are meeting them now.

Q64 Robin Millar: I was fortunate enough to live within 10 miles of Cambridge and observed at first hand the Cambridge phenomenon where the university grew off the back of its investment and support of local business. What will you be doing to encourage that link to business from universities in Wales?

Simon Hart: There is a whole new world of research and development opportunity that has arisen, obviously quite prominently within medicine and associated research, that I think gives us an opportunity to link universities in Wales with some new opportunities that I hope could be—and I hate to use this word in the context of a pandemic—lucrative new opportunities that might not have existed before and will help avoid the scars that you referred to.

David T C Davies: I think we are already seeing a little bit of that happening in areas like Swansea, where Swansea University has a big tie-in with the growth deal, business and schemes that will allow research coming out of the university to be turned into small businesses. We hope that will grow and end up employing a lot of people. I think to some extent that is already happening and I am sure we all welcome that.

Q65 Chair: Could I follow up on an answer you gave a few moments ago about supply chains, the agricultural sector and looking to do deals around the world? What assurances have you been given by ministerial colleagues about how food and animal welfare standards will be protected in the United Kingdom when these deals are being done? We all voted, in my party and yours, against an amendment to the Agriculture Bill on the basis of assurances from Cabinet members that we would protect the standards. How specifically are we going to do that?



Simon Hart: I do not have a view, having had to do the whipping around the particular vote that you refer to. As you know, I have a long, probably chequered history in respect of my support for agriculture, food production, high standards and all of that. I remain absolutely committed to every one of those principles.

I think the amendment we were discussing last week, which was rejected, clouded the vision on that. As you saw from the public lines that came out and from Victoria Prentis's own speech, nothing within the Agriculture Bill really altered any of that. It does not alter the fact that the import requirements to the UK remain, in a sense, as they always did, which is to ensure that welfare and food standards are met.

I am not completely sure why there was a sudden panic about the fact that all the hard work that had been done in achieving those standards was necessarily going to be ruined by that one particular discussion around a trade deal with the US. As we all have, I have had regular meetings with the NFU, the Farmers Union of Wales and others. As far as I am concerned, the assurance that Victoria Prentis gave in the Chamber at the Dispatch Box was pretty reasonable.

Q66 **Beth Winter:** I want to pick up on the situation of the higher education sector in Wales. A recent report by London Economics on behalf of the University and College Union—if you have not seen it yet, I would encourage you to do so—said that the HE sector brings over £200 million of research investment into Wales, generating £5 billion of impact. The effect of the pandemic is extremely significant and disturbing in Wales. Student numbers are estimated to drop by over 13,000 in the forthcoming academic year, universities are looking at a loss of income in the region of £300 million, and Mark Drakeford himself has been quoted as saying the scale of the financial support that is required is beyond the devolved Administration budget. Given the contribution that the HE sector gives to the economy in Wales, generating employment, I strongly urge you and central Government to address the need for significant financial intervention in the sector.

Simon Hart: The impact assessment that you describe is not restricted purely to Wales. That is a UK-wide issue. I am not going to sit here and underestimate the impact of this pandemic on higher education. It is one of the most challenging, worrying and drastic impacts of this whole period of time.

Mark Drakeford is right to say that the devolved budget is what it is, but he could have added that almost all of the issues that we have been talking about today and over the last six weeks have been beyond the reach of the devolved nation. That is why the UK Government have stepped in and done what they have done. That is why—if I can make a cheap advertisement for the Union, which I know will be largely welcomed on this call—being part of the United Kingdom has been such an essential aspect of keeping the economy of Wales going.



Q67 **Beth Winter:** Cardiff University recently published a report that estimated that Wales—the devolved Government—has spent over £0.5 billion in excess of what it receives from central Government. There is a significant shortfall in what the Welsh Government are having to spend during this pandemic, and we would urge central Government to fill that gap in funding, please.

Simon Hart: I have not read the report, but in none of the 106 meetings that I have had with Welsh Government officials have they raised that particular concern or that figure with me.

Q68 **Tonia Antoniazzi:** Everybody from every walk of life knows that the future, post Covid, is not going to be fine, which is why the UK Government having clear proposals for industry and business is so important so that people know when. The Welsh Government have gone further than the UK Government by providing bespoke business support, and I pay tribute to the businesses in my constituency and across Wales that, like yours, are not letting Covid get the better of them.

The Welsh Government's hands are tied, and this has been spoken about by my colleague from Cynon Valley. What is your response to the suggestions made by the IFS and the Wales Governance Centre that greater flexibility should be provided to the Welsh Government in their borrowing powers and in drawing down from the Welsh reserve? Without this possibility we cannot provide the support that we need to provide.

Simon Hart: I am not particularly familiar with the bespoke packages that exist in Wales that do not exist in England, but I am sure there might be vice versa examples as well.

On the borrowing capacity, I do not think that anything is off the table as far as this is concerned. Certainly, as I have said on numerous previous occasions to the Welsh Government and others, if there is a particular case that you want to make, a plan that you want to implement, a change in the model that you currently adopt, which might require that to be revisited, make the case. That is not the same as saying, "Don't worry, whatever it is, we are going to say yes," if indeed it is up to us to say yes anyway.

I speak to these guys every other day—well, probably more frequently than that in one form or another—and, so far, I have not had a request to revisit those particular formulas, but I can absolutely say that, if we do, they will be taken seriously.

David T C Davies: There is borrowing on offer for an M4 relief road. Building that would send a fantastically positive message to the automotive companies in south Wales, some of which are relocating down there—Ineos, Aston Martin—and perhaps encourage some more to come as well. That is one bit of borrowing—

Simon Hart: It would send a fantastic message to the hospitality and holiday business in west Wales too.



Q69 **Tonia Antoniazzi:** We are under no illusion. I know that my colleague the Finance Minister, Rebecca Evans MS, has made it very clear that the borrowing powers in Wales need to be extended and changed. She said that publicly a few weeks ago. Also, when have you had meetings with the Wales Governance Centre? Have you had any? Are you aware of its proposals? We, as a Committee, have had those meetings, and what it is saying is very important and I hope you will both listen to what it has to say.

Simon Hart: I am always very happy to listen, but I think it is also right that my point of contact is with Mark Drakeford, and with Vaughan Gething on health issues, Jeremy Miles on Brexit issues and Ken Skates on economic issues. That is a model that they recommend, and I am very happy to be as co-operative as I can.

Q70 **Chair:** Just so we are absolutely clear, are you saying that in any of the 104 meetings that you have had with Welsh Government Ministers or officials, or in any of the meetings and interactions between HM Treasury and the Welsh Government, at no point have they made a formal request for any change to the financial mechanisms from the UK Government to support the Welsh Government?

Simon Hart: At none of the ones that I have been present at, but in that 104 or 105—it is probably 110 now—some of those will be at official-to-official level. I can see the trap here, Chairman, a long way off.

Chair: No, it is not a trap.

Simon Hart: No, and it is perfectly reasonable for you to set it. It is not a question that I recall being asked or that I recall coming up, and I would not worry if it did. It is a perfectly reasonable question and I am very happy to talk about it with anybody at any time, but I don't remember that being raised. I spoke to Ken Skates the day before yesterday, I think it was, and we were talking about things like the reserve fund. There have been opportunities relatively recently where the Welsh Government could have said, "Can we have this discussion?" I do not remember having it. If I have misled you in any way, I will correct it by the end of today.

Q71 **Chair:** Sure. It is not a trap at all. I think it is just really important to be clear that, no matter what Welsh Government Ministers might be saying on the floor of the Senedd or in their comments to the press about wanting to change financial mechanisms, it is important for us as a Committee to hear and to understand whether they have made any formal request at all.

Simon Hart: You know the form here, as lots of others on the call do as well. A chat over the phone at which officials are present is one thing, but I do not even recall it being asked on those. If there is then a formal approach, there is a very formal process that is followed involving numerous bits of paper flying around. It becomes the sort of thing that you don't forget or you don't overlook, and I am not aware of that. There



HOUSE OF COMMONS

have been, as others alluded to earlier, in relation to the flood defences, that sort of thing—that is all very clear—but not on this. As I say, if I have had a blind spot, which is not impossible, I will correct it.

Chair: I suspect, if there had been a formal request, your private office would have worked very hard to make sure you were aware of it.

Q72 **Robin Millar:** I want to go back to the picture I presented of a boat where all the effort is going into plugging the holes rather than setting the sails. Tonia has made an important reference to the Wales Governance Centre at Cardiff University and the recommendations we received. The challenge also is that so many of the presentations and recommendations we receive have been about plugging the holes in the boat and not setting the sails. Are you saying that you want to hear more proposals for how to grow rather than just how to cope?

Simon Hart: I wish I had used that expression myself. Absolutely, I want to get into a debate about opportunities for the future, about innovative ideas around investment. I want to return to the sort of exciting atmosphere that we had before Covid, not in any way just to pretend Covid did not happen. We have learned some very painful lessons from it, but the future and the way in which we restore optimism and vigour to the Welsh economy is where we want to spend an increasing amount of our time working on and thinking about.

Tonia Antoniazzi: I do not think it is a case of what Mr Millar said, that we were filling the holes. Borrowing provides an opportunity to be able to plan for the future and to invest in a post-Covid world, and that is why it is so important.

Q73 **Virginia Crosbie:** We have a sea zoo here on Anglesey, and it is one of our main attractions. The UK Government introduced a welfare grant specifically for zoos. There are 30 licensed zoos in Wales. Do you believe that these tourist attractions will be disadvantaged by not having a specific zoo fund available for them? Their requirements are very different in looking after animals and not furloughing keepers, et cetera.

Simon Hart: I have two in my constituency that have been in a very similar position. I raised this with the Welsh Government the day before yesterday, and they referred to the fact that the economic resilience scheme has been expanded to cover some of these businesses, each of which will be subject to its own application, I have no doubt. In fact, one in my area has made that application successfully and so, if your particular constituents have not already done that, the ERS is probably the vehicle by which they need to take the next step.

Virginia Crosbie: They have done, yes.

Simon Hart: There was a sum of money that was Barnettised, which I think the Welsh Government are making use of in this regard, but definitely they should come under the ERS.

Q74 **Beth Winter:** I want to press the point again that Wales needs to be



fairly and properly funded. We have had a decade of brutal austerity where the councils in the region have been stripped of £1.6 billion. The Barnett formula is ill equipped to meet the needs of Wales. It is population based rather than needs based. I have already mentioned the £0.5 billion of Welsh Government revenue spending that has not been covered by the Barnett consequential, so we need the funding to enable us to grow the economy. The current structure does not allow that. Thank you.

David T C Davies: I do not want to crowd out the Secretary of State, but I was on the Welsh Assembly when the current local government funding formula was brought in some 20 years ago. I gently point out that a lot of Labour local authorities in areas like Monmouthshire think it is deeply unfair because, of course, it is entirely the responsibility of the Welsh Assembly to decide how much each of the 22 local authorities gets.

There is a perception, I am afraid, which is shared by Labour councillors in some rural areas, that when that formula was drawn up it unfairly discriminated against rural areas, which just happened to be—and I am sure this was a coincidence—areas that were not run by Labour local authorities. Therefore, before we start talking about fairness for local authorities, it would be worth having a look at the formula and perhaps having a chat with councillors from different political parties across Wales and finding out why it is that most of the funding seems to end up concentrated in the south Wales valleys' local authorities and not getting out to the rural areas.

I could go into a fair bit of detail as to why that is. It is to do with the way sparsity is calculated, percentage of elderly people in a local authority area, the way in which deprivation is calculated, which seems to favour areas where there are people claiming benefits rather than people earning lower than average wages. It is a very complicated issue, but it is definitely not one that the UK Government can solve, unfortunately. I wish it were.

Q75 **Beth Winter:** I agree that there are issues and I, like you, could go into detail about the funding formula in Wales. But ultimately we are centrally funded from central Government, so we need sufficient funding to be able to devolve that to the regions on an equitable basis, as you have suggested.

David T C Davies: Of course, we can only fund the Welsh Government. We cannot tell the Welsh Government to spend it on local authority funding, and there have been instances in the past, over business rate relief for example, where the UK Government have awarded extra money to the Welsh Government but it has not been spent in the way that was expected. Of course, it would be against the law for us to hypothecate money and to say, "We are going to give a whole load of extra money to the Welsh Government, and you must spend it on local authorities." I would be interested to know whether Ms Winter and Labour MPs would



support hypothecation of funding for local authorities from the UK Government.

Chair: Minister, we are not going to turn this into a reverse question time.

Q76 **Simon Baynes:** I want to pick up on that point from two angles. One is that the equitable sharing of local authority money is a problem for us in north Wales, where the councils have had, on average, much lower settlements than they have had in south Wales.

More importantly, I would like to compliment the local authorities on the way they have contributed to getting funds and services in order during the course of the crisis. The two authorities in my constituency, Denbighshire and Wrexham, still have some funds to grant to businesses that need support. My impression overall, going back to some of the earlier points that have been made, is that the Welsh Government are in a situation where they still have funds that have come from Westminster that they can spend during the coronavirus crisis.

David T C Davies: I feel I was getting a bit carried away the last time round. I accept the general point that there are issues at the moment over the funding to local authorities.

Q77 **Geraint Davies:** On the funding issue that has just been raised, it is worth pointing out that, overall, local government in Wales has been much less hit by austerity than England, where they have had a cut of something like a third. The main issue for us today on funding is the global amount given to Wales. Our evidence from the Welsh fiscal analysis by the Wales Governance Centre shows that about £1.75 billion has been given to Wales compared with £2.25 billion of spend, a £0.5 billion shortfall. Remember, of course, Wales has an overall budget of only £20 billion.

The reason for that £0.5 billion shortfall is simply that Wales is poorer, older, in more poverty and more rural and, therefore, we need more money to do the same things as in England. Can I interpret you, Secretary of State, as saying that you would support a needs-based funding response from the UK Government to the Welsh Government for this—without getting into Barnett—just so we have the money to do the same job in Wales as they would do in England?

Simon Hart: No, you cannot say that. What you can say is what I said, which is that I am always happy to look at requests and discuss requests from the Welsh Government about these and related matters. That is what I said, and that is what I am happy to be quoted as saying.

Geraint Davies: I misunderstood you. I thought you were being—

Simon Hart: That is all right. I hope I cleared that up.

Q78 **Geraint Davies:** The fiscal study and the Welsh fiscal analysis we have seen shows that the Barnett consequentials are basically prorated, and



we have much more need so we need more money—we spend more money—so that we get what we need, as opposed to just agreeing with whatever we are told.

Simon Hart: We should not forget, of course, that the Welsh Government do have the ability to intervene on tax regimes. They can exercise that power if they so wish, and I would be intrigued to know why the Welsh Government have so resolutely declined that opportunity.

Q79 **Geraint Davies:** On that point, it might be the case that the average wage in Wales is 70% of the UK average, so we do not want to tax people more. But on the borrowing point, given that we now have devolution of income tax that gives a steady stream of income to repay borrowing, will you be supporting moves to have more borrowing flexibility for Wales so that we have more flexibility to respond to the pandemic in the short term?

Simon Hart: I absolutely know that any request to explore that course of action will be taken with the utmost seriousness by the Wales Office and by the Treasury.

Q80 **Geraint Davies:** Excellent. On the Shared Prosperity Fund, you will know that its predecessor, the convergence funding, was spread over six years. The problem for Wales is that we get money year after year and we have to spend it all. We cannot save any of it. Would you agree that the shared prosperity funding should be over a larger timeframe—perhaps that of a comprehensive spending review—so that it can be properly planned strategically as we move forward out of Covid?

Simon Hart: You repeat one of the arguments that the Leave campaign was making during the Brexit discussions last year, about pursuing a course of action that gives us flexibility in financial planning. SPF was a hot topic before Covid. No doubt it will be an even hotter one from here on in and, of course, will inevitably be entwined in the discussions that we are all going to be having very collaboratively, I think, over economic recovery.

That is not to say, by the way—I know this is a concern for some people—that it is just going to be absorbed into a wider Treasury melting pot of ideas and proposals. I am just saying that I think we are looking at a very different economic landscape in May than we were when we last talked about it in February.

Q81 **Geraint Davies:** On the Brexit point, all I am saying is that the convergence funding was over six years and so we need a Shared Prosperity Fund over a number of years, rather than all dumped in one year, so we can do some strategic planning.

Simon Hart: I think the long-term planning point is a perfectly valid one, but I am not yet at that stage in the process to be able to tell you much more.



Q82 **Geraint Davies:** Do you think we should have the same app systems and the same track and trace as in England—I am thinking of cross-border issues really—and Northern Ireland? Do you think we should be using the same sort of technology and moving ahead together?

Simon Hart: I do. With all of the technological approaches to Covid, the more we can unite around data analysis and technology to try to halt its progress, reverse its progress, develop a vaccine and develop a treatment the better. As people have often said in the media, Covid does not respect local authority, county or national boundaries, so there is a strong argument for suggesting that nor should our approach to resolving it. I do not detect much resistance to that within Wales. As ever, each country is undertaking its own analysis and thinking but it is with the intention of being able to do something with commonality.

Q83 **Geraint Davies:** I assume you want a very high level of take-up of apps and track and trace co-operation. Do you feel that the Dominic Cummings event, where he has blatantly broken the rules and not apologised—he has been very arrogant in this—will mean that there is less confidence in the guidance, less take-up and inevitably more infection and deaths?

Simon Hart: Obviously, the more people who sign up to these measures the better. I know there have been one or two issues around data, and there have been one or two concerns about how protected people's data will be as a result of these kinds of apps and other measures for collecting relevant information. To that charge, I have often said that when we present ourselves at the hospital or at a doctor's surgery we are largely declaring the same amount of data into largely the same system as we would via the means we are talking about.

I think—and I say this with all sincerity—that the objective and concern uppermost in almost everybody's mind, leaving aside what the press and everything have been saying recently, remains a very fervent desire to rid the country of Covid, get back to normal and restore order to the economy. I think, and I really do believe this, that is what most people are focused on doing. I would be very surprised if the news stories over the last 36 hours distracted people from a very serious objective that we are hopeful we will all be attempting to unite around.

Q84 **Geraint Davies:** On delivering as safe and effective a recovery as we can, I want to move on to remote working and digital working. I have certainly put pressure on British Telecom, and it has responded locally, to try to encourage more people in its call centres to work at home, et cetera. Would you encourage everybody who can work at home, or companies who can enable people to work from home, wherever possible to continue to work from home so that there is simply less infection, less bustle, more space on public transport, et cetera? Where you can work from home, you should work from home, and we should support that. Would you agree with that?



HOUSE OF COMMONS

Simon Hart: I do not think the guidelines have changed very drastically. I remember right at the outset it was that you should go to work if you cannot work from home. That message seems to have got lost in the last few weeks, but that was always the case right from day one, providing, of course, that you were able to meet all of the other social distancing and protection arrangements. I am not quite sure if your question is about now, while the outbreak is still rife, or the longer term.

Q85 **Geraint Davies:** Now, and in the future as well. We need to look towards a more digital future, and the idea that people have been at home now and should be dragged back to work seems a bit strange to me. You could also maybe comment on whether we should be investing in public transport. What is the trajectory forward for working at home, digital and public transport?

Simon Hart: I am detecting that more and more people quite want to go back to work if they are safely capable of doing so. I am witnessing it among my own circle of friends, the feeling that it is part of trying to get back to normal, but I am very conscious of the safety requirements in doing that.

We had a conversation in the Wales Office this morning, looking forward, about our priorities in the economic recovery. You might be pleased to hear that we have shoved digital connectivity higher up the priority list than it was before. Whatever we may say around this remote table now, I have no doubt that we have learned a lot of lessons about Zoom, remote working and the pros and cons of it, and I have no doubt that there will be more and more desire to do it. National newspapers have been produced and distributed without anybody going into a newsroom. People are discovering new ways of doing stuff.

I still think, by the way, that there is a huge amount of importance attached to human interaction, and I do not think the future is exclusively Zoom. When it is safe to do so, we need to bump into each other in the corridor and have that conversation. I think that plays a part in all of our worlds, and we cannot live in isolation forever.

I agree with you. Digital existence is going through a mini revolution at the moment, and we should seize the best bits of that and make it as successful as possible.

Q86 **Geraint Davies:** What do you think we should do with all the excess university accommodation we will have, not just in the short term but in the medium term, as people realise there will be more distance learning? Is that a potential solution to housing problems or even isolating infected people from the second wave of infection?

Simon Hart: I am not sure I can answer that, other than that we have all seen some remarkable innovations. We have seen whisky distilleries becoming hand-sanitising production units. We have seen holiday accommodation becoming field hospitals. We have seen people react with



HOUSE OF COMMONS

remarkable speed and adaptability to changing circumstances. Adversity is the mother of invention, I think that is the expression, and we will see lots of that. Some of it will be good.

David T C Davies: I am leaping around in enthusiasm because I also find myself agreeing with Geraint about the importance of moving towards a slightly more digital economy. I assure you that, as well as the Wales Office plan, it is very much going to become a priority with the growth deals. I had another Zoom call with the head of BT Openreach broadband delivery in Wales about two weeks ago, and I made clear something that I think you may all agree with, which is that it is not good enough to go around just getting people from 2 megabits up to 30 megabits in rural Wales. There are still people who are not even on 2 megabits. We really need to prioritise that and to support people. It may be that it is not done through fibre, of course; there are various other technologies out there that will deliver broadband to people living in rural areas. I think that should be very much a priority, and I am sure others will agree.

I am happy to be agreeing with Geraint. In the short term, of course, the guidance remains unchanged: we should work from home if at all possible. But even in the medium term I think all of us are beginning to see the possibility that there might be some very small silver linings on the terrible black economic cloud caused by Covid. If that means more people working perhaps one day a week from home, or two in some instances—not all the time but some of the time—using the better communications that I hope we are going to develop in Wales, I am sure that is something we can all agree upon.

Q87 **Geraint Davies:** I wonder whether David agrees with me that, instead of dropping off a cliff—either you work or you do not work on furlough—we need a more flexible way forward. Instead of people working at home some of the time, or as much time as possible, a business could have someone working a few days a week, with half the furlough cost to the state, so we can gradually move forward. We could also have grants instead of loans. That is the feedback we have had in the evidence to this Select Committee. Would you agree, David?

David T C Davies: I think that is probably more for the Secretary of State, but we are bringing in more flexibility after August. It might not be quite what you have called for, but we recognise the importance of a flexible approach.

Simon Hart: I cannot add much other than that I know the Chancellor did not introduce the furlough scheme as an interim measure between work and unemployment. Therefore, it needs to be flexible because we want everybody who has gone into furlough to return to their job or job equivalents just as soon as they can. That might require flexibility, you are right.

Q88 **Simon Baynes:** The Secretary of State has heard me pushing this issue



HOUSE OF COMMONS

before. I emphasise how much I agree with Geraint and the Minister about the importance of connectivity, and I make it clear that a lot of rural areas still do not have good broadband connectivity or good mobile connectivity. This has been particularly brought to the fore during the crisis. There is a generous fund of £5 billion from the UK Government and BT, and there is obviously input from the Welsh Government as well. I am working on this issue with my opposite number in Clwyd South, Ken Skates, in the spirit of cross-party co-operation, but I just want to emphasise here that there are still significant holes in the coverage. This has been thrown up by the crisis, and we need to redouble our efforts when the crisis is over.

Simon Hart: I completely agree, and that is why we bumped it up the list this morning. We want to be futureproof as well, whatever that is. We do not want to be having this conversation in another five years when it turns out that 100 megabits is not enough to run a normal business or household.

David T C Davies: All I can do is agree.

Q89 **Chair:** Can I come back to an issue that Geraint raised, the Shared Prosperity Fund? Who is working on the Shared Prosperity Fund in Whitehall at the moment?

Simon Hart: It is a Cabinet Office responsibility with input from, in our case, the Wales Office, the Scotland Office and the Northern Ireland Office. There will be numerous others in that loop but, as far as the devolved territorial offices are concerned, that is the loop we are working in.

Q90 **Chair:** It is not the case that the issue has been parked in the same way as, for example, the flood issue that Beth Winter discussed earlier?

Simon Hart: I do not think so. I had a conversation in which there were No. 10 participants within the last week or 10 days, I think. I am not aware of that.

Q91 **Chair:** What do you understand to be the timeline for the Government bringing forward more specific proposals on the Shared Prosperity Fund?

Simon Hart: I do not think there is a timeline other than as soon as possible. I think everybody is aware that there is a time sensitivity about this—Geraint Davies alluded to it—and a number of institutions in Wales will be heavily dependent on the decision as early as January next year. It is not lost on the Cabinet Office that there needs to be clarity around this, and we are pushing for that clarity. As I say, all of the devolveds are taking that view.

Q92 **Chair:** Is it still your understanding that there will be a Shared Prosperity Fund live from January 2021, or do you envisage an interim tide-over mechanism?

Simon Hart: Nothing I have heard alters the existing position.



Q93 **Chair:** Before the Covid-19 pandemic a financial envelope was being discussed for the Shared Prosperity Fund. Has that envelope changed at all in response to what we now understand to be the emerging economic impacts of Covid-19?

Simon Hart: Again, no. I think what has changed is the sort of positive element to this. The relevance of the Shared Prosperity Fund in a post-Covid world has been enhanced and increased. Not that it was not hugely relevant for jobs, prosperity, growth and support before, but I think people are increasingly aware that it is going to be even more significant and, therefore, will require even more thought than before.

I suspect it is also not unreasonable to suggest that all of this will be looked at in the context of the wide economic horizon. Rishi Sunak's big headache is that that economic horizon has changed significantly. While there are no plans that I am aware of to alter, downgrade or adjust any of the comments that have been made about the Shared Prosperity Fund, there is going to be a heck of a lot more attention being applied to the overall picture. Some of the comments that your Committee members have made about ensuring that Wales is in the right place in that debate are very well made. I think it is extremely important.

Q94 **Chair:** Is the Wales Office specifically arguing for an increase in the financial resource being put behind the Shared Prosperity Fund in what needs to happen?

Simon Hart: I suppose we are crude and greedy in one respect in that we are always arguing for more than that which we have been offered. In this particular case, the conversation has not been about quantum; it has been more about process. It has been about how we are able to achieve a Shared Prosperity Fund out of which we get the maximum possible purchase, which is distributed fairly according to need and those kinds of measurements across Wales, and which respects the devolution settlement but also recognises that the UK Government are going to be taking a much more prominent role in these discussions. I do not think the Welsh Government, by the way, is fearful of that—clearly, because we have had precious little role in it before—but that will be different.

Q95 **Chair:** If the policy work behind the Shared Prosperity Fund is ongoing and has been ongoing during the last three months, have you reached a resolution with Welsh Government about where the balance of competence lies in the decision-making around the Shared Prosperity Fund, or is that a row still to happen?

Simon Hart: It is a discussion that we still have not concluded—that is how I would put it for the minute. This was all the daily diet of activity back in February. It is fair to say, by the way, in relation to the question of Whitehall engagement around shared prosperity, clearly the amount of time that has been devoted to it has reduced significantly during the Covid outbreak. That is stepping up again, funnily enough, as we speak and as we hopefully permanently come out of Covid. We had not got to



HOUSE OF COMMONS

the stage where we were reaching agreement either on quantum or on the relationship between Welsh Government and UK Government as far as prioritisation and distribution were concerned. We are not at that point yet. We would have been if it had not been for Covid, but we are not.

Q96 Chair: I will now ask you one or two very brief economic questions. Are you, Minister David Davies or any of your officials represented on the Welsh Government working groups around the economic recovery plan for Wales?

Simon Hart: No, we are not. We have requested that we might be. We thought it would be a good idea. Given that we have offered the Welsh Government to sit on every committee I am aware of, except the Cabinet, for Covid planning, we thought it would be helpful to have somebody in a sort of reciprocal arrangement. That was declined, but we were offered an opportunity to attend a Wednesday meeting of Members of the Senedd. I am not quite sure what it is, but I know that the different group leaders are present at it. That was not quite what we had in mind, but we have asked them to revisit it. We will see what answer they come up with.

Q97 Chair: At the moment, so far as you know, it is a, "No, thank you very much" from Welsh Government?

Simon Hart: Correct.

Q98 Chair: One of the things we learned from the last economic crisis 12 years ago is about the importance of putting in place funds to encourage and incentivise employers to hire workers and keep on workers, particularly young people. The UK Government had the Future Jobs Fund and the Welsh Government had Jobs Growth Wales, which were really important interventions. In your discussions with Ken Skates, with Mark Drakeford or, indeed, with Treasury Ministers, has there been any discussion at all about such interventions that might be needed to help bring down the unemployment level?

Simon Hart: I am just looking in the papers here, because the answer is that there have been discussions. David probably knows the answer.

David T C Davies: There are projects in three of the four growth deals that deal with that particular problem. I would not like to say exactly where we are with each of them, but I think everyone will look very favourably on those projects. We are not quite there yet with the fourth growth deal but clearly, given what is happening in the other three, it would be surprising, disappointing even, if there were not also some kind of project to deal with education and keep young people in Wales.

Q99 Virginia Crosbie: I want to talk about testing and PPE. Secretary of State, last week you were very critical about the Welsh Government's testing and testing capacity. What impact do you believe the Welsh Government's strategy and lack of testing will have on people in Wales, on the progression of Covid-19, on communities and on the death rate?



HOUSE OF COMMONS

Simon Hart: I am separating your questions between testing and PPE, because I think the two things are—

Virginia Crosbie: I just mentioned testing. I was going to go on to PPE.

Simon Hart: Yes, my mistake in that case. I think there is an attempt to align on testing. The pace of testing and the number per 100,000 head of population does not compare. On the testing figures, Wales tests at 2,478.2 per 100,000 head of population and England tests at 6,576.4 per 100,000 head of population. That is a distinct, significant difference. It would be for Welsh Government to explain why that is, but I do not think anybody is in any doubt that the more people we test, and the closer the parity is between England, Wales and other nations, the better because that will produce better data. The better the data is, the more chances we have of being able to get ahead of and stop Covid. I will repeat what I said when we last—

Chair: Quickly.

Simon Hart: Okay, I won't. I will save that.

Q100 **Virginia Crosbie:** There was a Freedom of Information Act request, an FOI request, a few weeks ago that said there was no testing agreement between Roche Diagnostics and the Welsh Government. Why do you believe that the Welsh Government had such a slow start with rolling out testing?

Simon Hart: I will be generous, because this is an extraordinarily complicated battle that we are all fighting. We are fighting a virus that, as far as most of us knew, did not even exist before February of this year. It has tested expertise, resources, logistics and distribution the world over. I have absolutely no doubt that when the sober, calm reflection on this pandemic is explored and reported on in years to come, there will be decisions on which we look back and think we would have done differently had we known then what we know now.

The critical bit of my answer is that, from time to time, I think it looked like—the Welsh Government will dispute this, I have no doubt—politics was getting in the way of the decision-making pace we needed to reach the same place at the same time. That accusation is not necessarily pointed at Vaughan Gething. I had meetings with him and Matt Hancock early on in this process. I am just trying to be generous here. I do not think people should underestimate the scale of this challenge, and it has tested everybody. The very first Cobra meetings I attended were populated by people of extraordinary skill and dedication, working unbelievable hours in almost impossible circumstances, and we did not all get it right.

Q101 **Chair:** Was it politics that led Welsh Government to start up a discussion with Amazon about doing their own testing portal rather than initially coming on board with Scottish Government and UK Government?



HOUSE OF COMMONS

Simon Hart: I suppose I should phrase it slightly differently. In the absence of a logical explanation, you are automatically left with the only explanation being that maybe it was a political decision, maybe they wanted to look different, maybe they needed to get some sort of clear blue water between UK Government and Welsh Government. I do not know if that is true, but in the absence of evidence that supported any other course of action, that is the only conclusion you can reach. I hope I am wrong, and I hope somebody will go public and say that I am wrong.

Chair: We do not have long left, so nice and tight questions and answers, please.

Q102 **Virginia Crosbie:** Dido Harding, the NHS executive chair of tracking and tracing, said this morning that the only way to beat the virus is to make us hunters and to track the virus. Are you confident that the virus will be hunted to the same level in Wales as in the other three nations?

Simon Hart: There is a universal desire to stop this thing. Different people are doing it slightly differently, but I cannot dispute the fact that everybody is anxious, desperate, to get to the other side of this thing.

Q103 **Virginia Crosbie:** On PPE, we have heard some incredible stories of communities and volunteers working together all across Wales. I have had M-SParc and Stayce Weeder, lots of people, helping with PPE, scrubs and 3D masks. Unless we get a vaccine, this virus is going to be with us for a long time. My colleague mentioned supply lines. What are you going to do to ensure the supply of PPE on a long-term basis?

Simon Hart: PPE is one of those things that has really tested Governments across the world. It is not unique to this country, and it is not unique to Wales. We got perilously close in some instances to an even more significant problem. I think it is a fantastic effort on many people's part that not a single patient who needed a ventilator did not get one. Those kinds of things, which were predicted to be real problem under the worst-case scenario plans, were averted.

We did not, as I say, get the PPE to everybody that we wanted, and the upshot of that was a recognition that our own manufacturing capability in the UK is something that we might want to look at. I have no doubt that the lessons from suddenly going on the world market to try to find this stuff when everybody is trying to buy it has led us to the conclusion that we need our own home-grown resilience capability with PPE. One of the things that I think will emerge in the aftermath of this as an essential part of our response to a pandemic is that we have the capability.

Q104 **Beth Winter:** The current pandemic has exposed the shortcomings of the welfare system, with the five-week wait for Universal Credit, people not being eligible for statutory sick pay and increasing rent arrears. We need to do things differently. What are your views on a universal basic income in order to achieve a sustained recovery? If your answer to that is not positive, do you accept that the welfare benefit system is in urgent need of reform to ensure that everybody has a decent standard of living?



HOUSE OF COMMONS

Simon Hart: I think a couple of things are wrapped into one another there. The 7.5 million people, or whatever it is, who have been furloughed at taxpayers' expense would possibly describe their current circumstances in exactly that way. That is a universal income provided courtesy of the taxpayer, and thank goodness. Everybody was amazed when Rishi Sunak announced not only the scope, at 80%, but also the lifespan of it.

On the wider question about DWP needing reform, I see the daily stats and DWP went through some quite testing times early on in this when the volume of applications went through the roof, unsurprisingly. It has recovered quite considerably since then, and in Wales it has rebalanced quite a bit. I have no doubt that there is going to be a long debate about the wider questions that you asked. I do not think we are in a position to answer them now. What we want to be able to do is to get as many people back into the work from which they were furloughed, and to get businesses up and running safely, as soon as we can and to make sure everybody is looked after accordingly.

Q105 **Geraint Davies:** You mentioned that the Shared Prosperity Fund had been put on the backburner because of the pandemic. Isn't that also the case for trade negotiations with both Europe and the US? If we do not move the transition period forward, aren't we at risk of being cornered by the United States? Boeing clearly want to take advantage of Airbus, and they are going to push that over. Our steel will be undermined by US steel, and our farming and standards will be undermined. Will you press the Prime Minister to move the transition period?

Simon Hart: I would argue that it is not on the backburner; it has just slowed down alongside a number of things that have slowed down as a consequence of Covid. We remain absolutely adamant that we are going to strike good deals on time and in line with our original plans.

Q106 **Chair:** I am mindful that, because of the broadcasting requirements, if we go over our allotted time we will all get muted and will disappear. So, in the interests of good housekeeping and bringing the meeting to a nice, formal conclusion, thank you very much, Simon Hart and David T C Davies. We really appreciate the amount of time that you have given us this afternoon and the quality of your answers. To my fellow Committee members, thank you for your brilliant questions.

In the spirit of the Liaison Committee, who were trying to persuade the Prime Minister to commit to another session before the end of the summer term, we would absolutely love it, Secretary of State, if you could do another one of these sessions with us before Parliament goes into recess in July, if indeed we do.

Simon Hart: Of course, take it as read.

Chair: Thank you very much.