

## Agenda – Finance Committee

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Meeting Venue:	For further information contact:
Committee Room 3 – Senedd	Bethan Davies
Meeting date: 31 January 2018	Committee Clerk
Meeting time: 10.00	0300 200 6372
	<a href="mailto:SeneddFinance@assembly.wales">SeneddFinance@assembly.wales</a>

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- 1 Introductions, apologies, substitutions and declarations of interest**  
(10.00)
  - 2 Paper(s) to note**  
(10.00) (Pages 1 – 7)
    - 2.1 Letter from the Cabinet Secretary for Finance to the Chair – Welsh Revenue Authority recruitment – 18 January 2018**  
(Page 8)
  - 3 Pre-nomination Hearing – Auditor General for Wales**  
(10.00–10.40) (Pages 9 – 19)  
Adrian Crompton – Preferred Candidate for Auditor General for Wales  
  
Paper 1 – Curriculum Vitae for Adrian Crompton
  - 4 Motion under Standing Order 17.42 to resolve to exclude the public from items 5 and 7 and the meeting on 8 February 2018**  
(10.40)
  - 5 Pre-nomination Hearing – Auditor General for Wales: Consideration of Hearing**  
(10.40–10.55)
- 10.55–11.00 Break**



## **6 Devolution of fiscal powers to Wales: Evidence session 4 (HMRC)**

(11.00–11.45)

(Pages 20 – 31)

Jim Harra, Second Permanent Secretary, HMRC

Sarah Walker, Deputy Director, Devolution, HMRC

Paper 2 – Letter from HMRC to the Cabinet Secretary for Finance – 6

December 2017

Paper 3 – Letter from the Cabinet Secretary for Finance to HMRC – 13

December 2017

## **7 Devolution of fiscal powers to Wales: Consideration of evidence**

(11.45–12.00)

## Concise Minutes – Finance Committee

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Meeting Venue:

Committee Room 1 – Senedd

Meeting date: Thursday, 11 January  
2018

Meeting time: 09.30 – 12.25

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

<http://senedd.tv/en/4611>

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### Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Mike Hedges AM Jane Hutt AM Nick Ramsay AM David Rees AM
Witnesses:	Richard Harries, Wales Audit Office Mike Usher, Wales Audit Office Matthew Coe, Wales Audit Office Mark Drakeford AM, Cabinet Secretary for Finance Andrew Jeffreys, Welsh Government Claire McDonald, Welsh Government
Committee Staff:	Catherine Hunt (Second Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Deputy Clerk)



	Ben Harris (Legal Adviser)
	Katie Wyatt (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 Steffan Lewis AM.

## **2 Paper(s) to note**

2.1 The papers were noted.

**2.1 Letter from the Minister for Housing and Regeneration – Regulation of Registered Social Landlords (Wales) Bill – 12 December 2017**

**2.2 Letter from the Future Generations Commissioner for Wales – Welsh Government budget 2018–19 – 14 December 2017**

**2.3 Letter from the Cabinet Secretary for Finance – Landfill Disposals Tax Communities Scheme – 13 December 2017**

**2.4 Letter from the Cabinet Secretary for Education – Additional Learning Needs and Education Tribunal (Wales) Bill – 15 December 2017**

**2.5 Letter from the Cabinet Secretary for Health and Social Services – Public Health (Minimum Price for Alcohol) (Wales) Bill – 21 December 2017**

**2.6 Regulation of Registered Social Landlords (Wales) Bill: Technical note**

## **3 Devolution of fiscal powers to Wales: Evidence session 1 (Wales Audit Office)**

3.1 The Committee took evidence from Mike Usher, Director and Sector Lead, Health and Central Government; Richard Harries, Director, Financial Audit; and Matthew Coe, Audit Manager on the preparations for the devolution of fiscal powers to Wales.

## **4 Devolution of fiscal powers to Wales: Evidence session 2 (Welsh Government)**

4.1 The Committee took evidence from Mark Drakeford AM, Cabinet Secretary for Finance; Andrew Jeffreys, Director, Welsh Treasury; and Claire McDonald, Implementation Programme Manager, Welsh Revenue Authority on the preparations for the devolution of fiscal powers to Wales.

4.2 The Cabinet Secretary agreed to provide a breakdown of the WRA workforce in terms of numbers, types of contracts and diversity.

## **5 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting**

5.1 The motion was agreed.

## **6 Devolution of fiscal powers to Wales: Consideration of evidence**

6.1 The Committee considered the evidence received.

6.2 The Committee noted that the Secretary of State for Wales had declined its invite to provide oral evidence on the UK Government's Third Annual Report on the Implementation and Operation of Part 2 (Finance) of the Wales Act 2014.

## **7 Landfill Disposals Tax (Wales) Act 2017: Tax Statutory Instrument**

7.1 The Committee considered the Landfill Disposals Tax (Administration) (Wales) Regulations 2018 and agreed to report.

## **8 Correspondence from the Assembly Commission**

8.1 The Committee noted the Assembly Commission's supplementary budget request and projected underspend in relation to money drawn down to fund the Remuneration Board's determination.

## **9 Public Services Ombudsman for Wales: 2nd Supplementary Budget 2017-18**

9.1 The Committee noted the Public Services Ombudsman's supplementary budget request.

## **10 Welsh Government budget 2018–19: Review of new budget process**

10.1 The Committee reviewed the new process for draft budget scrutiny.

## **11 Inquiry into the financial estimates accompanying legislation: Welsh Government response**

11.1 The Committee noted the Welsh Government's response.

## **12 Regulation of Registered Social Landlords (Wales) Bill: Consideration of draft report**

12.1 The Committee agreed the report with minor changes.

# Concise Minutes – Finance Committee

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Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Wednesday, 17 January  
2018

Meeting time: 09.30 – 10.38

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

<http://senedd.tv/en/4612>

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## Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Mike Hedges AM Jane Hutt AM Nick Ramsay AM David Rees AM
Witnesses:	Dyfed Alsop, Welsh Revenue Authority Kathryn Bishop, Welsh Revenue Authority
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Deputy Clerk) Martin Jennings (Researcher) Christian Tipples (Researcher) Ben Harris (Legal Adviser) Gareth Pembridge (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 Steffan Lewis AM.

## **2 Paper(s) to note**

2.1 The paper was noted.

### **2.1 Letter to the Chair of the Equality, Local Government and Communities Committee – Public Services Ombudsman (Wales) Bill – 10 January 2018**

## **3 Devolution of fiscal powers to Wales: Evidence session 3 (Welsh Revenue Authority)**

3.1 The Committee took evidence from Kathryn Bishop, Chair, Welsh Revenue Authority; and Dyfed Alsop, Chief Executive, Welsh Revenue Authority on the preparations for the devolution of fiscal powers to Wales.

3.2 The Chief Executive agreed to provide the Committee with a note setting out what the WRA will do in the run-up to 1 April 2018 to ensure that the Land Registry work on cross border transactions is co-ordinated.

## **4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting**

4.1 The motion was agreed.

## **5 Devolution of fiscal powers to Wales: Consideration of evidence**

5.1 The Committee considered the evidence received.

## **6 Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017: Tax Statutory Instruments**

6.1 The Committee considered the following tax statutory instruments and agreed to report:

- The Land Transaction Tax (Tax Bands and Tax Rates) (Wales) Regulations 2018
- The Land Transaction Tax (Specified Amount of Relevant Rent) (Wales) Regulations 2018



- The Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (Amendment to Schedule 5) Regulations 2018
- The Land Transaction Tax (Administration) (Wales) Regulations 2018
- The Land Transaction Tax (Transitional Provisions) (Wales) Regulations 2018

## **7 Landfill Disposals Tax (Wales) Act 2017: Tax Statutory Instrument**

7.1 The Committee considered the Landfill Disposals Tax (Tax Rates) (Wales) Regulations 2018 and agreed to report.

# Agenda Item 2.1

Mark Drakeford AM/AC

Ysgrifennydd y Cabinet dros Gyllid  
Cabinet Secretary for Finance



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MA-P/MD/4704/17

Simon Thomas AM  
Chair, Finance Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

18 January 2018

*Dear Simon,*

At the Finance Committee's meeting on 11 January, I committed to provide further information in relation to the current position on diversity with the ongoing recruitment at WRA – this follows:

Total appointments made to date: 34  
Number of women appointed: 18, or 53%  
Number of men appointed: 16, or 47%  
Number of fluent Welsh speakers appointed: 11, or 32%

Information relating to other measures of diversity for WRA members of staff, such as ethnic group, is not currently suitable for release. Due to the number of current employees, providing such information would make it possible for individuals to be identified, especially where the number of staff in some groups will be less than five. I would be more than happy to provide further diversity data once the WRA is up to full complement and recruitment is complete.

*Best wishes,*

*Mark*

**Mark Drakeford AM/AC**  
Ysgrifennydd y Cabinet dros Gyllid  
Cabinet Secretary for Finance

Bae Caerdydd • Cardiff Bay  
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Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400  
Gohebiaeth.Mark.Drakeford@llyw.cymru  
Correspondence.Mark.Drakeford@gov.wales

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.

## Career history – Adrian Crompton

### May 2007 to date

#### Director of Assembly Business, National Assembly for Wales

- leadership of some 160 staff who provide the specialist parliamentary research, legal, procedural, communications and administrative support that the Assembly requires;
- personal responsibility for ensuring the effective conduct of all formal proceedings of the Assembly in its plenary meetings and committees;
- principal advisor to the Llywydd on the programme of legislative reform to increase the size of the National Assembly and fundamentally reform its electoral system;
- resource budget of around £7 million;
- member of executive boards within the organisation that provide strategic leadership, ensure good governance and decide the strategic allocation of all financial and personnel resource;
- numerous corporate responsibilities: for example, currently as chair of the principal change initiative, the *MySenedd* digital transformation programme;
- senior advisor to the **National Assembly for Wales Remuneration Board**, the independent body that sets the pay, pension and financial support of Assembly Members.

### April 2014 to date

#### Global Partners Governance Associate

Spent 2014 working for Global Partners Governance, a social purpose company strengthening parliamentary democracy and political institutions in countries around the world. This work continues today, alongside role at the National Assembly, providing expert advice and support to senior politicians and civil servants, primarily in countries in the Middle East and North Africa – Sudan, Iraq, Egypt and Jordan. This expertise and practical support is at the heart of projects nurturing democratic transition in what are some of the most difficult and challenging political environments in the world.

### September 2006 to May 2007

Head of the Members' Research and Committee Service, National Assembly for Wales

### March 2004 to August 2006

Head of the Members' Research Service, National Assembly for Wales

### July 1999 to March 2004

Committee Clerk, National Assembly for Wales

### October 2002 to October 2003 (secondment)

Advisor to the University of London Constitution Unit

### February 1998 to July 1999

Government statistician, Welsh Office/National Assembly for Wales

### May 1988 to February 1998

Research Clerk, House of Commons Library Research Division

## Career history – Adrian Crompton

### Other information

- University of Bath 1983-87. BSc Economics, 2:1.
- Industrial placement with IBM 1985-86.
  
- 1997 Industry & Parliament Trust Fellowship with Railtrack
- 2011 - 2017, a Board member of LINC Cymru, a socially responsible company providing social housing and care services for the elderly across south Wales.
- Member of the **Study of Parliament Group**, which brings together senior parliamentary staff and academics studying parliamentary government and political science.
- Member of the **Political Studies Association**, which promotes political engagement and research with politicians, academia, the media and other key opinion formers.

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

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# Agenda Item 6

HM Revenue  
& Customs

**Jim Harra,**  
**Director General**  
**Customer Strategy and Tax Design**  
2E/07, 100 Parliament Street  
London  
SW1A 2BQ

Prof. Mark Drakeford AM  
Cabinet Secretary for Finance and Local  
Government  
Welsh Government  
Cathays Park  
Cardiff  
CF99 1NA

**Tel:** 03000 532108

**Email:** Jim.Harra@hmrc.gsi.gov.uk

**Date:** 6<sup>th</sup> December 2017

Dear Professor Drakeford,

We are preparing HMRC's contribution to this year's report for the National Assembly for Wales and UK Parliament on the implementation of the fiscal aspects of the Wales Act 2014. Before that report is published, I wanted to bring to your attention a recent change in the estimate of costs which HMRC will be charging to the Welsh Government for that work.

In June we gave the Welsh Government an early high-level estimate of £1 million for the work to transition to Land Transaction Tax in Wales (there is no charge for the work to transition to Landfill Disposals Tax). That estimate was in line with the cost of the transition to Land and Buildings Transactions Tax in Scotland in 2015. At that stage there was still considerable uncertainty surrounding the scope and nature of the work required to implement the necessary changes. The changes are needed to ensure that our SDLT systems will no longer accept returns and payments for transactions in Wales and to receive essential Welsh land transaction data (as set out in legislation) into our systems for statistical, valuation and compliance purposes.

We have had to revisit some of our early assumptions to take account of the fact that a different IT approach is needed from that taken in 2015, due largely to changes to HMRC's IT platform and increasingly sophisticated cybersecurity systems and processes. A large part of the systems used for the solution for Scotland has since begun to be decommissioned. This changing IT landscape has made it more difficult for HMRC to provide accurate cost estimates.

Our current best estimate, which we have shared with your officials, is £1.8m and we will continue to look for ways to reduce this. There are however still some uncertainties and we believe that the final figure will be in the range of £1.75m to £2m. I realise that this is a considerable difference and can only apologise for our earlier underestimate.

The work is being closely monitored and challenged to ensure that our charge to the Welsh Government is only for the essential additional costs directly attributable to devolution and that those costs are minimised wherever possible. Since the new estimate emerged in the last few weeks, we have kept your officials informed and given them detailed information on the reasons for the changes.

Part of the IT solution serves to bring data from the Land Transaction Tax onto HMRC's new Enterprise Data Hub (EDH). EDH links across HMRC's IT estate and enables data from different taxes and functions to be matched and linked, providing the ideal infrastructure for HMRC's planned collaboration with the Welsh Revenue Authority on compliance. It is a robust and future-proofed solution, not only in terms of HMRC's own systems but to enable vital joint working between our respective tax authorities. We expect to see the benefit of this in the coming years as we embed our collaboration.

In accordance with the Command Paper accompanying the Wales Act 2014, HMRC will pass onto the Welsh Government the savings to HMRC of no longer administering Stamp Duty Land Tax and Landfill Tax in Wales. We currently estimate this saving to be between £115,000 and £160,000 per year, to be rolled up into a baseline adjustment in HMRC's accounts. The final cost savings figure will be confirmed to Welsh Government shortly.

HMRC estimates that the overall cost of implementation for Welsh Rate of Income Tax (WRIT) will be between £5 and £10 million. This is an early estimate based on our experience of implementing the Scottish rate of income tax (SRIT). Costs are lower than those for SRIT (currently estimated at £20-25 million) because we are able to take advantage of system changes already made to accommodate SRIT. We will be actively reviewing and challenging the estimates and assumptions for WRIT costs through the governance of the monthly WRIT project board.

I have accepted an invitation to attend a meeting of the Finance Committee of the National Assembly for Wales on 25<sup>th</sup> January 2018, to discuss HMRC's implementation of WRIT. I hope that I might have the opportunity to meet you while I am in Cardiff to discuss the work that HMRC is doing to implement fiscal devolution and to share our plans for working together on devolved taxes in the future. Meanwhile, if you would like to have more detail of the HMRC projects, senior members of the team would be happy to come to Cardiff to meet you.

Yours sincerely,



**JIM HARRA**

Director General, Customer Strategy and Tax Design

Mark Drakeford AM/AC  
Ysgrifennydd y Cabinet dros Gyllid  
Cabinet Secretary for Finance



Llywodraeth Cymru  
Welsh Government

Jim Harra  
Director General  
Customer Strategy and Tax Design  
HMRC  
2E/07, 100 Parliament Street  
London  
SW1A 2BQ

13 December 2017

Dear Jim

Thank you for your letter of 6 December regarding HMRC's latest estimate of costs for implementing the financial aspects of the Wales Act 2014, including the transition to land transaction tax (LTT) in Wales and implementing the Welsh Rates of Income Tax (WRIT).

It is my view that tax devolution should be undertaken in an orderly way and as cost-effectively as possible. Money we spend on implementing tax devolution is money that would otherwise go to fund public services in Wales. With this in mind, I am very disappointed the revised estimate for the work to transition to LTT is so much higher than the estimate – described as a maximum cost – provided by HMRC in June. I welcome your commitment to continue to minimise costs whilst providing the necessary infrastructure to enable collaboration between HMRC and the Welsh Revenue Authority on compliance, and look forward to further updates on this.

I am grateful for the estimate of the savings to HMRC of no longer administering stamp duty land tax and landfill tax in Wales which will be passed to the Welsh Government and I would welcome final confirmation of this figure before April 1 2018. I am also grateful for the latest estimate of WRIT implementation costs and note that this is substantially lower than the cost of SRIT implementation. I expect there to be continued close working between HMRC and Welsh Government officials to keep the overall costs of tax devolution to a minimum, including both the costs of transition to the devolved taxes and, increasingly importantly, implementation of WRIT. I expect to see these costs towards the bottom end of the £5-10m range and would welcome regular updates on how the Welsh Government will indeed receive the benefits of the new HMRC IT systems.

Bae Caerdydd • Cardiff Bay  
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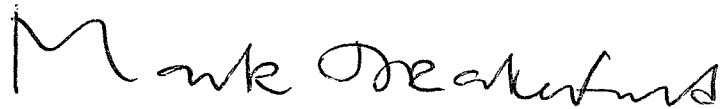
Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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



I would be pleased to meet you on the 25 January to discuss these and other matters. My office will be in touch in due course. I am copying this letter and – further to your agreement – your original letter to the Finance Committee of the National Assembly for Wales.

Yours sincerely

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

**Mark Drakeford AM/AC**  
Ysgrifennydd y Cabinet dros Gyllid  
Cabinet Secretary for Finance

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