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(anfonwyd drwy e-bost)

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Annwyl Gadeirydd,

Thank you for the invitation to give evidence to the Finance Committee's fourth evidence session on the Welsh Government draft budget 2018-19.

As your committee continues to scrutinise the draft budget, I wanted to add one piece of supplementary evidence that I did unfortunately not have chance to discuss during the oral evidence session, which relates to the **presentation of devolved taxes and adjustments to the block grant** in the draft budget.

Table 3.7 on page 27 presents the sources of financing underlining the 2018-19 outline draft budget. The Welsh devolved taxes are listed, but the fiscal Departmental Expenditure Limit (DEL) is presented only **after** the block grant adjustment for tax devolution has been made. This means that the budgetary impact of tax devolution is not obvious for 2018-19 and 2019-20. A clear statement of this impact is essential in facilitating any analysis as to whether fiscal devolution represents a net gain or net loss to the Welsh budget.

Under the Fiscal Framework agreement, the 2018-19 adjustment for the Land Transaction Tax and Landfill Tax equals the OBR's forecast for receipts in Wales in 2017-18, uprated for growth in equivalent UK government taxes in the rest of the UK (using the agreed Comparable Model). As discussed during the evidence session, the likely budgetary impact is likely to be very small in terms of the overall budget (though £ millions). However, for the purposes of financial accountability, from this budget year forward all budget documents should clearly outline not only Wales' devolved tax yields but also the forecast block grant adjustments that have a major role in influencing the overall budget envelope.

The equivalent table in last year's Scottish Draft Budget (*Table 1.01: Scottish Government Departmental Expenditure Limits 2015-16 to 2019-20*) contains a row in which the assumed block grant adjustments are prominently stated.¹

Please do not hesitate to contact me for further clarification or information.

Kind regards,



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¹ Scottish Government (2016). Scotland's Budget: Draft Budget 2017-18, Chapter 1: Strategic Context for the Draft Budget 2017-18 <http://www.gov.scot/Publications/2016/12/6610/2>