



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyllid](#)

[The Finance Committee](#)

23/03/2017

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

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

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

Mike Hedges <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Eluned Morgan <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Nick Ramsay <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig Welsh Conservatives
Mark Reckless <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	UKIP Cymru UKIP Wales
David Rees <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Simon Thomas <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)

**Eraill yn bresennol**  
**Others in attendance**

Dyfed Alsop	Cyfarwyddwr Cyflawni Awdurdod Cyllid Cymru, Llywodraeth Cymru Welsh Revenue Authority Implementation Director, Welsh Government
Mark Drakeford <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Aelod Cynulliad, Llafur (Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol) Assembly Member, Labour (The Cabinet Secretary for Finance and Local Government)
Richard Harries	Cyfarwyddwr, Archwilio Ariannol, Swyddfa Archwilio Cymru Director, Financial Audit, Wales Audit Office
Andrew Jeffreys	Cyfarwyddwr, Trysorlys, Llywodraeth Cymru Director, Treasury, Welsh Government

Huw Vaughan Thomas Archwilydd Cyffredinol Cymru  
Auditor General for Wales

Mike Usher Arweinydd Sector, Iechyd a Llywodraeth Ganolog,  
Swyddfa Archwilio Cymru  
Sector Lead, Health and Central Government, Wales  
Audit Office

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

Bethan Davies Clerc  
Clerk

Gemma Gifford Dirprwy Glerc  
Deputy Clerk

Christian Tipples Y Gwasanaeth Ymchwil  
The Research Service

*Cynhaliwyd y cyfarfod ar Gampws Dinas Casnewydd, Prifysgol De Cymru.*  
*The meeting was held on the Newport City Campus, the University of South*  
*Wales.*

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

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

[1] **Simon Thomas:** Can I call the committee to order, and welcome everyone to our meeting in Newport? *Croeso mawr i bawb.* Can I say at the start, we'll be operating in both English and Welsh, and so if you need translation facilities the headphones are available? Translation is on channel 1, and the original language and volume is on channel 0. Can I particularly welcome members of the public and students here from University of South Wales departments, and the course on accounting and finance? Welcome to everyone. For those who are here who need to tweet or be part of proceedings in that way, you're very welcome to do so, but just to say that, on the whole, we'd prefer it if you could operate in flight mode, as apparently keeping the phones or electronic devices on permanently does interfere with

the translation equipment, so people might get buzzing in their ears if they're not careful. So, if you can bear that in mind when you are using your electronic devices that would be useful. We're very pleased to be in Newport, the home of the chartists, and somebody did say of Chartism—one of the Chartists' leaders did say that Chartism was a knife-and-fork, a bread-and-cheese question. I don't think you can get more of a bread-and-cheese question than taxation, so we'll be looking at Welsh taxation and devolution of taxation this morning both with the auditor general's office and with the Cabinet Secretary.

10:11

**Papur(au) i'w Nodi**  
**Paper(s) to Note**

[2] **Simon Thomas:** Can I first ask members of the committee: can you note the letter that we've had from the Secretary of State for Wales regarding this meeting? In noting it, can I just put on record that I am personally disappointed that the Secretary of State did not accept our invitation to come and be scrutinised here in Newport alongside the Cabinet Secretary from the Welsh Government? The fiscal framework is a joint piece of work between the UK Government and the Welsh Government. We're delighted, of course, to scrutinise the Welsh Government on it and the auditor general, but it would be even better, I think, if we'd had the Secretary of State to agree to come alongside and we'd had a more fruitful session. He does offer to meet Members individually and says that the pressure on his diary means that he can't meet us as a committee. I suggest that if we all took up his offer to meet him individually, it would take more time in his diary. So, you might want to bear that in mind and respond accordingly. We can do no more than extend that offer and say that we are always willing to have the Secretary of State here to respond to our questions of scrutiny on fiscal devolution, and I hope that he will change his mind and come to a committee at a future date. But, at that, can you note the letter, please? Diolch yn fawr.

10:13

**Paratoadau ar gyfer Gweithredu Datganoli Cyllidol yng Nghymru:  
Sesiwn Dystiolaeth gyda Swyddfa Archwilio Cymru  
Preparations for the Implementation of Fiscal Devolution in Wales:  
Wales Audit Office Evidence Session**

[3] **Simon Thomas:** A gaf i droi, felly, at yr archwilydd cyffredinol, a'i groesawu fe a'i swyddogion yntau i'r pwyllgor gan ddweud nawr byddem ni'n dechrau yn ffurfiol gyda'r sesiwn. A gaf i ofyn, felly, jest ar gyfer y cofnod, i'r archwilydd cyffredinol ddatgan ei bresenoldeb, ond y swyddogion gydag ef hefyd?

**Simon Thomas:** I'll turn therefore to the auditor general, and welcome him and his officials to the committee, saying that we'll be starting formally with the session. Could I ask, therefore, for the record, for the auditor general to state his attendance and that of his officials as well?

[4] **Mr Thomas:** Diolch, Gadeirydd. Huw Vaughan Thomas, Archwilydd Cyffredinol Cymru.

**Mr Thomas:** Thank you, Chair. Huw Vaughan Thomas, Auditor General for Wales.

[5] **Mr Usher:** Mike Usher, sector lead on health and central Government with the Wales Audit Office, and the auditor general's observer on the Welsh Government's Treasury implementation programme board.

[6] **Mr Harries:** Morning. Richard Harries, director of financial audit, responsible for producing the report in front of us today, and taking up the role of the external auditor for the Welsh Revenue Authority when that's formed on 1 April 2018.

[7] **Simon Thomas:** Thank you. Could you possibly move your mic towards you just a little bit more? Diolch yn fawr.

[8] A gaf i ddechrau gyda'r cwestiynau, felly? Rŷm ni wedi derbyn, wrth gwrs, yr adroddiad roeddech chi wedi paratoi a gosod cyn Nadolig erbyn hyn. A ydych chi wedi dilyn y datblygiadau ers yr adroddiad, ac ydych chi'n dal o'r farn bod diwygio cyllidol yn cael ei baratoi mewn ffordd brydlon?

Can I start with the questions therefore? We've had the report that you've prepared and laid before Christmas. Have you followed developments since the report, and are you still of the opinion that fiscal reform is being prepared in a timely way?

[9] **Mr Thomas:** Diolch, Cadeirydd. **Mr Thomas:** Thank you, Chair. First Os allaf i yn gyntaf roi tipyn bach o of all, if I may offer some context on gyd-destun ar waith y swyddfa, yn the work of the office, to begin with, gyntaf, bob hanner blwyddyn mae every six months the auditors archwilwyr cyffredinol y Deyrnas general across the UK will meet Unedig yn cwrdd efo'i gilydd, ac un together, and one of the current o'r testunau llosg ar hyn o bryd yw issues is the devolution of taxation, datganoli trethi, felly rŷm ni wedi bod so we have been keeping close yn cadw mewn cysylltiad agos, o ran contact in terms of audit, looking at archwiliad, gyda'r gwaith mae'r the work that the auditor general in archwilydd cyffredinol yn yr Alban yn Scotland has been carrying out. Out gwneud. Allan o hynny, rŷm ni'n of that, we have taken lessons to see cymryd y gwersi i weld beth ddylai what should ensue in Wales. ddigwydd yn awr yng Nghymru.

10:15

[10] There are two parts that I then have decided to do. In the first instance, there are a lot of messages that we're picking up, which are not formal audit messages, but they're good practice, and so on. We're aware, of course, that the Welsh Government is keeping in close touch with its counterparts in Scotland and so on, but we pick up other messages. And, therefore, through the medium of Mike's observer status within the Welsh Government, we're feeding that message in. In other words, we're giving audit advice in real time. And separate—because there's one bit of work that Mike's doing; separate from that, Richard, as he explained, is my director for auditing central Government, and it's his responsibility to produce the report you have in front of you.

[11] We continue: Scotland [correction: Audit Scotland] produced yesterday a further report in terms of its [correction: Scotland's] further responsibilities as regards taxation devolution, where it's highlighting in that the crucial importance of getting the right staffing in place. There are two messages that I think that we were looking at and obtained very much from Scotland when we wrote the report that you received at the end of last year. One was making sure we had the capacity of staff and, secondly, that we had the IT, the digital systems, to back it up. Because the reality is, if you read the various reports from Scotland, that they went almost to the wire. At one stage, they'd reached the key date afraid that they might have to switch to paper and pen to actually do the records; it was that tight. So, the report that

you saw last year said, 'Yes, we can see that the Welsh Government has taken these messages on board and has planned them'.

[12] However, on 8 February, you did receive an update from the Welsh Government and I would draw your attention to two things that I think, in the next evidence session, you may wish to follow up with the Welsh Government. Under tranche 2, that is, the things that were intended to be completed between September and April 2017—and you'll find this on page 22 of my report—you will notice that there are three key events that the Welsh Government expected to do in tranche 2. One was the decision on the location—well, that was intended in November and it's been announced more recently. The chair announcement—well, you're aware of that. But I would draw your attention to the digital services—testing the market, followed by procurement, was due to take place in November and December last year. In the update you got from them on 8 February, that date had slipped by a couple of months. Now, I'm not suggesting that there's an absolutely critical area here, but going back to what was one of the key risks in terms of Scotland, it is something that I think needs to be followed up. Certainly, we're intending to produce our next report a little bit earlier, probably about October this year, so you'll have, if you like, our take on how they're developing against tranche 3. Tranche 3's due to end in November, but I think that, given the critical implementation date of April 2018, you need my report a little bit earlier than just waiting for November to arrive.

[13] But, in that general area, have I got concerns? Well, the areas that I would want to make sure are being looked at are staffing: have you got the capacity, are we getting the right people—it's one thing to have the numbers, but we need the right skills—and, secondly, the IT system. So, those are the two areas that I think I'd focus on, but, certainly, at the point at which we wrote our report in October, we felt that the Welsh Government was addressing these issues in an appropriate way.

[14] **Simon Thomas:** Thank you for that and I think we'll certainly take up the IT side in some further questions, but just to stick with the personnel side for the moment, in that tranche 2, as you set out, it was said that the—expected to have the chair appointed early 2017. This committee held a pre-appointment hearing for the putative chair about three weeks ago now. We still haven't had an announcement, however, that that chair has been appointed, although the committee has made its own report. Are you at all concerned on the governance side that we haven't had a chair in place, because you need the chair in place before you appoint the right skills mix in



the non-exec directors? In turn, the appointment of some of the full-time staff will be led by the chair, I would assume.

[15] **Mr Thomas:** As I understand it, the adverts for the board members have actually closed and, therefore, the field is there. What needs to be done is around the speed at which the board chair can take part in the selection process. Now, we need the board in place by October 2017. That was what the Government intended, and I think it is absolutely right. We also need to be finalising the staffing fairly quickly. There's always a problem, I think, whenever you set up a new organisation, that you feel, 'It's okay, we'll set it up, we might slip a little bit.' You cannot slip on this particular event. The taxation switch will take place in April 2018, and we need to have the WRA fully operational.

[16] **Simon Thomas:** Just to move on to the impact of the Bills that we are taking through as a committee, we've got two tax Bills, of course, being taken through the moment. You make a note in your report that the Government will have to respond to the emergence of changes to these Bills, and any amendments that are made not just in terms of their own setting-out of the impact of those, but also any impact they may have in the planning for the Welsh Revenue Authority. Is that something that, in your ongoing, daily audit, as it were, you've picked up and seen the process at work to ensure that that is being taken care of?

[17] **Mr Usher:** I think that there are two aspects here. One is the Bills that are going through the Assembly itself on the individual taxes, which I think are progressing to the timetable the Welsh Government was expecting, and then, secondly, of course, there's the Westminster legislation. I think, importantly, now Royal Assent has been given to the Wales Act 2017 and what that means in terms of the repeal of the referendum requirement on local income tax for Wales—. I saw in the papers for this meeting, later in the agenda, the Minister indicating his officials are in discussion with Treasury and HMRC on local income tax, possibly from April 2019. Now, that date, I think it's fair to say, is a little earlier than would have been anticipated, maybe, 18 months ago, and so that's an additional demand on this project, this change programme, for the Welsh Government. Making sure, again, that that is right—the complexity, both in terms of relations with HMRC on income tax, because they'd be doing most of the legwork, although it will be the Welsh Revenue Authority's responsibility, and also the sheer scale not just in terms of the potential amount of money involved with local income tax, but also the size of the taxpayer base. For the two relatively small taxes

that are being devolved immediately, in April 2018, the number of taxpayers is relatively small. For landfill, it's quite straightforward—the identity of those taxpayers is known and understood. Obviously, on stamp duty it depends on transactions as to who the taxpayers are in a particular year, but, again, it's a relatively small number. For local income tax, the 'Welsh taxpayer'—that's practically everybody in Wales who is resident, who is paying tax. That scale issue and that complexity will be a challenge, and the fact that that timetable has been coming forward, I think, is an additional demand and pressure on this important change programme.

[18] **Simon Thomas:** Does that particularly link to the IT side, of course, because that's going to have a huge demand there?

[19] **Mr Thomas:** Partly linked to IT, but it's also partly linked to getting the necessary expertise in.

[20] **Simon Thomas:** Nick Ramsay.

[21] **Nick Ramsay:** Diolch. You say we can't afford to slip with this timescale, and I think we'd all agree with that, because we know that, in April 2018, the UK taxes will be switched off and we'll have to fill that gap. But we are slipping, aren't we? Almost imperceptibly at the moment, but, as the Chair said, there's been a delay in the announcement of the chair. It's not enough for this all to be in place at midnight before April of next year, is it? Actually, you'd want these people to be in place to the timescale so that this isn't just a rush job. Is there a danger here, auditor general, that, at the end of this, in April next year, this is going to be quite a rushed affair, and, when things are rushed, mistakes are made?

[22] **Mr Thomas:** I think that the reason that we're doing the kind of reviews that we are, the reason that we're plugged in in terms of observer status is, indeed, to bring the understanding of the risks as we read them from Scotland into Wales. That does mean that we are closely monitoring. It does mean that I do feel that there is a need for the Government to be focusing very much on its original targets, and, again, I do consider that one of the areas where you ought to be pressing them is indeed about making sure that the recruitment of staff and the digital programme is being kept up to speed. Richard, do you want to add to that?

[23] **Mr Harries:** Only to say that I think that the programme they've got in place at the moment has got quite a lot of contingency at the end of that

process. I think it was always set up that way, so, from 1 October, there are six months of contingency to get to 1 April. That's getting eaten into at the moment, and I think that's the risk for us in taking this work forward in the next tranche of reviews that we're doing in the autumn next year.

[24] **Simon Thomas:** Mark Reckless.

[25] **Mark Reckless:** First of all, auditor general, may I welcome you, as a regional Member for South Wales East, and your officials, to Newport? It's not a large distance from Cardiff, but it's very significant that we're doing this meeting here at this wonderful riverside facility of the University of South Wales. So, thank you.

[26] Could I just follow up on the point about the Welsh rates of income tax, potentially, from April 2019? Is the key point, and what would lead to the risk, that, with the other taxes, it's clear that the tap is turned off, and we've got this tax, and if we don't collect it, we don't get the money? But, with the Welsh rates of income tax, are we in the same position once we get to legally there being Welsh rates of income tax? Or is it only when those rates would be varied that the key point would come?

[27] **Mr Thomas:** With the income tax, Mike mentioned, I think, earlier that we continue to have the HMRC engagement in that, which means that it can be managed a bit better than a complete transfer. But there will be considerable requirements in terms of making sure that, as part of the budget process, we're setting the appropriate rates for Wales.

[28] **Mr Usher:** On the more mechanical side of things, there are probably two layers of complexity. The first is assuming that rates remain the same. There are the systems and process changes necessary within HMRC's systems to identify who is a 'Welsh taxpayer'. That's not a straightforward thing, first in terms of definition, but then in terms of the changes they'll need to make across HMRC's systems. If you put a 'Welsh taxpayer' flag on a taxpayer record, every HMRC system needs to know what to do with that record when it hits it. So, from an IT perspective, that's quite complicated.

[29] The second level of complexity is that, when and if rates diverge between Wales and England, that adds another layer of complication, and that will then get into issues around fiscal forecasting, around revenue, around potential changes in economic behaviour that could flow from changes in rates, up or down, across England and Wales. So, there are two

levels of complexity around income tax.

[30] **Mark Reckless:** The Welsh Government in their manifesto ruled out a change in income tax until 2021. If HMRC got it wrong as to who was a Welsh taxpayer, even perhaps quite significantly in terms of missing people or identifying people who weren't, would that be a problem if the rates remain the same? Would you lose or gain revenue to the extent HMRC makes errors in that process, if rates were the same?

[31] **Mr Usher:** That's getting into territory that we ourselves will probably be looking at a little bit downstream, but, bearing in mind that this is, in one sense, a well-trodden path, in that it has already happened with Scotland, with HMRC doing that work around the identification of Scottish taxpayers, so, again, I think here there are opportunities for Wales being the second devolved nation to head down this road and to learn from the experience of Scotland. Both HMRC and the Scottish Government, I know, have been working already with the Welsh Government around the practical aspects, and we ourselves are liaising with both the National Audit Office and Audit Scotland on the audit aspects of that, around completeness of identification.

[32] So, I think the risks are well understood. It has gone through in Scotland and appears to be working. I think there are positive assurances from both sets of auditors there, so there is no reason that it shouldn't work well with Wales. It is simply, as I say, an additional level of complexity for this programme in terms of that timing now being somewhat earlier than had been anticipated.

[33] **Simon Thomas:** It's certainly the intention of this committee to go and visit Scotland and talk to our fellow committees, and also the experience of Revenue Scotland as well. Mike Hedges.

[34] **Mike Hedges:** I have some questions on the delivery plans. Isn't the difference between Wales and Scotland that Scotland has very few people moving back and fore across the border for employment, and very few people moving back and fore as they move houses? Certainly in north-east Wales, and perhaps—you're bound to tell me if I'm wrong—to a lesser extent in south-east Wales, we have quite a lot of movement of people for both employment and where they live. I just think of a small garage in Chester—will they actually know if the people they're employing are Welsh taxpayers, or taxpayers in England? The nearest large pub chain in the same way. Surely there are differences with the number of people living very close to the

border and moving back and fore, both for employment and living?

10:30

[35] **Mr Thomas:** That's certainly the case for saying, as Mike said, that it's going to be the identification of the Welsh taxpayer for income tax purposes that is going to be particularly difficult, and more of a challenge for Wales than for Scotland. Just to illustrate, from my days up in Denbighshire, roughly half the staff of Flintshire [correction: Flintshire's headquarters] lived in England. Roughly half the staff of Chester City Council [correction: Chester City Council headquarters] lived in Wales. So, you do have immediately at the border that particular challenge.

[36] **Mike Hedges:** Sorry, I won't take it any further, but surely the challenge is not so much the big organisations who tend to know where their staff live, but some of the smaller organisations where they have perhaps less—. They don't have a personnel department and they have less complete records. But the question I'm asking is on the importance of finalising delivery plans. I've been used to, in a previous job, running Gantt charts, and know not just when it's meant to be done, but the latest date at which something can be done. Do we know what the latest date is for when things have to be done, such as finalising the delivery plan, so that April 2018 doesn't come as a shock?

[37] **Mr Thomas:** Richard, do you want to pick up?

[38] **Mr Harries:** I think, at the time of doing the review, that the plans were there; they hadn't been ratified by the various governance arrangements around them. I think the key recommendation in the report was that they need to be done quickly and ratified quickly so that they can be put in place so that the key dates can then be monitored by their own governance. And I think the response we had was that that has happened since. We haven't gone back in to look at that in any detail yet; that'll be picked up as part of the next review. But you're right—I think that was the issue that we flagged up, and that was the main recommendation in the report last time round.

[39] **Mike Hedges:** If I move on to resourcing, I can say the very simple thing: it's about having the right amount of money and the right people in place in order to do it properly and make sure that everything is working very well. That's the easy thing to say. Do you believe that the recruitment of part-time project officers is appropriate, and do you believe that the amount

of resources being provided is appropriate? If we have one month of no land transaction tax, for example, that could mean something like £20 million to £40 million for the Welsh Government.

[40] **Mr Thomas:** The taxes are switched off and we switch on on the same day. It is an extremely critical day in April 2018. That does go back—I'm almost repeating myself—to the fact that we need the recruitment of staff to be kept up to speed, because we need the expertise that those staff will have, amongst other things, and the completion also of the kind of guidance that staff need and the external people need. So, we are on a very tight timescale, and hence my just highlighting to you that the indications of slippage in tranche 2 are worrying.

[41] **Simon Thomas:** Okay. Mark Reckless.

[42] **Mark Reckless:** One thing you mention in your report, auditor general, is a need for more detailed budgets to be developed by Welsh Government. I certainly had views on this as a member of committees in terms of when those budgets come out and the level of detail, but, from your audit perspective, how realistic is that demand given the capacity and culture of Welsh Government? What would be an appropriate timescale to demand those additional data?

[43] **Mr Thomas:** Since my report, of course, the UK Government has moved what it regards as the budget day to the autumn. That is going to pose considerable challenges, I think, not just for the Welsh Government in actually finalising its budget and getting it through, but, I have to say, for the Assembly. You're going to be getting a budget—. And I think it is right—I've commented on a number of occasions that I think that both the Government accounts and the budgets need to be much more detailed as regards the various strands of activity, because, otherwise, I do not see how the Assembly can properly hold to account. But that means that you as an Assembly need to have the resources that enable you to complete that scrutiny process. So, the budget, under the new arrangements, particularly given that we have fiscal responsibilities as well, are going to be a considerable challenge.

[44] **Mark Reckless:** And not identifying costs separately for Welsh Treasury functions, how much of a problem is that?

[45] **Mr Thomas:** I would hope that we'll see the breakdown within Welsh

Government of how it's spending the money, not just on a block allocation, but in terms of functions. Last year, when the Public Accounts Committee scrutinised the Government accounts, I drew attention to the fact that it was very detailed as regards the numbers of civil servants and so on, but it was very light in terms of showing how various lines of expenditure were being accounted for. And the Treasury is going to be an important function in the new structure of Welsh Government, and I feel it does need to have the attention and the separate budget that it's entitled to. Do you want to add anything, Mike?

[46] **Mr Usher:** There's nothing I'd really want to add to that other than to say that the Welsh Government certainly meets the reporting requirements in terms of the level of disclosure it currently gives in its accounts. But, as Huw says, transparency and visibility of its activities are important to those who scrutinise the Welsh Government, and, obviously, the National Assembly has the prime scrutiny function there. So, to have some additional detail on where there is interest amongst Assembly Members on specific areas of Welsh Government activity, for example a Treasury function, I think it would be reasonable to expect the Welsh Government to provide that disclosure upfront in its accounts, rather than via responses to Assembly questions and those kinds of things.

[47] **Mark Reckless:** And am I right to identify a cultural challenge for Welsh Government? I've been struck by how unusual our current budget process is here. We had a legislature and an Executive that were the same legal entity until not that long ago. We have a relatively small number of people at high level that are moving from one position to another. I just wondered—does there need to be a step change in how we approach these matters with the devolution of taxes that we're seeing.

[48] **Mr Thomas:** I think you're right. It reflects the cultural journey that we've been on in terms of devolution, and I think that when you, perhaps, talk to your counterparts in Scotland, they have a slightly longer pedigree to draw on in the specific departments they have. They specifically accounted for those a fair time ago, so it does need to be more open. And I think the PAC, when it reported on the Government accounts, drew attention, for example, to the kind of analysis that the National Audit Office produces in respect of each Government department, as an illustration of the kinds of approach that would be ideal in Wales, so that everybody understands where the money goes.

[49] **Mark Reckless:** There was quite a bit of criticism in the Siambr about the Welsh Revenue Authority—the location, but also, I think, some references to bringing in employees from England. Is that criticism appropriate, or would you argue that we haven't had taxes before of our own, and, therefore, it is sensible to bring in expertise, at least for a period, while you're setting up and getting that organisation going?

[50] **Mr Thomas:** I don't want to comment on where the location is. That's not really a matter for the auditor general.

[51] **Simon Thomas:** You don't audit that. [*Laughter.*]

[52] **Mr Thomas:** But as regards bringing in the expertise, what is important is we have the expertise. Wherever that is, it needs to be brought in. And if it means bringing people in on a short-term basis for a number of years while they pass on knowledge and expertise, so that it is eventually home-grown in Wales, then that, I think, must be the way we go. We cannot afford not to have the expertise in place.

[53] **Simon Thomas:** Eluned Morgan.

[54] **Eluned Morgan:** Diolch. One of our roles—probably our most important role—is to scrutinise the budget, and you alluded earlier to the fact that going to autumn budgets now may make it difficult for us in terms of the timing. And getting that accuracy of forecasting in relation to the autumn budget is probably crucial. How would you advise us in terms of the best timing? How do we allow that time for scrutiny? Is it simply about just working more intensively? Is it that we just do it in a completely different way, like Scotland did this year, where they just postponed, didn't they, scrutinising it? We didn't—we got on with it and then adjusted it. What's the best way of doing this in terms of our role as a committee—to do good scrutiny?

[55] **Mr Thomas:** I think that, particularly given that we are now signalling, or have had signalled to us that we're going to be getting income tax devolution down earlier, it's important that that budget process is absolutely right. I think there is a need for an agreement between the Assembly, this committee and the Government as to the timetable to be pursued. There needs to be a set of expectations placed by this committee, for the Assembly, on the Welsh Government in terms of when it expects certain things.



[56] Inevitably, of course, there's going to be a dependency on Westminster in terms of producing its budget on time—the kind of announcements, the consequential for Wales and so on. But we need to get that structure in. I think that there is a need, linked to that, for the Assembly to consider whether it needs additional expertise of its own, possibly by way of strengthening its research capabilities in order to help guide you as Members. I recognise that the 60 Members have a huge task. The 60 were set before devolution of taxation. I think this is where I can say that, as a member of the Richard commission, we did recommend at that time that, for improved scrutiny, the numbers should rise in the Assembly.

[57] **Simon Thomas:** That was just for legislation.

[58] **Mr Thomas:** Well, that was prior to the nature [correction: eventual] change to legislation and prior to devolution—. We drew attention then to the need for the scrutiny. It is imperative, I think, that, because it is going to be such a tight timescale that you've got, it's properly scrutinised. That means that if we're not having additional Members, you need extra support.

[59] **Eluned Morgan:** Particularly during that time—that's the key thing, isn't it? So, we wouldn't necessarily need it throughout the year; we would perhaps need to buy in that expertise for a short period of time. Does that make sense?

[60] **Mr Thomas:** Yes, it does. Mike.

[61] **Mr Usher:** Yes, it does. I think it's enabling you to prepare for, if you like, day one of the scrutiny process. So, there's a bit of a run-up to it so that you can hit the ground running on day one. As soon as you get the information, you can be getting into the detail straight away. Yes, it's a relatively narrow window and to have some additional capacity up to and during that process would, I'm sure, be invaluable.

[62] **Eluned Morgan:** Okay. Perhaps we could discuss that as a committee at some point—

[63] **Simon Thomas:** We will be, yes.

[64] **Eluned Morgan:** —and write to the Presiding Officer. I was going to ask you about public awareness of this changing tax regime. There has been an

exercise. How successful has that exercise been in terms of raising awareness and people actually understanding that now, or in future, it will be the Welsh Government raising a proportion of income tax?

[65] **Mr Thomas:** If I did my straw poll of my neighbours and so on, I would say that the message has not sunk through at all. I think that's linked to the wider issue of media coverage of the issues in Wales. I'm sure that there will be a peak when the change happens. But in terms of awareness and so on, I think those who study these matters are aware of it, but not the general public.

[66] **Eluned Morgan:** It's probably a bit too early to go yet, isn't it, in the sense that we're a long way from this in terms of all the turbulent craziness that's going on in the world at the moment?

[67] **Mr Thomas:** Well, the Government has, correctly, I think, decided that there will be a communication campaign linked to the actual point. I think the issue that you're raising is: to what extent should there be a sowing of the seeds now so that that communication campaign, which takes place towards the end, is building on some fertile ground. Inevitably, there's a lot of news out there, but there is an importance, I think, for the Welsh assumption of fiscal responsibility to be understood. Mike.

10:45

[68] **Mr Usher:** I think, from my perspective as observer, one of the things that I've been fairly well impressed with, actually, is the approach the Welsh Government has taken so far to stakeholder engagement. It has thought this through, I think, quite carefully. It has involved its communications professionals from the outset of the programme. I think they have rightly focused on key stakeholder engagement in the earlier stages—that's partly the professional world—partly to engage in early to get their advice and support to help the Welsh Government in its own thinking. It certainly, I think, has plans and proposals for cascading out to communications as we move closer to the go-live date with the wider general public. So, communications is something I think they well understand what they're trying to achieve and they're alert to that, and they do have a programme in place. So, I think, as an observer on the board, I'm fairly comfortable with their stakeholder engagement to date and their plans for future engagement.

[69] **Eluned Morgan:** And how do we assess success? Is it when Huw's

neighbours know what's going on? [*Laughter.*]

[70] **Mr Thomas:** Probably.

[71] **Eluned Morgan:** Thank you.

[72] **Simon Thomas:** Nick Ramsay.

[73] **Nick Ramsay:** Just going on from Eluned's point, we know from the last Assembly election, and previous elections, that a large chunk of the public didn't realise what were devolved responsibilities and what weren't. So, I think many people still thought the NHS in Wales was the responsibility of the UK Government. So, do you have concerns for when it comes to awareness of fiscal decisions? Will it be clear to the public at an appropriate time which fiscal decisions are the result of UK policy and which are the result of Welsh Government policy?

[74] **Mr Thomas:** I think that, as politicians, you will have a particular task to play in making sure that people understand where the decisions are taken. Inevitably, I would imagine—

[75] **Nick Ramsay:** You neatly batted that ball back into my court. [*Laughter.*]

[76] **Mr Thomas:** Well, it is, in that, in terms of campaigning and so on, you will want to make sure that those who are electing you understand what you are responsible for and not be held accountable for things for which you're not. Clearly, there's a wider communication thing. We're talking about it in relation to the taxation, but it's part of a more general one about understanding, in a devolved setting, what is the responsibility in Cardiff, what is the responsibility in Westminster. And this is something that has to be worked at regularly, year in, year out. I'd simply say that, as regards fiscal responsibilities, you're assuming more of a challenge.

[77] **Nick Ramsay:** Given that there are problems with slippage in the timetable of actually getting the board and the staff and the computer systems in place, then I imagine that the actual advertising, publicity, of the new body will probably be of secondary concern to the Welsh Government.

[78] **Mr Thomas:** I wouldn't want you to feel that I am saying that I am predicting that there's going to be a slippage and that you're not going to

have reached the date. I'm simply saying that, at present, under the tranche 2 target dates, they have slipped. Now, I think the issue that we'll be looking at is the extent to which the Welsh Government is taking measures to get that back on track, and that's been the focus of our report in October, and I'm sure it's the kind of focus of the questioning that you'll be making.

[79] **Nick Ramsay:** Great, thanks. Can I ask you, in terms of—? The WRA is going to be the first non-ministerial department in Wales, and a key challenge is going to be ensuring that its statutory basis, governance and accountability frameworks are clearly defined. How do you think the implementation programme is going in making sure that there is that clarity about its independence and its statutory governance?

[80] **Mr Harries:** I think that is a challenge for the Welsh Government at the moment. I think it was highlighted in the report that we produced in December, and, I'm referring back to the 8 February meeting you had here with Welsh Government officials. They started setting that process out, I think, for you as the Finance Committee. I understand from that session as well that there is a framework being developed now that will set it out a bit further, because I think it's critical that everybody understands that process. Now, it is the first one in Wales. It's going to be different from other bodies, and I think that it's got to be seen and be independent, so there's no perception and it's not got any links with the Minister in terms of the operational side of things. So, from the point of when you did the work, that was a risk they'd identified themselves. This framework document they're going to put together, hopefully, will start moving the process forward.

[81] **Nick Ramsay:** You mentioned the operational independence in that answer. What sort of headway are we making with that? Because this is a difficult balancing act, isn't it, to ensure that it's accountable but, at the same time, it is arm's length enough to have that independence? In previous sessions I know we spoke about the way we don't want the Minister, the finance Cabinet Secretary, to be signing off people's tax forms individually. Obviously, that's extreme, but that's what you're talking about here, isn't it? That is, the Welsh Government not actually having that direct influence on people's tax affairs and ensuring that independence.

[82] **Mr Harries:** It is, and that is the challenge for the Welsh Government: setting that out so that people are clear how that process is going to work. I think having that clear framework is vital to that. That's being developed at the moment. I know Mike has observed something from the point of view of

what he's seen, but that is the challenge.

[83] **Mr Usher:** Perhaps I could just add, although it's an important issue, it's not an issue that is new and is unique to Wales. Exactly the same challenges exist already within HMRC in its relationship with UK Government and again in Scotland. There are well established protocols already in place there and the Welsh Government is already making good headway in developing its information protocols so that, for instance, individual taxpayer information held by the Welsh Revenue Authority would not be shared with the Welsh Government, but they would provide aggregate taxpayer detail, anonymised, to enable fiscal forecasting. It's exactly the same arrangement as is operated with HMRC. Those safeguards on a well-controlled and important issue would simply be mirrored and replicated for the Welsh Revenue Authority. So, they're not having to design something new, so much as simply taking what already works well across the UK.

[84] **Nick Ramsay:** And we're confident that, at least for this aspect of the establishment of the Welsh Revenue Authority, we are on course.

[85] **Mr Usher:** Yes, I think, from what I'm observing. The last programme board was only last week. I think they're well on top of that concept of the non-ministerial department and what that means in practice. It is new for the Welsh Government to have a NMD but those arrangements operate elsewhere in the UK and have done for many years.

<p>[86] <b>Simon Thomas:</b> A gaf i jest ddychwelyd i'r pwynt rydych, i fod yn deg, wedi codi sawl gwaith nawr? Felly, rwy'n cymryd eich bod chi am i'r pwyllgor yma edrych yn arbennig ar hwn, sef cyfran 2 o'r cynnydd yn yr adroddiad. Pan roedd Dyfed Alsop, sef y prif weithredwr gweithredol, fel petai, gerbron y pwyllgor, fe wnaeth e bwysleisio ei fod am i Awdurdod Refeniw Cymru fod yn ddigidol yn gyntaf, yn sicr ddim yn agos at bapur a phen, fel roeddech yn disgrifio a fu bron â digwydd yn yr Alban.</p>	<p><b>Simon Thomas:</b> May I just return to the point that, to be fair, you have raised several times now? So, I take it that you want this committee to look specifically at that, which is tranche 2 of the progress in the report. When Dyfed Alsop, who is the interim chief executive, as it were, came before the committee, he emphasised that he wanted the WRA to be a digital first organisation, certainly not to come close to paper and pen, as you described nearly took place in Scotland.</p>
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[87] Mae yna ddau beth gyda ni fan We have two issues of concern here:

hyn sy'n peri pryder: un yw eich bod yn dweud bod eisoes llithro yn yr amserlen o ran y caffael ar gyfer y gwasanaethau digidol ac, yn ail, mae'ch adroddiad chi yn disgrifio'r broses ei hunan fel ambr. Rwy'n meddwl bod hynny'n cael ei gydnabod gan y Llywodraeth ei hunan hefyd. A ydym ni'n agos at fynd i'r coch ar yr ochr ddigidol felly?

one is that you say that there is already slippage in the timescale in terms of procurement of the digital services and, secondly, your report describes the process itself as amber status. I think that that is acknowledged by the Government itself. Are we close to veering towards the red side on the digital aspect?

[88] **Mr Thomas:** Rwy'n credu y byddwn yn dweud ei fod yn edrych fel ambr/coch. Ond nid yw yn y coch eto. Dyna pam mae'n bwysig bod y Llywodraeth, yn ystod rhan nesaf ei gwaith, yn dod â'r amserlen nôl yn agosach i'r hyn yr oedden nhw'n bwriadu.

**Mr Thomas:** I would say that it does look like amber/red. But it's not in the red yet. That's why I think it's important that the Government, during the next part of their work, brings the timetable back closer to what they intended.

[89] **Simon Thomas:** Beth fydddech chi'n disgwyl gweld yn weddol o glou gan y Llywodraeth, felly, i roi sicrwydd i chi fod y llinell yna yn symud nôl i mewn i'r ambr ac at y gwyrdd?

**Simon Thomas:** What would you expect to see happen quite quickly from the Government, therefore, to give you the assurance that that line moves back into the amber and then green?

[90] **Mr Thomas:** Efallai y gallaf ddisgrifio beth y byddwn i'n disgwyl ei weld pan fyddwn ni'n gwneud ein harolwg ni yn yr hydref. Richard.

**Mr Thomas:** Maybe I could describe what I'd expect to see when we do our review in the autumn. Richard.

[91] **Mr Harries:** Thank you, Huw. They've got the plans in place. We understand there's slippage on those plans at the moment, as has been highlighted in their presentation last time in terms of the tranches. From that conservation, we need to get in there, probably earlier now, to see exactly what's happened with that. So, any slippage, we need to understand the impact of that. I did mention that there's a six-month contingency built into this programme. So, the April date is still safe from what we see. But we need to understand what that means, because they do need to test these systems. So, it's trying to see how they've now accommodated that testing in that

process. As I say, without going back to have a look at that, it's difficult to comment on that, but I think it's something you can ask them in your next session today.

[92] **Simon Thomas:** From recollection, from Dyfed Alsop's—I was going to say 'testimony'; it's not quite the right word. 'Evidence', I suppose, is better for this committee. He described a process by which they would hope, in the autumn of this year, to be running the system, dry testing as it were. Is that something that you're observing, and would feel that that is the correct timescale to ensure that, by April next year, we will be fully digitally enabled? Would you expect that to happen this autumn?

[93] **Mr Thomas:** 'Yes' is the answer to that. As Richard said, there was a contingency factor built in, it's just that we're starting to see some slippage and we need to make sure that what is happening can be contained within the contingency time.

[94] **Simon Thomas:** It just strikes me that, if you're looking at digital procurement, we're now—it's April basically, just about. You're talking about running systems in September, October and November. It's quite tight, isn't it? And if you're talking about something that's very new, digitally led—we're not talking about just digitalising something that's been available in the past on paper—and designing a system from scratch almost, that's quite a challenge within, basically, six months, when the actual procurement process is not yet fully under way. I mean, that strikes me as quite a—well, you did say it was veering towards the red. It's quite serious. Is that the main message that you'd want to get across to all of us who are observing this process at the moment—that in order for this organisation to really be up and running, and have the confidence of Welsh taxpayers, we need to see some serious progress on this?

[95] **Mr Thomas:** I think that I wouldn't just isolate that one. I'd also say there's a need to ensure that it's got the right capacity in terms of the staff it has, and, I think, linked to that, that the board is in place with the necessary degree of expertise, and that there's a progress on the digital. This Christmas is going to be critical, I think, in getting it right.

[96] **Simon Thomas:** These all do link up though, don't they? Because you have to have the chair, and she in turn, as the nominated chair, has to appoint the right skills in the non-executives. They then have to have to be part of appointing some of the senior staff to get the right mix of skills. And

it's only then, really, that you can be fully sure that you can procure the right digital system. So it's hard to know which comes first. But certainly, from my point of view, we'd be looking for a very urgent confirmation that the chair's in place.

[97] **David Rees:** Can I just expand upon that a little bit? Because in your report, basically from October, you stressed that it was an ambitious timescale. You say there's slippage. Do we know how much slippage has taken place—the timescales for the slippage?

[98] **Mr Harries:** No, we don't know. We understand the slippage from looking at the various tranches that have come in front of this committee previously, and what we reported last time round. There are a few months that were highlighted in the report. But we don't know the detail, no.

[99] **David Rees:** Because the history of IT projects has always been one of lateness and over budget. And your views of it being late—is it realistically going to hit the target of April? Because we have testing in October. If we haven't even started procurement yet, and you haven't started the development, even though it's agile development, it's going to be difficult.

[100] **Mr Thomas:** I think that what we're saying is that the original timetable was tight. They built in a contingency factor. We're seeing that contingency factor erode. And therefore, those questions start to be asked. You're right about the issues of IT, and indeed setting up new organisations. But the Government, I think, sensibly planned, taking account of the experience of Scotland. It looks to be addressing it. But I think that you do need to maintain the pressure by asking the relevant questions. We will be maintaining, under my audit hat, the pressure, by giving advice, and also by reporting openly on where the Government has reached, and that will be roughly October time.

[101] **David Rees:** And can I ask: has the decision to look at the possibility of transferring income tax by 2019 had any impact upon this digital approach? Because, clearly, the systems will need to be compatible.

[102] **Mr Usher:** I don't believe it has; the reason being that the digital services project stream rightly is focusing very much in terms of the Welsh Revenue Authority's own systems. Income tax will be run on HMRC systems. They will do the assessment, they will do the collection of those funds. So the accountability is with the revenue authority, but the responsibility of the



delivery of income tax local arrangements would sit with HMRC. So that's an issue for them. It doesn't impact on this digital services work stream for the WRA itself; they're unrelated.

[103] **David Rees:** And on the other stream, the operational policy, in your report you indicated that you hadn't even started at that point in time. Has it now started? And are you confident that it will now meet its targets?

[104] **Mr Usher:** The operational policy work is certainly under way. I don't think it's for us to comment in terms of confidence at this stage. We will need to come in and Richard will do his audit work later on this year to report on that. So perhaps it's a question for Welsh Government officials as to the degree of confidence, but certainly work is well under way on operational policies, I know that.

[105] **David Rees:** I suppose in a sense that there is—. If you're going to do an audit review of it, it's what your expectations will be when you go in. So, in a sense, you will have an indication as to what your expectations will be.

[106] **Mr Thomas:** The basic expectation is they'll be, against the original Government timetable, where things should be, and I'm just signalling now that we're starting to—. We've identified a few areas, as a result of the Government's own report to you, where we'll be wanting to look very closely when we come in, and clearly, you know, you'll be getting our report and we'll be turning it around fairly fast.

11:00

[107] **David Rees:** Just a final question, then, Chair: obviously the implementation programme has given some consideration to the longer-term plans and functions of the WRA. Has it done enough?

[108] **Mr Thomas:** I think that there has been a change, clearly, since the WRA was originally conceived, in terms of the devolution of taxation. I think the role that the WRA is going to exercise in future within Wales is something that is going to evolve. So, I think that the Government and the Cabinet Secretary's notes to you suggest that they are looking at a slightly wider and longer-term view. And again, I'll want to reflect where they are in terms of income tax preparation when we come to do our October report.

[109] **David Rees:** Do you think that—as the Chair's pointed out, there's a

delay in appointing the chair, though we know who it is—the delay in appointing them and perhaps the consequential knock-on on the board, and setting the structures up, is going to have an impact upon that?

[110] **Mr Thomas:** Any delay in the key decision-making responsibilities arriving with WRA clearly has an impact. As I said earlier, we just need confirmation of the chair so that you can get on and do the appointment of the board, and you need the right skills on the board. So, I would hope that the announcement of who the chair is will be done fairly quickly, given that you've already held the confirmation hearing.

[111] **David Rees:** So, you have concerns that it's not.

[112] **Mr Thomas:** Yes.

[113] **Simon Thomas:** Thank you for that, and thank you to the auditor general again, and his officials, for the witness session this morning. There will be a transcript, of course, to check for veracity. I suggest we take just a very quick five-minute comfort break so we can swap around witnesses as well, and get everything prepared for the Cabinet Secretary, who has just arrived.

[114] Diolch yn fawr iawn i chi eto. Thank you very much again.

*Gohiriwyd y cyfarfod rhwng 11:02 a 11:05.  
The meeting adjourned between 11:02 and 11:05.*

**Gweithredu Darpariaethau Ariannol yn Neddf Cymru 2014: Sesiwn  
Dystiolaeth gyda'r Gweinidog  
Implementation of Fiscal Provisions in the Wales Act 2014: Ministerial  
Evidence Session**

[115] **Simon Thomas:** Galwaf y **Simon Thomas:** I call the Finance Pwyllgor Cyllid nôl i drefn felly a Committee back to order and chroesawu Ysgrifennydd y Cabinet welcome the Cabinet Secretary Mark Mark Drakeford a'i swyddogion. Drakeford and his officials. And I also Hefyd, rwy'n gweld pennaeth see that we have Dyfed Alsop, Awdurdod Cyllid Cymru, Dyfed Alsop, director of the Welsh Revenue ac Andrew Jeffreys. Os gwnewch chi Authority, and Andrew Jeffreys. Can gyflwyno eich hunain ar gyfer y you introduce yourselves for the cofnod hefyd, diolch yn fawr iawn— record, please, so that we have it

i'w gael e'n ffurfiol.

formally?

[116] **Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol (Mark Drakeford):** Bore da. Diolch yn fawr. Mark Drakeford ydw i, a gyda fi y bore yma y mae Dyfed Alsop sy'n ein helpu ni i sefydlu'r WRA yng Nghymru, ac Andrew Jeffreys, pennaeth y Trysorlys yn Llywodraeth Cymru.

**The Cabinet Secretary for Finance and Local Government (Mark Drakeford):** Good morning. Thank you very much. I'm Mark Drakeford, and with me this morning I have Dyfed Alsop who is helping us to establish the WRA in Wales, and Andrew Jeffreys, head of the Treasury in the Welsh Government.

[117] **Simon Thomas:** Diolch ac rydw i'n falch iawn i'ch croesawu chi yma i Gasnewydd. Rydw i'n gresynu nad yw'r Ysgrifennydd Gwladol wedi cytuno i ddod i'r un sesiwn. Byddai wedi bod yn fuddiol i'r pwyllgor gael persbectif o'r ddwy Llywodraeth, ond rydw i'n sicr yn croesawu'r ffaith eich bod chi yma. A gaf i ofyn, i ddechrau—efallai y gwnaethoch chi glywed wrth inni bennu'r sgwrs gyda'r archwilydd cyffredinol ynglŷn â'r cynnydd o ran datganoli trethi—a ydych chi'n hyderus bod y cynnydd hyd yma yn rhywbeth sy'n rhoi hyder i chi, ac yn ei dro, yn rhoi hyder i drethdalwyr yng Nghymru o ran datganoli cyllido?

**Simon Thomas:** Thank you and I'm very pleased to welcome you here to Newport. It's a shame that the Secretary of State was not able to agree to the same session, because I think it would have been beneficial for the committee to receive the viewpoints of both Governments, but I certainly welcome the fact that you are here. So may I ask, to begin with—perhaps you heard us close our conversation with the auditor general about the progress in terms of the devolution of taxation—can you tell us if you are confident that the progress thus far is something that gives you confidence and, in turn, will give the Welsh taxpayers confidence in terms of taxation devolution?

[118] **Mark Drakeford:** Wel, Gadeirydd, mae lot o waith i'w wneud. Mae hynny'n glir. Ond fel dywedodd yr adroddiad, a gyhoeddwyd yn ôl ym mis Rhagfyr, rŷm ni'n hyderus. Rŷm ni ar y ffordd, rŷm ni yn y lle roeddem ni'n bwriadu bod, ond rŷm ni'n ymwybodol o'r

**Mark Drakeford:** Well, Chair, there is a lot of work to be done. That's clear. But as the report says—the report that was published back in December—we are confident. We're on the way, we're where we intended to be, but we're aware of the fact that there are many other things to do in

ffaith bod lot o bethau eraill i'w gwneud dros y misoedd sydd i ddod. Rŷm ni'n meddwl ein bod ni ar yr amserlen a oedd gennym ni. Mae lot o waith wedi mynd ymlaen yn barod. Rŷm ni'n hyderus bod y llwyfan gennym ni i fwrw ymlaen, ond rŷm ni'n ymwybodol o gymaint o waith sydd gennym ni i'w wneud dros y misoedd sydd i ddod.

the months to come. We do think that we are on schedule in terms of the timetable that we had. A lot of work has been done already. We are confident that we have the platform to press ahead, but we are aware of how much work we still have to do over the months to come.

[119] **Simon Thomas:** Rydw i'n credu ei bod yn deg i ddweud, o'r adroddiad a hefyd o'r dystiolaeth rŷm ni newydd ei chlywed gan yr archwilydd cyffredinol, fod dau faes lle roedd yna gwestiynau yn cael eu gofyn o ran y cynnydd. A gaf jest yn gyntaf ofyn i chi ynglŷn â phenodi cadeirydd Awdurdod Cyllid Cymru? Rydych chi'n cofio, wrth gwrs, fod y pwyllgor yma wedi cynnal gwrandawriad cyn penodi, ond roedd hynny dair wythnos yn ôl bellach. A ydych chi mewn sefyllfa i'n diweddarar ni ynglŷn â phryd y bydd cyhoeddiad am y cadeirydd? Gan fod angen cael cadeirydd yn ei le er mwyn estyn i aelodau anweithredol eraill y bwrdd, ac yn ei dro, efallai, rhai o staff hŷn y sefydliad.

**Simon Thomas:** I think that it's fair to say, from the report and also from the evidence that we've just heard from the auditor general, that there are two areas, where there were questions being asked in terms of progress. May I first of all ask you about the appointment of the chair of the WRA? You will recall, of course, that this committee held a pre-appointment hearing, but that was about three weeks ago. Are you in a position to update us as to when there will be an announcement in relation to the chair? Because of course there's a need for a chair to be in place in order to bring in further non-executive members of the board and, in turn, other senior members of staff.

[120] **Mark Drakeford:** Well, Chair, thank you to the committee for the work it did in carrying out the pre-appointment hearing of the chair. It was very good to see your conclusions in that regard. We are held up at the moment from making that final confirmation because there are security checks that have to be done. Given the nature of the WRA, and the confidential nature of the information that it will be dealing with, there is a relatively high level of security clearances that have to be obtained before confirmation of the appointment can be made. So, we are in the process of trying to get those done as fast as the system will allow them to be done, but they are a

necessary part of it and as soon as they are concluded, we will be able to make the formal confirmation.

[121] **Simon Thomas:** Are you able to indicate when that might be? Best guess, I suppose.

[122] **Mark Drakeford:** What I last saw, there was a period, I think, of eight weeks that was being quoted as required to complete all the necessary paperwork and so on. In the meantime, there are discussions that can go on with the person we are hopeful to appoint. But as soon as we are able to, we will confirm.

[123] **Simon Thomas:** I appreciate that it may be slightly out of your hands, but in the meantime, you've already advertised for the other non-exec positions. That's closed. Is there a delay now in appointing the other non-executives?

[124] **Mark Drakeford:** No, Chair. We have a timetable for that: we will shortlist before Easter and we will interview just after Easter. We hope to have those people in place—as much as possible—by July of this year and that is the timetable we've been on and we are not diverted from it.

[125] **Simon Thomas:** Okay. The other aspect that was, I think, particularly highlighted in the previous session was the preparations for IT within the organisation. I remember when Mr Alsop came he told us how keen he was that this was a digital first organisation and designed from scratch in that way. The auditor general's report notes that at that time, which was just before Christmas, he felt that these preparations were in the amber. I think he was actually reflecting your own description when he said that. But he told us this morning that it was veering towards the red, I think he said. Are you still confident that you have in place the right timetable, but also the right preparations for that digital first organisation?

[126] **Mark Drakeford:** Well, Dyfed will give you the detail, I'm sure. I think my sentiment would be the opposite of the auditor general's in that regard. I would say that we are moving out of amber and towards green rather than the opposite direction. You know we—

[127] **Simon Thomas:** At least you agree on movement, although not in which direction. [*Laughter.*]

[128] **Mark Drakeford:** We do agree on movement, just in the opposite direction. We placed this issue in the amber category to begin with, Chair, as you know, because we were reflecting on the Scottish experience, where obtaining the services that were needed was—. There was a relatively small field of companies who were interested in carrying out the work. We've had the opposite experience in Wales, which is an indication, I think, of just how fast-moving this field is. We had a significantly larger number of expressions of interest than we may have anticipated, and we took a bit longer than we had originally timetabled because we had a bigger job to do of narrowing down the field. But that work has gone on—has gone on, we think, very successfully—and we're now in the, sort of, final part of identifying what we hope will be the preferred supplier. But Dyfed will tell you a bit more.

[129] **Simon Thomas:** Yes, please.

[130] **Mr Alsop:** Yes, certainly. So, largely, as the Minister has said, we did get an unexpectedly large—. I think we talked about that the last time I was here. So, we had an unexpectedly large number of initial bidders. We've now gone through the shortlisting stage and we had to, sort of, narrow that down to a group of seven, and then from there we've gone on to identify the preferred candidate amongst those seven. We're just in the process now of doing all of our internal governance around making sure, from a technical perspective, that we are happy that that supplier is the right one; making sure from a value for money perspective that it's the right supplier; and making sure from the various different angles that there are to it. So, I am confident that we will be able to announce who that will be next month. There's also a need just to pause at the end of the procurement process before we make that announcement, just to allow people to challenge should they wish to do so. So, it's just an appropriate, control process, but we are now at the stage where we know who we think the preferred supplier should be.

[131] **Simon Thomas:** Okay, thank you. David Rees.

[132] **David Rees:** Can I just add on to that? In that case, you've been delayed unexpectedly, but pleasantly unexpectedly, in terms of choices, in that sense. What timescales are you now working to? The auditor general highlighted the six-month contingency that he's given you. He's given you flexibility; I would never have given you flexibility of six months, but he's given you flexibility. How much have you eaten into that contingency time to actually have these systems tested, up-and-running and delivered?

[133] **Mr Alsop:** So, probably between four and six weeks is—. So, in other words, what we were intending to do was to do a sort of a dry run—you might describe it as a test—in October. That won't be now until November. So, essentially, it's moved that back by about a month, maybe six weeks at most. So, I'm still confident that the delivery will happen on time. It's just it's eaten into some of that contingency at the back end. I think, perhaps, my confidence in that is extended as well because, obviously, all the suppliers know the timetable. That's abundantly clear.

11:15

[134] There's no ambiguity about when things have to be done by. There's been no ambiguity around the amount of money that's available and the requirement that's been set out. So, the fact that we still had—don't quote me on this: I think that 27 out of the 29 that originally bid bid again, which tells you that even with the reduced timetable, there were a large number of suppliers who felt they could, and of those we shortlisted seven who we felt would be suitable to do the role.

[135] **David Rees:** So you're confident that you won't be sitting in your office on 31 March wishing for a prayer.

[136] **Mr Alsop:** Yes, I think that's the case, yes.

[137] **David Rees:** Can I go back to an area that was in your report, Cabinet Secretary? It's relating to the land transaction tax. In your report, you highlighted the impact, in paragraphs 6, 7 and 8, of the additional dwellings surcharge. You've identified that the UK Government introduced a higher rate for additional dwellings and Scotland followed, and you obviously came to us at Stage 2 and highlighted that you would be doing the same thing. But I suppose I'm asking: was that the right time to do it? Because you say in your report, in paragraph 8, that you are still assessing the responses in relation to the consultation you held, with emerging evidence about the impact of the higher rate in Wales. So, are you still confident that the introduction of the higher rate and the announcement of that at Stage 2 was right?

[138] **Mark Drakeford:** Chair, I think it is important to be clear. I think sometimes people who are not close to this—and I don't mean members of the committee, but maybe other people listening—may not be as clear, but this rate is happening in Wales now. So, when we say 'introducing', we are

not introducing something that isn't happening. It's already happening, and when we come to take over responsibility for it, the Treasury will make a block grant adjustment on the assumption that it will be continuing. So, that's why, I felt, it was essential, having reviewed the evidence, that we did provide continuity in this area. I was particularly certain of that having seen the changes in the Office for Budget Responsibility forecasts for the revenue that will be collected as a result of the surcharge. Their original estimate for the year that we will take it on was that it would be raising £10 million. Their most recent forecast is that it will be £54 million. So, had we decided not to continue this surcharge in Wales once we take on these responsibilities, the block grant adjustment would have been very significant.

[139] David Rees is absolutely right to point to the fact that this remains a moveable area of policy. Because it is so new, the UK Government and ourselves are still learning from the evidence. It's why, Chair, when I brought the Stage 2 amendments to the committee, we constructed them in a way that allowed us to continue with the core elements of the system as it is currently operating, but have taken powers to allow us to learn from that experience and to adjust it as we learn from the way that these things will work out in Wales. So, there has been a timing issue. The points that the Member makes are absolutely fair ones to make. But we feel like we've had to make a decision. We've constructed that decision in a way that allows us to secure revenue for essential public purposes in Wales, but to allow us to adjust the way that we operate the surcharge should evidence emerge that makes us conclude that there are Welsh circumstances and needs that need fine tuning.

[140] **David Rees:** Okay, thank you for that. Also in Stage 2 you highlighted that you would be introducing rates in October this year, but in your paper you also indicate that it's making rates that are announced too early unsuitable. Is there a possible consideration of the behaviour as a consequence of making the rates too early and the implications that may have upon the rates? Because over Christmas and winter times, house sales tend to be quiet, but as we all know, if the Chancellor puts up fuel on petrol from midnight, we all go to the petrol station and fill our cars up. So, has the behaviour consideration been considered in your analysis?

[141] **Mark Drakeford:** Yes, Chair. This is the issue of forestalling, isn't it, as it's called in the literature? If you make an announcement and get the timing of it wrong, it's possible that people will try to organise their tax affairs in a way either to take advantage of something you've announced or to avoid



something that you've announced. There is a timing issue in this. As you know, I was persuaded by the points that the committee made about giving certainty to say that I would make an announcement by 1 October of our intended rates and bands. I think what the literature tells us is that timing is an issue, but behaviour is driven a bit more by the nature of any change that you make. Now, we know from the Scottish experience that these things can be real. So, committee members will recall that Scotland announced that it would raise the rate of tax to be taken on properties above £300,000. I think I mentioned these figures to the committee at an earlier hearing—that, properties above £1 million in Scotland, the average number of transactions a month had been about 12. Now people knew that they were going to be paying a lot more, in the two months leading up to the introduction of the Scottish rate, the number of transactions went up to 90 a month—a 7.5 fold increase in the number of transactions. In the two months after, they fell back to 3.5. So, there's very clear evidence there of people's behaviour being affected by what they knew about tax rates, and using the time that was available to them to do that. We're alert to forestalling. The timing issue is one of them; the nature of the decision that we will make will be probably a more significant impact on decisions that people might make.

[142] **David Rees:** Okay, thank you. One of the other aspects of the land transaction tax Bill that we scrutinised was the issue of data sharing. You indicated that there is a need to look at the relationship between WRA and other bodies that are collaborating with it. What progress is being made on that aspect?

[143] **Mark Drakeford:** Chair, I'll pick that up; Andrew might want to just come in a bit more on the last question, the forestalling question. But, in relation to data sharing, then the Welsh Revenue Authority implementation programme has a transition project with HMRC, and that project—a joint transition project—is about trying to identify what information is to be shared, how often it is to be shared, the systems that will be used for sharing data, and putting the necessary legal gateways in place so that the data are being shared within the parameters of the law. That will produce an information-sharing agreement, and we are on track to conclude that with HMRC. There are other data-sharing players in this field as well, and in relation to landfill disposal tax—where you will remember we've rehearsed here the issues of sharing information with local government and NRW—there are data-sharing requirements with the land registry, as well. So, there's quite a wide waterfront where we'll need the Welsh Revenue Authority to be able to have data shared with it, and, in a smaller number of cases, for

it to share data with others. But we are on track to secure those agreements so that the WRA will be able to operate them effectively.

[144] **David Rees:** When you say 'on track', do you have any timescales?

[145] **Mark Drakeford:** Dyfed will tell you.

[146] **Mr Aslop:** In terms of the arrangements for—. The major arrangement for sharing data that the WRA will need to be able to do is—it will be obliged to share data with HRMC for wider compliance purposes. That's part of the testing that we will be doing in October/November, in the autumn. So, in other words, dry running actually can we send data, as much as the legal arrangements. And, in terms of the Land Registry, we were in discussions with them only a couple of weeks back just to firm up exactly what data they can share with us and under what means. I could come back to you with the detail and an explanation of exactly what the timetables are after concluding all of those conversations, if you wish, but I've no reason to believe that they are not on track at the moment.

[147] **David Rees:** Clearly, it would be nice to have a timetable, particularly if you're talking about testing and the data and everything needs to be in place by then.

[148] **Mr Aslop:** Yes.

[149] **Simon Thomas:** Thank you. Nick Ramsay.

[150] **Nick Ramsay:** Diolch. Morning, Cabinet Secretary. Can I ask you about stakeholder engagement and the level of that engagement that we've had so far? As you've already alluded to, the tax bills currently going through the Assembly that all of us on this committee have had the pleasure of being involved in the formulation of are very complex, and, in the case of landfill and SDLT, they're happening at the same time. Are you confident that the level of engagement and the type of engagement you've had with businesses is sufficient to mean that those taxes will be fit for purpose once they are switched on in April next year?

[151] **Mark Drakeford:** Well, thank you for that, Chair. Members here will know that there has been a huge effort of engagement with stakeholders around both of these tax Bills. There's a huge range of different stakeholders as well. You can think of at least four different categories of them, I think.

So, there are the immediate practitioner stakeholders. So, in relation to LTTA, there's been a lot of contact with the Law Society, the Council for Licensed Conveyancers and so on, because solicitors and conveyancers will be the practitioners under LTTA, just as there has been a great deal of engagement with landfill site operators and a group of them that came together to help us with the practical aspects of landfill disposals tax. But there are major institutional players who are stakeholders in this, as you've just heard—HM Revenue and Customs, the Valuation Office Agency, local authorities, Natural Resources Wales. There are big organisations who are direct stakeholders, and we've had lots of engagement with them. We've brought together an expert advisory group. So, these are not people now who are at the sort of sharp end of making everyday transactions, but people like the Institute of Chartered Accountants in England and Wales, the Institute for Fiscal Studies, and then some other big corporate players in this field. They sit on my tax advisory group, and we discuss these pieces of legislation regularly with them. Then, there are other Governments who are stakeholders in this, and we have regular discussions with the Treasury, obviously, on aspects of it. I've been to Scotland and met the Scottish Government and parts of the landscape that we learn from there. You will know that we've had discussions with the Republic of Ireland on both of our taxes, partly because of border issues in relation to LTTA, and because the republic was an early player in unauthorised disposals as far as taxation under LDT is concerned. So, when we talk about stakeholders, I think we're talking about quite a wide waterfront of them, and we've done our best to have a very fruitful engagement with them all.

[152] **Nick Ramsay:** I think you've just alerted us to the complexity of the landscape, given the number of stakeholders that you had to engage with. In previous questions to the auditor general, I asked about the level of awareness amongst the public of the devolution of taxation and the new taxes being switched on here. Clearly, we're not far from the border here, in this city. In terms of land transaction tax, there'll be a lot of transactions that will probably involve firms—solicitors' firms—from across the border. Are you confident that you've engaged sufficiently with non-Welsh stakeholders and firms as well to make sure that they're fully aware of the changes that are going to be necessary this side of the border?

[153] **Mark Drakeford:** Dyfed will give you some of the details on it, Chair. It is an issue that we've been alert to all the way through. Mr Reckless has asked me a series of questions about exactly that issue regularly through the committee's proceedings, so it's been a live issue during our conversations

as well. But Dyfed will give you some of the sort of practical things that we have done to make sure that colleagues on the other side of the border are alert to the new set of circumstances.

[154] **Mr Alsop:** Yes. So, actually, mostly through the Law Society—so, we've been working closely with colleagues in the Law Society in south Wales. And also, in north Wales, we've begun to have conversations there too. So, they actually deal with firms of solicitors on both sides of the border. So, in effect, by reaching out to their membership, we're able to reach out to people who are based not in Wales but are transacting regularly with Wales, at least by proximity. There are people transacting from somewhere else in England; that's not necessarily as straightforward. The other thing we're doing is sort of talking to particular firms that are located in places where there are lots of transactions in that border area. So, firms that are in Wales who have also connections—so, directly using solicitor firms themselves to try and make sure that the message is out there, that they know what to do. But, primarily, I think, we will probably work via the Law Society, who have good connections on both sides of the border.

[155] **Simon Thomas:** Just on this point, Mark Reckless.

[156] **Mark Reckless:** Can I just ask something? I know we've discussed before, but if you've had time to reflect and discuss further with your officials, can I confirm: is the position that, a solicitors firm in England who doesn't regularly transact on Welsh property, if they attempt to pay SDLT for a property that is situated in Wales, will they be told they can't do that and they need to pay LTT instead?

11:30

[157] **Mr Alsop:** That's right. So, HMRC, their systems will basically reject it and say, 'No, your liability is with the WRA rather than with HMRC.'

[158] **Mark Reckless:** Yes. They won't just reject it; there will be a message to them saying it's LTT to the Welsh Revenue Authority.

[159] **Mr Alsop:** That's right. Who they're going to speak to, yes.

[160] **Mark Reckless:** Thank you.

[161] **Nick Ramsay:** Turning to the LDT, and you've mentioned an LDT

communities scheme in previous sessions, can you provide an update on the appointment of the distributive body for the LDT communities scheme?

[162] **Mark Drakeford:** Well, I think there are some things I can say today, Chair, but not a great deal more than I set out in my letter to you on Monday of this week, in advance of the debate that we had on Stage 1 of the committee's report on Tuesday in the Assembly. So, you will know that your report had a significant section on the communities scheme and had two sets of recommendations—the one that we would make a reference to the scheme on the face of the Bill, and I gave an undertaking on Tuesday that we would work to find a way to do that. You then set out a series of considerations, things we need to think through, in relation to what the scheme itself will look like. I made a commitment to make sure we will do exactly that.

[163] So, where I think I've got to, Nick, is that, not before Stage 2, but between Stage 2 and Stage 3, I hope to have reached a conclusion on the different points that the committee has raised, because, if we're going to go out to appoint a distributive body, we need to be able to set out the parameters of the scheme that we're asking them to work within, because, once people know the job of work we're asking them to do, some people will decide to put themselves forward and others will think, 'Well, if that's what's required, we're not the right organisation to do it.' So, I want to make sure we've thought through the points the committee have made and then be in a position to have a prospectus for the work that will be required and to go out to seek expressions of interest from bodies that would be willing to do that. I should be in a position to do that. I don't think we can do it, given the number of points the committee has raised, before Stage 2, but between Stage 2 and Stage 3, so that, by the time we get to Stage 3, Members will know what it is that we are asking a distributive body to do.

[164] **Nick Ramsay:** Because this is clearly—of the landfill disposals tax—the area that's going to be of most interest in terms of communities and community benefits.

[165] **Mark Drakeford:** Absolutely. You will know that, when we consulted on the proposal for the tax, the bulk of responses—a very healthy number of responses—but the largest number by far was on this topic.

[166] **Mr Jeffreys:** Just to clarify a point of detail, I think when we're talking about appointing a distributive body, it will be a procurement exercise as opposed to an appointment process, if that helps.

[167] **Nick Ramsay:** I'm sure if the auditor general is still listening he'd be most appreciate of that clarification. [*Laughter.*] Yes, okay, and, finally from me, Chair, moving on to the new devolved taxes and understanding the process for their introduction, the Wales Act 2014 gives the power for Welsh Government to introduce new taxes. How would Welsh Government ensure that the new tax is thoroughly tested, as stated in the report?

[168] **Mark Drakeford:** Okay. Well, thank you. So, this is an area that I am personally interested in because I have held, from the beginning, that it is an important piece of work for this Assembly term, for us to test the new machinery that the 2014 Act makes available to us. Now, the Act itself is pretty rudimentary—it gives a very brief reference to this—but the command paper that went alongside it set out much more, in more detail, the tests that would have to be passed if a new tax were to be successfully proposed. It is important, isn't it, for us to remember what the power is? It is a power to propose and then both Houses of Parliament in London have to give their agreement to the proposition. But I don't feel like we will know how to complete that process successfully without having tested the course. So, I think it comes in two stages. The first is that we need a detailed conversation here in Wales, ourselves, so that we identify a candidate new tax that we think has the best case for it—the strongest case. So, we need to narrow down some of the proposals that are there. You know that the Bevan Commission published its report; it has, I think, seven different possibilities. There are others that other organisations have since suggested. So, I think there's a job of work to be done in narrowing down that list to maybe two or three, and then a discussion about which of those we think is the strongest candidate in policy terms. But also, the one that would be most likely to successfully meet the criteria that the command paper sets out, and you know that some of those tests are that the UK Government would look to us to be able to identify the estimated revenue from any tax, the economic impact it might have, and whether there's any interaction with UK taxes from any proposal that we put forward. We have to estimate the impact on businesses and individuals. We have to show that we have tested our proposal against relevant legislation of Human Rights Act 1998 and Equality Act 2010 compliance.

[169] **Nick Ramsay:** This is quite different from the current situation with the two existing taxes. As you said in answer to David Rees, the reason for legislating on the surcharge is to keep it similar with the current tax. You've already got a benchmark, so this would be new territory, in many ways, for

the Assembly.

[170] **Mark Drakeford:** Absolutely, which is why I think we have to do that spade work. But I feel that, currently, it's an important thing to have a go at.

[171] **Nick Ramsay:** No window taxes on the horizon yet, then, or moustache taxes—*[Laughter.]*

[172] **Mark Drakeford:** Monmouth is a particularly interesting place to try and experiment with these things. *[Laughter.]* But, no, not at the moment.

[173] **Nick Ramsay:** It would be a pilot. *[Laughter.]*

[174] **Simon Thomas:** I can't tempt you to pick a winner this morning, then.

[175] **Mark Drakeford:** No. No, Chair. I don't think we're at that stage. I think, first of all, we should go from, as I say, seven to two to three, and then a more detailed—. I'm very hopeful the committee itself might be interested in helping with some of that, by getting people to come and give evidence and explore that.

[176] **Simon Thomas:** It does sound like, however, that you would like this to be tested in this Assembly.

[177] **Mark Drakeford:** That's my belief. I think it's part of the, you know—. I've said, I think, here, before that I sometimes think of devolution as particular Assembly terms having particular purposes. And for me, I think the purpose of this Assembly term is to test the course. Now, we may not succeed in getting a tax agreed the very first time we try it, but we will learn a lot in the attempt, and, you know, a subsequent Assembly would have the benefit of that, although we'd set off with the intention of succeeding, but we will learn by doing.

[178] **Mr Jeffreys:** One of the really interesting things, I think, to test here, is what considerations, when thinking about a new tax in a devolved area, are appropriate for the Assembly to be the primary authority on, and what different things Parliament would be thinking about. Because a lot of the considerations in the command paper around creating a new devolved tax are, very obviously, the kind of things that you would think about in the Assembly, whereas I imagine there might be the odd tax where, for example, it might generate a fair bit of revenue in Wales but might reduce UK taxes.

So, that's the kind of thing that you would imagine Parliament would be primarily concerned about. So, I think there are some really important issues that would need to be worked through in considering this, and doing that sooner rather than later is probably worth while.

[179] **Simon Thomas:** I think we'll call this the 'Newport declaration', and your invitation for suggestions of a potential new tax, but I know other—

[180] **Nick Ramsay:** Just one clarification: when the plastic bag levy was introduced, we obviously couldn't have that as a tax, but under this new framework, would that have materialised as a tax rather than a levy?

[181] **Mark Drakeford:** Well, in the plastic bag one, we had to very carefully avoid constructing it in a way that it was a tax, because it would have been outside our powers. Now, we would have different possibilities, so, yes, it would be possible to think of that in a tax rather than in a levy sense, whereas we couldn't before.

[182] **Simon Thomas:** Mark Reckless.

[183] **Mark Reckless:** Cabinet Secretary, aren't we getting rather ahead of ourselves here? It's barely two months since the requirement for a referendum before having Welsh rates of income tax was removed. The way you're talking now—can I confirm that, as far as you're concerned, Welsh rates of income tax are a done deal? And these further taxes we're talking about, and the Chair says that the Newport tax—I'm not sure how much appetite there will be in Newport to pay different rates of income tax than England, let alone the further taxes—but you've moved beyond Welsh rates of income tax, and you're now focusing on one or further taxes, and you want to do that within this term.

[184] **Mark Drakeford:** I want to test the machinery during this term.

[185] **Mark Reckless:** What does that mean?

[186] **Mark Drakeford:** Well, it means that these are new possibilities that the Assembly has never had before. And they're relatively complex because the result of them is not entirely in our own hands. We have to propose things and those propositions will have to be tested in front of two Houses of Parliament. And the rulebook so far is relatively rudimentary, as it is set out in the command paper. So I think the job of this Assembly, as I say, is to



flesh out the machinery that is currently there for us to test this possibility, for us to see what conclusion we will come to, if there were to be a tax that we thought was significantly enough aligned with our policy objectives to be worth proposing, and then working out what it is that we would need to do in order to support that proposition. We would learn how that proposition would be then tested at the other end of the M4, and we would learn a lot by doing it. As I say, for me, although I would always want to have a best-possible candidate, and I would set off on the basis that we would succeed in sending this idea to its full conclusion, the work that I think falls primarily to this Assembly is to take this new possibility, flesh out the way that it would work, and test the machinery in doing so, and for a subsequent Assembly to have the legacy of the learning that we would accrue through doing so.

[187] **Mark Reckless:** And as far as Welsh rates of income tax are concerned, you consider that a done deal, the decision's already made?

[188] **Mark Drakeford:** Yes. That is part of the fiscal framework agreed. These are very different. So, if you've seen the Bevan Commission report, you know they are talking about things like a tourism levy, a sunbed tax, a take-away packaging tax. These are much more niche ideas that would allow you to pursue a policy objective, very much like the landfill disposals tax, in its way—raise some revenue to support further action in that area—whereas income tax is a completely different matter.

[189] **Mark Reckless:** Will we get a vote in the Assembly before Welsh rates of income come in? Or do you consider the legislative consent motion vote on the Wales Bill, now Act, to have been that?

[190] **Mark Drakeford:** I think the LCM vote clearly means that the Assembly now has the authority to move ahead in relation to Welsh rates of income tax. When I'm in a position to make proposals of that sort, of course I will bring them to the floor of the Assembly for the Assembly to discuss.

[191] **Simon Thomas:** Can we perhaps go to Eluned Morgan with, I think, the same questions on—?

[192] **Eluned Morgan:** Well, I've got a little candidate for you. I'd like for us to at least start a discussion on a care tax for Wales—so I'm just throwing that in your court, just for now—but probably not in this session; I'd like something else to test the machinery.

[193] **Simon Thomas:** We should probably return to the scrutiny of the taxes we do know.

[194] **Eluned Morgan:** There we go. Right, well, we'll do that. I want to talk about income tax. And, first of all, I wanted to actually congratulate you on the fiscal framework because I think, since we've had you in front of us, we haven't discussed the fiscal framework since the Wales Governance Centre came out with their report and suggested that we may be £600 million better off over the next decade. So, I'd like to congratulate you on that.

[195] I wondered whether you could just tell us about the progress on income tax negotiations with the Treasury. Where are we at? What's the time frame? What are the terms of reference?

[196] **Mark Drakeford:** Well, Chair, thank you for that. So, following the vote on the floor of the Assembly in relation to the LCM, I had a subsequent discussion with the Chief Secretary to the Treasury to kick-start the discussions that will be needed. As a result, my officials are in the Treasury today for a first official level meeting on exactly this. That will agree the terms of reference, or begin the discussion on terms of reference if we can't agree them today, and the timetable for doing all these things. So, we're up now and running on this important point. Chair, I'm not going to make a habit of suggesting things that the committee might want to do. That's not for me to do but—

11:45

[197] **Simon Thomas:** We do have quite a bit of work already.

[198] **Mark Drakeford:** Yes, you do. But could I just make, maybe, this point? In negotiating the fiscal framework, it was always, I felt, a great help to me to be able to explain to the Chief Secretary to the Treasury what a careful interest the committee and individual Assembly Members were taking in those negotiations. Now, we will be negotiating with HMRC on these arrangements. I'm not quite sure the best way to put it—I feel it would do no harm at all to our ability to conduct those negotiations if HMRC knew how interested the committee were in their preparedness for these negotiations too, because HMRC is going to be accountable to the Assembly for its part, the part it plays, in relation to the collection of Welsh rates of income tax. While I'm very pleased to come here and explain to you the actions the Welsh Government is taking in these negotiations, and for HMRC to know that the

committee's interested in it too and might want to hear from them to make sure they are equally engaged, I feel that would assist in bringing these negotiations along successfully.

[199] **Eluned Morgan:** I think that's very interesting. I think what would be useful for us is to know what those terms of reference are, once they've been agreed, and perhaps that may give us the stimulus to invite the HMRC to give evidence to us as well. Perhaps we can take that on board.

[200] I wanted to go on to ask you about the independent scrutiny forecasts. Forecasting is extremely difficult, particularly in this unstable time. I note that the business school in Bangor has been appointed to do some work in terms of forecasting. We had somebody from the Office for Budget Responsibility in front of us last week, and he was telling us how complicated it is, and how difficult it is, and I've found some figures that suggested that between March and November last year there was a £90 billion difference in terms of forecasts on employment income tax receipts. Now, that makes it very, very difficult for you, and for us, to scrutinise. Are we sure that Bangor Business School can cope with that kind of scrutiny and that kind of difficulty?

[201] **Mark Drakeford:** Well, Chair, just to remind Members where this comes from, in the fiscal framework agreement it is agreed that, in the short run, forecasts of this sort for Wales will be carried out by the Welsh Government, but that there had to be an independent view of the forecasting that we carry out. That's what the business school of Bangor have been appointed to do—to undertake the independent scrutiny and assurance of the Welsh Government's own forecasts for devolved tax revenue for 2018–19. Those forecasts will include land transaction tax, landfill disposals tax and non-domestic rates. So, that's the year before we get income tax. There's a second strand in what we've asked the business school of Bangor now to do, and that's to advise us on improving methodologies for future forecasting. This is a role that the Scottish Fiscal Commission has played in its early days as well: advising the Scottish Government on improved methodologies for taking on this inherently volatile work. So, that is a short-term—relatively—piece of work that Bangor has been contracted to do. We did that—just so that the auditor general is assured on this as well—. We didn't just pick on them. We also went out and did this via a proper process in which a variety of organisations came forward to do it. Bangor's was the most convincing proposition.

[202] **Eluned Morgan:** How will the work overlap, or not, with the Office for Budget Responsibility?

[203] **Mark Drakeford:** Well, Chair, we work closely with the OBR now. I met Robert Chote, the head of the OBR, back in September last year. We talked then about the OBR's work in relation to Welsh forecasts and about other mechanisms that we might need in the future. We've had to work more closely with them in recent times because, Chair, as we've discussed here and you've seen, the forecasts about LDT receipts were broad-brush and, in a way, it didn't really matter how much they ascribed to being collected in Wales and how much they ascribed to England, because it all went into the same pot. So, at one point, they were forecasting pretty high receipts from LDT in Wales. Now, by working with them and us giving them a lot of information we have, they've refined those figures down considerably, so we're now about £25 million, about half what they originally were forecasting. So, we've got a lot of ongoing discussions and contacts with them. Whether the OBR will be the right organisation to provide independent oversight of all this in the longer term I think remains an open question.

[204] **Mr Jeffreys:** It's maybe worth noting that, regardless of what decision is eventually made about how the forecasting arrangements are done in Wales, the OBR will have a role in terms of forecasting the block grant adjustments. So, they'll definitely have a part to play in this whole picture, but the exact role is still to be worked through.

[205] **Simon Thomas:** Could I just ask? You just mentioned there the longer term. Is the current arrangement a kind of transitional arrangement, then, as regards the OBR, the work of Bangor business school? Would you regard it as something to take us through to 2019–20, with perhaps a review after that?

[206] **Mark Drakeford:** I think that's a fair way of characterising it, because we have to put in place longer term arrangements, and options for forecasting arrangements, in years ahead, are part of the agreement we have. So, we've now got what we need for the immediate future; what will we need in the long run? Well, I think there are three different options at least that I am going to be considering. You could argue that the OBR is best placed to do it, and we should just put some modest amount of funds towards them to give them the capacity to do a more focused piece of work as far as Wales is concerned. They are a very significant organisation, they have lots of resources behind them, and they have experience in this field; why not pay them and get them to do a job for Wales? And, you know, I haven't ruled that

out, because you can see there is a case to be made for it. But there is the appearance of independence, as well as the substance of independence. The OBR is based in London. It works very closely with the UK Government. In dispute resolution, where we are able to put some independent advice of our own on the table, is it easy to imagine two different parts of the OBR, one of them operating for the UK Government, one of them providing advice for Wales? I think there are some complexities to using the OBR, as well as some possibilities.

[207] **Sam Thomas:** I take it from that that you haven't ruled out a future Welsh fiscal commission either, then.

[208] **Mark Drakeford:** Well, that would be a second possibility, Chair. We could take the Scottish model and set up a full Welsh fiscal commission. The questions there would be about whether we have enough work to do for that to be the right answer. Is it a proportionate response to the work we need to be done—but there is a Scottish example to investigate there—or would we seek to develop the sort of model we have with Bangor, where you find an organisation that is clearly independent of the Welsh Government but has a genuine track record of expertise in the Welsh fields specifically that you could turn to to carry out that work on your behalf? So, I think all those possibilities are in play, and there may be others.

[209] **Simon Thomas:** Can I just clarify one thing with you? I think that, in the update paper that you've given the committee—so, there was the original report on the fiscal framework and then you've given us an update paper, and, in that, you confirm what you've just said on the record today about your officials working with the Treasury and HMRC on Welsh rates of income tax from April 2019. I think that's the first time I recall seeing that date, and the fact that you are now working on that, written down, I think, in this paper. I'm not aware that we've had it quite in that way before.

[210] Certainly, the auditor general, in our previous session, sort of suggested that he was slightly surprised that you'd gone for the earliest possible date, in effect. I think that's a reasonable summary of what he was saying. It's early days, but do you believe that you have both the capacity to hit that deadline and also that you're getting the other work lined up. We've mentioned the OBR, we've mentioned the Bangor work, and you've also intimated HMRC's preparedness for this. Are those, at the moment, aligning in the way that you feel that that April 2019 target, I suppose, is reasonable and you have the capacity to achieve it?

[211] **Mark Drakeford:** Chair, you may be right that this is the first time the date appears in a report written to a committee, but I did very specifically say that that was our intended date during the debate—

[212] **Simon Thomas:** You've talked about it, yes.

[213] **Mark Drakeford:**—that led up to the Wales Bill LCM. So, I think we're on the record as having that as our intended timetable. It is ambitious; it is the earliest date it could be done. HMRC tell us they need two years to make all this happen but, once again, we are in the relatively fortunate position of being the second player to go through this process. So, we believe that the necessary machinery is being set up to allow us to achieve that and that remains our intention.

[214] **Mr Jeffreys:** It may be just worth adding that, you know, it is very much the first conversation today about the process. Virtually all of the work required here is on HMRC rather than on the Welsh Government in terms of Welsh rates of income tax and, informally, they've been confident that it can be done within two years. Importantly, it's not just for HMRC; it's also for businesses who will have to adjust their PAYE systems. So, we'll know a bit more after today about whether that two-year thing is achievable and what will be required to get there.

[215] **Simon Thomas:** Obviously we'll take an active interest in this as the Finance Committee.

[216] **Mark Drakeford:** It's very helpful.

[217] **Simon Thomas:** Mike Hedges.

[218] **Mike Hedges:** We're all putting bids in for taxes, so can I just throw in land value tax? I've got two questions, and the first one is: you've now got the capacity to issue bonds, which I think is incredibly important, not necessarily for issuing them, but having the opportunity to go to a secondary source for borrowing. Without putting words in your mouth, will I be right in saying that your direction will be cash, Public Works Loan Board, and you'd only look at bonds if the Public Works Loan Board moved its interest rates up, at which stage bonds would become more beneficial? And, that's really the direction local government has gone as well and it's what's kept the Public Works Loans board—I was going to use the word 'honest', but I think

I'd use 'just keeping rates at a low-ish level'.

[219] **Mark Drakeford:** Well, Mike Hedges will know more than me about this but I am aware of the recent history of this, when, back in 2010, the Government announced that it was going to make borrowing from the Public Works Loan Board considerably more expensive than it had been, and local authorities moved purposefully to organise themselves to issue municipal bonds. As it dawned on the Treasury that this was now a reality, they reversed their decision in relation to interest rates at the PWLB. So, Mike's absolutely right about the history of it and he's also right about the sort of hierarchy that I've always had in my mind in relation to the way we deploy capital here. You know, you use conventional capital first, and, if you're borrowing, you look to borrow in the cheapest parts of the market, and, at the moment, borrowing in that way is, we think, cheaper than issuing bonds, but the capacity to issue bonds does have an impact on those rates of interest.

[220] **Mike Hedges:** Of course, in the 1950s and 1960s, local government tended to use bonds as one of its major sources of raising income. The question on capital borrowing: we've got the £1 billion and I'm not going to argue what it should be spent on because—

[221] **Simon Thomas:** Not in Newport, anyway.

[222] **Mike Hedges:** Is it a fixed £1 billion? In which case, when you pay money back within the period of time, that money then becomes available for borrowing again. Over how many years are you thinking of borrowing, because, if it's over 20 years, you get £50 million a year available, and, if it's over 10, you get £100 million, and, if it's over 40, you get £25 million.

12:00

[223] So, it does make a big difference, over how long you intend to borrow, as to how money becomes available again. So, have you got any thoughts on how long you intend to borrow for, and are you going to aggregate the money up or reuse it each year, or will you make a decision on an annual basis?

[224] **Mark Drakeford:** I'll probably ask colleagues to help me with some of the detail there, but the very important point that Mike Hedges makes is that the £1 billion doesn't come in a lump sum in year 1. It comes over a period

of time, with a maximum that you can draw down in any one year, and that's £125 million at the moment, and it will rise to £150 million. So, within this Assembly term, we will essentially be able to use the £500 million-worth of capital borrowing that was originally available to us, but the next Assembly will have an extra £500 million available that it would not have had had we not reached an agreement on that figure in the fiscal framework.

[225] Now, Andrew will explain how, if you pay money back, that cycles forward and allows you to borrow more in the future, and the time that we are intending to borrow over.

[226] **Mr Jeffreys:** These are all really good questions. It's fair to say that the answer to them is a bit tentative at this stage because we haven't really got into the process yet. So, one of the questions we have been tentatively kicking around with the Treasury is what kind of borrowing products are available to us through the Treasury. So, there are all sorts of different ways in which you can borrow—annuity-based borrowing, interest only, et cetera—and the Treasury is able, in theory at least, to offer all those kinds of borrowing to us, but there may be policy or other reasons why they would want to constrain the type of products that we can have access to. There are also, of course, value-for-money considerations and affordability considerations for us. So, for example, borrowing on an interest-only basis can look very attractive, but then you've got the bullet payment at the end that you need to factor into your planning.

[227] So, just to answer your initial question about whether the £1 billion is fixed, where you're repaying the principal, then that gets knocked off the amount that you've borrowed. So, as you reduce—let's say we take out £150 million in year 1, and you're paying about £10 million back a year, that frees up about £10 million of your limit each year. So, there's a kind of dynamic position there that you'll need to keep a very close eye on.

[228] In terms of the period over which borrowing will be taken out, we've been working on the basis that we'd be, in general, borrowing for long-term infrastructure investment, and you would want to link your term broadly to the life of the asset. So, a 25- or 30-year kind of period in general, where you're amortising the loan over a long period of time rather than paying it [correction: paying it back more quickly]. You can take out two-year, five-year, 10-year debt with the Treasury, but when we would be borrowing for a scheme like the M4, we would expect to pay that back over a 30-year period.



[229] On the question of the limit, a point worth making is that there's provision for the limit to be reviewed at each spending review. So, it's £1 billion now. We would expect to have a discussion with Treasury at the next spending review, and at the spending review thereafter, particularly where you're starting to approach your limit. Obviously, we've got £1 billion available at the moment, and that's seven or eight years of the annual limit. Five or six years in, if we're starting to get close to the limit, then we would be having a discussion about whether that limit remains appropriate or whether it should be raised. But that's obviously a few years down the track.

[230] **Mike Hedges:** Just two very brief points on that. I think that 30 years is fairly normal. Local authorities borrowed over 60 years for council housing. I don't think you perhaps want to talk about the life of an item. I'm sure that everybody in this room would not want a bridge, after only 30 years, to stop working because it's been paid for over 30 years. So, I think that 30 years is normal in that respect.

[231] The question I would ask, and I keep on asking, and I'm only asking you to pass the question on: prudential borrowing, which has been given to local authorities for several years. Can you keep on making the case for prudential borrowing? If we're going to be treated like a Parliament, then we shouldn't have fewer powers than a local authority.

[232] **Mark Drakeford:** Well, you know, Chair, that we have indeed explored this with the Treasury. We put that proposition to them and they were not attracted to it and not very much interested in a conversation about it, really. They just felt it wasn't the route that they would go down, but there is nothing to prevent us from continuing to put this proposition in front of them when we have the chance.

[233] **Simon Thomas:** We've covered some aspects, I think, but do you have any further questions?

[234] **Mark Reckless:** Yes. Cabinet Secretary, we're taking devolved taxes and clearly, we need specialist tax expertise to do that. Are you saying to people that we're having to attract to Wales, primarily, I think, from England, to do that, 'Come and make your career in Wales'? Or, are you saying to them, 'Come for a period, train up some people so that we can do it ourselves' and then, perhaps, they would need to go back to England or wherever else they came from?

[235] **Mark Drakeford:** Chair, I think it's a very good question in relation to the WRA, because, as I've said quite often here and elsewhere, the WRA is going to be a modest organisation; it's going to have about 40 people. So, the idea that you would come and make a 40-year career, winding your way up the levels of the hierarchy, doesn't bear much examination. So, what we have been thinking about, I think, is more of trying to attract people who would come to Wales to be part of the WRA, by also pointing to them other possibilities that there will be elsewhere in south Wales in that area of expertise. So, Newport's a very good place to talk about this, because the Office for National Statistics is clearly another major employer where the sort of skills that the WRA will need in data handling and data analysis would also be very pertinent. So, the UK Government has put significant sums of money into establishing an international data academy in this part of south-east Wales. Professor Charlie Bean, who leads on these matters at a UK level, has described Newport and this part of Wales as a hotspot for the development of companies and public activity in the data field. So, I think Mr Reckless is right to point to the weakness of a proposition of trying to attract someone and saying, 'Come and make your life in the WRA'. But 'Come and make your life in south Wales where your skills will be needed in a variety of different places and where there will be lots of possibilities for you', we think has been a proposition that we've been able to put to people, and with some success.

[236] **Mark Reckless:** That's a very encouraging response, Cabinet Secretary. Thank you. You have had quite a degree of criticism from some quarters in terms of the siting of the WRA at Treforest. On the other hand, Ken Skates seems to have received some plaudits for siting the Welsh transport authority in the Valleys at Pontypridd. Why is that, do you think, when there are only, I think, a couple of miles between the two?

[237] **Mark Drakeford:** Chair, I took seriously all the many letters that I got from Assembly Members in different parts of Wales demonstrating the positive impact that having an organisation like the WRA would've had on those local economies. So, I regarded all of those as very proper bits of advocacy on behalf of local possibilities. There are language issues that went alongside the WRA. It's a public facing organisation, it will deal with very large numbers of the public, and points were being made in that correspondence about making sure that we took advantage of the assets that some communities have in terms of people being able to provide services in that way. In the end, as you know, there was a careful weighing up of a whole range of different factors. We are going to have to attract people to come with very particular skills—rare skills—and for some people, being able to

keep contacts with families or colleagues relatively close to the border will be important. The WRA will be a digital organisation, it will provide a very significant service through the medium of Welsh digitally, but also, we'll have people on the ground able to do that. Weighing it all up, I came to the conclusion that starting this organisation off in Treforest gave us the best opportunity to be able to equip it with the individuals and the skills that are needed. I still think that the cards fell fairly firmly in that direction.

[238] **Mark Reckless:** There's certainly no criticism intended by me, Cabinet Secretary, certainly if you're encouraging people working in Treforest perhaps to come and work in the data park in Newport afterwards. I just thought, in terms of the publicity around it, it just seemed you were criticised as if Treforest was in the middle of Cardiff, whereas Pontypridd was seen as putting jobs out to the Valleys, and I just found that surprising given the short distance between them. You have said in your note to us that you will review, after 18 months of full operation of the WRA, whether it should remain in Treforest. What then would be the earliest time it might move to an alternative location?

[239] **Mark Drakeford:** Well, I'll want the WRA to be fully established and operational. That's when the clock will start ticking. It doesn't start ticking now.

[240] **Mark Reckless:** Is that April 2018? Is that the—

[241] **Mark Drakeford:** April 2018 is when that is meant to be. So, the clock will start ticking once the WRA is properly operating. We will want to make sure we have 18 months' worth of experience to draw on, so I don't intend that the analysis should start after 9 months and come to an end by the time 18 months is up. I think you need 18 months' worth of experience in front of you. Then we will review in the way that we have promised, to make sure that having, as we would hope, attracted the specialist skills and the staff that we need—that a different weighing up of the factors that led to the original decision would lead you to think differently.

[242] **Mark Reckless:** But for AMs who may have been lobbying for a particular area, if a review will start in October 2019, when is the earliest time the WRA might be transferred to be somewhere else?

[243] **Mark Drakeford:** I think there's a fair old chain to be drawn up where I don't have enough information in front of me to give an answer that I would

want anybody to rely on.

[244] **Simon Thomas:** Including another Assembly election.

[245] **Mark Drakeford:** It may well be—absolutely, there will be that too. All I'm saying is, Chair, that we will do a proper job, we will make sure the 18 months of experience is concluded, and we will look again. I don't think I could give a reliable enough sense of both (a) how long that will take and (b) how long it might take to implement any decision to move to any other locations. There are so many ifs along that route, I don't think it would be—

[246] **Mark Reckless:** Some Members may want to promote alternative locations in their manifesto for the 2021 Assembly elections. I just want to finally ask you, Cabinet Secretary: we discussed with the auditor general this issue of the Welsh Treasury functions directly associated with tax devolution—there seems to be quite a strong case put as to why those should be separately classified. Will you do that?

[247] **Mark Drakeford:** I'd need to see that case, truthfully, Chair. I didn't feel that the auditor general made that case in his report of December. He certainly didn't recommend that that's what we should do in that report. He simply noted that those costs were not separately identified, and he didn't go on to say that he thought they should be, or what the case for doing that would be. I'm obviously happy to look at the case. At first glance, I sort of ask myself what's to be gained. The Welsh Treasury is a small organisation that has to do an awful lot of different things, so it's not like there are hundreds of people where there are big divisions doing these sorts of things. So, 'What would we gain?' I suppose is the question I'd ask myself. But I'm happy, if there is a case there to be seen—and the auditor general is going to do another review, isn't he, I think, of the preparations for it—if that case is worked up a bit more, and we see what the case will be, of course, I'm open to considering it.

[248] **Mr Jeffreys:** Can I just make one point? I'm not sure this is what's being got at here, but it is the case that when we state the current costs of implementing the WRA and estimating the future costs, we are excluding costs within the Welsh Government that are Welsh Treasury related, so they're separate in that sense, in that the number you get for the WRA implementation costs doesn't include the Welsh Treasury function. But, of course, as the Minister says, the Welsh Treasury covers a range of things, some of which are related to the new devolved tax powers, some of which

are not, and some of which kind of overlap the two distinctions. So, I suppose it could be done, but it would be a bit of an arbitrary thing to do. As you say, I'm not sure what we would gain from doing that.

12:15

[249] **Simon Thomas:** We've just got a couple of minutes left, if that's all right, but I'll let Nick Ramsay in quickly.

[250] **Nick Ramsay:** Thanks, Chair. You're clearly juggling a lot of balls in the air when it comes to the establishment of the WRA, at an increasing pace. I'm not sure whether you saw the auditor—I don't think you saw the auditor general's comments in the evidence session earlier, but you've seen the report. He's got some concerns about some slippage in certain tranches of where we were supposed to be at this point with the establishment of the organisation and where we are. He's concerned about—if that's not corrected—where we will be in April next year at the time of the switching on of the Welsh taxes. What's your take on that? Are you absolutely happy with the rate of progress? Do you think that some slippage is to be expected, or are you going to put measures in place to make sure that if we do see more slippage before April next year, then it can be dealt with and we can make sure that we've got a fit-for-purpose organisation ready to implement fit-for-purpose taxes next April?

[251] **Mark Drakeford:** Well, Chair, it is very important to me that the WRA gets off to the best possible start, because of these very important new responsibilities coming to Wales. The reputation of, I would say, probably, not just the WRA but more generally the Welsh Government and the Assembly itself will be affected if people, on the day after we get these responsibilities, find that the system isn't working. So, I think these are genuinely important things and why we are focusing on making sure that it really does work. I think if I was summarising the auditor general's December report in a sentence, it would be, 'Okay so far, but lots still to do'. That would have been exactly—if you'd asked us to summarise it in a sentence, we would have used the same sentence ourselves. We absolutely recognise that this is an ambitious set of things we have to do. Some of the slippage things that Dai Rees asked about in the beginning as well—the timetable does allow for some latitude in these things. We don't think we're at the far end of that latitude, and there are ways that you can go back timing it [correction: get back time] as well. The last thing I want to sound like is as though it's all fine and we're just sitting back in the sun lounger, watching it

happen. It's not like that at all. We watch these things very anxiously. I meet very regularly—

[252] **Nick Ramsay:** It's too cold for that.

[253] **Mark Drakeford:** Much too cold. The confidence we have is because of the grip that there is of the process, the detailed attention that it has, the interest that is taken in it by this committee and by the auditor general, and the fact that lots of people are making sure that we have answers to the questions that are properly asked of us. To that extent, I am confident that we will get to the place that we want to be; but there are lots of challenges still to come, and we will be doing our very best to meet them.

[254] **Simon Thomas:** A final question, if I may. You might have heard that the auditor general—and certainly, you'll be aware from the debate we had on Tuesday around the landfill disposals tax—that this committee is very interested in the overall sort of legislative budgetary process and aiming to get a finance Bill, in effect, as part of the way that, as a Parliament, we deal with this. Obviously, there are discussions around some changes we can do now to our Standing Orders, but in the longer term, what sort of timetable do you have in mind, from the Welsh Government's point of view, of how we can bring forward a more parliamentary sort of finance Bill approach to this, particularly bearing in mind that you now have very definite intentions on income tax by April 2019?

[255] **Mark Drakeford:** I think the way that I have been thinking about this, Chair, is a bit like this: the principle of an annual finance Bill is one that I see the case for. I see the day coming when that will be what we will need to do. When exactly that will be, I just feel like we will need to be pragmatic about, and just have a better sense, as things go on, as to whether or not the level of activity that is required on the floor of the Assembly, with the modest number of taxes we currently have, amounts to the need for a Bill. The point will come when that will happen, I feel, but I think it's difficult to anticipate exactly when it will be.

[256] I think I heard you say in the Chamber that you thought the committee might have a contribution to make in taking evidence from elsewhere as to how these procedures work. The Assembly would need a different procedure, wouldn't it, for a finance bill? You know, it would have to be a different way of taking legislation through the Assembly. So, I think there's lots to learn here. I tend to share the view of people who say that that is the destination

we will get to. How fast we get to it, I think, we will only really come to understand as we see the volume of secondary legislation that the current number of taxes we have generates and whether it would make better sense to consolidate that level of secondary legislation into an annual Bill or whether it is so infrequent that it is still, in a sensible way, best left to the arrangements we have for now as we now have them.

[257] **Simon Thomas:** We will have to conclude on that note, but we look forward to working with you on that aspect. Thank you, again, for the evidence. There'll be a transcript, of course, to check veracity and thank you again for coming to Newport for that.

[258] **Mark Drakeford:** Diolch yn fawr.

[259] **Simon Thomas:** That concludes the public part of the meeting. I'd like to thank the members of the public, students and members of the press who were here. I hope you found it interesting and useful. We're certainly very pleased to have come to Newport. Diolch yn fawr iawn.

12:21

### **Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd Motion under Standing Order 17.42 to Resolve to Exclude the Public**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod heddiw a'r cyfarfod cyfan ar remainder of today's meeting and all 29 Mawrth yn unol â Rheol Sefydlog of the meeting on 29 March in 17.42(vi).*

*accordance with Standing Order 17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[260] **Simon Thomas:** Are you happy, as a committee, to move into a private session under Standing Order 17.42 for the rest and for next week also? Okay.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12:21*  
*The public part of the meeting ended at 12:21.*