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Y Gweinidog Cyllid a Busnes y Llywodraeth  
Minister for Finance and Government Business



Llywodraeth Cymru  
Welsh Government

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Jocelyn Davies AM  
Chair, Finance Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff CF99 1NA

W June 2015

*Dear Jocelyn,*

Thank you for your letter of 19 May on the costs of legislation in the Fourth Assembly. I am pleased to respond.

Our approach to legislation is that it is treated in the same way as other means of policy delivery in terms of how we track the financial impact.

Legislative proposals put forward by Ministers have to include indicative costs to be considered for inclusion within the programme. Those outline costs have to be refined as the policy and legislation develops. Ministers cannot put forward proposals that they cannot cost, and those costs have to be met within the resources available to us. In developing future spending plans, we recognise the importance of assessing the impact of our decisions regarding the legislative programme, and ensuring that new legislation is appropriately funded. However, in considering this we would not distinguish legislation separately from other means of delivering policy.

We remain committed to providing clarity on the costs of legislation. We have taken steps year on year to improve the financial assessment of the legislation we are developing and provide greater detail of those costs in our Budget Narrative. For the Draft Budget 2015-16 we provided for the first time an annex to the Budget Narrative showing the additional costs of both previously enacted legislation and draft legislation covered by this Budget period, where Bills have been introduced into the Assembly. I know many Members welcomed this approach.

In terms of wider impacts on different organisations, the regulatory impact assessments conducted for every item of legislation include a best estimate of the financial impact of the legislation, based on the available information. The assessment considers the timescales over which these costs would be expected to arise and on whom the costs will fall.

I have also given a commitment to ensure there is consultation and engagement with our stakeholders in the development of the Regulatory Impact Assessments (RIAs) prepared for

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Government Bills. This is important because for the RIA process to be meaningful, careful evidence gathering and assessment need to take place - there needs to be good engagement and a shared understanding between the Government and our stakeholders as the basis of decision making and financial planning.

During the scrutiny process we continually review this information to ensure that the financial costs take account of further policy developments, or reflect changes made to the legislation.

The RIA process does not include as a standard requirement an assessment of the cumulative impact of policy changes and new Welsh legislation on the private sector as a whole. To require this in every case would be disproportionate. However, RIAs have considered the cumulative impact of policy where a particular sector has been impacted by a number of new policy or legislative changes. This approach is in line with current guidance from HM Treasury. The consultation process affords stakeholders the opportunity to bring to the Welsh Government's attention instances where they believe effects may impact cumulatively on a particular sector and the Welsh Government will continue to make an assessment of such impacts on a case-by-case basis.

In the same way, there is no standard approach to the post-implementation review of legislation. These reviews may look at a number of different aspects, including how the legislation is operating, or the impact of the legislation. In some cases the post-implementation review may include a review of the expected costs and benefits of the legislation: for example, in respect of the Mental Health (Wales) Measure 2010 the Minister for Health and Social Services has confirmed a cost benefit analysis will be undertaken in a proportionate way, and will draw on the wider available research evidence and data which has been routinely collected since the Measure was implemented. I should note, however, that for many Fourth Assembly Bills we have not yet reached the point where a post-implementation review is appropriate.

Best wishes,  
Jane

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