

Agenda – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 13 March 2019

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6372

SeneddFinance@assembly.wales

1 Introductions, apologies, substitutions and declarations of interest

09:00

2 Paper(s) to note

09:00

(Pages 1 – 6)

2.1 Letter from the Minister for Health and Social Services: Autism (Wales) Bill Stage 1 Scrutiny – Welsh Government response

(Pages 7 – 12)

2.2 Letter from the Minister for Finance and Trefnydd: Welsh Government's tax policy work plan for 2019

(Pages 13 – 18)

2.3 Letter from the Wales Audit Office: Civil service pension scheme – increase to employer contributions 2019

(Pages 19 – 20)

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

09:00

4 Senedd and Elections (Wales) Bill – Technical briefing

09:00–10:00

(Pages 21 – 23)

Assembly Commission officials

- Anna Daniel, Head of Strategic Transformation Service
- Matthew Richards, Head of Legal Services



- Tom Jackson, Clerk/Bill Manager– Senedd and Elections (Wales) Bill, Strategic Transformation Service.

Welsh Government Officials

- Angharad Thomas Richards; Local Government Democracy Division
- Sian Williams, Democracy, Local Government Democracy Division.

Paper 1 – Senedd and Elections (Wales) Bill – Technical briefing note

5 Scoping paper: Directly funded bodies' annual budget proposals

10:00–10:30

(Pages 24 – 39)

Paper 2 – Scoping paper

Paper 3 – Letter from Suzy Davies, Assembly Commissioner – 31 January 2019

Paper 4 – Letter from the Public Services Ombudsman for Wales – 4 February 2019

Paper 5 – Letter from Minister for Finance and Trefnydd – 11 February 2019

Paper 6 – Letter from the Auditor General for Wales – 22 February 2019

6 Concurrent scrutiny of the Welsh Government Draft Budget 2019–20: Consideration of draft report

10:30–10:50

(Pages 40 – 65)

Paper 7 – Concurrent scrutiny of the Welsh Government Draft Budget 2019–20: Draft report

Paper 8 – Letter from the Equality and Human Rights Commission – 21 February

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Thursday, 14 February
2019

Meeting time: 09.01 – 10.20

This meeting can be viewed
on [Senedd TV](#) at:

<http://senedd.tv/en/5316>

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Rhun ap Iorwerth AM Alun Davies AM Neil Hamilton AM Mike Hedges AM Nick Ramsay AM
Witnesses:	Rebecca Evans AM, Minister for Finance and Trefnydd Sharon Bounds, Welsh Government Matthew Denham-Jones, Welsh Government
Committee Staff:	Bethan Davies (Clerk) Ryan Bishop (Deputy Clerk) Owen Holzinger (Researcher)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Rhianon Passmore AM.



2 Paper(s) to note

2.1 The papers were noted.

2.1 Letter from the Chair of the Climate Change, Environment and Rural Affairs Committee to the Minister for Environment, Energy and Rural Affairs: Draft budget 2019–20 – Welsh Government response

2.2 Letter from the Chair of the Climate Change, Environment and Rural Affairs Committee to the Minister for Economy and Transport: Draft budget 2019–20 – Welsh Government response

3 Welsh Government Second Supplementary Budget 2018–19: Evidence session

3.1 The Committee took evidence from Rebecca Evans AM, Minister for Finance and Trefnydd; Matthew Denham–Jones, Deputy Director Financial Controls; and Sharon Bounds, Head of Budgetary Control & Financial Policy.

4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting and the meetings on 20 February and 7 March 2019.

4.1 The motion was agreed.

5 Welsh Government Second Supplementary Budget 2018–19: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Second supplementary budget 2018–19 – Public Services Ombudsman for Wales: Explanatory Memorandum

6.1 The Committee considered correspondence from the Public Services Ombudsman for Wales on his second supplementary budget 2018–19: Explanatory Memorandum.

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 5 – Tŷ Hywel

Meeting date: Wednesday, 20 February
2019

Meeting time: 09.03 – 09.46

This meeting can be viewed
on [Senedd TV](#) at:

<http://senedd.tv/en/5317>

Private

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Rhun ap Iorwerth AM Alun Davies AM Mike Hedges AM Rhianon Passmore AM Nick Ramsay AM
Witnesses:	
Committee Staff:	Bethan Davies (Clerk) Ryan Bishop (Deputy Clerk) Martin Jennings (Researcher) Ben Harris (Legal Adviser) Gareth Howells (Legal Adviser)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Neil Hamilton AM.



2 Welsh Government Second Supplementary Budget 2018–19: Consideration of draft report

2.1 The Committee agreed the report with minor changes.

3 Public Services Ombudsman (Wales) Bill: Consideration of proposed amendments at Stage 3

3.1 The Committee considered and agreed:

- the revised Explanatory Memorandum following Stage 2
- the proposed amendments that it will table to the Public Services Ombudsman (Wales) Bill at Stage 3.

4 Scoping paper: The Welsh Government's capital funding sources

4.1 The Committee considered the scoping paper.

5 Scoping paper: Consideration of proposals to amend the Public Audit (Wales) Act 2013

5.1 The Committee considered the scoping paper.

6 Senedd and Elections (Wales) Bill: Approach to scrutiny

6.1 The Committee agreed its approach.

7 Consideration of forward work programme

7.1 The Committee considered its forward work programme.

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 5 – Tŷ Hywel

Meeting date: Thursday, 7 March 2019

Meeting time: 09.32 – 10.37

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/5318>

Private

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Rhun ap Iorwerth AM Mike Hedges AM Nick Ramsay AM
Witnesses:	Adrian Crompton, Auditor General for Wales, Wales Audit Office, Auditor General for Wales, Wales Audit Office Helen Goddard, Wales Audit Office Isobel Garner, Wales Audit Office Stephen Lisle, Wales Audit Office
Committee Staff:	Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk) Ryan Bishop (Deputy Clerk) Owen Holzinger (Researcher)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.



1.2 Apologies were received from Neil Hamilton AM, Alun Davies AM and Rhianon Passmore AM.

2 Wales Audit Office – Data analytics technical briefing

2.1 The Committee received a technical briefing on the use of data analytics.

3 Legislation Bill – Consideration of draft report

3.1 The Committee agreed the report.

4 Updated Capital Funding Terms of Reference

4.1 The Committee agreed the updated terms of reference and to proceed with the inquiry into the Welsh Government's capital funding sources.

Vaughan Gething AC/AM
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services

Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-L/VG/0005/19

Chair of Health, Social Care and Sport Committee
Chair of Finance Committee

National Assembly for Wales
Ty Hywel
Cardiff
CF99 1NA

18 February 2019

Dear Chairs,

I am writing to thank each of your Committees for their stage one scrutiny of the Autism (Wales) Bill, and provide a response to committees' report recommendations (Annex A) which were directed at the Welsh Government. As the Bill was not successful in the vote following the General Principles Debate on 16 January, my response reflects this decision as I have not commented on recommendations relating to the possible progress of the Bill.

I am pleased to be able to agree the remaining recommendations, although in some cases I provide further explanation about what Welsh Government intends to do.

I want to assure all members of our firm commitment to improving autism services. This will be achieved through the delivery of the ASD Strategic Action Plan, the development of the Code of Practice on the Delivery of Autism Services and by embedding the services and reforms we have introduced including maximising the impact of the significant additional financial resources that have been allocated. I will shortly publish a Written Statement confirming the Welsh Government's intention to step up the pace of improvements to autism services and to review the outcomes which are achieved.

Yours sincerely,



Vaughan Gething AC/AM
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

Health Social Care and Sport Committee

Recommendation 1. *We recommend that the Welsh Government directs the integrated autism service to improve the consistency of the services across the regions to ensure a national approach and reports back to the Committee within six months. We also recommend that they produce clear public information to clarify what people can expect from the Integrated Autism Service.*

Agreed The Integrated Autism Service (IAS) is supported by the National Autism Team that is hosted by the Welsh Local Government Association and Public Health Wales. The Team facilitates a Heads of IAS group to promote collaborative working. Recent work has included reviewing and updating the specification for the service, and to agree outcome focussed service wide monitoring arrangements. I expect the revised national specification and monitoring arrangements to be available by April. Information on the IAS and autism resources is freely available on the ASDinfo Wales website www.asdinfo.wales.co.uk. Each regional service will also produce their own communications materials.

The IAS has been designed to bridge an identified gap in services rather than replace existing support. The IAS will sometimes refer individuals to other mainstream services which are better placed to provide specialised support.

We are working to build autism knowledge and skills across public sector services through the resources and training being delivered by the National Autism Team and locally by the IAS teams. Examples of these resources can be found on the ASDinfo Wales website.

As each IAS has overlaid existing autism services in their regions, there will be some differences in how local services are delivered, to take account of variances such the professional mix of staff, local geography and the services most in demand in any area. We aim to publish findings from the independent evaluation of the implementation of the service by the end of February, and we will carefully consider recommendations made there alongside those made by the scrutiny committees. We will set out further plans for evaluation and monitoring of our reforms as part of the annual report on the delivery of the ASD strategy in June 2019. We will send the Annual Report to each committee.

Recommendation 2. *We recommend that the Welsh Government increases the provision of direct ASD support services across Wales (beyond the services currently offered by the Integrated Autism Service), and ensures vital third sector services receive sustainable funding to continue and expand their specialist support services, which are providing direct frontline support and plugging the gaps which the Integrated Autism Service cannot deliver.*

Agreed The IAS is an additional service designed to increase capacity, local authorities and health boards should also have existing autism services which work alongside the IAS. From 2015/16 the Welsh Government placed the autism infrastructure grant of £40k per local authority in the Revenue Support Grant. This funding is available for local authorities to support autism services which could include securing third sector support. Also the Welsh Government Sustainable Social Services third sector grants scheme is specifically designed to provide national voluntary sector groups with funding to deliver community support services. The next grant will be available in April 2020 and we encourage voluntary

sector groups including those which provide specialist support services for autistic people to apply for funding through the competitive grant application process which will be advertised later in 2019.

Recommendation 3. *We recommend the Welsh Government takes urgent action to address the clear need for employment support for adults with ASD. There must be a clear pathway for adults to be able to access support to assist them into employment. Careers Wales should play a greater role but there is also a case for providing additional funding to third sector agencies to deliver specialised employment support services.*

Agreed We are working to support autistic adults people who experience difficulties in accessing and maintaining employment, many of whom will have a wide range of skills and experience.

The National Autism Team and local autism leads have strong working relationships with the Department of Work and Pensions to assist their staff in supporting autistic people who are in receipt of out of work benefits, which are non-devolved.

Our Working with Autism programme delivered through the ASD National Autism Team is supporting Careers Wales and Job Centres to provide advice and support for individuals with autism seeking employment support. By the end of 2018, over 30,000 individuals have completed our ASD aware scheme (8,006 completed during 2018) and 1,210 have completed Working with Autism scheme. A further 263 have completed the Positive about Working with Autism HR scheme. The Autism Aware scheme is also now being rolled out to Welsh Government staff.

The Welsh Government is also working in partnership with the Big Lottery – Getting Ahead Two project which is a five year programme designed to support young people who have learning disabilities or autism into the workplace. This project is delivered by a third sector consortium and is in its third year. Up to November 2018, 200 autistic young people have been referred into the service, 170 have received a vocational profile, 160 have undertaken placements and 33 autistic young people are now in sustained employment.

Also in 2018, we published a cross-Government employability plan that set out our vision for making Wales a full-employment, high-tech, high-wage economy. At the centre of this ambition, we are committed to helping everyone achieve their full potential through meaningful employment, regardless of their ability, health issues, background, gender or ethnicity. We are supporting people who are not working with a particular emphasis on those who are economically inactive and less likely to be in contact with mainstream employment support. This will include supporting autistic people and we will investigate where more can be done to provide them with the tailored support they need.

The Employability Plan takes action in four distinct themes; providing an individualised approach to employment support, underlining the responsibility of employers to support staff, closing skills gaps and preparing for a radically changing labour market. Individualised support gives advisers the autonomy and flexibility to address the needs, strengths and ambitions of the person preparing for work.

Recommendation 4. *We recommend that the Welsh Government amends the Codes of Practice for Parts 3 (assessing the needs of individuals) and 4 (meeting the needs) of the Social Services and Well-being Wales Act 2014 to include specific provisions on ASD.*

Agreed The Welsh Government has published a consultation on our proposals for a Code of Practice on the Delivery of Autism Service on 30th November, which is open until 1 March 2019. This Code will be made under both the Social Services and Well-being (Wales) Act 2014 and the NHS (Wales) Act 2006. The purpose of the Code will be to ensure that both statutory services and autistic people understand their rights and responsibilities under existing needs based legislation and codes of practice. The Code will seek to ensure services are adapted to meet the specific needs of autistic people.

Recommendation 5. *We recommend that the Welsh Government instructs Health Boards and local authorities to ensure there are multiple appropriate clear referral pathways available to all, including a specific primary care pathway, and that existing barriers between the health, care and education sectors are removed, for example to enable GPs to refer children for education support.*

Agreed Through the work of the Together for Children and Young People Programme, neurodevelopmental workstream, there are now nationally agreed pathways to access children's assessment services. The IAS is also developing national pathways for adult services as part of service improvement.

The consultation on the Code of Practice for the Delivery of Autism Services makes specific reference duties in relation to the provision of care and support pathways, this includes diagnostic pathways for assessment and diagnosis, to be aligned with social care pathways. There are also plans to require primary care pathways, particularly for GPs and to ensure there are appropriate pathways for autistic people with other co-existing conditions to access support which is appropriate for their needs.

Recommendation 6. *We recommend that it should be mandatory for all school staff (particularly teachers and teaching assistants) to receive training in awareness and understanding of ASD, during their initial teacher training and as part of their continuing professional development.*

Agreed We are currently reforming the way in which initial teacher education (ITE) is delivered in Wales. The ITE reforms require accredited ITE partnerships to design and deliver courses that support the four purposes of the new curriculum for Wales and address the six areas of learning and experience (AoLE) in order to develop future teachers to meet the needs of all learners, including learners with ASD. Furthermore a key element of our overall reform agenda has been to introduce a new more rigorous approach to the accreditation of programmes of ITE, and that these should be governed by the EWC so enabling the profession to set its own entry requirements. These new programmes will be available from September 2019.

New ITE Partnerships will develop approaches to assist aspiring teachers to understand the importance of research informed practice, so that teachers are taught the importance of keeping up to date with research and research on ASD, to inform their teaching

practice on an ongoing basis throughout their working lives. In addition all teachers in Wales are required to understand and be aware of the wellbeing, personal, emotional and social development of all learners.

The consultation on the Code of Practice for the Delivery of Autism Services includes a section dedicated to improving staff knowledge and skills. Statutory bodies will be expected to undertake autism training needs analysis for their staff, tailored to their professional needs. In relation to schools the National Autism Team have developed the Learning With Autism (LwA) programme aimed at increasing knowledge across teaching staff and learners, there are now packages available for early years, primary schools, secondary schools and further education. Applications for the LwA awards are being received on a daily basis. Our success so far is as follows.

- Primary Schools launched in March 2016: Almost 4500 teaching staff have completed the scheme, and almost 5,000 LSA's. We now have over 26,500 autism superheroes, 11,640 this year alone. There have been 111 schools awarded LwA whole school award certificate (more than 40 schools across Wales during 2018).
- Early Years: almost 1000 members of staff completed the scheme. 40 settings have been awarded their certificate. (35 more since January)
- Secondary Schools: more than 2000 teachers have completed the scheme and there have been 9161 pupils signed the pupil pledge (which is over 8,700 pupils undertaken the pledge since January 2018). 8 schools applied and successfully received their awards.

Recommendation 7. *We recommend that the implementation of the Additional Learning Needs and Education Tribunal (Wales) Act 2018 is closely monitored to assess whether it meets the needs of children and young people with ASD considered 'high functioning' and who do not have a co-occurring learning disability.*

Agreed Under the Additional Learning Needs and Education Tribunal (Wales) Act 2018 ('the ALNET Act'), all children and young who are identified as having an additional learning need (ALN), which might include those with ASD considered high functioning, will be entitled to an individual development plan and associated rights and protections under that Act. The Welsh Government is committed to undertaking a post-implementation review of the ALNET Act five years after its commencement. This will assess the extent to which the ALNET Act has had a positive impact on children and young people with ALN in Wales.

Recommendation 9. *We recommend that the Welsh Government's Code of Practice makes provision to ensure that individuals can access appropriate information and support in their language of choice.*

Agreed The consultation on the Code of Practice makes specific reference to the availability of services meet Welsh Language Standards and where required provide reasonable adjustments to ensure that autistic people with protected characteristics have equal access to services and support. We have also published an Easy Read version of the consultation on the proposals for the Code of Practice

Finance Committee

Recommendation 1. *In future, should the Assembly vote in favour of the motion tabled in accordance with Standing Order 26:91 the Committee recommends that the Welsh Government commits to providing information to ensure that costs in an explanatory memorandum are as comprehensive and detailed as possible utilising cost information which the Welsh Government has available.*

Agreed. A letter from the First Minister, responding directly to the Committee's concerns was issued on 21 December 2018. The Welsh Government will provide information held by us, but we would not undertake any additional data gathering or bespoke data analysis etc., as this is the responsibility of the Member in Charge.



Llywodraeth Cymru
Welsh Government

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

Ein cyf/Our ref MAP/RE/0498/19

Llyr Gruffydd AM
Chair, Finance Committee National
Assembly for Wales Cardiff Bay
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27 February 2019

Dear Llyr,

I am pleased to enclose the Welsh Government's tax policy work plan for 2019. The plan sets out the main themes and aspects of tax policy which I will be exploring during this year.

In the autumn, I will publish a report summarising what we have learned, drawing out the main conclusions and implications for Welsh tax policy.

I will seek opportunities for the National Assembly to debate some of the more strategic aspects of this work, and hope to discuss the work plan findings with the Finance Committee in the autumn.

Yours sincerely,

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

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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Llywodraeth Cymru
Welsh Government

Tax policy work plan 2019

Foreword

The Welsh Government's tax policy is being developed in line with the principles set out in our *Tax Policy Framework*, including our aim to do so through engagement and collaboration.

The successful introduction of land transaction tax and landfill disposals tax, and the establishment of the Welsh Revenue Authority, owe much to the valuable contributions provided by a wide range of stakeholder individuals and organisations, including businesses, tax professionals, academics and others with experience and expertise.

As we look to develop our approach to taxation in Wales – such as exploring the scope for more improvements to tax administration, further strengthening the linkages between tax and other areas of policy, and continuing to ensure our taxes remain fair while delivering the necessary funding for public services – strong engagement remains essential.

The publication of our annual tax policy work plan is an important part of the communication process – drawing on what we have learned so far, it identifies the key areas of interest to the Welsh Government. It is also an open invitation to anyone who wishes to contribute to our thinking, and help shape Welsh tax policy.

If there is an aspect of the work plan that you would like to contribute to, please contact my team in the Welsh Treasury.

Your views will be welcome.



Rebecca Evans.

Minister for Finance and Trefnydd

Introduction

The way public services in Wales are being funded is changing, with revenue raised through Welsh taxes providing an increasingly important contribution. The first modern Welsh taxes – land transaction tax (LTT) and landfill disposals tax (LDT) – were introduced on 1 April 2018, collected and managed by the Welsh Revenue Authority (WRA), and on 6 April 2019 HMRC will begin collecting Welsh rates of income tax. Together with the local taxes which have been devolved since 1999 – council tax and non-domestic rates – these will raise some £5 billion for Welsh public services – strengthening the link between economic development within Wales and the resources available to support our essential public services¹.

In June 2017, the Welsh Government published its *Tax Policy Framework*, which sets out how we are seeking to develop a strategic, integrated, effective approach to Welsh taxes, with a clear direction of travel for the longer term, underpinned by the following principles. Welsh taxes should:

- **Raise revenue to fund public services as fairly as possible.**
- **Deliver Welsh Government policy objectives, in particular supporting jobs and growth.**
- **Be clear, stable and simple.**
- **Be developed through collaboration and involvement.**
- **Contribute directly to the Well-Being of Future Generations Act goal of creating a more equal Wales.**

This work links with the framework for local taxation, our ambitions for which are identified in the Welsh Government's programme for government².

Our policy is being informed by a programme of investigations, published as annual tax policy work plans. Areas of interest include examining how Welsh taxes can integrate effectively with other policy areas to raise revenue fairly, the opportunities for new taxes which would help support wider policy ambitions, and reviewing the tax system across Wales to identify potential areas for improvement. There is also the wider consideration of how we can encourage a stronger Welsh tax-base to support public spending. What we have learned to date is summarised in our 2017 and 2018 tax policy reports.

This is the third annual tax policy work plan, and covers our intentions for the calendar year 2019. Some conclusions will have direct and immediate implications for the Welsh Government's budget, whereas others are longer term and likely to continue into future work plans. Once again, a report summarising the main findings will be published alongside the draft Budget in the autumn.

¹ As noted in the Welsh Government's national strategy *Prosperity for All* (page 5).

² *Taking Wales Forward* includes specific commitments relating to local taxes and local government funding (pages 4 and 13).

A. Develop tax policy which raises revenue to fund public services as fairly as possible, aligning with Welsh Government policy priorities

In 2017, the Welsh Government committed to commission research into the resilience of the Welsh tax-base, in the context of the devolution of tax powers. The Wales Centre for Public Policy published its analysis in May 2018, highlighting the longer term risks to the Welsh tax-base and setting out some possible areas for consideration. The Welsh Government worked with the authors to build knowledge and understanding about these challenges both internally and externally over 2018.

1. We will develop and share our proposals to build the Welsh tax-base over the medium to longer term.
2. We will develop a wider policy framework for consideration of non-residential land and property taxation, informed by existing published evidence (including the WCPP report), research into alternative local taxes, and aligning with the progress we are making to devolve powers over a vacant land tax to Wales.

3. We will continue to consider the evidence on taxation of residential property, including non-primary residences. The WRA will publish the first year's data on LTT higher rates in different local authority areas, and we will continue to monitor the effectiveness of legislation in this area (both from the 2017 work plan).

4. After Welsh rates of income tax go live on 6 April 2019, we will continue to work with HMRC to ensure effective management. We will look to promote fairness in tax policy across the Welsh taxes, continuing work on funding options for social care in the future, delivering our local taxation agenda, and promoting a considered and progressive approach to personal taxes.

5. We will continue to ensure the development of tax policy and other policy areas are aligned. We will continue: making the case for devolution of air passenger duty to Wales; progressing tourism tax and the local taxation agenda; and working with the UK Government on disposable plastics and other environmental taxes.

B. Build a more effective and coordinated approach to tax across existing Welsh taxes and across the wider tax landscape

1. We have made a number of improvements to the Welsh tax system in 2018, including adjustments to the legislation, improvements to WRA guidance and services such as the LTT return. We will continue to monitor whether Welsh taxes are operating as intended, making changes as appropriate.

2. We will build the evidence base to consider whether the Welsh tax system could be more efficient and proportionate, delivering more for businesses, communities, citizens, wider public sector organisations and taxpayers in Wales. This work will seek to look across the Welsh taxes and include:

- i. Publishing objectives on local tax administration.
- ii. Engaging with business, taxpayers and representative groups across Wales, communicating changes to the tax system which will directly affect businesses.

iii. Considering the case for taking a more strategic and joined-up approach to tax administration priorities over the medium term.

3. We will consider options for developing information resources, including data-sharing and analysis, to strengthen the evidence base for tax policy decisions and improved tax administration in Wales. The WRA will elaborate on its role and priorities in relation to this in its 2019-22 corporate plan.

4. We will establish agreed governance mechanisms with the UK Government for the administration of Welsh rates of income tax following implementation in April 2019, in particular the publication of, and commitment to, the HMRC service level agreement.

C. Engagement, communications and capacity building

1. We are striving for a best practice approach to our tax powers, for example our transparent and outward-focused tax policy making process. In 2019, we will build on this to improve how Welsh taxes are designed and operated, integrating policy and implementation, and the link between tax and non-tax policy, as far as possible. The WRA is well placed to support this, and will elaborate on its role in this in its 2019-22 corporate plan.
2. We will develop the audience base for engaging on taxation matters, promoting a positive case for taxation by illustrating the link between taxes and spend on public services in Wales.
 - i. Engage and communicate with stakeholders to increase understanding of our approach to taxation in Wales and enable us to develop tax policy through collaboration and involvement.
 - ii. Develop a narrative around tax and spend which resonates with stakeholders and citizens more widely, and through which we can build knowledge and awareness of Welsh taxes across Wales.
3. We will develop a long-term plan to build capacity and capability in Wales on tax policy and administration across the public and private sectors, with focus on developing linkages and informed debate.
4. We will work with the UK Government and the National Assembly for Wales to ensure UK tax policy, and tax decisions on the devolved tax equivalents, are understood and managed effectively in Wales.
5. We will work with the UK Government and other devolved administrations, as well as international partners, to share good practice, to collaborate to address shared challenges, and to promote our tax policy principles and strategic approach to developing tax policy.

Further information and contact details

Information about Welsh taxes is available on the Welsh Government's website: beta.gov.wales/welsh-taxes

You can contact us via the Welsh Treasury twitter account @WelshTreasury: <https://twitter.com/WelshTreasury> and @TrysorlysCymru: <https://twitter.com/trysorlyscymru> or by email: WelshTreasury@gov.wales TrysorlysCymru@llyw.cymru



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Tax policy work plan 2019**

DATE **27 February 2019**

BY **Rebecca Evans AM, Minister for Finance and Trefnydd**

Today I am publishing the tax policy work plan for 2019, setting out the programme of research, reviews and other activity which the Welsh Government will be pursuing during the year.

The work plan builds on what we have learned to date, and is in line with the principles set out in the Welsh Government's Tax Policy Framework. In particular, it is part of our open and inclusive approach to tax policy development.

The issues being pursued are grouped under three main headings:

- A. Develop tax policy which raises revenue to fund public services as fairly as possible, aligning with Welsh Government policy priorities - including our longer plans to build the Welsh tax base.
- B. Build a more effective and coordinated approach to tax across existing Welsh taxes and across the wider tax landscape - including the options to improve data sharing and to strengthen the evidence base to inform tax decisions.
- C. Engagement, communications and capacity building - including our aim to engage more widely with citizens.

I will welcome contributions to any of aspect of the work plan. As the programme progresses, I will seek opportunities to debate some of the more strategic issues in the Assembly, in order to enable Members to contribute to this important agenda.

I will publish a report summarising what we have learned in the autumn.

The tax policy work plan for 2019 is available here:

<https://beta.gov.wales/tax-policy-work-plan-2019>



WALES AUDIT OFFICE
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Reference: IG19003/AC090/caf
Date issued: 4 March 2019

Dear Llyr

Civil service pension scheme – increase to employer contributions 2019

Our Estimate for 2019-20 referred to an expected increase in employer's pension contributions due to a valuation of the Civil Service Pension Scheme, which was being carried out at the time. In our letter of 10th January 2019, we promised to update you on the outcome of this valuation once the position was clearer.

Our expectation was for an average increase of around 7%, which would increase costs for the Wales Audit Office by £750,000. In giving evidence to the Committee last November, our Director of Finance, Steve O'Donoghue explained¹ our approach to financial planning and that such an increase, without any early warning, simply could not be absorbed. We explained to the Committee that our options would be either to come back to the Committee with a proposal to increase our call on the Welsh Consolidated Fund, or to look to pass it on through our fee charges, in which case we would need to come back to the Committee to agree a revised fee scheme as well as a revised Estimate.

On 7th February 2019 the Cabinet Office announced that part of the valuation process would be paused but that the valuation would be used to set employer contribution rates. To provide certainty they have set rates from 1 April 2019 based on the draft valuation results and plan to revise these from 1 April 2020 once the valuation has been completed. Now that the rates from 1 April 2019 have been confirmed, we have revised our estimate of the increased cost to the Wales Audit Office to be **£732,000**.


¹ <http://record.assembly.wales/Committee/5132#C133912> 07/11/2018 09:42:20 / Steve O'Donoghue

We understand that the Treasury may be providing some additional funding to help meet the costs falling on employers², but we have not received confirmation of this. Such funding for Wales would be via the Welsh Block and would therefore require a supplementary budget if we were to draw from it. We will continue to liaise with Welsh Government officials so as to get a clearer picture as soon as possible.

The WAO Board will be briefed on the situation at its March meeting and will discuss the risks around the different options available to meet the funding gap. Clearly, we will also be relooking at our existing budget to assess the scope to carve out further savings to offset the additional costs.

We will write again once we have a clearer picture.

Yours sincerely



ISOBEL EVERETT
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales

² [Pensions: Written statement - HCWS1286](#) "... the Treasury is in the process of allocating funding to departments to help with these costs".

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Agenda Item 5

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

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Llŷr Gruffydd AM
Chair of Finance Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

31 January 2019

Dear Llyr

Directly funded bodies' annual budget proposals

I am writing in response to your letter dated 14 January 2019, where you state that you would welcome the Commission's views on the direction and guidance the Finance Committee issues to directly funded bodies in formulating future estimates.

The Commission is in agreement with the Committee's previous recommendation that, for the remaining years of this Assembly, increases in the Commission's budget should not be in excess of any changes to the Welsh Block Grant. The 2019-20 budget, laid in November 2018, reflected this requirement.

In our communication with your Committee in November 2018 we noted that:

*We propose that we continue to monitor the increase in the Welsh Block Grant and ensure that the Commission's **operational** budget increases in line with the Welsh Block Grant.*

*The **operational** budget includes revenue expenditure (staff and non-staff), capital expenditure and the new project fund.*



The operational budget excludes any non-cash amounts (pension finance costs (AME) and depreciation), and any Member or election related costs (including the Remuneration Board's Determination budget). These amounts are mainly outside the control of the Commission; with the AME budget set, based on advice provided by the Government's Actuaries Department (GAD) and the Determination Budget set by the independent Remuneration Board.

The Commission is currently in the early stages of constructing its 2020–21 budget and will again wish to be mindful of changes in the Welsh Block Grant. However, early conversations with Welsh Government (WG) officials have indicated that the estimates used during 2018, to establish the potential increase in the Welsh Block Grant, may not be available during 2019. Further consultation work with WG officials will be required during 2019 to establish an alternative reasonable estimate of the potential increase to the Welsh Block for 2020–21.

The Commission therefore agrees with the Committee in its assessment that ***“linking the budgets of directly funded bodies to the block grant increase will continue to be problematic”***.

If an estimate of the change in the Welsh Block Grant is not available, then the Commission will continue with the open and transparent approach adopted for its 2019–20 budget, in setting its 2020–21 budget. The Commission will also continue to use inflation projections (e.g. published HM Treasury deflator figures¹) as a reference point for the reasonableness of its operational budget.

Historically, the Commission sets its budget around its strategic goals, based upon the resources required to deliver its statutory duties, as I stated in an evidence session in your Committee on 5 October 2017:

“Our starting position is always the strategic goals of the Assembly, which you’ll remember from before: providing outstanding parliamentary support to engage with all the people of Wales and champion the Assembly, and, of course, to use

¹ <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-december-2018-quarterly-national-accounts>



resources wisely. We're also mindful, of course, of the statutory duty of the Commission to provide staff, property and services to do the work that the Assembly has decided it wants to do".

In the event that a reasonable estimate of the increase to the Welsh Block Grant is not available, we believe that this process will provide reassurance to the Committee that the Commission will continue to construct its budget in a robust, transparent manner using published HM Treasury data as a reference point for increases in its **operational** budget. We note that the Committee, in October 2018, welcomed the changes made to the presentation of our 2019–20 budget document:

"The Committee firmly believes that the changes contribute to transparency in budgeting.

The Committee welcomes the approach taken by the Chief Executive since her appointment, and is particularly pleased with the openness shown by the Chief Executive and her willingness to work with the Committee".

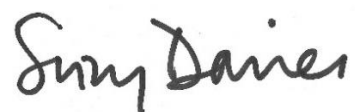
The Commission is mindful of the pressures and cuts being faced by the wider public sector and has consistently demonstrated its commitment to efficiency, effectiveness and value for money, ensure it "uses resources wisely" one of its key strategic objective.

We will always consider returning any underspend on the overall Commission budget (as was done with a Determination budget underspend in December 2018), if we conclude that we are not able to make efficient, effective use of the available funds to deliver Commission priorities within the financial year.

As ever, if there is any further information your Committee would like, please let me know.



Yours sincerely

A handwritten signature in black ink that reads "Suzy Davies". The signature is written in a cursive, flowing style.


Suzy Davies

cc Assembly Commissioners, Manon Antoniazzi, Nia Morgan




Our ref: NB/MM

Ask for: Marilyn Morgan

 01656 641152

Date: 4 February 2019

 Marilyn.morgan
@ombudsman-wales.org.uk

Llyr Gruffydd AM
Chair
Finance Committee
National Assembly for Wales

By Email Only
seneddfinance@assembly.wales

Dear Llyr

Annual budget proposals for directly funded bodies

Thank you for your letter of 14 January about annual budget proposals for directly funded bodies. I welcome the opportunity to provide my comments on this important matter.

Firstly, let me be clear that I recognise and respect the importance of the Finance Committee's role in considering, scrutinising, challenging and reaching conclusions on the budget proposals of directly funded bodies. This provides proper scrutiny and oversight of proposals whilst maintaining the important independence of directly funded bodies.

Whilst I acknowledge that the Finance Committee concluded in 2017 that "changes to the Ombudsman's Estimates should remain either below or in line with the Welsh Block", I did not interpret this a meaning that my budget submission should mirror changes to the Welsh Block, nor did I assume that any increase at or below the increase in the Welsh Block would automatically be supported. My initial budget submission for 2019/20 was submitted following a bottom-up assessment of need, careful consideration by my Management Team and scrutiny by the Advisory Panel, which is made up of independent members. The increase sought was below that in the Welsh Block.

Page 1 of 3

I recognise that there are limitations and concerns about taking into account changes to the Welsh Block in considering budget proposals. One issue is that the final value for the Welsh Block for the forthcoming financial year is not known at the time that directly funded bodies submit their estimates. (Although not a perfect solution, it was for this reason that my approach was to look at the known change in the Welsh Block between the previous and current years.) Reference to estimated or likely changes in the Welsh Block for the following year leads to unhelpful uncertainty, such as occurred in the consideration of 2019/20 budget proposals

Where an estimated increase in DEL of 1.6% was used, though the actual increase in TME (which appears to be a more appropriate measure because it is unaffected by devolved tax powers) was 6.2%. (Total Managed Expenditure in Schedule 6 of the annual budget motion increased from £18,012,283,000 for 2018/19 to £19,131,276,000 for 2019/20.)

There is also a legitimate question as to whether changes in the overall Welsh Block will always have relevance to the pressures on, and requirements of, directly funded bodies. Whilst increases in the scale, complexity or range of health service provision (with associated increases in funding for health services) could result in increased complaints to the Ombudsman, it is not possible to quantify this impact and increased expenditure on health services will not necessarily result in a proportionate increase in complaints. That said, the scale and extent of public services in Wales will clearly have some link to the workload of the Ombudsman's office.

I believe it is important to consider the purpose and intended use of any measure. I anticipate that the Committee will want to continue its current scrutiny of submissions (at whatever level they are pitched) and that any measure would therefore be a yardstick or comparator rather than a formula for budget approval.

On that basis, whilst guidance from the Committee in advance of the submission of estimates would be useful, in practice the Committee would be able to take into account a number of factors and indicators in its scrutiny. This could include indicators of budget pressures (e.g. CPI inflation, pay inflation, changes in employer pension or national insurance contributions, impact of legislative change, changes in workload) and indicators of the financial context (e.g. changes to the Welsh Block, changes to funding for public services). In addition, there may be specific short-term pressures, such as the costs of responding to legal challenges, which might be reflected in estimates submissions, and which the Committee would wish to consider.

I note from the Committee's consideration of my estimates submission for 2019/20 that the Committee was concerned about simply looking back at past changes (whether changes in the Welsh Block between the current and previous year, or other measures). There are few measures that do look forward at future pay and price increases, and in that context it would seem to me be worth considering reference to the GDP deflator published by HM Treasury, which provides estimates of future trends rather than simply looking back at past changes.

Consequently, I would suggest that directly funded bodies are asked to submit their estimates as they currently do, explain changes and particular pressures, but that they should also include comparators with CPI, pay inflation and the GDP deflator to support the Committee's scrutiny of the submissions.

I hope that my comments are helpful and would be happy to comment further or provide clarification should you so wish.

Yours sincerely



Nick Bennett
Ombudsman

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



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Llyr Gruffydd AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
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11 February 2019

Dear Llyr,

Thank you for your letter relating to directly funded bodies' annual budget process.

Austerity has been a defining feature of public services since 2010, and in times of reducing budgets it is more important than ever that we seek to provide public bodies with the best information possible in order to inform future financial planning. As you are well aware, there is particular uncertainty at the moment about the level of funding available for public spending in Wales over the next few years. However, while we were only able to publish revenue plans for 2019-20 in the recent Budget, together with capital plans for the next two years, we recognised the need to support financial planning beyond these years. The Chief Economist's report, published alongside the draft Budget, provides an analysis of the medium-term fiscal projections to help inform scenarios for future resource spending in Wales.

You acknowledge that the Welsh Government does not have a role in setting the budget of directly funded bodies. Nevertheless, I recognise the need for all public bodies in Wales to be planning on the basis of realistic and sensible planning assumptions. In line with this, and to aid the Committee's scrutiny, I would be happy to write to you before the summer recess with information on various factors which can be drawn upon to inform future budget plans such as the latest guidance on public sector pay remits, GDP deflator forecasts, forecasts of devolved taxes and our best possible assessment of the overall level of funding available in future years.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

As you set out in your letter, however, there are a number of external factors beyond our control which could impact on the overall level of resources. As a result, any guidance provided can only be the best possible assessment at that point in time and will, of course, be subject to revision. Nevertheless, I trust this will be helpful to inform budget planning.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The script is cursive and fluid.

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

Llyr Gruffydd AM
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Dear Llyr

Reference: AC087/MP/SD

Date: 22 February 2019

Directly funded bodies' annual budget proposals

Thank you for your letter of 14 January 2019 seeking views on guidance to directly funded bodies for formulating their annual estimates.

As you indicate in your letter, linking the budgets of directly funded bodies to change in the Welsh block is difficult for various reasons. Apart from differences of interpretation and timing problems arising from UK Government funding decisions, the development of Welsh taxes detracts somewhat from the usefulness of changes in the block as a measure of affordability. More fundamentally, however, I do not think that such a reference figure approach is conceptually the best way to ensure expenditure approval is appropriate, as it means that there is insufficient consideration of the merits of spending proposals.

I think it would be better if the primary focus in considering estimates was in terms of proposed activities and the estimated costs of those proposed activities. The estimate should be examined so as to see whether there is credible explanation of the estimated cost of the planned activities for the year and their intended benefits, along with how the organisation is ensuring savings and efficiencies in how it works. This should include proposed changes in activity to meet changes in demand. A focus on the estimate along those lines should help ensure that only worthwhile and necessary expenditure is approved.

I recognise, however, that it is desirable to some extent for the Committee to have a reference point, such as a relevant inflation measure, so as to have an initial indicator of cost control. But I would emphasise that I do not think that a focus on such a reference point would lead to real rigour in assessing expenditure proposals.

Most directly-funded bodies' expenditure is on staffing – so pay and pensions pressures will be significant drivers – but also necessarily includes substantial amounts on other items, such as accommodation and IT. A broad measure of inflation, but one which includes government services, would therefore seem appropriate. A prudent measure may therefore be the GDP deflator forecast (see <https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>).

The OBR figures are UK figures, and they do not relate specifically to the amount of funding available in Wales. It could be argued that Welsh Government spending plans, as set out in the final budget in December each year, and particularly the change in Revenue and Capital Departmental Expenditure Limits (RDEL and CDEL), are more relevant for gauging the affordability of proposals in Wales. The increase in RDEL and CDEL set out in the 2019-20 budget is in aggregate 4.8% (4.5% and 6.9% respectively). However, in my view, the timing of the availability of confirmed figures may make that measure somewhat impractical, and it is also too narrow, in that directly-funded bodies' activities are not in lockstep with Welsh Government activities. The audit activity of the WAO, for example, is unlikely to be required to vary in direct proportion with Welsh Government total expenditure. This applies both during periods of increasing Welsh Government expenditure and in periods of austerity.

I should also emphasise that there is a danger of pursuing spurious accuracy in relation to reference figures. As set out above, I think that it is more important to ensure that proposed expenditure is on activities that have real merit, rather than to establish that it conforms to a wider pattern.

For context, it may be helpful if I describe the approach to producing the estimate that I prepare and submit jointly with the Board of the WAO. This is essentially a matter of “building from the bottom up”, i.e. starting with the resources needed to undertake the Auditor General's work programmes for the year, coupled with the costs of running the Wales Audit Office, plus funding any innovations, modified by estimated cost pressures and potential for efficiencies and savings. Of course, we approach our annual Estimate in the context of our Medium-Term Financial Plan and the wider funding pressures facing public services. The Board challenges management to justify any proposed increases in the draft estimate on a case by case basis, and of course also has regard to the reputational risks associated with our funding and fee levels. We also see our annual consultation on fee rates as an essential component in providing both external challenge and assurance that the WAO itself is operating in a cost-effective manner. I think the merits of this approach can be seen from the fact that since 2013-14, the WAO has reduced its own operating expenditure by 14% in real terms.

Overall, my view is that it would be best if the focus of consideration was on the justification of the items of expenditure proposed—the value for money they present. I think it would be appropriate for this to be informed, but not bound by,

subsidiary consideration of inflationary pressures and the context of the trend in the Welsh Government budget.

I hope the above comments are helpful. I should be happy to elaborate if the Committee wishes.

A handwritten signature in black ink, appearing to read 'Adrian Crompton', with a long horizontal stroke extending to the right.

Adrian Crompton
Auditor General for Wales

Agenda Item 6

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

Document is Restricted

Llyr Gruffydd AM
Chair of the Finance Committee
National Assembly for Wales

21 February 2019

Dear Llyr

Cumulative Impact Assessment briefing for Committees

The Commission was pleased to provide evidence to the Joint meeting of the Finance, Children and Young People and Equality, Local Government and Communities Committees in November as part of the scrutiny of the Welsh Government's budget of 2018-19

Our evidence centred on the extent to which equality considerations had been built into the budget setting process and we provided advice on our recent work to develop a Cumulative Impact Assessment model of public spending decisions. The model enables Governments to analyse the cumulative impact of their spending decisions on certain groups with protected characteristics in order for them to take decisions to mitigate against unequal outcomes. We worked with Landman Economics on this work and since the evidence session we published our report - [The cumulative impact on living standards of public spending changes](#), which includes evidence on the impact of Welsh Government's public spending decisions.

We were pleased to see the series of recommendations in the Finance Committee's including:

Bydd y Comisiwn yn croesawu gohebiaeth yn y Gymraeg a'r Saesneg.

The Commission welcomes correspondence in Welsh or English.

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Pack Page 64

www.equalityhumanrights.com

- the Welsh Government should consider the Cumulative Impact Assessment approach recommended by the Equality and Human Rights Commission and;
- that Welsh Government provide an update on the outcome of its review of the new Integrated Assessment approach.

We are keen to further support the Committees in taking forward these recommendations and advise on the scrutiny of future Welsh Government budgets. To this end we are continuing to work on a research project to analyse how effectively the current Welsh Government Integrated Impact Assessment model builds in equality considerations. We believe the outcome of this analysis will be useful for drive improvements on how the Welsh Government considers equality outcomes as part of its decision making on budgets and support scrutiny by the National Assembly.

We are pleased to offer a briefing session to you and your Committee Members and staff on the Cumulative Impact Assessment work and the review of the Integrated Impact Assessment. This would take place on or around 14 March.

If this is something that you would be interested please come back to me and my team will be happy to liaise with the Clerks teams to organise.

Yours sincerely



Ruth Coombs

Head of Wales

cc: Lynne Neagle AM, Chair of Children, Young People and Educations Committee
John Griffiths AM, Chair of Equality, Local Government and Communities Committee

Bydd y Comisiwn yn croesawu gohebiaeth yn y Gymraeg a'r Saesneg.

The Commission welcomes correspondence in Welsh or English.

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