

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyllid](#)

[The Finance Committee](#)

01/10/2015

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

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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.

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.

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

|                   |  |
|-------------------|--|
| Peter Black       | Democratiaid Rhyddfrydol Cymru<br>Welsh Liberal Democrats                  |
| Christine Chapman | Llafur<br>Labour   |
| Jocelyn Davies    | Plaid Cymru (Cadeirydd y Pwyllgor)<br>The Party of Wales (Committee Chair) |
| Mike Hedges       | Llafur<br>Labour   |
| Alun Ffred Jones  | Plaid Cymru<br>The Party of Wales  |
| Julie Morgan      | Llafur<br>Labour   |
| Nick Ramsay       | Ceidwadwyr Cymreig<br>Welsh Conservatives                                  |
| Jenny Rathbone    | Llafur (yn dirprwyo ar ran Ann Jones)<br>Labour (substitute for Ann Jones) |

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

|                  |  |
|------------------|--|
| Neil Broadfoot   | Swyddog Cyfathrebu, Revenue Scotland<br>Communications Officer, Revenue Scotland                                       |
| Nicola Callow    | Cyfarwyddwr Gwasanaethau Ariannol, Cynulliad<br>Cenedlaethol Cymru<br>Director of Finance, National Assembly for Wales |
| Claire Clancy    | Prif Weithredwr a Chlerc y Cynulliad<br>Chief Executive and Clerk of the Assembly                                      |
| John Cullinane   | Cyfarwyddwr Polisi Treth, Sefydliad Siartredig<br>Trethiant<br>Tax Policy Director, Chartered Institute of Taxation    |
| Eleanor Emberson | Prif Weithredwr, Revenue Scotland<br>Chief Executive, Revenue Scotland   |
| Rebecca Favager  | Rheolwr Gwastraff ac Adnoddau, Cyfoeth Naturiol<br>Cymru<br>Waste and Resources Manager, Natural Resources<br>Wales    |

|                    |  |
|--------------------|--|
| David Melding      | Aelod Cynulliad, Ceidwadwyr Cymreig (Dirprwy Lywydd a Chomisiynydd y Cynulliad Dros Dro)<br>Assembly Member, Welsh Conservatives (Deputy Presiding Officer and Acting Assembly Commissioner)   |
| Colin Miller       | Arweinydd Tîm Bil Cyllid yr Alban a Phwerau Treth<br>Revenue Scotland and Tax Powers Bill Team Leader  |
| Isobel Moore       | Pennaeth Busnes, Rheoliadau ac Economeg, Cyfoeth Naturiol Cymru<br>Head of Business, Regulation and Economics, Natural Resources Wales   |
| Doug Stoneham      | Uwch Swyddog Polisi, Datganoli, Cyllid a Thollau Ei Mawrhydi<br>Senior Policy Adviser, Devolution, Her Majesty's Revenue & Customs   |
| Claire Thackaberry | Swyddog Technegol, y Grŵp Diwygio Treth Incymau Isel<br>Technical Officer, Low Incomes Tax Reform Group  |
| Geoff Yapp         | Dirprwy Gyfarwyddwr, Treth Gorfforaeth, Rhyngwladol a Stamp, Pennaeth Trethi Stamp, Cyllid a Thollau Ei Mawrhydi<br>Deputy Director, Corporation Tax, International and Stamps, Head of Stamp Taxes, Her Majesty's Revenue & Customs |

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

|                 |  |
|-----------------|--|
| Richard Bettley | Gwasanaeth Ymchwil<br>Research Service |
| Bethan Davies   | Clerc<br>Clerk                         |
| Leanne Hatcher  | Ail Glerc<br>Second Clerk              |
| Martin Jennings | Gwasanaeth Ymchwil<br>Research Service |
| Lakshmi Narain  | Cynghorydd Arbenigol<br>Expert Adviser |
| Georgina Owen   | Dirprwy Glerc<br>Deputy Clerk          |

|                            |   |
|----------------------------|---|
| Tanwen Summers             | Dirprwy Glerc<br>Deputy Clerk                       |
| Joanest Varney-<br>Jackson | Uwch-gynghorydd Cyfreithiol<br>Senior Legal Adviser |

*Dechreuodd y cyfarfod am 09:01.  
The meeting began at 09:01.*

### **Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions**

[1] **Jocelyn Davies:** Welcome, everybody, to the Finance Committee. Can I just remind you that, if you've got a mobile device, just to put it on silent? That would be very helpful. I have received apologies from Ann Jones, who's unwell, but I'm delighted that Jenny Rathbone is able to substitute for her.

09:02

### **Papurau i'w Nodi Papers to Note**

[2] **Jocelyn Davies:** Before we go to the first substantive item on the agenda, we've just got one paper to note, which is our minutes of 17 September. Are they agreed? Lovely. Thank you.

### **Y Bil Casglu a Rheoli Trethi (Cymru): Sesiwn Dystiolaeth 2 Tax Collection and Management (Wales) Bill: Evidence Session 2**

[3] **Jocelyn Davies:** So, if we go to item 3, then, which is the Tax Collection and Management (Wales) Bill. This is evidence session number 2. I'm delighted that we're able to take evidence today from Revenue Scotland. I was going to say by video-conference, but, unfortunately, the technology hasn't quite managed that. So, we're doing this by radio, I think is how we would describe it. So, if it's okay with you, our Scottish colleagues, if you'd like to introduce yourselves for the record. Then, I'll just go straight into the first question.

[4] **Ms Emberson:** Yes, that's lovely. Thank you. I'm Eleanor Emberson. I am the chief executive of Revenue Scotland.

[5] **Mr Miller:** Colin Miller, I was head of the Revenue Scotland and Tax

Powers Bill team.

[6] **Mr Broadfoot:** And I'm Neil Broadfoot. I'm the communications manager in Revenue Scotland.

[7] **Jocelyn Davies:** Lovely. Do you have anybody else with you?

[8] **Ms Emberson:** No, it's just the three of us in this room.

[9] **Jocelyn Davies:** Okay. We'll just go straight to the first question, then. We heard from Revenue Scotland in April when the new Scottish devolved taxes had just gone live. Have there been any developments since then?

[10] **Ms Emberson:** Well, we've obviously collected quite a lot of money since then. [*Laughter.*] We've carried on moving into further stages. We've had our first landfill tax payments. We published our statistics on landfill tax and the land and buildings transaction tax and our key performance indicators for the first quarter, which I imagine the committee may have seen, but there haven't been any policy-style developments.

[11] **Jocelyn Davies:** Okay. Thank you. You know that we are looking at the Tax Collection and Management Bill here in Wales and that, of course, will see significant changes for some taxpayers. How was public awareness of devolved taxes raised in Scotland in the run-up to 2015, and where there any communication issues that arose that we should be aware of?

[12] **Ms Emberson:** Well, I might actually turn to my communications manager. In the end, we worked very hard with two particular communities. We worked very hard with solicitors, because they are the main channel for paying the land and buildings transaction tax, and we worked very hard with landfill operators, obviously. We did wider communications through a range of professional body magazines, placing articles and giving interviews. We ran roadshows around the country; we held events for landfill operators. We accepted pretty much every speaking engagement that we were invited to, if we possibly could, through all the networks that we had.

[13] **Mr Broadfoot:** On a wider media aspect, the only thing to note was that as we were the first devolved authority to be set up that had powers transferred to it, there was wide general media interest in that. So, any committee appearances, any appearance at any evidence sessions regarding the devolvement of the powers, or the development of Revenue Scotland,

were seized upon by the local and national press. So, that gave us a kind of natural platform at that stage as well.

[14] **Jocelyn Davies:** Have you any idea of the sort of reach into public awareness that all that work achieved? Have you any idea how many of the Scottish public would be aware of what happened?

[15] **Ms Emberson:** I don't have a figure for you. There hasn't been any systematic research on it that I'm aware of. I suspect that it's—. People are more aware of land and buildings transaction tax than they are of landfill tax, for fairly obvious reasons. I think anyone who has bought a house is probably more aware of LBTT. There's been quite a lot of media coverage in Scotland about the differential rates between LBTT and stamp duty land tax. I encounter a lot of people who are aware of it, but I haven't got a figure for the whole population of awareness.

[16] **Jocelyn Davies:** That would have been because it was going to be different, not just differently collected. But it was going to be different.

[17] **Ms Emberson:** Yes. I think it would not be fair to say that there is a full understanding yet of what Revenue Scotland does or what HMRC will do. I think that that will take some time before people fully—. Those who are involved—the professionals involved—understand, because we work with them; but general members of the public are probably not very clear on Revenue Scotland and what it does, and what HMRC does, yet.

[18] **Jocelyn Davies:** Have you done any assessment about whether there have been any additional compliance burdens on taxpayers?

[19] **Ms Emberson:** We have the feedback from those who make the returns and do the work, and the feedback that we receive from solicitors is that it is easier to deal with LBTT because our system is easier to use. Obviously, we get more than 97 per cent of our returns online. They've opted in to our electronic systems. There's nothing to indicate that the compliance burden on landfill operators is markedly worse. They've had to learn to use a new online system, which HMRC didn't have. They are not telling me that they're finding it difficult. So, I think that's all positive. So, I'm not aware of any significant additional burden.

[20] **Jocelyn Davies:** Okay. Thank you. Mike, shall we come to your questions?

[21] **Mike Hedges:** I used to work in ICT, and being the first wasn't necessarily of any benefit. So, I think that what we're trying to do is learn from what you've done in Scotland, as people have tried to learn from other people who were the first to do something. I've got two questions. Did you just consider the opportunity to develop new approaches for tax collection in Scotland, different to HMRC?

[22] **Ms Emberson:** There was definitely policy consideration and, as you'll be aware, land and buildings transaction tax is different from SDLT in some respects. It was more different when it was designed. SDLT changed later to get rid of the slab structure and, in fact, to be more like what we had by that stage already legislated for in terms of LBTT. With Scottish landfill tax, as you know, there are some differences, the main one being the tax on illegal dumping. Colin, do you want to comment on anything?

[23] **Mr Miller:** Yes. In terms of the framework for the collection and management of devolved taxes, we published a consultation a year in advance of the Bill. That would have been in December 2012. If you go back to that consultation, there was quite a lot of analysis of approaches to tax collection in other jurisdictions. For example, in relation to the general anti-abuse rule, we sort of looked at the approach taken in lots of different European and Commonwealth countries. I think, in the end, the most important starting point is the arrangements in the UK and for HMRC. So, that was always a benchmark. But in terms of the framework for establishing Revenue Scotland, there are a number of quite significant differences in what we did to the arrangements in England and Wales. So, in a sense, the UK always provides a starting point, but we picked up quite a lot of ideas from other jurisdictions as well, in the course of establishing the proposals.

[24] **Mike Hedges:** Thank you. And what type of amendments have been required to the three Scottish tax Acts since they've been implemented?

[25] **Mr Miller:** I'm happy to say none at all. The three tax Acts—the Revenue Scotland and Tax Powers Act 2014 and the two tax-specific Acts—together with a large package of subordinate legislation, all came into force on 1 April this year. Further Scottish statutory instruments on certain aspects of the land and buildings transaction tax have come out since, but not amending. I mean, the framework that came into force on 1 April this year, provides the complete framework and there've been no changes since then, and no changes planned. Obviously, when further devolved taxes come



along, we'll not only need further tax-specific pieces of legislation, but we'll also have to amend the overarching framework—the RSTPA—to take account of the new taxes, but if you like, that's simply plugging any new taxes into the overarching framework when they come along. So far, touch wood, the legislation that came into force on 1 April has worked as planned.

[26] **Mike Hedges:** I know it's early days, but something I'm really keen on is the taxing of illegal dumping, has that actually brought any money in?

[27] **Ms Emberson:** Not yet, because you'll understand that only kicks in from 1 April, so even when our colleagues in the Scottish Environment Protection Agency uncover illegal dumping any time now, if it's been going on over a period of time, the tax would only apply from 1 April, so we don't have a case yet where we've actually directly collected the tax on illegal dumping. But I'm quite sure we will; we've got a very good tax team at SEPA who are working very hard on all of this with us.

[28] **Mike Hedges:** You couldn't drop us a note towards the end of the year to see how you've got on with it, could you?

[29] **Ms Emberson:** I would be happy to do so. I think that you will hear about it, though. It'll make the papers if we wind up taking a case against anyone for recovering tax on illegal dumping. But the legal processes, as you know, would also take some time, and I can't speak about investigations, so you'll understand that it might be a long period of silence, but you'll definitely hear about it when it happens.

[30] **Peter Black:** The Bill allows the Welsh revenue authority to delegate functions to other bodies, while retaining accountability for tax collection. What were the main issues that Revenue Scotland considered when drafting agreements with those Scottish bodies that assist with tax collection?

[31] **Ms Emberson:** The first thing that we did was work together with Registers of Scotland and SEPA from the very beginning, and indeed, with HMRC on the handover. What we did was work out together what was the optimal, as we saw it, system for collecting the taxes and doing the work, and we only carved up the rules and responsibilities towards the end, so that we worked out what needed to be done and then which body was best placed to do it, given the skill, expertise existing systems and so on. And then, when we wrote our formal memoranda of understanding, we were documenting something we'd already agreed between ourselves and we were

then just drafting some key performance indicators that would allow us to manage this. We knew that we would need to keep the close working going on that we did during the set-up phase, so we have quarterly meetings to review performance against the memoranda of understanding.

[32] **Peter Black:** And, how do you monitor the key performance indicators? Is it those quarterly meetings? You know, if something starts going wrong, what do you do then?

[33] **Ms Emberson:** Well, we're in day-to-day contact with the teams at RoS and SEPA as well, so if any issue arises, we don't wait for a quarterly meeting; we deal with it there and then. We have contacts at operational level; I can lift the phone to the lead people in RoS and SEPA if necessary, but actually, it's worked really well, because we were very clear about the roles of each body having all worked together on designing the systems.

09:15

[34] **Peter Black:** Okay. Our Bill allows Welsh Ministers to give the Welsh revenue authority directions of a general nature. What types of directions have been made by Scottish Ministers to Revenue Scotland?

[35] **Ms Emberson:** Scottish Ministers do not have a power to direct Revenue Scotland. There is no equivalent in the Revenue Scotland and Tax Powers Act 2014.

[36] **Peter Black:** Very sensible. Thank you.

[37] **Jocelyn Davies:** Jenny, did you have a supplementary?

[38] **Jenny Rathbone:** You started life as a Government department, and you're now a non-ministerial department. I just wondered if you could tell us what difference, if any, that makes to your relationship with the Scottish Government.

[39] **Ms Emberson:** So, it creates the separation that gives taxpayers confidence that their affairs and their data—that there will not be political interference in them. That's quite a standard model, as I'm sure you're well aware, in jurisdictions around the world. But, in practice, we still have a very good working relationship with Scottish Government. Although there's no power for Ministers to direct, the board of Revenue Scotland has to agree its

corporate plan, its strategy and its high-level targets with Ministers. It is 'agree it with'. We make sure that we keep Ministers informed of the same things that we're putting into the public domain, and we have a good working relationship with Scottish Government colleagues who deal with the policy issues.

[40] **Jenny Rathbone:** Okay, so that would enable you to resolve in your dialogue any of the issues that have been happening at HMRC, where there's been public concern about pursuing large companies for unpaid tax.

[41] **Ms Emberson:** There will always be—. If we were in that situation, there is always the difficulty that operational independence would apply. So it's ultimately the board of Revenue Scotland, myself as accountable officer, who would account to the Parliament for the actions of the body, and the Minister doesn't have a power to direct us. But we take the view, and my board would take the view, that if the Minister's concerned about something, then we should be making sure that we're addressing that.

[42] **Jenny Rathbone:** Thank you.

[43] **Jocelyn Davies:** Yes, Peter.

[44] **Peter Black:** Have you got a remit letter of some sort, an annual remit letter or anything like that? Is there any relationship at all between you and the Minister?

[45] **Ms Emberson:** The agreement of the corporate plan; that's our three-year strategic plan, and Ministers have input to that. Ministers can issue guidance, and we would have regard to the guidance—Colin's looking up the relevant bits of the legislation. Do you want to say something?

[46] **Mr Miller:** Yes, it's section 8 of the Revenue Scotland and Tax Powers Act. That provides that Scottish Ministers may give guidance to Revenue Scotland about the exercise of its functions, and Revenue Scotland must have regard to any guidance given by Ministers. But that's a very careful balance, as you will see. 'Revenue Scotland must have regard', by necessary implication means they're not obliged to follow it. So, we've drawn a very clear distinction between a power of direction, which Ministers don't have, and a power for Ministers to give guidance, which Revenue Scotland essentially would have to take into account, but isn't under a specific statutory duty to give effect to.

[47] Once again, it's all about maintaining the separation, if you like, and the independence. Also, I should add that Ministers are required to publish any guidance given to Revenue Scotland and lay it before Parliament. So, in other words, if Ministers chose to exercise that power, it would be in the public domain that they had given guidance, and no doubt the Finance Committee and others would take an interest in what Revenue Scotland did as a result of that guidance.

[48] **Peter Black:** And with regard to the approval of your three-year corporate plan, is that a formality? What happens when Ministers say, 'I don't like that aspect; can you change it'? What happens then?

[49] **Ms Emberson:** There would be a discussion between Ministers and the board of Revenue Scotland to reach a version of our corporate plan that they could all agree on. Frankly, if you were ever in a position where Ministers and the board of the body could not agree a corporate plan, then Ministers have lost confidence in the board of the body, and we've got a bigger problem than them not being able to agree a corporate plan.

[50] **Mr Miller:** In terms of the legislation, section 11 provides that Ministers may approve a corporate plan subject to such modifications as may be agreed between them and Revenue Scotland. So, in other words, as Eleanor said, what the legislation is providing is that there can't be a corporate plan until it has been agreed both by Ministers and by Revenue Scotland.

[51] **Peter Black:** In contrast to guidance, any agreement on modifications wouldn't be published or be in the open.

[52] **Mr Miller:** Oh, yes; the corporate plan has to be published, and—

[53] **Peter Black:** If the Minister said, 'And the board had a discussion, which led to a modification of the corporate plan', that process would not be an open process, in contrast to, say, the issuing of guidance. Is that correct?

[54] **Mr Miller:** Not in terms of the legislation, but, if the board wish to do so, then they'd be perfectly at liberty to make public the difference between the two.

[55] **Jocelyn Davies:** Nick, shall we come to your questions?

[56] **Nick Ramsay:** Thanks, Chair. Good morning. On the issue of the make-up of the board, the proposed Welsh revenue authority board will consist of non-executive and executive members. This is similar to HMRC, but is different to the wholly non-executive board of Revenue Scotland. How are the terms of appointment of non-executive members decided in Scotland?

[57] **Ms Emberson:** They were appointed following a full public appointment process in the way that board members of other public bodies in Scotland would be appointed.

[58] **Nick Ramsay:** Thanks. What committees and sub-committees have been created by Revenue Scotland, and how was this decided?

[59] **Ms Emberson:** The board has created an audit and risk committee, which it was more or less required to do, and it's created a staffing and equalities committee, which was by discussion and agreement by the board. It has not, so far, created any other committees, but it may do so in the future.

[60] **Nick Ramsay:** Have there been any concerns regarding the terms of reference of the committees?

[61] **Ms Emberson:** There have been no concerns that I'm aware of. The terms of reference of the committees have been shared. I'm wondering if we've published them, but I think we have. I think we've published them, but if we haven't, we can share them with you.

[62] **Nick Ramsay:** That leads neatly into my next question. What level of public disclosure of committee meetings is considered appropriate?

[63] **Ms Emberson:** I don't think we're publishing the minutes of the committees yet, but we publish the minutes of the main board.

[64] **Nick Ramsay:** The minutes of the main board, yes? Okay. My next question: the Welsh Bill requires the Welsh revenue authority, when it's established, to produce a charter of standards and values to summarise how it will interact with taxpayers; how has the content of the equivalent charter been decided in Scotland, and is this content reflected in legislation?

[65] **Ms Emberson:** We were required to produce a charter, in terms of the legislation. We did a two-stage consultation to create the charter. So, we first of all wrote to a number of professional bodies and interested groups that we were already in touch with, asking them what they felt ought to be the key features of the charter. We gathered all of that material together, then we drafted something, and then we put that out for full public consultation. We got some responses back, and we then produced the version that is now available on our website. The actual content of the charter isn't in the legislation; what's in the legislation is the requirement that we have a charter.

[66] **Nick Ramsay:** That's interesting. We had a discussion here last week about how much detail on the charter should be in the legislation. Would you say that the charter, as produced, is working effectively and addresses the concerns of some people that these charters can be very good in terms of their words, but don't actually deliver on the ground? I've put that politely. *[Laughter.]*

[67] **Ms Emberson:** Very politely, yes. I think we've had a very small number of formal complaints. I think there was only one in the first quarter. I don't think I'm aware of one in the second quarter. So, people have the right to complain. The charter is out there, and they can come to us if they want to tell us that we haven't lived up to it, and they're not in the meantime doing so. I think the charter captures the spirit of how we would want to be working. We continue to meet with professional bodies and groups. We have a land and buildings transaction tax forum and a Scottish landfill tax forum, we have a bigger group that meets twice a year, and we take feedback on how things are going. So, if people felt we were not living up to our charter, they would soon tell us.

[68] **Nick Ramsay:** Finally from me on this, given that you're some way ahead on this and you've seen where things have worked and errors that have been made, do you think it would be worthwhile us considering putting more details about the charter and how it would operate in legislation, or do you think, actually, just having the broad framework of a charter in legislation is good enough?

[69] **Ms Emberson:** I can only comment on what works here, and I think having the framework here and setting out the charter not in legislation works for us. In the meantime, I have no sense from the people that we're working with—the taxpayers and the agents that we work with—that they

particularly want to see the charter in legislation, or that they feel that if it were in legislation, it would give them any more protection. I don't get that sense here. I'm afraid I don't know anything much about what's going on in Wales's communities to know how they feel.

[70] **Nick Ramsay:** We're busily working out how they feel as well, so we're in the same boat. Thank you.

[71] **Jocelyn Davies:** Julie, shall we come to your question?

[72] **Julie Morgan:** Thank you very much and good morning. I wanted to ask you about the finances of the actual Bill and then the implementation. Have there been any unexpected costs that have arisen?

[73] **Ms Emberson:** Since implementation? No, nothing unexpected since implementation. I think it's well documented that we had some additional costs of implementation, and they were mostly extra staff costs. But, since we went live, we're running pretty much as we expected. We're just in the process of starting to cost what it's going to take to implement a couple of other taxes.

[74] **Julie Morgan:** Right, and in terms of the extra staff you had to take on, that was not anticipated beforehand.

[75] **Ms Emberson:** That was extra staff to work on the set-up stage. We knew we would need a reasonable-sized team; it was just the difficulty of a very early estimate. A figure in 2012 looks very different by the time you're in 2014, and you've done all the detailed planning and the legislation's in front of Parliament, and so on. It was just a timing thing. When you get further into the planning you understand far better what's required.

[76] **Julie Morgan:** Yes, I mean, I don't think those costs have been estimated yet here, so we've obviously got to be aware of that.

[77] **Ms Emberson:** Yes.

[78] **Julie Morgan:** Thank you.

[79] **Jocelyn Davies:** Okay. Ffred.

[80] **Alun Ffred Jones:** Mi fyddaf yn **Alun Ffred Jones:** I will be asking my

gofyn yn Gymraeg. Bore da. A gafodd unrhyw asesiad ei gynnal yn yr Alban o ba gyfran o'r cyllid sy'n cael ei godi drwy drethi datganoledig y byddai'n dderbyniol ei thalu mewn costau casglu?

question in Welsh. Good morning. Was any assessment made in Scotland of what percentage or proportion of the revenue raised by devolved taxes would be acceptable to be paid in collection costs?

[81] **Ms Emberson:** We haven't had a figure set as a target for that. I think we expect this year—it might be safer if I write to you—that we're well under 1 per cent; I think it's 0.83 per cent or a figure close to that. But I can send you the numbers down if that would be helpful. We have looked internationally and there's quite a range of different costs of administration as a proportion of revenue—between 0.7, 0.8 per cent through to 1.2, 1.3 per cent, depending on which jurisdiction you might look at.

[82] **Alun Ffred Jones:** Iawn, diolch yn fawr iawn i chi.

**Alun Ffred Jones:** Thank you very much.

[83] **Jocelyn Davies:** Jenny, shall we come to your questions?

[84] **Jenny Rathbone:** Could you tell me what practical steps are taken by Revenue Scotland to ensure that any tax receipts collected by partner organisations are ring-fenced from all other revenues?

[85] **Ms Emberson:** In fact, our partner organisations don't do any of the collection themselves; all of the money flows into Revenue Scotland. Registers of Scotland help us with the processing of paper returns and cheques, and the Scottish Environment Protection Agency work with us on the compliance side, but neither of them collects the money for us.

[86] **Jenny Rathbone:** That's very helpful to clarify. Could I just ask what incentives there are for people like SEPA to recoup any enforcement costs were they to be involved in a major prosecution?

[87] **Ms Emberson:** I'm not sure I completely understand the question.

[88] **Jenny Rathbone:** Well, we spoke earlier about people fly-tipping and being prosecuted possibly in the future. Are there any arrangements to ensure that enforcement agencies actually benefit from any successful prosecutions in terms of being able to push it back into their enforcement teams?



09:30

[89] **Ms Emberson:** We've put some additional investment into Scottish Environment Protection Agency enforcement upfront, and that's all been declared to the Scottish Parliament, to give them some extra capacity to search out illegal dumping and then to have the capacity to try to recoup the tax as well as undertake the environmental prosecution. The incentives for SEPA are that this sits very well with their overarching environmental drive anyway—the objectives are aligned. So, trying to hunt down illegal dumping, or anything that's going on within a landfill site that has not been declared properly, allows them to meet their environmental targets as well as to help us on the tax collection. So, they've got quite a strong incentive, because it's aligned to the organisation's core purpose and we'll be negotiating with them and then, obviously, Parliament will reach a deal on what budget it wants to allocate to us for future years.

[90] **Jenny Rathbone:** There's been a certain amount of discussion about local authorities being able to retain the proceeds from enforcement of environment health matters, for example. I just wondered if there'd been any discussion on that in Scotland as a way of strengthening enforcement teams at a time of budgetary constraint.

[91] **Ms Emberson:** It's not something we've discussed so far, but who knows what we might do in future. It's a good idea.

[92] **Jocelyn Davies:** Chris, shall we come to yours?

[93] **Christine Chapman:** Okay, thank you. I just want to ask some questions about the powers of investigation and enforcement. I just wondered to what degree you considered whether these investigation and enforcement powers in Scotland should be consistent with the powers of HM Revenue & Customs.

[94] **Mr Miller:** I think the answer is that the starting point for us was the powers that HMRC have. But, in deciding whether to adopt them or not, the question is whether they were necessary, appropriate and proportionate in relation to the first two devolved taxes. So, for example, the basic powers to enter premises to require the production of documents, those standard investigative powers—the powers that were given in the Revenue Scotland and Tax Powers Act 2014 to Revenue Scotland are more or less identical to

the corresponding powers that HMRC have. But we haven't provided Revenue Scotland with what you might call the top of the range powers in relation, for example, to intrusive surveillance, because we didn't think that that was either necessary or appropriate in relation to the two taxes for which Revenue Scotland are responsible.

[95] I think Ministers did put it on record, during the passage of the Bill, that, if and when Revenue Scotland becomes responsible for more devolved taxes, we would look again at whether they needed a wider range of powers in relation to enforcement. But the starting point was very much the powers that HMRC had and the question for us in every case was: are those powers necessary in relation to the two devolved taxes?

[96] **Christine Chapman:** Thank you. I think you've touched on this, but have you started to think about—. If you do need to consider introducing alternative powers to those held by HMRC, what sort of discussions and debates have you had around that?

[97] **Mr Miller:** I don't think it's so much alternative powers. Revenue Scotland has a wider range of powers, as I say, to require the production of documents to enter premises in some cases—powers of compulsion—and that's backed up by a penalties regime, which, once again, is very similar indeed to the corresponding regime in England and Wales. I think the question, for example, if Revenue Scotland were to become responsible for corporation tax, is: at that point would it become appropriate for them to have more powers of surveillance, for example? Having said that, Revenue Scotland works closely with Police Scotland in relation to investigation. If Revenue Scotland suspects that someone has committed a criminal offence, then Revenue Scotland would report that to Police Scotland. They would investigate and they would be able to use any of their existing police powers. At this stage, though, I think we're satisfied that Revenue Scotland have all the powers they need in relation to investigation and enforcement in respect of the two devolved taxes.

[98] **Christine Chapman:** Thank you.

[99] **Jocelyn Davies:** Just before we finish, could you tell us a little bit more about the extent of the relationship with HMRC in terms of exchange of information and perhaps operational assistance in relation to inquiries?

[100] **Ms Emberson:** We share data with HMRC under the terms of the

Scotland Act 2012. We're co-operating with HMRC in a number of areas. They don't assist us in the sense that we carry out our own inquiries and do our own compliance work, but where we stray into anything that, what should we say—. If we uncover anything that looks like it might have implications for other UK taxes, we would notify them and, if they uncover something that might have implications for one of the devolved taxes, they would notify us and, generally, there's a good cross-border co-operation.

[101] **Jocelyn Davies:** We've run out of questions. I'm very grateful to you for being patient with us this morning. We haven't been able to see you, but I hope that you've enjoyed looking at us. [*Laughter.*] We'll send you a transcript and we'd be very grateful if you would just have a look at it and, if you spot any errors in it, perhaps you'd let us know. So, thank you very much.

[102] Shall we go on to the next item on our agenda, if witnesses could come up to the table? We had an interesting video-conference without video, but we can see you. [*Laughter.*]

09:37

### **Bil Casglu a Rheoli Trethi (Cymru): Sesiwn Dystiolaeth 3 Tax Collection and Management (Wales) Bill: Evidence Session 3**

[103] **Jocelyn Davies:** This item 4, and we're still on the Tax Collection and Management (Wales) Bill. This is our evidence session No. 3, with HMRC. If you'd like to introduce yourselves, please for the record—. I think we've had evidence from you in the past, haven't we?

[104] **Mr Stoneham:** Yes. I'm Doug Stoneham; I'm a senior policy adviser on devolution for HMRC. Yes, I was here back in May, I think it was, as part of your last inquiry.

[105] **Jocelyn Davies:** Okay. So, if you introduce yourself for the record, and then we'll go straight to questions, if that's okay.

[106] **Mr Yapp:** Okay. I'm Geoff Yapp, deputy director in corporation tax, international and stamps, in HMRC and I'm head of stamp taxes.

[107] **Jocelyn Davies:** And Doug Stoneham, whom we've already met.

[108] So, the Tax Collection and Management (Wales) Bill will introduce significant changes for some taxpayers here in Wales, so what actions are necessary, do you think, to increase public awareness about the devolution of tax in Wales, as it happens?

[109] **Mr Stoneham:** I think, where we are—. Obviously, at the moment, we're two and a half years away from the implementation, so I'd expect awareness to be possibly at a reasonably low level at this point. But I think there's a real role for HMRC, working with the Welsh Government and the Welsh revenue authority and indeed Natural Resources Wales to make sure that awareness is raised around the fact that the two devolved taxes are coming so that people know who's doing what and what the relationships are going to be there.

[110] I think the taxes involved help with that to some extent because, with landfill tax, I think you're only looking at 22 or so operators in Wales, so it's a reasonably small number of customers to deal with. And for stamp duty land tax, Geoff will correct me if I get this wrong, but I think it's somewhere north of 99 per cent of transactions that involve an agent. So, again, there's a professional community out there who we can communicate with.

[111] We've obviously been through a number of these issues already in relation to Scotland, where, as you've just been hearing from Revenue Scotland, obviously, they have the land and buildings transaction tax and the Scottish landfill tax up there now. I think there are lessons that we can learn about what we've done there. We put together a joint communications group with representatives from Scottish Government and Revenue Scotland, where we worked with them so that each party knew what the other was planning. We had a joint communications timetable; we shared communications products in draft beforehand so that each side knew what they were planning to say so we could make sure the messages were consistent. I hope we can put something similar in place in the run up to the devolution of the Welsh taxes, because I think we found that's been very effective in making sure that there's a consistent message going out to customers both in England—well, in this case, obviously, in England and Wales—to make sure there's clarity and there's no conflict in what's being said and the message is going out in a coordinated fashion.

[112] **Jocelyn Davies:** So, will HMRC be carrying out activity in England about raising awareness about the devolved tax system in Wales?

[113] **Mr Stoneham:** I think our main focus will be around the sort of communities involved. So, I wouldn't have thought we'd be kind of putting billboards on buses advertising that it's coming. But I think we'll certainly be looking to work with the agent community in particular and the business community, because, obviously, if Tesco buys a patch of land in Wales then, after 2018, they'll be paying the land transaction tax. So, we need to make sure that we're using the relationships we have with agents and the relationship we have with large businesses to make sure that people are aware that these things are coming.

[114] **Jocelyn Davies:** And what's your view on whether there should be a consistent approach to tax collection in Wales relative to England, and to what degree are there going to be opportunities for new approaches, do you think?

[115] **Mr Yapp:** We think it would be very helpful to customers who are obviously still paying UK taxes to have a consistent approach to collection of taxes. So, we actually welcome the fact that the Wales Bill does look like HMRC's powers. So, we think consistency would be sensible for taxpayers. To have two divergent systems of collection might be a bit difficult for taxpayers to understand.

[116] **Jocelyn Davies:** Okay.

[117] **Mr Yapp:** That's my own view.

[118] **Jocelyn Davies:** Okay. Mike, shall we come to your questions?

[119] **Mike Hedges:** The White Paper on collecting taxes discussed the need for a general anti-abuse rule, although this will apparently be dealt with in a future land transaction tax Bill. Do you believe the absence of this rule from the Bill will create any difficulties, or could create any difficulties?

[120] **Mr Yapp:** Well, working in stamp taxes, we think our targeted anti-abuse rules are particularly useful. We do think it's useful to have a GAAR across the spectrum of taxes because it's very discouraging for people to enter into abusive transactions. So, quite apart from the fact that you've got powers to tackle abuse, it is a discouraging thing and, obviously, we don't want taxpayers to enter into abusive arrangements. But it's really for Wales to decide what they want to do in there. Our own targeted anti-abuse rules in relation to SDLT avoidance are proving to be increasingly effective.

[121] **Mike Hedges:** Can I just carry on on stamp duty land tax? There are approximately 100 buildings/pieces of land that are partly in Wales and partly in England at the moment. How will they be dealt with? I don't see much of a problem if you have exactly the same land tax both sides of the border, but, if you have different tax rates, how are you going to allocate taxation on such buildings?

[122] **Mr Yapp:** Well, I think the proposal there would be a just and reasonable apportionment and returns to the Welsh authority and to HMRC: two separate tax returns apportioned on a just and reasonable basis. Tax professionals and agents are used to that sort of concept of just and reasonable apportionment in these sorts of situations.

[123] **Mike Hedges:** So, you don't see any problem?

[124] **Mr Yapp:** No.

[125] **Mike Hedges:** That's nice to hear. The Wales Act 2014 does talk later on about going to income tax being devolved, but HMRC would remain the main tax collector. On income tax, a concern I've expressed several times, which you may well allay, is that a lot of people live in Wales and work in England, and live in England and work in Wales. Now, that's fine if they're working at the big Ellesmere Port factory that does car manufacturing or in Airbus, where they know the postcodes, et cetera, of everybody. But some people will work for relatively small companies who may not collect as easily such data. Some people may work contracting partly in Wales, partly in England—in fact, thousands of people will work contracting partly in Wales, partly in England. Do you see any difficulties in apportioning income tax between the two? Especially if they become different rates, will it be an advantage to somebody to claim they live in Wales or England in order to pay less tax?

[126] **Mr Stoneham:** We obviously have the definition of a Welsh taxpayer set out in the Wales Act and that's similar to the definition of a Scottish taxpayer that we have in the Scotland Act 2012. We're currently working out a set of detailed guidance in relation to Scotland, which has been out for consultation and we'll publish probably next month—sorry, this month; it's October now—and that will try and go into a lot more detail around helping people determine whether or not they would be adapting it for Wales, whether or not they would be a Welsh taxpayer.

09:45

[127] Just a couple of points around that. In terms of your point around employers making that judgment call, we wouldn't be looking for employers to judge whether or not someone's a Welsh taxpayer; we'll give them a tax code to operate. I recall that, last time, we had a discussion about whether, if you're a Welsh taxpayer, that tax code should start with a 'C' or a 'W'—obviously it's an 'S' in Scotland—but that's probably a discussion for another occasion. We're not expecting employers to judge whether or not someone would be a Welsh taxpayer; they need to operate the code that we give them.

[128] For individuals, I think we recognise that there are potentially going to be some more complicated issues. I think, you know, the contractors example you used is a good one, but we're really looking for where people's main place of residence is. So, if their family home is in Pembrokeshire and that's where they go back to when they're not working, that's where they're registered to vote and where their doctor and dentist and so on are, but they're just staying in a flat in London or a hotel during the week doing contracting there, then, I think, we'd expect that their main place of residence was the home in Wales.

[129] **Mike Hedges:** But some people can go on very long contracts, can't they, where they work through weekends as well? So, they may well spend over half the year working in England, but they may well have a property in Wales.

[130] **Mr Stoneham:** Yes, and I think there are some fine judgments to be made around that. As I said, we've got guidance coming out for Scotland; we'll review whether that's correct for Wales. I think one thing to look at in the wider context around it is that, in the designing of the definition that we have, we've really tried to have a definition that's straightforward for the vast majority of people to understand. So, for the majority of people, they just need to look at the definition and think, 'Well, is my main place of residence in Wales—yes or no?', and that's all they need to consider. I guess, in creating that sort of simplicity for the wider majority, it does leave, potentially, some more grey areas for people with more complicated affairs. But, you know, we have, obviously, the statutory residence test which is applied to determine whether you are a UK resident taxpayer in the first place, and that goes through, in a lot more detail, the number of steps that you need to take, considering where you spend your days and what

connections you have. I think we felt that it was more proportionate for the Scottish rate and the Welsh rate to have a simpler test in place where, for the vast majority of people, it would be very straightforward, and then we'll produce detailed guidance for others with more complicated affairs. But, I think, you know, we do accept that there will be some difficult cases around the margins, and we need to make sure that we're giving taxpayers the guidance they need to cope with that.

[131] **Jocelyn Davies:** I think, Nick, you wanted to come in on this particular—is it on this point?

[132] **Nick Ramsay:** Yes.

[133] **Mike Hedges:** Can I just say one last thing? I think we'll probably come back to this as we get closer to having income tax devolved.

[134] **Mr Stoneham:** Yes.

[135] **Jocelyn Davies:** Nick.

[136] **Nick Ramsay:** Yes. Two things. First of all, on someone's definition of where they live, is there not a danger that's going to be dependent, ultimately, on where they're going to pay the lower rate of tax, particularly if they live quite near the border? Secondly, I'm a bit concerned with the comparison with Scotland, because, although it makes a fair comparison in many respects, we often talk about the nature of the border being quite different. You cross the Scottish border, and you've got 70, 80 miles, until you get to the central belt, where you haven't got that many people living, so there's not such a cross-over of the border, whereas in Wales, most people—half the people, I think—are living within 30 miles of the border. So, the issues that Mike alludes to, I think, are probably more pertinent to Wales than they would be with Scotland.

[137] **Mr Stoneham:** Yes. I completely agree with that and, again, I think that's something we'll need to emphasise in guidance, because the living on one side of the border, working on the other side, isn't—as you recognise—. We tend to come up with examples like commuting from Newcastle to Edinburgh or from Dumfries to Carlisle, whereas, obviously, for Wales, you can commute from one side of Chester to the other and cross the border. So, I think that's something we're really going to have to make sure people are clear on.



[138] On the question around the avoidance—the manipulation of addresses, for want of a better term—clearly, again, I guess there are two different aspects to this in the sense that, I'd say, there's probably just as much scope to manipulate your address if you're just going to tell HMRC that your main place of residence is somewhere that it isn't, but I think there's probably a greater potential for an actual behavioural change in Wales because you could move a short distance and live on the other side of the border without it necessarily causing big changes in how you live your life, but, actually, obviously, it could potentially change the rate of tax you pay. But, you know, that's a genuine behavioural change; if someone does move house into Wales to take advantage of the lower tax rate, then that's fine. What we need to make sure we've got built into our systems is the ability, when people are telling us that they've moved, to look at third-party data sources to determine whether or not, actually, that seems to be the case.

[139] Obviously, if a Welsh rate is ever set and it is radically different to the rate in the rest of the UK, and suddenly there's a dramatic increase in the number of people moving one way or another, then, certainly, that's something that we'll be looking at, as to how we can address that through compliance issues or, you know, making contact with taxpayers to confirm that that is what they've told us. So, we do recognise that it is an issue, and I think you're quite right that it is potentially a much greater issue in Wales than it is in Scotland, as you say, because—

[140] **Nick Ramsay:** I've got—just briefly, Chair—I've got constituents with gardens that cross the border, so I can see suddenly a load of garden sheds becoming places of residence while the house becomes derelict, but that's my imagination getting away from me.

[141] **Mr Stoneham:** The same thought has occurred to me, as to whether you'd have people—because it focuses on the main place of residence rather than where you are at midnight—. I was concerned that people might just be in the garden at midnight, taking photos of themselves and then going back in the house, but—

[142] **Nick Ramsay:** Bonfire night.

[143] **Mr Stoneham:** —it is focused on where the main place of residence is, so we're hoping that will be clear for the majority of people.

[144] **Jocelyn Davies:** I think what you're telling us is that HMRC has got some experience of checking third-party sources and others, quite detailed, about establishing if somebody is trying to manipulate their address—

[145] **Mr Stoneham:** Absolutely.

[146] **Jocelyn Davies:** —and somebody would have to understand that, I suppose, to be able to manipulate it in their—. I think I'd put my money on you rather than somebody moving into the garden shed, actually. Mike, did you have any more questions?

[147] **Mike Hedges:** No.

[148] **Jocelyn Davies:** Peter, shall we come to yours?

[149] **Peter Black:** Yes. Thank you, Chair. I think that Chester football ground actually straddles the border, doesn't it?

[150] **Jocelyn Davies:** I'm not sure if anybody lives in the football club, but—.

[151] **Peter Black:** Well, I'm thinking if you ever tried to sell it and pay stamp duty on it, you know. In terms of my question, does the Bill provide an appropriate balance for the Welsh revenue authority to delegate functions to other bodies, while retaining accountability with tax collection?

[152] **Mr Stoneham:** I think, from our perspective, when the command paper that came out alongside the Wales Bill was published, I think it was very clear that we felt—UK Government felt—that the Welsh Government should have the ability to set up whatever arrangements it wanted to, in terms of how it wanted to go about administering the Act, administering devolved taxes, including being able to delegate functions to other bodies, including, but not exclusively, HMRC, and we're pleased to see that that's reflected in the Bill.

[153] I think the question around accountability is a good one. I think it's something that we're going to have to work with the Welsh Government and the Welsh revenue authority on—and I'm sure Natural Resources Wales will have the same issue as well—in terms of making sure that there are clear lines of accountability there, because, obviously, you're quite correct that the powers are conferred on Welsh Ministers, they're then setting up the Welsh revenue authority and they're then asking us to do some of their work on land transaction tax. So, there are a number of steps in there. I think we need

to be clear, in working up our memoranda of understanding and other documents with the Welsh revenue authority and Welsh Government, exactly how those lines of accountability work, because I think, obviously, with the Assembly's role in scrutinising the Welsh Government's work in this area, it needs to be completely clear who's accountable to whom and for what. I think the framework's there with what's in the Bill to delegate the functions. I think it's then just a question of making sure there's absolute clarity sitting behind that, in terms of how the three or four organisations involved work together.

[154] **Peter Black:** How do the lines of accountability work at the moment in terms of UK Ministers?

[155] **Mr Stoneham:** Well, HMRC is a non-ministerial department, but we are, ultimately, accountable to the Treasury for what we do. We have an annual remit letter that the Chancellor sends to our chief executive setting out key priorities for the year ahead. And, obviously, we're also accountable to Parliament for the revenues that we collect. So, those lines of accountability are there and set out, and those are the processes we follow.

[156] **Peter Black:** So, what we're setting up is taking a step, a remove, from that, in the sense of putting the Welsh revenue authority in between that—in between the Minister and the collection.

[157] **Mr Stoneham:** I guess it's going to depend on how the accountability is framed between ourselves and the Welsh revenue authority, because we will be working closely with the Welsh revenue authority in terms of how we go about administering the devolved taxes. I think it's a slightly different relationship to what we'd have if the Welsh rate of income tax is ever created, where that's part of the UK system—you know, it's a rate within the UK income tax system, so it falls within our existing accountabilities. We will have a different relationship with the Welsh revenue authority and Welsh Ministers where the administration of devolved taxes is not a function of HMRC; it's not something we're obliged to do, so I think there'll be a separate arrangement in place as to how we work with the Welsh revenue authority and the Welsh Government. So, I think there is a similar relationship in terms of the Welsh revenue authority working with Welsh Ministers. Obviously, we're then working with them to collect the tax on their behalf. I think it's just working out exactly how those lines of accountability work.

[158] **Peter Black:** So, technically, you're just a contractor in this

relationship.

[159] **Mr Stoneham:** I'm not sure if I'd—. Yes, I suppose, effectively. As I say, it's not something we're obliged to do in law. The Wales Act amends the Commissioners for Revenue and Customs Act 2005 to make it clear that we can do this activity but equally makes it clear that it's not something we're obliged to do. So, obviously, we're happy to work with the Welsh Government on doing this, but were they to ask us to do something that we felt didn't fit with our wider priorities in terms of administering a brand-new tax that didn't fit with what we want to do, then we can't be forced to do that. So, it is a different relationship from something like how the Welsh rate of income tax would be.

[160] **Peter Black:** So, have you got a similar delegated tax collection function elsewhere, or is this the first time that you've done this?

[161] **Mr Stoneham:** I don't think we collect any other taxes per se, but we do, for example, operate the collection of student loans on behalf of—I think it's on behalf of BIS, the Department for Business, Innovation and Skills. We also police the national minimum wage system on their behalf as well. So, we do have experience of working with other departments on taking forward these relationships and, you know, having standards that we need to meet in delivering those things. So, it is different in the sense that it's to a devolved administration rather than another UK Government department, but it's not something that's completely new to us.

[162] **Peter Black:** And your obligations are effectively limited by the delegation agreement.

[163] **Mr Stoneham:** Yes. We'll have to set out, in agreements with the Welsh Government, exactly what our role is and how we're going to work together, particularly in areas such as compliance.

[164] **Peter Black:** Okay. Well, given that you're the preferred collector of the land transaction tax, what's your proposed approach to collecting the tax, including offices and collection systems? How are you going to propose to do that?

[165] **Mr Yapp:** Right. Well, stamp tax is quite unusual in that nearly all of the end-to-end activity is actually dealt with in one office in Birmingham, which I lead. So, the debt management involvement is actually sort of linked

to one particular debt management office. So, it's actually quite a tightly contained tax. That would actually give us the ability to essentially undertake operational work alongside existing SDLT activity for routine operational activity—things like the issue of routine penalties for late filing and probably dealing with those sorts of enquiries, appeals against penalties and handling payment queries. We have quite a significant amount of payment issues. When I say 'payment issues', one of the problems at the moment, is that, with the system, you can actually sort of register land having filed a return without having actually paid the tax. The tax has got to be paid within 30 days. So, sometimes, there is a separation of the tax collection from the return processing activity.

[166] **Peter Black:** Does the Land Registry still help you monitor that sort of stuff?

[167] **Mr Yapp:** Not the payment side, no.

[168] **Peter Black:** No, in terms of sending stuff back if it hasn't been paid, and stuff like that.

[169] **Mr Yapp:** No, the Land Registry is only—. What they will do is look at the certificate and see whether it sort of indicates that they've met their obligations in terms of filing.

[170] **Peter Black:** That's what I mean—if they haven't got the certificate they'll send it back and say, 'You've got to—'.

[171] **Mr Yapp:** They will not register the—

[172] **Peter Black:** No, that's right. It's the same as when I used to work there years ago.

[173] **Mr Yapp:** Yes.

[174] **Peter Black:** Right. Okay.

[175] **Mr Yapp:** So, we could actually essentially offer some economies of scale, I suppose, if it was very similar in terms of operational activity. For compliance activity, certainly if you've got different reliefs and that sort of thing in your land transaction tax, we would probably need dedicated staff to actually deal with that compliance activity. There's also an issue about the

point at which there's got to be some sort of hand-off approach in the sense that your interpretation of your own legislation would be for you; so, if it becomes very technical in how you'd actually want to sort of determine your policy in relation to the legislation, there's got to be some sort of hand-off if there are technical difficulties. Certainly, with avoidance, we would see that that would actually be dealt with by Welsh Government rather than HMRC.

[176] **Peter Black:** Do you already have a Welsh language capability?

[177] **Mr Yapp:** At the moment, I think we do almost no SDLT activity in the Welsh language. Our telephone centres are all based in—. There are about 11 people who actually answer the phone in relation to SDLT queries, and they're actually in Glasgow. So, I think that is another issue about how we would actually provide a Welsh language offering. There is Welsh language call centre activity in Wales. Is it Porthmadog?

10:00

[178] **Mr Stoneham:** Yes.

[179] **Mr Yapp:** Porthmadog. But they don't deal at the moment with SDLT activity. So, what we find—. As I say, there are only 11 people who actually answer those phone calls in Scotland and they obviously build up quite a bit of knowledge and can engage with professionals in that space, so it is very useful to have a smaller group of people who actually understand the context.

[180] **Peter Black:** I guess the Welsh Language Commissioner will want you to actually have that capability and to meet the standards that she's going to set as well.

[181] **Mr Yapp:** That might be so, but obviously that would be a part of our agreement and understanding in terms of how we would take it forward.

[182] **Peter Black:** Okay.

[183] **Mr Stoneham:** We recognise that the Welsh language is one of the areas we need to discuss with the Welsh Government around exactly what standards we'll need to meet in that area and how we can go about doing that. But it's something we'll certainly be discussing with them over the next year or two.

[184] **Peter Black:** I think that's going to be one of the issues around having a tailored service, one which is genuinely tailored to Wales, and, given that you are such a large organisation, what other issues are you thinking that you need to put in place to get that tailored service for Wales?

[185] **Mr Yapp:** Well, obviously it depends really what it is that you want us to do for you I think, really, and actually sort of identifying the specific scope of compliance. For example, our current methodology for working SDLT risk in the compliance area is really built around projects, so we would have projects that might look at specific reliefs or whatever and we would trawl all of the data and identify all of those cases with that relief and actually consider whether there are issues in relation to those cases. We might also do data matching and that sort of thing in terms of information, for example, from Land Registry about consideration and see whether that's what's been returned. So, from that point of view, we would probably have to have some project board I would think to actually agree what approach you would want for compliance. At the moment what we don't do is say, 'Let's have a proportion of inquiries in Wales and a proportion of—'. It's done on the basis of risk and, obviously, the compliance risks tend to get greater where house prices are greater. So, there's probably a disproportionate amount of compliance activity in relation to London and the south-east because of house prices and that sort of thing.

[186] **Peter Black:** What type of regular performance information will you be able to produce for the Welsh revenue authority and for us to scrutinise?

[187] **Mr Yapp:** At the moment, like many parts of HMRC, we have an operational hub and we produce data in all sorts of areas. So, for example, monitoring our post turnaround times, monitoring our compliance yield, monitoring core performance for stamp taxes—what else is there—there's actually a whole range of performance data. Complaints are another area that we monitor to try and understand the root causes of complaints, and see how quickly we responded to them. But there's a suite of targets that we operate to: for example, 90 per cent of post returned within 15 days, or responded to within 15 days. We could produce that on a separate basis for Welsh cases, but we would need some sort of time-recording system as well to segregate out the time we were spending on Welsh activity compared to—.

[188] **Peter Black:** In terms of data, I find it impossible to get data in terms of transactions within Wales as opposed to England and Wales. Are those

going to be available and when will that sort of data be available so that we can actually look at what sort of income we're looking at getting on a regular basis?

[189] **Mr Yapp:** At the moment, the main—. Well, when you file an SDLT 1 it is now mandatory to put on a local authority code.

[190] **Peter Black:** Right. How long has that been in place?

[191] **Mr Yapp:** It was actually six months before Scottish—it was actually introduced so that we could implement the Scottish land and buildings transaction tax. So, that was probably, I think, 1 October 2014. So, the information is now available for all returns, so we can actually segregate out everything that's in a local authority code that's in Wales.

[192] **Peter Black:** So, if I sent you a freedom of information request saying, 'Can you give me details of all land transaction tax matters in Wales in the last 12 months?', you could do that fairly easily.

[193] **Mr Yapp:** I think we could get the information, yes.

[194] **Peter Black:** Okay, that would be useful.

[195] **Mr Stoneham:** We also published some data, I think it was yesterday, which was our overall SDLT—well, overall stamp taxes—statistics, and that does include a breakdown of the number of transactions in Wales and the number of transactions in Scotland and Northern Ireland.

[196] **Peter Black:** And the value of those transactions as well, and which balance they fall into.

[197] **Mr Stoneham:** I believe so, yes. It's certainly got total yield from residential transactions in Wales and I think there is a breakdown by the different bands involved and there's statistics broken down by England, Scotland, Wales and Northern Ireland, and also by parliamentary constituency as well. So, there is a quite a wealth of information there in terms of different areas.

[198] **Peter Black:** That'll certainly help in drawing up manifestos. Thank you, Chair.



[199] **Jocelyn Davies:** Jenny, did you have a supplementary on this?

[200] **Jenny Rathbone:** I just wanted to pick up on how we're going to support people in making enquiries in Welsh. Given modern communications, why is it not possible to have a virtual team, with the addition of one or two Welsh speakers based in Porthmadog, who, from the perspective of the caller, answer simply by, 'Am Gymraeg, pwysio i'? Surely, that would be easy to have as an add-on.

[201] **Mr Yapp:** We've already had meetings where Welsh Government have come to Birmingham to see our operations and what you find is that people, because they understand the end-to-end process, have acquired a great deal of knowledge and expertise in handling the sorts of things that go wrong in the system. I can actually sort of forecast the types of complaints, for example, that we typically get. So, obviously, one of the issues is learning from complaints and what the issues are that underpin those. But, actually, we understand the root causes of those things. Putting them right is sometimes quite expensive because it might require IT change and that sort of thing. But, having said that, the level of complaints is really quite small and that's down to, I think, our ability in Birmingham stamp office to actually understand and discuss with legal professionals, usually—that's who we are usually dealing with—the sort of things that are concerning them and the sort of things that might have gone wrong in the process. So, as soon as you separate out the activity into a small group of people and for a smaller number of transactions it becomes a question of gaining the expertise. It's not a problem, if that's what you wanted us to do, but we would have quite a big training need, I think.

[202] **Jenny Rathbone:** Okay, well, I want to challenge that, because it would be perfectly possible for somebody based in Porthmadog to have a conversation on the phone with the lawyer based in Birmingham or be part of the call team that's up in Scotland. I don't see how it isn't possible. I understand completely that you want to have all that expertise to hand to prevent complaints being generated but surely that is possible, given video conferencing, et cetera—people might not be physically in the same place, but they could still be part of that team.

[203] **Mr Yapp:** It is possible that we could do that, but I think it is just the question of regular communication. Every morning, if you come into the Birmingham stamp office, you will see white board meetings where they are discussing what the workloads are and what the issues have been on the

previous day, the sorts of issues that have arisen, and the nature of phone calls that have arisen, so that we can identify particular concerns. We get liaison with the Glasgow call centre in terms of we're receiving an increasing number of calls in a particular area, perhaps payments or whatever, so we want to try and understand what the root causes are there. It is a question of having good communication with the smaller group that's remote. So, what I think I'm saying is that the geographical concentration at the moment is helpful in terms of communication.

[204] **Jenny Rathbone:** Indeed, but you've already got a remote team up in Scotland with whom you communicate. So, it is perfectly possible, surely, just to add on another small team based in, say, Porthmadog.

[205] **Mr Stoneham:** I think, as we develop our issues around how we are going to do compliance and things like that, we are looking to see how we can best work in a Welsh language capability, whether we can make sure that someone within that compliance team is a Welsh speaker to assist with those sort of things. Because I think Geoff is absolutely right: we do have a great amount of knowledge in our SDLT teams and it's good to use that as far as possible and, like you say, it's then working out how we can best marry the knowledge that we've got in the specific areas with the Welsh-speaking capability that we are clearly going to need to deal with this. We are starting to explore the use of online chat facilities and so on, and whether there's anything we can do in that space around this, and, like you say, working more efficiently across different bits of the organisation. So, I think it is definitely an issue that we're looking at and we recognise that we need to take forward. It's just finding a way to most efficiently make use of the expertise that we've got and bring that together with a Welsh language capability.

[206] **Jenny Rathbone:** Thank you.

[207] **Jocelyn Davies:** Ffred, did you have a supplementary on this?

[208] **Alun Ffred Jones:** Os caf ofyn **Alun Ffred Jones:** If I can ask in yn Gymraeg—. Fel un sydd wedi bod Welsh—. As someone who has dealt yn delio â HMRC drwy gyfrwng y with HMRC through the medium of Gymraeg dros y degawdau diwethaf, Welsh over the last few decades, it's mae'n ffaith nad ydy'r gwasanaeth— true to say that the service—

[209] **Jocelyn Davies:** Is your translation working?

[210] **Peter Black:** I've got it.

[211] **Jocelyn Davies:** Is it on channel No. 1?

[212] **Peter Black:** Channel 1.

[213] **Jocelyn Davies:** Yes. Okay.

[214] **Alun Ffred Jones:** Diolch yn fawr. Fel un sydd wedi delio â HMRC drwy gyfrwng y Gymraeg dros y degawdau diwethaf yma, mi allaf eich sicrhau chi nad ydy'r gwasanaeth i rai sydd yn dymuno defnyddio'r Gymraeg yn hafal i'r gwasanaeth sydd ar gael i'r mwyafrif sydd yn defnyddio'r Saesneg. Ac mi fyddwn i yn awgrymu y dylech chi fod yn trafod y mater yma mewn perthynas â'r dreth arbennig yma gyda'r Llywodraeth, ac mi fyddwn i'n disgwyl i'r pwyllgor yma wneud argymhellion i'r cyfeiriad yna hefyd. Nid yw yn gwestiwn, ond mae o'n—

**Alun Ffred Jones:** Thank you very much. As someone who has dealt with HMRC in the Welsh language over the last few decades, I can assure you that the service for those who wish to use the Welsh language is not equal to the service available to the majority who use English. I would suggest that you should be discussing this issue in relation to this particular tax with the Government, and I would expect this committee to make recommendations in line with that. It's not a question, it's just a comment.

[215] **Jocelyn Davies:** That wasn't a question, obviously—more putting down a marker for the rest of the committee rather than something for you to answer. But I guess what you're saying is that this would be up for discussion with the Welsh Government, you're aware of it, and it would be something that would have to be worked towards. And, if it's part of that contract, then it's part of that contract.

[216] **Mr Stoneham:** Absolutely, yes. It's something we absolutely want to discuss with the Welsh Government so we can ensure that we—

[217] **Jocelyn Davies:** And finding ways of doing it. Something that I wanted to ask before we come to Nick—have you finished your questions now, Peter?—

[218] **Peter Black:** Yes.

[219] **Jocelyn Davies:**—before we come to Nick’s questions is that, through our consultation, we’ve received evidence that the Welsh revenue authority should measure the impact of tax policies, as occurs in the UK system with your tax information and impact notes. What do you call those? TIINs, you call them.

[220] **Mr Stoneham:** TIINs, yes.

[221] **Jocelyn Davies:** TIINs, right. Can you explain what they are for us and how HMRC assists more generally in measuring the impact of taxes? And how would you then, HMRC, be able to support the Welsh revenue authority in identifying the impact of the devolved taxes?

[222] **Mr Stoneham:** The tax information and impact note effectively serves two purposes: we publish a whole series of them at the autumn statement and the—well, this year, the spring budget and the summer budget, obviously; normally, it’s just the one. But, basically, for every measure that goes into the finance Bill, and for other secondary legislation measures, the idea of the tax information and impact note is really to give the sort of headline messages about what’s in there—so, who’s going to be affected, when the measure starts, what legislation’s been changed, provide contact details for officials—so, really, just giving the key information so that someone can just pick that up and look at it, and immediately find out whether or not they’re going to be affected and what’s being changed, and then also provide details of the potential impacts on groups. So, it captures things like the Exchequer impact—so, you know, the amount of money it will bring in, or not bring in, depending on the measure—but also then how it’s going to impact on other groups and also how we’re going to go about evaluating that. These were brought in—. I think the first ones were around the autumn statement 2010, when we sort of merged our previous budget note, which gave that sort of high-level information, with the wider impact assessment, which looked in more detail at the kind of burdens that might be imposed, and so on.

[223] So, I think we’ve got a good deal of experience in looking at these things and developing products to show them. The TIINs are very much focused on the legislative side of things, so we wouldn’t—. Obviously, given this is a fully devolved tax, we wouldn’t be producing TIINs for these sorts of measures, but we’d certainly be very happy to work with the Welsh Government in terms of how we go about producing these and the kind of

information that we use to support them, particularly in areas such as calculating admin burdens on business. I think we've generally had positive feedback from customers in terms of how well they're received, both from giving that basic information but also then putting some more background around impacts, and so on. It's certainly something we'd be very happy to work on with the Welsh Government and the Welsh revenue authority to help them do something similar.

[224] **Jocelyn Davies:** Okay, thanks for that. So, it does what it says on the tin? [*Laughter.*] Sorry, I couldn't resist that. Nick, shall we come to your questions?

[225] **Nick Ramsay:** Thanks, Chair. I'm still reeling from your answer to Peter that you've got all these data available to provide; we don't normally have much data available in Wales when the committee asks for it. Okay, my question is on section 14 of the draft Bill, which allows Welsh Ministers to give the revenue authority directions of a general nature. How are directions issued to HMRC, and how is its independence protected?

[226] **Mr Stoneham:** Well, HMRC is an independent body. As I said earlier, although we are ultimately accountable to the Treasury, we do have that degree of operational independence, so Ministers can't—. The main objective for that is so that Ministers can't interfere with the day-to-day affairs that we have with taxpayers: so, deciding who we investigate and—

[227] **Nick Ramsay:** The operational side of it is kept separate.

10:15

[228] **Mr Stoneham:** Exactly. And I think the way that it looks like the Welsh revenue authority is being set up follows that. With the process for directions, as I said earlier, the key way that we get those directions is really via the Chancellor's annual remit letter to HMRC, which is published and sets out, really, the kind of key priorities. So, obviously, at the moment, there's a big focus on making sure that we relentlessly pursue tax avoidance, tax evaders and other non-compliance issues. Also, a focus on improving our customer service efforts and continuing to work effectively with the Treasury on developing tax policy. But there are a number of other areas in there, and this year's remit letter did actually include a specific reference to implementing the Scottish rate of income tax and working with the Welsh Government on the development of Welsh devolved taxes. So, it's fairly all-

encompassing in terms of what it covers. Beyond the remit, I think the key aspect for us is actually having really good, really effective working relationships with Ministers. So, we work very closely with the Treasury via our policy partnership process. Our senior people—our chief executive, Lin Homer—have very regular meetings with Ministers and the Chancellor just so that they're aware of what we're doing and are aware of the direction of travel. I think that we find that actually having that close relationship is really the key part of actually taking this forward so that, you know, they're obviously setting what they see should be our key priorities and the key direction of travel. I think that then maintaining that regular dialogue and those regular meetings helps to ensure that that's happening and that any concerns can be raised.

[229] **Nick Ramsay:** So, from what you can see of section 14, do you think that that's going in the right direction in terms of guaranteeing the operational independence of the WRA without it being completely detached from ministerial input?

[230] **Mr Stoneham:** Yes, I think so. If you look at what's in section 14, it's actually a bit wider than what we've got in the equivalent power in section 11 of the Commissioners for Revenue and Customs Act, which is a very straightforward sentence that just says—and I'm misquoting it, probably—the commissioners for HMRC must take account of directions of a general nature given by the Treasury, full stop. There are no sub-sections, whereas obviously, I know that section 14 of the Bill has a couple of exclusions—I can't recall specifically what they apply to—and also the requirement that any directions are published. So, I think it goes beyond, really, the equivalent HMRC power. So, from our perspective, I don't think it gives any particular cause for concern.

[231] **Nick Ramsay:** Okay. Thanks. Section 25 of the Bill—and I don't expect you to completely recall these sections, by the way. I don't. Section 25 of the Bill requires the Welsh revenue authority to produce a charter of standards and values to summarise how it will interact with taxpayers. I'm not obsessed with this charter, by the way. I know that I keep asking questions about it to all witnesses. What is included in HMRC's charter, and how is it published?

[232] **Mr Stoneham:** Well, HMRC have a charter. It's published on the gov.uk internet site. What that really does is set out, basically, at a high level, the kind of standards that customers can expect HMRC to live up to in terms of treating them fairly and cracking down on those who are non-compliant and

so on. I think there's a list of around 10, together with three obligations that we then look to put on the customers in terms of how they deal with us. So, respecting our staff, being honest with us, and things like that. It's not something that we just kind of produced and then left. We did review the charter last year. I think we're looking to set up some sort of customer representative arrangement whereby we'll actually have people who are looking to hold us to account for how we're performing against the charter. We also publish an annual report on our website, which sets out how we're doing against the different areas in the charter. So, as I say, it's not one of those things where we've just kind of framed it, put it on the wall in the chief executive's office and then never looked at it again. It is something that we are looking at, and we do take very seriously, and do look to have ourselves be held accountable for whether or not we're actually living up to the high standards that are set out in there.

[233] **Nick Ramsay:** When you say 'the high standards that are set out', I'm presuming that the details of your charter aren't listed in detail in legislation.

[234] **Mr Stoneham:** No, I don't think we have a legislative requirement to have a charter. I think it's something that's come along afterwards. Our key legislation for setting up the department is in the Commissioners for Revenue and Customs Act. The charter, I think, came along subsequent to that. So, it's not a legislative requirement to have it.

[235] **Nick Ramsay:** Do you think it's a good idea for this legislation to contain details of the charter?

[236] **Mr Stoneham:** We've certainly found it helpful to have the charter, to have a clear document setting out what standards we expect to live up to in terms of how we're going to perform. It gives a clear framework as to how we carry out our day-to-day activity with customers. So, I think it's helpful that the Welsh revenue authority have this requirement to have a charter. If we were starting afresh now, I'm sure we'd probably have a legislative requirement. As to the detail of that, to my mind, I think if the requirement to have a charter is there, that, to me, is probably sufficient, rather than going into detail about what should be covered within the charter. I think it's helpful to have that element of flexibility, almost. As I say, we've reviewed our charter and have amended it. I think it's probably helpful to be able to do that without then necessarily having to realise that, actually, you need to change something in it because it'll work better for everyone, and you wouldn't necessarily want to have to amend legislation in order to allow you

to improve your service.

[237] **Nick Ramsay:** Should the tax authority be left to its own devices in terms of how it deals with that charter—from what you're saying HMRC's charter works well—or should it be subject to a regular performance appraisal?

[238] **Mr Stoneham:** I think we've certainly found it useful to have this reporting mechanism to actually take stock of how we're doing, so that it doesn't just become something that's left on the sidelines. As I say, it's something that we are looking to do more of, working with customers to get them to hold us to account on whether or not we're living up to it. I mean, as to whether that needs to be statutory or not, I think that's something that would be for the committee to decide on recommending and for the Welsh Government to decide on doing. But I do think it's important that if the Welsh revenue authority is going to have a charter, that it does follow the sort of thing we've done in terms of being held accountable to it in reporting around it and things like that. So, it's a worthwhile thing to do.

[239] **Jocelyn Davies:** Okay, thank you. We've got about 10 minutes left and a number of questions to get through. I think I've heard enough about the charter—I'm going to be honest [*Laughter.*]

[240] **Nick Ramsay:** I'm a bit anoraky about the charter.

[241] **Jocelyn Davies:** Yes, you are really, Nick, you need to think about that. Julie, shall we come to your questions?

[242] **Julie Morgan:** Yes, thank you. We did have consultation responses that recommended that the Welsh revenue authority should be able to postpone the collection of taxes in the same way as the time-to-pay arrangements that HMRC has. Could you explain to us how these operate and how they help the taxpayer?

[243] **Mr Yapp:** The power to allow time to pay is, we believe, under the Commissioners for Revenue and Customs Act 2005, so that puts the operation and collection of taxes in the care and management of HMRC. It's under those powers that, in certain circumstances, we allow time to pay for taxpayers. We actually expect all customers to pay their tax on time where they have the means to do so, but where customers are unable to pay in full by the due date, we can allow discretion and allow customers to pay over a



period of time.

[244] Anybody who pays taxes late will pay interest, so a time-to-pay arrangement would include an element of interest, so that we would recover the full tax and the interest that's appropriate to the effective late payment, because of the time-to-pay arrangement. Time-to-pay arrangements, we think, are a cost-effective way of collecting tax in certain circumstances. They allow viable taxpayers to pay their taxes over a period they can afford.

[245] We do have specific requirements so that, for example, we wouldn't enter into a time-to-pay arrangement where there were concerns about the ability to meet the agreed payments. They must pay other duties and taxes during the course of the time-to-pay arrangements and the time-to-pay period would be as short as possible, depending on the circumstances. It's not covered by specific legislation, but we do follow specific rules and all time-to-pay arrangements are confirmed in writing. We monitor arrangements and if somebody defaults, then we will send a reminder letter, and ultimately, we will cancel the time-to-pay arrangement and pursue other avenues of debt enforcement if the time-to-pay arrangement is not delivered.

[246] At March 2015, we had about 800,000 time-to-pay arrangements for £2.7 billion and from August 2015, we insist on a direct debit arrangement for time-to-pay arrangements. They very rarely would last for more than a year, and normally, it would be a period of instalments, but in some cases, it might just be a short delay, for time to pay.

[247] **Julie Morgan:** It sounds quite a tight arrangement.

[248] **Mr Yapp:** It is.

[249] **Julie Morgan:** What sort of percentage of people who are not able to pay would have access to a time-to-pay arrangement?

[250] **Mr Yapp:** Percentage-wise, I'm not sure I could answer that.

[251] **Mr Stoneham:** No, I—

[252] **Jocelyn Davies:** Could you send us a note?

[253] **Julie Morgan:** I mean, it would be interesting to know how many

people were actually—what percentage were covered by this out of the people who are not able to pay. Do they request it or do you—?

[254] **Mr Yapp:** Yes, it would start with a conversation. The normal process would be to issue a demand letter or whatever, and if a taxpayer phones us up and says, ‘Look, I do have genuine difficulties, I’ve lost my job,’ or whatever, ‘but this is how I could settle it’, that would be the start of the conversation with the individual. But, obviously, we would always assess all of our options in terms of debt collection in those cases. But what we want people to do is actually pay their taxes, ultimately. We, obviously, are quite stringent in ensuring that people who can pay should pay on time.

[255] **Julie Morgan:** But it’s obviously something you recommend. You think it’s a good thing.

[256] **Mr Yapp:** We think it’s a sensible administrative easement for those circumstances where people just do not have the funds for a short period of time but can settle their debts.

[257] **Julie Morgan:** So, it’s something you would recommend that we did in Wales.

[258] **Mr Yapp:** Yes.

[259] **Julie Morgan:** But you said it didn’t require legislation.

[260] **Mr Yapp:** We have the revenue and customs Act 2005, which gives the care and management of the administration of taxes to HMRC. So, I’m not quite sure how that—

[261] **Jocelyn Davies:** So, you have a discretion then to—.

[262] **Mr Yapp:** It’s a discretion from that Act.

[263] **Julie Morgan:** So, that is something we’d have to put in this legislation.

[264] **Mr Stoneham:** I would say so, yes. I mean, as Geoff says, there’s no specific legislation governing how the actual time-to-pay arrangements operate, but we do have that element of discretion provided by the revenue and customs Act 2005, which does give us that flexibility to be able to delay payment in certain circumstances where it works out better for all concerned.

[265] **Julie Morgan:** So, we should make sure that that covers us as well.

[266] **Jocelyn Davies:** Ffred, did you have a supplementary on this point?

[267] **Alun Ffred Jones:** Ydy'r drefn amser-i-dalu yma roedd Julie Morgan yn cyfeirio ati yn berthnasol i dreth trafodion tir? Hynny ydy, a ydych chi'n gorfod gwneud trefniadau fel hyn mewn perthynas â'r dreth arbennig yma?

**Alun Ffred Jones:** Is this time-to-pay arrangement that Julie Morgan was referring to relevant to the land transaction tax? That is, do you have to make specific arrangements in relation to that particular tax?

[268] **Mr Yapp:** It is relevant to land transaction tax, but the incidence of it is quite low. What actually happens in most land transactions is that the lawyer will make sure that the funds are in place to pay the SDLT and any necessary funds to acquire the land are in place. So, it's quite an unusual incident. Most payments are actually paid for SDLT within about seven or eight days of the transaction being completed, so it's a smaller incidence, I would say, in SDLT compared with other taxes. But, in certain circumstances, if somebody hadn't paid their SDLT then we might consider a time-to-pay arrangement, if that was appropriate.

[269] **Jocelyn Davies:** Julie, back to you.

[270] **Julie Morgan:** Thank you very much. I wanted to ask you about the move towards digital tax accounts that you refer to in your evidence. Can you explain how these operate?

[271] **Mr Stoneham:** We certainly focus very much on moving towards working more digitally with our customers. We have an ultimate goal of all individual customers being able to access their own digital tax account by the end of the next Parliament, so, by 2020. So, it is something we're very much moving towards. We already have a business tax account up and running with 3 million businesses accessing that now, to be able to use that to pay their taxes online. We're currently testing our personal tax account, which I think is being tested by about 1,200 people at the moment and will start being rolled out much more widely next year. I think we really see it as a key way of moving forward in, actually, how we deal with our customers in making things much more real time. Obviously, for something like income tax, if you're a small business, then for this tax year, the 2015-16 tax year,

you don't need to file your self-assessment return until 31 January 2017, so there is potentially quite a long time lag there, which can cause confusion for customers in terms of making sure they've got sufficient funds to pay when the time comes and in keeping track of the information they need to report.

10:30

[272] I think there are definite advantages with the digital approach in terms of giving customers the facility to report much more regularly, perhaps monthly or quarterly, and pay their taxes as they arise rather than, necessarily, a long time after the fact. As well, I think there's a particular challenge for HMRC to make better use of the data that we have. For example, if you fill out your self-assessment return at the moment, you need to fill in how much money you've received from employment income, but, actually, we already know that. Your employer's told us that, so it seems a bit silly to make you then write it all out again. So we're looking to use that information that we get from employers, for example, to be able to get that populated in there already rather than asking you to tell us something we already know. So, it's really about making much better use of the information that we have and just really bringing everything into the twenty-first century and adapting our processes, and potentially changing our legislation in some areas to make sure that it actually fits with how people do things these days.

[273] **Julie Morgan:** And what about the people who aren't able to do it online?

[274] **Mr Stoneham:** Yes, I think we do obviously recognise there are issues; there are customers who won't be able to access systems digitally, and we are, as part of that, really working out what we can do around that. We already have our needs enhanced support service where people go out and deal with taxpayers face to face, and, as part of the development of the personal tax account, we're also looking to have what's called our trusted friend service, where actually, you know, if my gran isn't very good on computers, I can register to do her tax on the personal tax account for her, rather than her having to learn how to do that sort of thing. So, it is something that we're aware of. We are conscious that, while lots of people like to do everything with a smartphone or via the internet, some people don't, and I think it's getting the balance between customer wants and customer needs. But we are very mindful of our customers who can't necessarily access things digitally.

[275] **Julie Morgan:** So, will you keep a system that they would be able to use, non-digitally?

[276] **Mr Stoneham:** Yes, we're always going to have things like call centres for people to be able to phone up and get advice. I think it's a question of using things that are best for the customer and best for us. For example, with our tax credits renewals, we doubled the amount of people who renewed online this year. So, it works better for HMRC, obviously, if customers do that—and for the customers as well. If they can undertake simple transactions online, then it takes away some of the potential difficulties in getting through to us that can arise. But, equally, we do recognise that there are more complicated things that will have to be dealt with in different ways, and not all customers have access to those technologies, so, as I say, it's something we are mindful of.

[277] **Julie Morgan:** Do you intend to use a digital-by-default approach for collecting land transaction tax?

[278] **Mr Stoneham:** Geoff might want to come in on this. I think we're looking in terms of how we will—. What we're doing in terms of how we operate SDLT, obviously, is a matter for the UK Government. We've already got the ability to file online, and is it 96—?

[279] **Mr Yapp:** Ninety-seven per cent of returns are filed online at the moment. And 68 per cent of payments are paid online. We still have a fair amount of cheque traffic.

[280] **Mr Stoneham:** So, I think we need to work with the Welsh Government as part of taking this forward to work out what their approach is going to be to this, but, also, obviously, we are moving very fast in terms of digital change at the moment, and it's trying to anticipate what the SDLT picture will look like in 2018 and making sure that, actually, things align as far as possible.

[281] **Jocelyn Davies:** We've run out of time.

[282] **Julie Morgan:** Thank you. Sorry.

[283] **Jocelyn Davies:** That's okay. We've run over time, but we haven't run out of questions—that's the problem. So, shall we let it run on a bit longer and we'll start the next session a little bit later? So, Peter, if you've got a

supplementary to this, and then, Chris, I'll let you do the last question. We're going to have to send you some questions, and then perhaps you'd respond to us.

[284] **Mr Stoneham:** That's fine, yes.

[285] **Peter Black:** At the risk of sounding obsessive, is your online payment stuff bilingual, and will you be making it bilingual?

[286] **Mr Stoneham:** I'm honestly not sure whether it is at the moment.

[287] **Jocelyn Davies:** Can you check for us, and let us know?

[288] **Mr Stoneham:** Yes, absolutely, of course.

[289] **Jocelyn Davies:** Chris, shall we come to you for the last question? And then we'll write to you with the ones we haven't been able to cover.

[290] **Christine Chapman:** I just want to ask you some questions about the powers of investigation and enforcement. Now, in the explanatory memorandum to the Bill, it says that most of the Bill's provisions for these powers of investigation and enforcement are actually the same as those currently imposed by HMRC. Have you thought about—should the Bill consider any alternative powers to those given to HMRC?

[291] **Mr Stoneham:** Obviously, the devolved tax powers are devolved. It's entirely up to the Welsh Government and the Assembly to decide what powers they want to put in place. I think the powers that we've got are ones we've worked up over a period of time. When the two organisations—the Inland Revenue and HM Customs and Excise—merged, we had an extensive process after that, a review of powers, deterrents and safeguards, looking at aligning the powers across the two organisations to try and put together a cohesive package. And it is something that we do keep under review. So, we do try to respond to changes in the business environment, and we will be looking, as we—. You know, I was just outlining our digital approach, and we are looking, as part of taking that forward, at whether or not the powers that we have there are still going to be the right ones when we're doing things on a more digital-by-default basis. I wouldn't advocate change for the sake of change, but the whole purpose of devolution is obviously to allow different systems to develop. So, I think, if the Welsh Government, the Assembly and the Welsh revenue authority did want to take a different approach, then that

ability is there.

[292] **Christine Chapman:** Do you see any potential problems arising, if there are any different approaches to this? Have you thought of that?

[293] **Mr Yapp:** Well, I suppose there might be a particular issue in relation to transactions that are across the border. So, it is possible that we could have an inquiry in HMRC into the English part of a transaction and, not at the same time, an inquiry into the Welsh part. That would seem to be an odd situation, but that would be quite unusual. On the exchange of information, I don't know how we'd actually, at this moment, identify where that was the case, because it would depend on the requirements on the return in 2018, or whatever, to actually identify that this was part of a wider transaction involving Welsh transaction tax. So, at the moment, all we can do is work from the information on the form, but, at the moment, there would be nothing to identify, for example, that this was part of a transaction in relation to Scotland. So, we do have to work with the Scottish authorities when that arises.

[294] **Christine Chapman:** Have you discussed this with the Welsh Government at the moment about any potential issues with slightly different systems, or is it too early to discuss that?

[295] **Mr Yapp:** I think, in a sense, the actual operational activity is too early, but, obviously, to the degree to which the Welsh Government wanted different, for example, reliefs, anything different in the IT system—fundamentally different—there would be costs to the Welsh Government or Welsh revenue authority of setting that up. So, the closer it mirrors the current SDLT from an online point of view and the closer it mirrors SDLT in terms of enforcement powers, inquiries, et cetera, the easier it would be to conduct inquiries on your behalf by HMRC. So, the wider the divergence, the bigger the challenges in operating it for us as a contractor, I suppose.

[296] **Mr Stoneham:** Going back to what Geoff said earlier, I think this is where it would be a particular advantage to have a cadre of compliance staff particularly focused on the Welsh devolved tax, because then, if there are different powers developing, those staff can develop an expertise in the devolved tax and in any differences, rather than necessarily having to think, 'Well, today I'm doing an HMRC case, so I need to use these powers, but tomorrow I'm doing a Welsh case, so I need to use these powers.' So, I think, with the simpler, routine transactional stuff, I think there's a definite benefit

to economies of scale, but I think it does point to using separate staff for these more detailed issues, just to pick up the kind of issues that you're raising.

[297] **Jocelyn Davies:** Okay, thank you. Well, as I said, we've run out of time.

[298] **Nick Ramsay:** Can I ask a brief question?

[299] **Jocelyn Davies:** If it's very brief, Nick, and if it's not about the charter. [*Laughter.*]

[300] **Nick Ramsay:** It's not about the charter; it's a point of clarification from earlier. HMRC did actually create your Welsh language scheme in 2008, and currently Welsh customers can request information in Welsh.

[301] **Jocelyn Davies:** That's not a question, so don't answer it. [*Laughter.*]

[302] Right. Thank you. We've got a number of questions that we weren't able to get to, and I'm sorry about that, so we'll write to you with those.

[303] **Mr Stoneham:** Yes, of course.

[304] **Jocelyn Davies:** We'll also send you a transcript. If you wouldn't mind checking it just to make sure that there are no mistakes in it, we'd be very grateful. Thank you very much for your appearance this morning.

[305] **Mr Stoneham:** Thank you.

[306] **Mr Yapp:** Thank you for your questions.

[307] **Jocelyn Davies:** I think now we'll break for 10 minutes. Lovely. Thank you.

*Gohiriwyd y cyfarfod rhwng 10:39 a 10:50.  
The meeting adjourned between 10:39 and 10:50.*

**Y Bil Casglu a Rheoli Trethi (Cymru): Sesiwn Dystiolaeth 4  
Tax Collection and Management (Wales) Bill: Evidence Session 4**

[308] **Jocelyn Davies:** Right, welcome back, everybody, to a meeting of the Assembly's Finance Committee. We're on item No. 5, which is the Tax



Collection and Management (Wales) Bill. This is evidence session No. 4, and we have Natural Resources Wales with us this morning to give us some evidence. Would you like to introduce yourselves for the record, and I understand you'd like to make a brief statement before we go to questions? Isobel, shall I come to you?

[309] **Ms Moore:** Thank you. My name's Isobel Moore. I'm head of business, regulation and economics at Natural Resources Wales.

[310] **Ms Favager:** And I'm Becky Favager. I'm the waste and resources manager within Natural Resources Wales.

[311] **Ms Moore:** Okay, thank you very much. Bore da. Natural Resources Wales is responsible for regulating the waste industry, which includes ensuring that waste is managed in a way that does not cause pollution to the environment, harm to health and serious detriment to the local amenity. We also advise and communicate about issues relating to the environment and natural resources. We take an ecosystems approach to promoting integrated natural resource management that delivers social, economic and environmental benefits for the people of Wales.

[312] We support the introduction of the collection and management of tax Bill, and recognise its necessity in establishing the legal framework required for the future collection and management of devolved taxes in Wales. However, compliance and enforcement of tax legislation is not an area that we currently have expertise and experience in.

[313] The current landfill tax has proven to be an effective mechanism in driving behaviour change in how waste is managed in Wales, supporting the shift in our nation's thinking towards waste as a valuable resource. We recognise the potential synergies between our existing waste regulation role and a possible role within the future landfill disposals tax regime. We have and will continue to work with Welsh Government to explore our potential role in the future in the collection and management of landfill disposals tax in Wales, in particular how we can help to deliver a more effective compliance and enforcement regime, recognising that any additional role would be a new burden that we would expect to be fully funded.

[314] **Jocelyn Davies:** Thank you. You got that one in at the end—fully funding any new functions. [*Laughter.*] Well done. Well, I was going to ask you a number of questions, but, do you know what? I think you've covered

them. So, Mike, shall we come straight to yours?

[315] **Mike Hedges:** Certainly. We've got these landfill disposals taxes, which the Welsh revenue authority are going to be responsible for collecting. But you'll be responsible for compliance and enforcement. Do you do any compliance and enforcement at the moment regarding landfill? And we heard how, in Scotland, they were going to bring in perhaps further taxation on people who illegally dump; you must come across a lot of that, because, certainly, most of the Members in here come across a lot of that in different places. Would you be able to deal with compliance with that as well?

[316] **Ms Moore:** Okay. You're absolutely right; the Minister made a statement back in June that indicated that we were the preferred partner for the enforcement and compliance aspects of the landfill disposals tax. As we currently are as an organisation, our role and responsibility with regard to waste is that we are the waste regulator for Wales and, in particular, for landfill, we do the permit determination and also the compliance work to make sure that we have the right infrastructure in place, such as, for example, ensuring that there's correct leachate and gas collection, that the information and depositing of waste that goes to landfill sites meet the permit conditions, and also that it's acceptable and that there's no environmental impact.

[317] We're also responsible for the landfill allowance scheme, where we monitor the information and waste returns such that we can ensure that there's a movement away from using landfill as a mechanism for disposal, and we help Welsh Government in terms of the monitoring and reporting of that requirement.

[318] In terms of our enforcement and compliance roles, we do have those roles in terms of not only waste legislation but wider than that. We have access to powers in relation to civil sanctions, for example, and we're also able to undertake prosecutions if there is poor compliance. But, as part of that, we have to meet the regulator's code and ensure that, in the first instance, we're looking for compliance to occur as a consequence of advice and guidance, for example. So, those are our enforcement and compliance roles.

[319] **Mike Hedges:** Can I try and get my head around the whole thing? There's compliance and enforcement. Do you do it now, or does somebody else do it now, and if somebody else does it now, who does it?

[320] **Ms Moore:** We do it for environmental legislation.

[321] **Mike Hedges:** Okay. So, it means no additional work for you if you're going to be dealing with the compliance then.

[322] **Ms Moore:** It would mean no additional work for the environmental legislation. For undertaking this role for tax, then this is an area that we have no experience and expertise in. We currently don't do this particular aspect as our organisation currently stands.

[323] **Mike Hedges:** Who does?

[324] **Ms Favager:** Her Majesty's Revenue & Customs.

[325] **Jocelyn Davies:** Ffred, did you have a supplementary?

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| <p>[326] <b>Alun Ffred Jones:</b> Roeddwn i ar yr un trywydd â Mike Hedges, achos fe ddywedoch chi ar y dechrau nad yw cydymffurfio a gorfodi yn faes y mae gennych arbenigedd ynddo. Dyna ddywedoch chi ar y dechrau. Ond, o safbwynt, er enghraifft, ansawdd dŵr, chi sydd yn sicrhau ansawdd a safon, a chi sydd yn sicrhau ac yn gorfodi bod yr ansawdd hwnnw yn ddigonol mewn perthynas â charthffosiaeth ac yn y blaen. Felly, nid wyf cweit yn deall pam eich bod chi'n dweud nad oes ganddo chi arbenigedd yn y maes, achos rydych yn ei wneud e'n barod.</p> | <p><b>Alun Ffred Jones:</b> My question is along the same lines as Mike Hedges', because you said at the outset that compliance and enforcement is not an area where you have expertise. That's what you said at the outset. But, from the point of view of water quality, for example, your organisation does ensure water quality and standards, and you enforce that water quality to ensure that it is adequate in relation to sewerage and so on. So, I'm not sure why you say that you have no expertise in the area, because you are already responsible for it.</p> |
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[327] **Ms Moore:** Yes, we are responsible in terms of the environmental legislation. I think it's that difference between that we have no expertise in terms of enforcement and compliance with regard to tax legislation and financial information. So, we have expertise in terms of compliance enforcement for water, as you say; for waste; industry regulation; nuclear emissions trading—a whole wealth of environment legislation that we're responsible for—but it's the difference between that and this particular Bill,

which is in relation to tax.

[328] **Alun Ffred Jones:** Diolch. **Alun Ffred Jones:** Thank you.

[329] **Jocelyn Davies:** Okay. Mike, have you finished? Peter, shall we come to your questions?

[330] **Peter Black:** This is a supplementary. Who actually administers the landfill tax credit scheme at the moment?

[331] **Ms Favager:** I believe that is done via the environmental body, so that it's done from the UK at the moment.

[332] **Peter Black:** So, is that proposed to be delegated to yourselves, or to some other body, under this new legislation?

[333] **Ms Moore:** As the Bill currently stands, it's silent in terms of how that would be undertaken and we would understand that the new subsequent Bill on a landfill disposals tax would have further details and further information as to how that would be undertaken.

[334] **Peter Black:** So, we need to wait for direction of travel on that. Okay. In terms of the landfill disposals tax, would that be collected exclusively from local authorities?

[335] **Ms Moore:** There's a potential that it would be local authorities, but there are also other operators—

[336] **Peter Black:** It's from the operators.

[337] **Ms Moore:** Yes, absolutely, and there are 29 in Wales currently in terms of landfill sites.

[338] **Peter Black:** That's seven more than HMRC said there were. [*Laughter.*]

[339] **Ms Moore:** There are some that—

[340] **Jocelyn Davies:** You said 'sites', did you?

[341] **Ms Moore:** Sites, not operators.

[342] **Jocelyn Davies:** They said ‘operators’.

[343] **Peter Black:** I should listen more carefully.

[344] **Jocelyn Davies:** Somebody’s operating a few sites. Carry on, Peter.

[345] **Peter Black:** Do the public need to be made more aware about this, or is it really just business as usual?

[346] **Ms Moore:** I think my understanding is that the Welsh Government already have done quite a number of things to ensure that there’s been engagement. They’ve undertaken a consultation grouping, which I understand the Confederation of British Industry, and also, the Bevan Foundation are part of, and they’ve had a whole series of consultations. I would expect that that would continue as this process was going forward. Certainly, we have local engagement on a day-to-day basis with operators that are involved in landfills, and we are happy to support and do anything that needs to be done in terms of increasing awareness. But, certainly, we have understanding that they’re already alive to the fact that this is being discussed for the future.

[347] **Peter Black:** And although you’re obviously not collecting the tax, you are there to enforce it and ensure compliance, so have you had discussions with HMRC in terms of methods of collection? Will they be collecting by digital by default, and will you be involved in having to enforce that?

[348] **Ms Moore:** At the moment, it’s not been agreed as to what our exact role will be in terms of enforcement and compliance, but certainly we’ve had ongoing discussions with Welsh Government, and we will continue, in the future, to have discussions with Welsh Government, HMRC and other partners in terms of how this is delivered.

[349] **Peter Black:** Do you envisage this being digitised?

[350] **Ms Moore:** Certainly, the way in which we currently undertake a number of our waste collection activities is via digital means. I notice from the evidence that was given by the Minister last week that she indicated that there was a desire for online activity to be put in place for landfill disposals tax, so we would envisage that, in the future, depending on what our role and responsibility works out as, we would be helping to support in undertaking that.

11:00

[351] **Peter Black:** Okay; thanks.

[352] **Jocelyn Davies:** Jenny, did you have a question?

[353] **Jenny Rathbone:** Yes, just to pick up on the landfill tax and the possibility of perverse incentives if enforcement in Wales were more rigorous than in England, or, indeed, if there was a differential in the amount of money per tonne charged, because obviously we don't want to see that. Could you just tell us about that?

[354] **Ms Favager:** As you're rightly identifying, the importance of trying to maintain that consistency across the England and Wales border is something that Welsh Government and ourselves, in our response at previous consultations, have flagged up, because there are large urban populations on either side of the border. I think some of the modelling that Welsh Government has done themselves has shown that a relatively small change in rates could reverse the current flow of waste across the border and that could have impacts. For example, there are long-term regional waste contracts that have been set up and they would have been modelled and planned on the basis of the current waste tax rates.

[355] Also, with competitors in Wales, that could potentially put them at a bit of a disadvantage, if they're competing against somebody else in England with less cost. So, we would support the need to maintain that consistency because the whole driver behind the landfill tax was around ensuring that waste was diverted away from landfill—biodegradable waste—and to ensure that we are achieving those environmental outcomes, we want waste to be recovered and reused as far up the waste hierarchy as possible. So, to avoid those perverse outcomes, it would seem sensible to keep a consistent—

[356] **Jenny Rathbone:** So, specifically, the Environment (Wales) Bill going through at the moment is designed to ensure that waste that could be recycled doesn't get diverted to landfill. I just wondered if that is a risk, if England has a less rigorous regime or, indeed, eliminates some of its so-called 'greenwash'.

[357] **Ms Favager:** I think the Environment (Wales) Bill proposals are mainly around the recyclable materials. I know they are thinking around food

waste—the separate collection of food waste—which would provide an additional driver to ensure that that material wasn't going into landfill. So, if England don't have that, there will still be the landfill tax that would ensure that the materials shouldn't be going into England. So, I think, in Wales, we may have more drivers to ensure that waste is being managed appropriately, but I can't see that it would necessarily—

[358] **Jenny Rathbone:** If we're controlling it more effectively to ensure that things aren't going to landfill sites inappropriately, that could create—. The rogues could be taking their stuff elsewhere.

[359] **Ms Favager:** Yes, and obviously we do keep in contact with the Environment Agency and we would ensure that, as proposals are coming forward, we are aware and manage any perverse—

[360] **Jenny Rathbone:** But you haven't done any work on that as a potential risk.

[361] **Ms Favager:** Not at this point.

[362] **Jenny Rathbone:** Okay; thank you.

[363] **Jocelyn Davies:** Nick, shall we come to your questions?

[364] **Nick Ramsay:** Thanks, Chair. Good morning. To what degree should there be a consistent approach to tax collection in Wales, relative to England, and to what degree are there opportunities for new approaches?

[365] **Ms Favager:** I think, in answering Jenny's question, we highlighted that we're supportive of the need to maintain that consistent approach across England and Wales, particularly to ensure that the environmental responses and the waste is encouraged to be managed further up the hierarchy. Again, it would provide stability and certainty for the business community as well. And because of the proximity of the big urban areas on either side of the border, the potential, with a small change in rates, of moving, that could provide an incentive or disincentive for waste to be dealt with within the respective administrations. Then, for all those reasons, I think it makes sense to maintain that consistently.

[366] **Nick Ramsay:** You want to avoid waste tourism.

[367] **Ms Favager:** Yes, absolutely.

[368] **Nick Ramsay:** I can see Mike Hedges is dying to contribute on this. The Minister, in the evidence she's given to us here, I think her methodology is to try and retain, try and keep things the same as far as possible—that should be the default—and you would agree with that.

[369] **Ms Moore:** Yes. And, I think, in her evidence, she also indicated that that was the approach that Revenue Scotland was taking as well. We would support that.

[370] **Nick Ramsay:** Just finally, Chair: so, you think that some of the potentially wilder views that a small change in rates between this side of the border and the other could actually generate a problem, that those aren't too far off the mark. You think that there could actually be a real issue with waste tourism and issues like that.

[371] **Ms Favager:** I think the modelling that Welsh Government did as part of their consultation was something like a change in £10 could cause a change in the way the waste flows. I think the whole way that waste is managed and the industry around it is quite sensitive, and, as Jenny mentioned earlier, a change to the legislation or the focus within Wales or England can potentially cause waste to go across the borders.

[372] **Jocelyn Davies:** Yes, because the transporting of it isn't free, is it? Transportation is expensive. What you say is that a change of £10 or more would negate the extra transport cost and that would make it worthwhile for somebody to move it further.

[373] **Ms Favager:** Yes. If you look in the consultation that the Welsh Government did, there's a nice map in there that shows where the locations of the big landfills are and the population associated. I think, within 40 miles of the border either side, there are some big landfills on the Welsh and English side.

[374] **Mike Hedges:** It's more interesting within 20 miles of that as well.

[375] **Ms Favager:** Yes.

[376] **Jocelyn Davies:** Okay, are you finished, Nick? Okay. Julie, shall we come to your question?



[377] **Julie Morgan:** Thanks. Well, I think we've already had some discussion of that accountability and delegation of functions to other bodies. Do you think the Bill, as it stands, does provide sufficient freedom for the Welsh revenue authority to delegate functions to other bodies whilst retaining the accountability?

[378] **Ms Moore:** Yes, I think the part that you're referring to is section 13, which clearly indicates that, regardless of delegation, the accountability and responsibility would still sit with the Welsh revenue authority. Clearly, there is an ability there for them to delegate with regard to extent, to who, and also to how long, but also to have the power to revoke that delegation when needed. I believe there's also an element with regard to publication in terms of service standards, in terms of that delegation too, so that whoever the power was delegated to would have to ensure that they were meeting the correct service standards and providing relevant information to meet that. So, it appears that there is a high level of flexibility there with regard to delegation. Certainly, Welsh Government legal services and our legal services department have started to discuss the potential powers that NRW would need to rely on in relation to any delegation with regard to compliance and enforcement, as designated as a preferred partner for those elements. If there are tensions, then obviously we'll be able to flag that up as part of the process, and also whether there would need to be the use of the Public Bodies Act in the future to ensure delegation.

[379] **Julie Morgan:** What? Would that delegation be under the Public Bodies Act?

[380] **Ms Moore:** We're just trying to understand, currently, what the art of the possible might be, in terms of if any additional legislation might need to change. But we haven't got to the fullest extent in terms of understanding what that might look like.

[381] **Julie Morgan:** Right, but as it stands at the moment, you think it's sufficient.

[382] **Ms Moore:** Yes.

[383] **Julie Morgan:** Thank you.

[384] **Jocelyn Davies:** Okay, thank you. Ffred.

[385] **Alun Ffred Jones:** A gaf i fynd yn ôl at y busnes cydymffurfio a gorfodi yma? Rydych chi wedi dweud eich bod chi wedi bod mewn trafodaethau gyda'r Llywodraeth, felly beth ydy'ch dealltwriaeth chi o'r cyfrifoldebau ychwanegol o ran cydymffurfio a gorfodi sydd yn deillio o'r Ddeddf?

**Alun Ffred Jones:** Can I go back then, please, to the issue of compliance and enforcement? You've said that you have had discussions with the Government, so what is your understanding of the additional responsibilities in relation to compliance and enforcement?

[386] **Ms Moore:** At the moment, we still don't have a complete understanding or agreement as to what our roles and responsibilities might be with regard to enforcement and compliance. Certainly, we anticipate in the future that we'll have a greater clarity around that. I notice from the explanatory memorandum that the Minister indicated that if this framework Bill was to be successful, then there would be more intensive discussions with those that had been identified as preferred delivery partners to gain a greater understanding as to what that role and responsibility might look like. Certainly, that would include the scope—also, perhaps, the service delivery that we might need to meet in the future—but also whether there are potential legislative or policy changes that would come as a consequence of the subsequent Bills.

[387] Certainly, as already mentioned, in particular for the tax regimes, we don't have those skills and experience previously, so it would be a new duty that we would be taking on in relation to this, but we do have synergies in terms of the work that we've done through our environment legislation in terms of enforcement and compliance, which I think we've already touched upon and talked about. But what we would need to do is ensure that we've got the right skills and the right resilience within the organisation to deliver this role for the future. As I've said, we've already started to explore those relationships and have those discussions with the Welsh Government, and they will continue to keep going.

[388] **Alun Ffred Jones:** Tri deall ydw i beth ydy ystyr cydymffurfio a gorfodaeth i chi yn y cyd-destun yma. Os ydw i'n iawn, nid ydych chi'n gwybod eich hun, felly, nag ydych chi?

**Alun Ffred Jones:** I'm trying to understand what compliance and enforcement actually means for you in this particular context. If I'm right, you're not sure yourselves, are you?

[389] **Ms Moore:** No, it's not been agreed yet, but I think in terms of what that extent might look like, currently we receive, for example, waste-return data for landfills, and it could be that part of our compliance role would be to use that information in terms of checking the information that's received by the Welsh revenue authority as the designated tax collection and management organisation. It could be at that end, or it could be more formally that we are given powers that would allow us to actually undertake site inspections, to undertake seizing of records, that we would actually undertake the issuing of the civil penalties that are listed within the Bill, or that we would undertake prosecution proceedings. So, there's a range there of potential, in terms of our involvement on this, but we're still having those discussions with Welsh Government. As part of that, we'll understand better as to where our role and responsibility may lie for the future.

[390] **Alun Ffred Jones:** Diolch yn fawr.

[391] **Jocelyn Davies:** Jenny.

[392] **Jenny Rathbone:** Do you think that the possible discussions that you're having with Government have been suitably reflected in the Environment (Wales) Bill, in terms of any changes required to your remit or legislation? Do you think this has been properly tied down? There is still an opportunity to introduce amendments to the Environment (Wales) Bill, and how closely are you actually thinking about this?

[393] **Ms Moore:** I personally don't think that perhaps this new requirement, potentially, on the organisation would impact in terms of our overall core role and responsibility. Certainly, our role is very much about enhancing, maintaining and protecting the environment in a sustainable way for the future. Certainly, many of the activities that we currently undertake with regard to landfill and waste management are linked to natural resources management and using an ecosystems-services approach. So, for example, in terms of the particular provisions with regard to this Bill and landfills, then, obviously, what we're wanting to do is ensure that there's an ecosystems-services approach in terms of the way in which landfill flow occurs. So, what we're looking for is to ensure that, for the future, waste is actually considered as a resource. That's a fundamental part of natural resources management—this deviation and movement away from waste that is landfilled to something that can be utilised afresh for the future.

11:15

[394] **Jenny Rathbone:** Okay. So, in the three things that you mentioned in your response to Alun Ffred Jones—site inspections, seizing of records and civil penalties—you don't think there's any further legislation required that isn't already in the environment Bill.

[395] **Ms Moore:** No, not for the environment Bill. Certainly, we already have civil sanction powers under, for example, the emissions trading scheme, and then the Energy Savings Opportunity Scheme Regulations 2014. We have access to civil sanction powers. More recently, for example, we went through an assessment by the Better Regulation Delivery Office to ensure that we met the regulator's compliance code, and that was recently successful in July of this year and gives us continued access to civil sanction powers as a consequence of us being created as a new organisation. We also, as already mentioned, have prosecution powers for many of the environmental legislation activities that we currently undertake. So, all of those activities we currently do. So, I don't foresee that there would be a need to change the environment Bill to reflect that.

[396] **Jenny Rathbone:** Okay. So, you already have powers to seize records and enter sites.

[397] **Ms Moore:** We are able to enter sites through warrant cards.

[398] **Jenny Rathbone:** Thank you.

[399] **Jocelyn Davies:** Okay. Chris.

[400] **Christine Chapman:** At the start of your evidence you did talk about making sure that Natural Resources Wales is adequately funded for these new functions. Have you estimated any particular costs? Have you got a figure for that?

[401] **Ms Moore:** It's difficult because it comes back to the point that Alun Ffred Jones was making in understanding our potential role and scope for the future. Certainly, as we gain greater clarity around that, we'll be able to have those ongoing further discussions with the Welsh Government as to what finances might be needed to be actually able to pay for these activities for the future. I am aware that the Minister for Finance and Government Business will be making a statement in relation to costs towards the end of autumn,

and hopefully there will be more detail contained within that. As part of that, we'll obviously be able to provide information in terms of how much it costs to undertake activities so that it meets our agreed understanding as to what our role will be for the future.

[402] **Christine Chapman:** Okay. Thank you. In terms of any additional costs to taxpayers for complying with the new tax regime for landfill disposals tax, do you think there will be any additional costs to taxpayers?

[403] **Ms Favager:** Obviously, we're aware of the Minister's principles around tax, and I would think that with those being applied any burden on the taxpayers would be minimised. The only thing I can think of, really, would be the fact that, at the moment, a landfill operator who operates in England and Wales only has to produce one tax return. When the tax is devolved to Wales, they would have to produce two. So, a small burden on them. But I'm not aware of any proposals that would significantly increase the cost on taxpayers.

[404] **Mike Hedges:** Surely, to take one of the big collectors of tax from waste disposal, what they actually do to get that final figure is aggregate up the collections from all their other places. So, you're actually reducing the work they've got to do because they don't have to aggregate—. They only have to aggregate on a Wales basis, and then on an England basis, rather than doing the double aggregation. Isn't that true?

[405] **Ms Favager:** Yes, and they just have to submit it in separate places.

[406] **Jocelyn Davies:** Good point, Mike. Thank you. Any other questions, then, for our witnesses? No. I think it's been a very useful session. Thanks very much for coming along this morning. We'll send you a transcript. If you just have a look at it, just in case there are any errors in it, and let us know. Lovely. Thank you.

[407] **Ms Moore:** Thank you very much for inviting us.

11:19

## **Y Bil Casglu a Rheoli Trethi (Cymru): Sesiwn Dystiolaeth 5 Tax Collection and Management (Wales) Bill: Evidence Session 5**

[408] **Jocelyn Davies:** I think we'll move on to the next item, then, which is

on the same Bill. It'll be evidence session No. 5. We've got the Chartered Institute of Taxation and the Low Incomes Tax Reform Group witnesses. If you'd like to come up to the table. Thank you very much for being with us this morning. Obviously, you've sent us written evidence, which we've all looked at. Would you like to introduce yourselves for the record and then, if it's okay, we'll just go straight into the questions? Shall we start with you, John?

[409] **Mr Cullinane:** I'm John Cullinane and I'm the tax policy director of the Chartered Institute of Taxation and our role is primarily educational, so we set tax exams and so on for professionals, but we also, acting through volunteers in their spare time, comment on draft legislation or consultative documents, usually historically produced by the UK Government.

[410] **Jocelyn Davies:** It's a body of professional tax experts, then.

[411] **Mr Cullinane:** Exactly, yes.

[412] **Jocelyn Davies:** Okay, thank you. Claire.

[413] **Ms Thackaberry:** I'm Claire Thackaberry from the Low Incomes Tax Reform Group. We're part of the CIOT, but we're a charity that represents people on low incomes who can't afford tax professional advice. We mainly specialise in income tax and tax benefits, but our interest in this is not, first, devolved taxes, but the general principles that are being put forward in the collection and management Bill.

[414] **Jocelyn Davies:** Okay. Thank you. I'll start then. Certainly, John, from your written evidence, it recommends that the legislation should be principle based rather than including detailed provisions. We appreciate how this might affect the drafting of the general anti-abuse rule—we didn't have an opportunity earlier on to talk to HMRC about that, but we'll be having written evidence from them—and, of course, the tax-specific provisions, but can you explain how your proposal would operate in relation to this particular Bill?

[415] **Mr Cullinane:** Well, I think the Bill does reflect it in many respects. For example, there are the wide range of possible directions that can be given by Welsh Minister to the WRA and so on. So, I think if you compare it with the historical UK-wide legislation, it's broadly very similar, but it's kind of all set out in one place, and in general at a higher, more principled level, so I think a good opportunity has been taken in that respect.

[416] **Jocelyn Davies:** Okay. I don't know if you wanted to comment on that, Claire, because obviously that was taken from the evidence there, or are you happy with—.

[417] **Ms Thackaberry:** I think our only comment would be to use primary legislation as much as possible and not secondary legislation, especially on areas where there should be a debate in public, such as penalties and things like that. But on the whole, yes, I agree with what John says.

[418] **Jocelyn Davies:** This Bill will introduce significant changes for some taxpayers—not for all, but for some—so what actions do you think are necessary to ensure the most appropriate level of awareness that this is happening?

[419] **Ms Thackaberry:** Obviously with the taxes that are being devolved, it won't affect everybody, but in my experience there is a general disinterest or unawareness to do with tax. So, I think when the taxpayers' charter of standards and values is written and publicised, that's a really good opportunity to let people in Wales know about the Welsh revenue authority, so that, in the future, if other taxes are devolved, people are aware of the values and the standards and what their role is.

[420] **Mr Cullinane:** Yes. I think a lot is going to depend on the individual taxes, as and when they're devolved, because I think what really needs to happen is, as and when a tax is devolved, that thought is going to have to be given to who you want to act differently as a result. So, you know with the land taxes, it'll be very important that solicitors and so on—the established networks for getting news out through solicitors—are dealt with. Of course, it won't just be solicitors in Wales, because in terms of transactions that might be UK-wide or even broader, some of the land in question will fall in Wales. So, it's a question of identifying who needs to act differently and letting them know.

[421] **Jocelyn Davies:** And making it as easy as possible for them to comply.

[422] **Mr Cullinane:** Yes.

[423] **Jocelyn Davies:** You did emphasise the need for good communication by the Welsh revenue authority; do you think it's possible for that to be—. You know, that's a good idea, how can we reflect that in the Bill?

[424] **Mr Cullinane:** Well, I guess the Bill envisages that the Ministers will give the WRA directions and that the WRA, in turn, can delegate, and I guess a lot of the delegation in practice is likely to be to HMRC. In general, there's a good element wrapped up in there that HMRC will apply consistent procedures wherever they should. But I think wherever you want them to do something different, because that is Welsh policy, or it has been decided that the tax is different, it needs to be very clearly reflected in the directions that go through and there needs to be a reporting back of any areas where, if it's HMRC at the bottom of the chain there, they see difficulties, so those things get flushed out and dealt with. Otherwise, you could find that, you know, HMRC feel, 'Well, the powers and so on are pretty similar to the rest of the UK, so we'll just carry on exactly as we are.' While we want consistency as much as possible, you don't want to carry on as if no change had been made.

[425] **Jocelyn Davies:** No. We've heard a lot about why it should be consistent, but isn't this an opportunity, maybe, to have a different approach?

[426] **Mr Cullinane:** Well, indeed, and, you know, I'd be open—. I mean, we took the views of our members, and everybody says, at one level, 'Be consistent', but, at other levels, they've all got their shopping list of things that are wrong—

[427] **Jocelyn Davies:** And things that they'd like to change.

[428] **Mr Cullinane:** Yes, and, as I say, I think, merely by bringing in things together and expressing them in a more coherent way and making some changes, I think we've probably got a good balance.

[429] **Jocelyn Davies:** Okay. Thank you. Claire, you mention in your evidence you're a bit concerned about the digital-by-default approach. Would you like to say a little bit more about that—what your concerns are?

[430] **Ms Thackaberry:** Yes. I think, with these taxes that are being devolved, it will be mainly businesses, so maybe the effect isn't as if it were individuals—. But I think this can't be a one-size-fits-all approach. LITRG were involved in the case LG Bishop Electrical Co v. HMRC regarding the online filing of VAT returns. The tribunal felt in accord with our appellants that HMRC shouldn't just say that it's got to be mandatory filing online without looking at people's human rights. In this case, there were businesses



that were struggling to file online due to disability and also due to poor broadband and internet connection. So, what we're saying is, 'Yes, there are many benefits to using digital and online services, but there must also be an alternative for people who can't do it.' That's our concern.

[431] **Jocelyn Davies:** Can't. What about those people that don't want to do it?

[432] **Ms Thackaberry:** I think there are two elements there. There are people who are confident using the internet for certain things, but don't want to, maybe, do internet banking or file their tax return. I think consideration should be borne in mind if income tax or other taxes are devolved. I mean, I think the taxes that are being devolved at the moment are mainly for businesses, but maybe encouragement rather than a sort of stick approach would be better.

[433] **Jocelyn Davies:** Okay. Thank you. Mike, shall we come to your question?

[434] **Mike Hedges:** Certainly, yes. The White Paper on collecting taxes discussed the need for a general anti-abuse rule. That will apparently be dealt with in a future land transaction tax Bill. Do you think that there could be any difficulty with this not being in the Bill?

[435] **Mr Cullinane:** I think probably not for the two taxes that are coming up first, because—I mean, we don't know the final shape, I suppose, of both, but, certainly, in the UK equivalent of the stamp duty land taxes there's, in fact, possibly over-anti-avoidance, because it's so broadly stated and, if taken literally, it is so wide-ranging that the courts are reluctant to enforce it properly. So, you're, kind of, back to square one. But the problem certainly isn't, you know, a lack of teeth; it's more expressing the kind of anti-avoidance provision more clearly.

[436] We were supportive of a general anti-abuse provision at the UK level, and I think it's probably just something you'll have to, you know, bear in mind as the individual taxes are brought through, because, although it applies to a very broad range of taxes, it doesn't apply to every tax. Actually, the way it's framed fits some taxes better than others.

[437] I think the other thing is that there's been a whole series of measures against tax avoidance because of the public concern over the last 10 to 15

years—one layered on top of another. It doesn't necessarily mean you've got stronger provisions if you've got a massive sort of foliage. It's probably more important to get the provisions right. So, I would certainly keep it on your agenda, but I don't see it as a big problem with the taxes you've got in the foreseeable future.

[438] **Mike Hedges:** Claire, I think you said earlier about how more should be in the Bill rather than being left to secondary legislation. I know that's always a balance—Governments tend to prefer to put things in secondary legislation; legislatures and others prefer to have things in primary legislation. So, can you explain your general concerns about the need to have more in the primary legislation and on the face of the Bill?

11:30

[439] **Ms Thackaberry:** I just think, when there are areas such as penalties and things like that, it should be debated in public, and maybe any amendments to specific sections—it's always best to have that in primary legislation, just because, if it's in secondary legislation, it might not be discussed in detail.

[440] **Mike Hedges:** But, sorry, there's a converse argument, isn't there? If, 40 years ago, we were setting penalties, we may well have set penalties of £5, thinking that was a fairly substantial amount to charge somebody. If we're setting penalties today, we may be setting them at £50 or £75. In 40 or 50 years' time, that may well not be a sufficient penalty to be a penalty. Isn't the danger of putting these things—certainly penalties, for example, and the amount of them—on the face of the Bill that they will become overtaken with time?

[441] **Ms Thackaberry:** I see what you're saying, and I also see the way that you don't want this Bill to be constantly amended, either, but I still think, when there are general principles such as penalties and things, it would be better to discuss them through primary legislation.

[442] **Mike Hedges:** You can discuss the penalty—that there would be a penalty for non-disclosure—but with the size of the penalty, you either do things like index it, so the penalty goes from £50 to £51.37—

[443] **Ms Thackaberry:** No, I understand the point you're making.

[444] **Mike Hedges:** —or you say, ‘We’ll index it to the nearest pound’, so that it goes from £50 to £52, or you don’t index it and you have to have legislation every couple of years to increase it. The principle of having penalties, I would argue—and I suppose you would agree—is useful to have in the primary legislation, but setting it in the primary legislation just means that you have to have continual change—

[445] **Mr Cullinane:** You could express the principle in legislation, so it’s a starting penalty of so much, and then have the regulation-making power to update it periodically, broadly speaking in line with inflation. So, it wouldn’t have to go up to £51.37; you’d wait till it was appropriate to make it £60, or whatever. I mean, there are some provisions in legislation where they do that, but I think probably the concern with too much being in secondary legislation is that, if, suddenly, there’s a massive hike in the penalties or there are penalties being imposed in circumstances where they wouldn’t otherwise have been imposed or without due consideration being given to reasonable excuses and hardship and so on—those are the sorts of things that are of particular concern in being allowed to be delegated to secondary legislation.

[446] **Jocelyn Davies:** So, your concern is not that it should be updated to take account of inflation and so on, over time, but that there should be some constraint on that exercise of that discretion, and some transparency, to avoid the very things that you’re saying.

[447] **Mr Cullinane:** Exactly. You wouldn’t really want the secondary legislation to be introducing completely new principles. That’s the worry, I think.

[448] **Ms Thackaberry:** Yes.

[449] **Jocelyn Davies:** Could I—have you finished your questions, Mike?

[450] **Mike Hedges:** Yes.

[451] **Jocelyn Davies:** Coming back to the GAAR, we’ve been hearing the difference between abuse and avoidance, and I think you were expressing a view about abuse, I guess, were you?

[452] **Mr Cullinane:** Well, we were supportive of the general anti-abuse rule that was introduced in the UK, and we would have had more concerns about

a broader, so-called anti-avoidance rule. I think part of the problem is the problem of defining avoidance. So, most often when you see it defined in UK legislation, literally anything that might lead to a lower tax result than doing things a different way is avoidance. So, any kind of transaction that you could do, you're open to somebody coming along and saying, 'Well, you could have done this instead and it would have led to more tax.' That obviously introduces a lot of uncertainties for businesses who are subject to the tax, and, also, it doesn't necessarily give the Revenue the counterweight because the courts are very reluctant to interpret it completely literally if the literal result is obviously very extreme. So, you tend to create more uncertainty for everybody, whereas the abuse rule allows the Revenue—well, requires the Revenue and then, if it gets to court, the courts—to step back and ask whether, as a result of the steps the taxpayer took, which had a degree of artificiality about them, the end result was unreasonable. To be fair, that is not objective either, but it's kind of an attempt to get the balance into the legislation.

[453] **Jocelyn Davies:** Okay. Peter, shall we come to your questions?

[454] **Peter Black:** Yes. On the subject of balance, does the Bill provide an appropriate balance for the Welsh revenue authority to delegate functions to other bodies while retaining accountability?

[455] **Mr Cullinane:** I think it provides that facility. I think this is probably an area where the Bill is a little bit sketchy, and a lot will depend on reality and how it's done in practice. So, it's the kind of reporting back that is required and the framework for those reports that I think will be crucial.

[456] **Peter Black:** Is there anything more you can add to the Bill to get a bit more clarity or do you think this really is a matter for guidance, contracts, et cetera?

[457] **Mr Cullinane:** Well, as I understand it, however much they delegate, the WRA is responsible. So, I think they have the incentive there to make sure the framework is a good one. For example, some of these issues around avoidance and powers might very well be ones that the WRA might ask for regular reports on from HMRC. If HMRC, who will be administering this legislation alongside non-devolved legislation and alongside the comparable legislation in England, feel they have the powers in one place to deal with it appropriately but they're not up to scratch in the other, it would be good to hear about that fairly quickly. So, I think there probably is a lot to be done to

itemise what needs to be done. I think all those things would fit quite well in delegation to HMRC; obviously, in delegation to other bodies, you'd have other considerations. So, I think it would be difficult to express all that in the Bill, but the principle that the WRA remains responsible is a good one, I think.

[458] **Peter Black:** Is there a risk that the delegated tax collection body might not perform?

[459] **Mr Cullinane:** Well, there is always that risk. I think it's worth stepping back. Obviously, there's an element that these are statistics produced by HMRC, but they are kicked around by experts. They estimate 93 per cent of tax that is due in the UK is collected without really much, if any, intervention by them. Then they go on to estimate what they need to act to bring in and what, probably, doesn't get brought in at all, even though it should be. Internationally, that's a very high level, and you want to not mess that up and build on that. So, notwithstanding there are all kinds of criticisms, like any other body, that could be made of HMRC at any one time, overall, they're acting in a good environment and they have a good record. So, yes, you need to keep an eye on certain things, get reports and so on, and follow up on things that don't appear to be right, but I don't think we should be starting from the point of view that there's a massive failure risk there.

[460] **Peter Black:** Okay. Your evidence refers to the risk of using payment by results for delegated tax collection bodies; can you expand on that issue and how you think we might refer to it in the Bill?

[461] **Ms Thackaberry:** I think our concern is that vulnerable taxpayers could be at risk if there's payment by results on the collection of tax debts. So, our preference would be that, for that particular function, it wouldn't be payment by results but maybe in a different way by the number of cases dealt with—but not actually as a percentage, or whatever, of the tax collected.

[462] **Peter Black:** Of course, the pressure on the Welsh Government is to get as much revenue in as possible.

[463] **Ms Thackaberry:** I appreciate that.

[464] **Peter Black:** So, they'll be looking to put the pressure on the people collecting it for them to deliver that maximum income.

[465] **Ms Thackaberry:** But I think, like with HMRC—. They have a needs enhanced service for when they identify more vulnerable taxpayers so that they're not subject to the stringent debt collection that other taxpayers are. I think it's just an awareness that needs to be there.

[466] **Peter Black:** Okay. Thank you for that. The Minister has stated that HMRC are likely to be the preferred provider to collect devolved taxes. We've already talked to HMRC about how they can tailor their service in such a large established organisation. What's the best way that they should tackle it? I mean, are we looking for regular performance reports to help understand their approach in the Welsh context, or do you think we need specific performance indicators for them?

[467] **Mr Cullinane:** I think so, yes. I think there probably is a temptation to ask for a whole lot of just general detail—good governance theory, if you like, and you have to have a certain element of that. But I'd certainly focus on where you want the outcome to be different because, obviously, if they're administering England and Wales, devolved and non-devolved all together, their costs will be lower and it's inevitable that they'll find it easier to do the same thing. In many respects, the same thing is what the taxpayer is used to and it's joined up between the different taxes. So, I'd focus on either where you want something to be different, or where something is different in the two legislative frameworks and you want to know whether that gives you a problem, like do they for some reason not have the right power to deal with the devolved Welsh legislation that they have elsewhere. You may find, actually, that there will be instances where their powers are better here simply because it will be—

[468] **Peter Black:** Because we have more up-to-date legislation here. Do you have a view on this, Claire?

[469] **Ms Thackaberry:** Yes, I just think you do obviously need to have regular performance reports, but it's not until the system starts that you can see where there are areas where you might need to have more information.

[470] **Peter Black:** Okay, thanks.

[471] **Jocelyn Davies:** Okay, thank you. Nick, shall we come to your questions?

[472] **Nick Ramsay:** Thanks. Good morning. Section 14 allows Welsh

Ministers to give the Welsh revenue authority directions of a general nature. What should be the limits to these directions and should there be a clearer limit set in the Bill?

[473] **Mr Cullinane:** I think the only thing that struck me as a little odd—it wasn't odd that it was there, but—. I guess normally the directions would be published, and that's in the Bill. Then there can be public debate about them. Therefore, I wouldn't have so much concern with them not all being set out in stone in the Bill. It's not totally surprising there should be some facility for directions that weren't made public, but it seemed pretty discretionary to the Ministers whether they would make those directions public or not, and you would think there might be some requirement for the Ministers to reasonably believe the directions ought to be private rather than—. You know, they can make them private if they so wish, which seemed the implication of what was on the face of the Bill.

[474] **Nick Ramsay:** It's very interesting you say that, and it compares with HMRC earlier who said that it was—. Well, I think they thought it was normal not to specify too much but, actually, you think there'd be potential in having the directions specified.

[475] **Mr Cullinane:** If the directions are about areas of concern over the protection of the revenue, and you essentially thought that some category of people were up to no good and you didn't want to tip them off, that would be a kind of good reason. [*Laughter.*]

[476] **Nick Ramsay:** I like your analysis.

[477] **Mr Cullinane:** I mean, I'm not actually a lawyer but it just meant to me as if it was enough for the Minister to say 'Well, I'm not making that particular direction public'. And, you know, it might be worth thinking about whether there should be some provision in there that it was reasonable to believe that, so that it was kind of open to some possibility of challenge.

[478] **Nick Ramsay:** Do you want to come in on that, Claire?

[479] **Ms Thackaberry:** I think it's right that there should be an element of flexibility, because this is an area which is going to change over the next so many years. So, you know, I think it's right that the WRA's role needs to be as flexible as possible with what it does for the Welsh Ministers.

[480] **Nick Ramsay:** Okay, we'll have to find an average between the two of you there, I think. [*Laughter.*] In terms of section 25 of the Bill—indulge me, Chair. It relates to a charter of standards.

[481] **Jocelyn Davies:** I think you've probably got things to say about the charter, Claire. You've certainly said it in your written evidence.

[482] **Ms Thackaberry:** That's an area that we were really pleased was in the Bill. I think it's important that it sets out what's expected from taxpayers and also what's expected from the Welsh revenue authority. And, ideally, we'd like to see it publicised before any taxes are devolved, so before April 2018. And LITRG would like to be involved in any consultations about it.

[483] **Nick Ramsay:** Can I presume, given your last answer on the fact that there isn't much detail about how the charter would operate in the Bill, that you would go along with that as well, because that would provide flexibility? Or would you have a different view?

11:45

[484] **Ms Thackaberry:** Yes, I think the role of the charter—. You say it's a charter of standards and values. I think that it should be regularly reviewed, and so, if it's in the Bill, that could lead to an issue, with a change of legislation. So, yes, we think that all the details shouldn't be in the Bill.

[485] **Nick Ramsay:** That's interesting. I think the Bill has in it that it should be looked at from time to time, which I did question last week. It seemed a bit of a random expression. 'Regularly' would probably be better than from century to century. [*Laughter.*] Do you want to come in on that?

[486] **Mr Cullinane:** I agree with everything that's been said, and I'm pleased that it's been given a statutory footing. I think there's a tendency with these charters to go for a lot of motherhood and apple pie; high-sounding delivery promises that are not very meaningful, so they're easy to be met. What would be very good—although, frankly, it would be more difficult for the authorities concerned—would be to be as specific as possible, even if the service isn't ideally what you would want, with a view to actually trying to get some real improvement. As HMRC's budget, like all Government departments, has been squeezed, and they themselves try to become more 'efficient', there is inevitably a tendency to focus on the big taxpayers and your relationship with the big taxpayers, where the big money is coming from, and sometimes,



there is a feeling that the smaller businesses and the more vulnerable taxpayers find it hard to get the phone answered and things of that sort. You can't change the realities of life totally, and rather than make high-sounding promises that never come to anything, I think to keep the pressure there around specifics might be a thing worthwhile doing. But I don't think you could do that in the Bill; I think that that might be something to use the fact that there is a statutory basis to try and force over time.

[487] **Nick Ramsay:** Can I be a bit mischievous, Chair, and ask John a question? In the evidence session that we just had with HMRC, they think their charter is very good. Just within these four walls—we won't tell anybody—do you think their charter—. They will obviously have a view that their charter is great. Do you think that, often, from outside, the experience of these charters isn't that it really does what it says on the tin?

[488] **Mr Cullinane:** There was a history to the charter at a UK-wide level. There was a political initiative by the Prime Minister at the time, and I think, frankly, HMRC didn't like it at first, and it didn't have a statutory footing. I think, to be honest, there was a little bit of mischievousness by outside commentators saying 'You haven't replied to my letter yet and the charter says you should have done', and people tried to use it to score points a little bit. So, I think there was a kind of history that they didn't entirely like. Also, we've been talking about things like the anti-avoidance rules and so on, and at that time, probably, the avoidance procedures were relatively weak, so HMRC felt they were kind of being beaten up by this charter, where people could run rings around them. So, I think there was that whole history. But I think you're starting from a completely different place and you have the opportunity to do something a bit better with it.

[489] **Nick Ramsay:** Do you want to comment on that, Claire?

[490] **Ms Thackaberry:** No, I agree with John, but I think the charter is only good if people know about it and know what it stands for. There's no point having a charter hidden away on a website somewhere; people really need to know what it's about.

[491] **Nick Ramsay:** Memories are coming back to me of the citizen's charter of the early 90s, Chair, but I'm going to dismiss those rapidly, I think.

[492] **Jocelyn Davies:** But the legislation does say—. You've got it there, Nick—

[493] **Nick Ramsay:** Yes, I read it before I go to sleep every night. [*Laughter.*]

[494] **Jocelyn Davies:** Well, this section you should know off by heart; you've asked plenty of questions on it. It says 'aspire'; should 'aspire'. Do you think that's strong enough, just to aspire to abide by the charter? And do you think that all the staff that work for HMRC know the charter; do they know how they are supposed to behave?

[495] **Mr Cullinane:** I think over time—I would say, yes, it has got bedded in. There are probably wave after wave of initiatives to promote the idea of service to the tax-paying public, as well as collecting the money off them. But they are under a lot of pressures. I think the trouble with making too many actual standard, required by law, is: what do you do if it just can't be done? Because they do have costs and competing pressures.

[496] **Jocelyn Davies:** But have you seen the word 'aspire' in legislation before?

[497] **Mr Cullinane:** I think there are other parts of legislation where people have to make reasonable efforts or do what's reasonably practicable.

[498] **Jocelyn Davies:** That's slightly different. There is a legal definition for 'reasonably practicable', isn't there? But 'aspire'—what does that mean?

[499] **Mr Cullinane:** I think you can tell, in a way, whether people are honestly aspiring to something, in the way that they carry out a service.

[500] **Jocelyn Davies:** You don't see a problem with that term then. Claire, do you see a problem with that term?

[501] **Ms Thackaberry:** The chairman of LITRG is actually on the charter committee, so if it would be helpful, I could speak to him about it and send you some written evidence on it. Would that help?

[502] **Jocelyn Davies:** Yes. Perhaps it's something we'll consider about that word. I can imagine on a weekend, my daughter saying that she's 'aspiring' to keep her bedroom tidy, and that's never going to happen.

[503] Okay, Nick, have you finished with yours?

[504] **Nick Ramsay:** Yes. Oh, actually, no, I don't think I have.

[505] **Jocelyn Davies:** I think you have.

[506] **Nick Ramsay:** Yes, I have actually; you've answered all my questions.

[507] **Jocelyn Davies:** Shall we move on to your questions, Julie?

[508] **Julie Morgan:** Yes, thank you. I wanted to ask about the HMRC's time-to-pay arrangements. I know you say in your evidence that you think that that should be included in the Welsh revenue authority's plans. I wondered if you could explain why you think that and also whether you think it should be in the Bill.

[509] **Mr Cullinane:** I think it is reasonable to keep it at a more secondary level because I don't think—. We're definitely supportive of time to pay. The time-to-pay arrangements came in in the UK in the depths of the recent recession to try to avoid too widespread a situation of businesses being bankrupted and so on, mainly because the business had deteriorated, but the first big bill that came up would be the tax bill or the pay-as-you-earn bill or something like that. It's definitely very good to have that facility, but, of course, if you normalise it too much, then it's not just about the businesses themselves, but how others react to it. So, for example, we became aware of cases where lending banks were saying, 'Well, before we renew your line of credit, you've got to go and get time to pay off HMRC', so then gradually HMRC is being put in a position of being a regular lender. So, you've got to keep a degree of judgment and exceptionality about it, otherwise, frankly, it does get out of hand, from the point of view of the public purse.

[510] **Julie Morgan:** So, it could be secondary legislation.

[511] **Mr Cullinane:** I think so.

[512] **Julie Morgan:** But you're very supportive of it.

[513] **Mr Cullinane:** Yes, exactly.

[514] **Ms Thackaberry:** We're supportive of it as well. I agree with what John says about it: it shouldn't be the norm, but I think it's good to have a system to take taxpayers who have become non-compliant back into being compliant again through payment of tax over time.

[515] **Julie Morgan:** Obviously, that came in during hard times, but is it something you think that should be there for all times?

[516] **Mr Cullinane:** The harder times are, the more widespread you're going to find the use of it, but there's always going to be individual circumstances or taxpayers in particularly difficult situations. It is a little bit distressing to see bankruptcies and repossessions and so on brought about by a tax bill. You can't ever say that that can never happen because, ultimately then, the whole tax system would collapse unless there were teeth at the end of the day. But I think it's reasonable to keep under review, in good times or bad, whether there are exceptional circumstances which mean that you should hold off.

[517] **Julie Morgan:** Right, thank you. I think we've already touched on this, but how do you think that the Welsh revenue authority can ensure that the needs of all taxpayers are provided for, while trying to maximise the costs—the benefits?

[518] **Mr Cullinane:** I think this is an area where, you know, I'm not surprised our colleagues in LITRG are particularly concerned about the charter, because this is an area where things like the charter, and how that fleshes out and the particular directions that are given, are important. Obviously, the prime responsibility is to collect the revenue, and that's become very—. HMRC have been subject to a lot of cost-efficiency reviews over the years, understandably and rightly so, but the natural focus, left unchecked, will be to maximise the revenue, and the position of particular groups of taxpayers, particularly vulnerable taxpayers, has to be borne in mind.

[519] **Ms Thackaberry:** I think there are things you can do. Take HMRC, they've closed down a lot of their offices, but then they've got the needs-enhanced services that they've worked on with other tax charities to make sure that there is a network of help available for people who are more vulnerable. So, I think, obviously, you want to use a more efficient route as far as possible, but there are things you can do to help more vulnerable taxpayers as well.

[520] **Julie Morgan:** And, do you think there's enough help, there, available? I'm aware of—. One of those points was closed down in my constituency and there was a lot of upset about it.

[521] **Ms Thackaberry:** Well, there's a lot of voluntary organisations that have had to step in, and we've been involved with the needs enhanced support project to make sure that we think it's working. But I think if you talk to groups like Tax Help for Older People or TaxAid, or even LITRG, we've had a lot more website queries and I know the other tax charities have been inundated. Whether that's partly because of the offices closing down, and also the information being moved over to gov.uk seems to have affected a lot of people as well.

[522] **Julie Morgan:** So, the voluntary sector's had to step in.

[523] **Ms Thackaberry:** Yes.

[524] **Julie Morgan:** Thank you.

[525] **Jocelyn Davies:** Okay; thank you. Ffred.

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| <p>[526] <b>Alun Ffred Jones:</b> A gaf i jest ofyn cwestiwn neu ddau ynglŷn â chostau'r Bil? Nid yw'r asesiad effaith rheoleiddiol yn cynnwys amcangyfrif o gostau sefydlu awdurdod cyllid Cymru, dim ond costau cyfatebol Cyllid yr Alban. A ydych chi'n credu bod hyn yn bryder?</p> | <p><b>Alun Ffred Jones:</b> Can I just ask a question about the costs of the Bill, please? The regulatory impact assessment doesn't include an estimate of the cost of establishing WRA, it only includes the equivalent cost at Revenue Scotland. Is this a concern?</p> |
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[527] **Mr Cullinane:** I did notice some costs in there; maybe they were the costs you were referring to, specifically in relation to the cost of WRA, but—. I think, frankly, with these regulatory assessments, it's sometimes very difficult to estimate costs. The things we normally pick up from our members are more the costs imposed on taxpayers and their advisers, and, frankly, we're challenged to quantify that, because each particular regulatory burden is usually a little bit extra to a whole range of things you always have to do. So, I think quantifying is a bit of a challenge. I don't know, frankly, that we have a great deal of expertise in the costs of running Government departments, so I can see, if things aren't comprehensive, it is a concern, but costing these things is very, very hard, in my experience.

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| <p>[528] <b>Alun Ffred Jones:</b> Ac, rydych chi yn dweud yn eich tystiolaeth ei bod hi'n bwysig bod awdurdod cyllid</p> | <p><b>Alun Ffred Jones:</b> And, you say in your evidence that it's very important that the Welsh revenue authority has</p> |
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Cymru yn cael ei hariannu'n sufficient funding. Can this be ddigonol. A oes posib adlewyrchu reflected in the Bill? Do you think it hynny yn y Bil? A ddylai fo gael ei should be reflected in the Bill? adlewyrchu yn y Bil?

[529] **Mr Cullinane:** I'm not sure how effective legislation is when the Government is, sort of, trying to bind itself, as it were. When Acts of Parliament set out declaratory things and what ought to be the case, as opposed to very clear changes in the rules, I'm not sure how effective that actually is. It clearly is important that the authority has the money to operate. I'm not sure, to be honest, as advisers, we have a great deal of particular insight into that.

[530] **Jocelyn Davies:** Okay. Jenny?

[531] **Jenny Rathbone:** Do you think there should be a limit set for the proportion of the revenue raised by devolved taxes to be taken up by collection costs?

[532] **Mr Cullinane:** I don't know that we've canvassed our members' views very widely on that particular question, to be honest. I would tend to think it's very important to be aware of what the collection costs are in relation to legislation, but not to say it could never exceed a certain amount, because then you might find that tax authorities behave a bit oddly.

12:00

[533] Supposing some piece of legislation is a bit more difficult to interpret than has been identified when it went through, or, supposing it does affect some particular group or even individual particularly badly, you wouldn't want to create a kind of situation where they almost had to not give good service in that case. The important thing is that the fact that that cost has been greater than you might have expected gets reported back and there's an opportunity to correct it, rather than to say it must never happen.

[534] **Jenny Rathbone:** Okay. I think I'm slightly fettered here, because we ran out of time to ask HMRC whether they envisaged it would be a fixed sum or a sum based on the volume of business in collecting costs. Apart from the running costs of the Welsh revenue authority, which, at the moment, we think is going to be handled by HMRC, how can Welsh Government assess whether there are any additional costs to taxpayers?

[535] **Ms Thackaberry:** I think it's mainly going to be time spent in understanding a new system. Previously, when there have been big changes, such as the introduction of real-time information for pay as you earn and for corporation tax when a new filing system came on line, certain bodies did surveys of their members. I know CIOT did one, and HMRC have, for small businesses. So, I think it would, maybe, be worth the Law Society or CIOT, or someone, maybe doing a survey to see how much time businesses are spending, because that would give an idea of what additional costs there may be.

[536] **Jenny Rathbone:** Okay, but, obviously, communications and the simplicity of the Bill are things that can limit both of those.

[537] **Ms Thackaberry:** Agreed.

[538] **Jenny Rathbone:** Do you have anything that you want to add?

[539] **Mr Cullinane:** No, I think all the business bodies and bodies like our own regularly pick up anecdotal evidence. It is quite hard to quantify it, and I think you just have to, to some extent, go by the general level of noise and, also, its reasonableness; you can't just believe everything you're told. From time to time, if the issue is big enough to conduct surveys and so on, I think it's just a Forth-bridge job, to be honest.

[540] **Jenny Rathbone:** Okay, thank you.

[541] **Jocelyn Davies:** Okay? Chris.

[542] **Christine Chapman:** Thank you. I just want to ask you about the powers of investigation and enforcement. In the Bill, the explanatory memorandum says that most of the Bill's provisions for these powers are:

[543] 'consistent with those currently imposed by HMRC'.

[544] Do you think there's scope for considering alternative powers to those given to HMRC?

[545] **Mr Cullinane:** In principle, yes. What tends to happen with HMRC powers over time is that new ones are introduced and there's a bewildering array of them, and they very rarely give up the ones they've had before,

although some just become less—often used and some of the powers overlap. So, I think there's probably a wide range of powers, and you've probably got them expressed in a more simplified joined-up sort of form, and I would think that would be to your advantage. I think, probably, what's more interesting, perhaps, is what might happen over time, simply because of the rate at which new powers are being added. So, there are UK Bills going through at the moment about direct access to people's bank accounts, and about criminal sanctions against companies and against third parties involved, whether they're banks or, indeed, in some cases, our members. So, there's a whole range of things, each of which raise considerations of their own. So, this might be an area in which you might want reports back from HMRC.

[546] In general, even though you might think you'll be behind the curve with it—you're not introducing all these things as fast as they're being introduced in UK legislation—you do have the opportunity to see it as it happens and make more sense of it. So, there is a sort of balance there. To make the balance work best, you might want reports particularly focusing on whether different powers in the two jurisdictions are actually causing them a problem. I suspect, though, in many cases, where it's theoretically different, it doesn't really make much difference because so many of these things overlap.

[547] **Christine Chapman:** Okay. Claire, have you got—?

[548] **Ms Thackaberry:** No, I agree with that.

[549] **Christine Chapman:** Looking to the future, do you think the Bill would need to be revised in the future to mirror any changes to the legislation governing HMRC? Do you think that's a possibility?

[550] **Mr Cullinane:** Well, I guess it could happen. You've seen for years, even in the quite early stages of devolution, that Acts of Parliament and all sorts of things have to have different provisions for updating and amending provisions. So, yes, it could happen.

[551] **Ms Thackaberry:** I think it would just depend on what the changes were and the circumstances. So, to look at it on a case-by-case basis.

[552] **Christine Chapman:** You don't see any particular problem or any issue; it's just something that would happen.



[553] **Ms Thackaberry:** No.

[554] **Christine Chapman:** Okay. Thanks.

[555] **Jocelyn Davies:** Okay? Right. Thank you very much. We'll produce a transcript, and if you'd have a look at it, just for errors, we'd be very grateful.

12:05

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd  
o'r Cyfarfod  
Motion Under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu that the committee resolves to  
gwahardd y cyhoedd o'r cyfarfod yn unol â Rheol Sefydlog 17.42.*

*exclude the public from the meeting  
in accordance with Standing Order  
17.42.*

*Cynigiwyd y cynnig.*

*Motion moved.*

[556] **Jocelyn Davies:** I now propose that we go into private session under Standing Order 17.42. Is everybody happy? Yes. Lovely. Thank you. Thanks very much.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12:05.*

*The public part of the meeting ended at 12:05.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 13:31.*

*The committee reconvened in public at 13:31.*

**Cyllideb Ddrafft Comisiwn y Cynulliad ar gyfer 2016–17: Sesiwn  
Dystiolaeth 1  
Assembly Commission Draft Budget 2016–17: Evidence Session 1**

[557] **Jocelyn Davies:** Good afternoon and welcome to a meeting of the Assembly's Finance Committee. We're on item No. 9 and this is the Assembly Commission draft budget 2016–17. This is our first evidence session and I imagine it'll be the only one that we'll hold on this particular item. You'll note that Peter Black is not here and that's because he's a commissioner, so he's not allowed to be here for this item. We are expecting Julie Morgan and Jenny Rathbone to join us shortly. If you'd like to introduce yourselves for the record and then, if it's okay, I'll just go straight into the—. Unless you've got—

[558] **The Deputy Presiding Officer (David Melding):** I've got a very short statement, if you would—.

[559] **Jocelyn Davies:** Fine. Introduce yourselves, make your statement, and then we'll go into questions.

[560] **David Melding:** Prynhawn da, Gadeirydd. I'm delighted to be here representing the Commission. I'm joined by Claire Clancy who is, of course, the clerk to the Commission and chief executive and Nicola Callow is the finance director. So, we're delighted to be here this afternoon.

[561] Can I just say that the draft 2016–17 budget aims to provide stability and ensure continued delivery of excellent services to Members in the next Assembly, whilst allowing the new Commission to establish its own goals and priorities for the future? We're seeking funds of £52 million: £36.5 million of that to cover Commission service provision, and £15.5 million to meet the remuneration board's determination. We're also seeking £2.5 million in a ring-fenced election-related budget and also £1.5 million in annually managed expenditure, just to make some pension scheme accounting adjustments. So, with that, I'd be delighted to move to questions.

[562] **Jocelyn Davies:** Thank you, and thank you for that breakdown and that explanation. Now, the budget for the core Commission services will slightly increase—I think it's 0.1 of a million, yes? Which, I suppose, because it's of a million, is still a lot of money. And there's clearly some uncertainty about how the new Assembly will wish to structure the committees and so on. I

mean, that's a matter for the new Assembly. So, have you taken account of this in the budget and what flexibility is there in the budget to accommodate future changes that we won't know at the moment?

[563] **David Melding:** Well, it's not quite as static as that might imply. There are going to be very particular challenges, which we can clearly anticipate now, in terms of the fifth Assembly, so there is a need to increase staffing in certain areas—one of them financial scrutiny, which, I'm sure has been something that you've spent a lot of time on this morning and may have views on, as well. So, there is flexibility in the approach and also in what we've anticipated in terms of the immediate demands that are going to be faced by the fifth Assembly; so, how committees need to be supported, in particular, will be a real priority for us.

[564] **Jocelyn Davies:** Okay. You mentioned the remuneration board, and, obviously, that's outside of the Commission's and the Assembly's control. How have you calculated the estimate of £15.5 million for 2016–17? How confident can you be, as it's out of your control, that that is going to be an accurate figure?

[565] **David Melding:** Well, the approach is: what would the cost of the determination be if it was drawn down in full? So, that's what we have to plan for, although, you know, it may be fair to say that it's unlikely to be drawn down in full. But we obviously can't be in a position of all AMs then drawing down their full allocations and then we would not be in a position to meet them. That is not an acceptable way to plan for next year's budget, so that's the methodology.

[566] **Jocelyn Davies:** So, that's the sort of worst-case scenario, that everything that was available—

[567] **David Melding:** Yes. If the determination was fully claimed, then that's what it would cost.

[568] **Jocelyn Davies:** So, that's how you calculate it. Okay. So, have you changed your method of estimating these costs since 2014–15? These accounts show a £772,000 underspend on approved budgets in this area.

[569] **David Melding:** Well, I'll ask my colleagues to follow that up, but, as I indicated, not all allowances are claimed, so there does end up being some flexibility, usually. Nicola, do you—

[570] **Jocelyn Davies:** Is that what accounts for that, Nicola—the fact that not everybody’s claiming everything that they could, or they’re not carrying out all the activities that could be funded legally?

[571] **Ms Callow:** Correct. In terms of the £775,000 that we didn’t utilise in 2014–15, which Public Accounts Committee scrutinised us on earlier this week, that is made up of the amount of the determination and the allowances that are available to Assembly Members that Assembly Members haven’t yet accessed. That will be, as you appreciate, for a range of reasons, and we usually find that, particularly in the last year of an Assembly and the very first year of an Assembly, there is far more volatility than usual.

[572] **Jocelyn Davies:** What accounts for that—because people leave jobs, so you’re not employing the same amount of staff or—. Setting-up costs of offices and that sort of thing—.

[573] **Ms Callow:** Well, certainly in the first year of an Assembly, there’ll be more set-up costs than usual. Likewise, because of that reason, in the last year of the Assembly, there are less of those type of costs available. However, there are still, during the period of the Assembly, moves that do happen, and those are provided for in the determination. Likewise, there’s quite a fair amount of turnover of support staff and there will be savings that arise from posts that might be vacant for—

[574] **Jocelyn Davies:** A period of time.

[575] **Ms Callow:** Yes.

[576] **Jocelyn Davies:** Or not filled because there’s an election coming up. Mike, did you want to ask a supplementary on that?

[577] **Mike Hedges:** On this, I mean, there was a time when there were only 58 Assembly Members, then we went up to 59, before the two vacancies were filled. Was there any saving during that time? There were two people who went out—to put it less subtly, two members of your group, David, went to Westminster. They both resigned as Members of the Assembly, and then there was a time lag before two additional regional Members were appointed.

[578] **David Melding:** I have no idea how it’s worked out, but probably the costs of the new Members would have offset any savings made. But it was a

short period between, wasn't it?

[579] **Mike Hedges:** There was a time lag of about a week for one and about two weeks for the other.

[580] **David Melding:** I'm sure we could investigate this, but I don't know the immediate—

[581] **Jocelyn Davies:** Yes, and I guess that, if an Assembly Member left under those circumstances, wouldn't their staff be entitled to redundancy, if they weren't going to be taken on by somebody else?

[582] **Mrs Clancy:** Yes. So, there may well have been a small variation because of that change, but there are other changes, frankly, which would have more significant impact on the budget, so—.

[583] **Jocelyn Davies:** Okay. What's the latest estimate of the variance from the approved budget of £14.5 million to the current 2015–16 financial year?

[584] **Ms Callow:** At this point in the financial year—so, we're halfway through the financial year—the savings that we've achieved so far are in the order of £400,000 to £500,000 on the Assembly Members' side of the budget.

[585] **Jocelyn Davies:** Okay. Thank you. Chris, shall we come to your questions?

[586] **Christine Chapman:** Thanks, Chair. In your budget, it does include an estimate of £2.5 million pre-election costs, and I just wonder—. Could you tell us a little bit more about what this is going to fund?

[587] **David Melding:** Well, I'll just give a very broad answer. We prepare for a certain number of Assembly Members leaving, obviously new Assembly Members then taking their place, and primarily it's to meet those costs—so, the wind-up costs, and the severance costs, and then the costs of setting up new offices for new Members.

[588] **Mrs Clancy:** It's not pre-election costs; it's the total cost surrounding the election, but, specifically within that, there's the resettlement grant, redundancy payments to Assembly Member support staff, and also a smaller pot for out-placement services that the Commission approved recently. So,

there's no discretion over how much those payments end up being. They're automatically calculated, and any amount that's left will be returned in a supplementary budget, so it's not then used for other purposes within the Commission. So, it's very much related to resettlement costs, redundancy costs, the out-placement service, and then any balance—. We calculate on the basis of 50 per cent turnover. It's highly unlikely that it's going to be that, and so we will be returning some money to the Welsh block.

[589] **Jocelyn Davies:** Again, you're overestimating the—. You know, that would be a worst-case scenario for most of us, I think. I ought to declare an interest in that I've already said that I'm leaving, but not everybody can tell you that they're leaving, because you expect some people to lose elections and new people come in, and all sorts of things. So, do you use the same figure every time, the 50 per cent? So, rather than trying to work out who's likely to lose their seat, you just use this: 'If half of the current Assembly was not returned, this would be the scenario'.

[590] **Mrs Clancy:** We used 50 per cent last time, just to err on the side of caution.

[591] **Jocelyn Davies:** What was the percentage of turnover last time? I can't recall.

[592] **Mrs Clancy:** We had 23 new Members, and the actual cost was £1.576 million for the specific election-related expenses.

[593] **Jocelyn Davies:** Okay, then.

[594] **Christine Chapman:** Just to follow up on that, obviously we are very much in the public eye, which is fine—that is right and appropriate. But what would you say, how would you respond, to the idea that this particular allocation does represent optimum value for money and that costs to the taxpayer will be minimised?

[595] **David Melding:** Well, they're costs that are drawn down when Assembly Members make these claims. So, in a way, there's no discretion on our part in terms of value-for-money indicators, or whatever. We have to be prepared to meet those costs, which is why we have a fairly conservative estimate of 50 per cent turnover, but they are there, they are set, and people know what these entitlements are, and, as you've seen from the figures for last time, they rarely meet the budget that we ask for, but we have to plan on

a basis that, should that turnover occur, these costs then immediately become liabilities on us and we've got to meet them. So that's why we use this methodology.

[596] **Mrs Clancy:** Just to clarify, these are all set out in the remuneration board's determination for the fifth Assembly, so they're part of the package of funding that the Commission is obliged to make available. So, it's kind of dictated, really.

[597] **Christine Chapman:** Okay. Just another question, now—the capital budget has contracted from £732,000 to £250,000 in 2016–17. What plans do you have for utilising the capital budget in 2016–17?

[598] **David Melding:** I'll first ask Nicola to explain the fairly technical reasons that have led to this contraction.

[599] **Ms Callow:** Certainly. So, because of the significant change that we've made in providing our ICT services, we assessed the accounting policies that we were using for ICT equipment, and, because of this change in service delivery, we've been able to plan for the future now on the basis that a lot of the ICT expenditure that we'll be incurring in the future will be revenue rather than capital, and that is really the change that you're seeing reflected in our budget assumptions. We will still do the same amount of work in terms of reviewing all expenditure throughout the year to identify those things that are truly capital that remain within our accounting policy and need to be capitalised; we will still do that, it's just that we now expect, because of this ICT change, that it will be significantly lower than we've seen in past years.

13:45

[600] **Christine Chapman:** Okay. Thank you. And a final question from me: in annex 2, you give a breakdown of expenditure and budget—in annex 2 of the budget document for 2011–12 to 2015–16. Now, this was to aid transparency and accessibility. Do you have a similar breakdown for the proposed 2016–17 budget?

[601] **Ms Callow:** We do indeed have such a breakdown, because we keep track of these key areas. You'll see in the annex before that one that we've summarised the figures for you. The purpose of annex 2 was to give a flavour of the change over the fourth Assembly.

[602] **Christine Chapman:** Okay. Thank you.

[603] **Jocelyn Davies:** What about your priorities, then? How do you prioritise resources when you are preparing the estimate? What evidence do you use? How do you come to your decisions, in terms of priorities?

[604] **David Melding:** Well, there's a strategic approach. We review performance, via business cases and the investment and resourcing board in terms of capital expenditure and developments. The work to prepare for the fifth Assembly reflects our ongoing review of how we're doing and what we can anticipate are going to be additional demands. There are surveys we conduct with staff and Members, and responses to the initiatives we've had in the fourth Assembly, like continuing professional development. That's been a great success, so that budget has increased. So, it's really constant review and ensuring that we get efficiency and effectiveness in our main budget lines. But perhaps a more technical answer might be available.

[605] **Jocelyn Davies:** I just wondered: do you consult the public, ever, about whether you've got the right priorities?

[606] **Mrs Clancy:** We don't consult the public on the Commission's priorities, apart from publishing the annual report and accounts, and our strategy. So, all the Commission's main documents are available for the public. It would be more Assembly Members, actually, because obviously the Assembly Commission is there to provide services to the Assembly and to Assembly Members, and so through the feedback mechanisms that we've got, adjusting the work that we're doing, as David said, and also knowing what's coming along in terms of the demands of the legislative programme and constitutional change. So, in the late spring, the Commission takes a first look at what it wants the budget strategy to be, and, at that point, we're saying that definitely the demands of the legislative programme need to be one of the top priorities.

[607] Thinking forward to the end of this Assembly and the beginning of the next, an enhanced approach to continuous professional development for Members and their staff in particular, and then the work around constitutional change. This investment is not just for the future, when that constitutional change is actually happening, but the Commission has already invested in our strategic transformation team and the ability for us to have people who are expert on this, indeed, to influence the agenda to make sure



we're putting forward submissions to the Secretary of State and the Wales Office, and to select committees in Westminster to influence the thinking about the shape of the future constitutional agenda. So, this was the discussion the Commission had back in the spring, and, from that, we then take forward—. So, what's that going to mean in terms of the budget allocations? Of course, a very large proportion of the Commission services budget is staff.

[608] **Jocelyn Davies:** Yes. Did you look at best practice elsewhere and what goes on in other institutions?

[609] **David Melding:** We certainly do. For instance, the review of the Record of Proceedings at the moment, and that's reflecting very much on practice in Westminster, Edinburgh and Belfast. So, that's a key part of what we seek to do.

[610] **Jocelyn Davies:** And the feedback—you say a lot of this is based on feedback from Assembly Members. What percentage of Assembly Members feed back to you, because you did surveys, didn't you?

[611] **David Melding:** It's usually in the mid 30s, I think.

[612] **Jocelyn Davies:** The percentage.

[613] **David Melding:** Sorry, as a total number. So, it would be well over fifty per cent. We'll come back and confirm that, but it's in that order, I think.

[614] **Jocelyn Davies:** Okay, thanks. Mike, shall we come to your questions?

[615] **Mike Hedges:** Three areas on ICT: the first one is the website and the intranet. I think the intranet is cluttered and if I was—

[616] **Jocelyn Davies:** You're getting feedback now. The percentage has just gone up.

[617] **Mike Hedges:** And if I was designing it, I certainly wouldn't—. I mean, the white space of 30 per cent, which is what people tend to aim for, I'm sure you're not making. If you are, you must be just making it. We met with a group of people under Chatham House rules, but one thing we did get was, at worst, describing the website as impenetrable, difficult to navigate and okay as long as you know where you're trying to get to.

[618] **Alun Ffred Jones:** Don't hold back, Mike. [*Laughter.*]

[619] **Mike Hedges:** Are you intending to spend any money on improving both the intranet and the website, because sometimes you could have a website which may well have everything on it? Certainly, a number of local authorities have everything on it, and I quite often search for local government council by-election results, and sometimes I know what I'm looking for, I know a little bit about ICT and finding it can be incredibly lengthy and time-consuming. So, are you going to spend some money trying to improve both?

[620] **David Melding:** We accept this criticism, and I think it was certainly apparent to us that we needed to work in this area, particularly the website. I think the weight that is now being added to this particular demand is through this week's scrutiny, if I may say so—the Public Accounts Committee made a similar point. And, you know, the feedback you've quoted is not good to hear. We need a system that's efficient, accessible to citizens, usable by them, and it's a key way that many will engage with is, because, around the country, a local community may be concerned about a particular policy and they may want to interact with us, you know, once every four or five years only. But it's critical when they do and they need to be able to find out appropriate information. So, this is a vital window for us, and I think it's fair to say that I can anticipate the next Commission identifying this as one of its priorities.

[621] **Mike Hedges:** Can I congratulate you on bringing ICT back in-house? I think that it's produced a better service and a cheaper service, and if you can get better and cheaper at the same time I think most people would be happy. As to the services that you have that are outsourced, when they come to the end of their time and if there are any coming up in the next 12 months, are you going to also have a further review to see if you can get a cheaper and better service in-house?

[622] **David Melding:** Can I thank you for the kind things you've said about the ICT project? It's a key development for us, I think, in the fourth Assembly and, you know, delivered through the great professionalism and foresight of the staff involved. And we're seeing that in the Members' satisfaction as well, that it really has led to an improved service as well as given us flexibility and also savings that can be invested. I think it's fair to say that, in all procurement and development of services, as contracts end they will be

thoroughly reviewed. But I'm not sure we would just accept it as a general policy to try to in-source as much as possible; it has to be on a case-by-case basis, but this has demonstrated that it is something that should be considered in the mix. Nicola, do you want to add anything to that?

[623] **Ms Callow:** Certainly, just to say that some of the services where we do have significant contracts, such as with our cleaning, our catering contracts and our facilities management, those would be areas that, when the contracts come up, we take a careful look at to see whether there's any benefit in having them closer to us in our control, and, thus far, we have found that not to be the case as they are a step removed away from our core business. Whereas with the broadcasting contract, for example, which is another significant contract that we have, as part of the process of making sure that we understood what we needed from the next iteration of such a service, we did actually review to see what we needed and whether we were the ones that could provide it. And, again, as part of that business case process, we confirmed that it wasn't appropriate and therefore took the step to go out to the market. So, we have a history of doing this, and it is most certainly our intention to keep doing this because it does ensure that value-for-money opportunities are taken advantage of, as well as making sure that changes in service provision as we go forward throughout the fifth Assembly can be met.

[624] **Mike Hedges:** And you've produced a cost-benefit analysis, and that's been made available to the appropriate commissioners.

[625] **Ms Callow:** Yes, indeed, but if it doesn't go through the commissioners because of the value, it goes through our own investment and resourcing board, which meets every two weeks and reviews such financial resource requests.

[626] **Mike Hedges:** Thank you for that. My final question is on something I don't quite understand. The Commission's core ICT service is anticipated to be £3.7 million, but, on page 18, annex 1, it shows £2.6 million ICT costs. Where's the other £1.1 million?

[627] **Ms Callow:** Staff. In annex 1, we're showing the non-staff expenditure, so the operating costs associated with it.

[628] **Mike Hedges:** Then you add the £1.1 to get to £3.7.

[629] **Ms Callow:** Yes.

[630] **Mike Hedges:** Okay. Thank you.

[631] **Jocelyn Davies:** I think I can concur with Mike on the website, and, certainly, the people that we were speaking to were professionals who were used to using websites. So, I don't know how the public manages, but I'd certainly concur with that. Ffred, shall we come to your questions?

[632] **Alun Ffred Jones:** Rwy'n mynd i ofyn cwestiwn am y gwasanaethau dwyieithog a Chofnod y Trafodion. Rydych chi wedi symleiddio'r gwaith o gynhyrchu Cofnod y Trafodion i ddileu rhannau o'r broses—a'ch geiriau chi yw'r rhain—'nad oes mo'u hangen bellach o bosib', fel y nodwyd yn yr adolygiad. Felly, beth yw'r symleiddio yna?

**Alun Ffred Jones:** I'm going to ask a question on the bilingual services and the Record of Proceedings. You have streamlined the work of producing the Record of Proceedings to remove parts of the process—and these are your words—'that are potentially no longer required', as identified in the review. So, what is that streamlining?

[633] **David Melding:** I'll ask Claire to start.

[634] **Mrs Clancy:** The review of the Record of Proceedings has been completed and there is a report going to the Commission in November. There were three main conclusions from that: that people wanted data that was more easily accessible, in a usable format, and capable of being deployed in different places, so they could pull out our data and make use of it elsewhere. So, those fundamental conclusions from the review will be taken forward by the Commission for implementation in the fifth Assembly. However, in the meantime, to answer your question, the things that have changed to streamline have included, for example, changes to the process for proofreading committee papers, which has been lightened, saving 16 hours a week of editing time. We're currently running a trial to stop having editors coming into the Chamber for Plenary logging and doing it using technology instead, and, if that works, without a degradation of the Record, then that will be a fairly significant saving, and that pilot will be completed by October.

[635] **Jocelyn Davies:** Sorry to interrupt, but what does that mean? What's the difference?

[636] **Mrs Clancy:** Did you notice that editors come in and out of the Chamber at the back, near to where Nick sits? They make notes, they make manuscript notes, and we do it in committee as well, as is happening here, in order to assist with producing the written transcript of the Record. And, in committees, it's particularly valuable because you have a range of different witnesses and things happen that possibly, without having somebody present in the room, would not be noticed and make producing an accurate record more difficult.

[637] In Plenary, where things are perhaps sometimes more predictable—

[638] **Nick Ramsay:** Careful. [*Laughter.*]

[639] **Mrs Clancy:** —and there is the broadcast record, we're piloting at the moment not having somebody actually in the Chamber making these notes, but doing it remotely using the technology.

[640] **Jocelyn Davies:** I see. Sorry I interrupted. On this point, is it, Nick?

[641] **Nick Ramsay:** Yes. I did notice. I asked Adrian Crompton yesterday actually about what was happening with regard to the pilot. Isn't the danger with this—I understand making more efficient use of people's time and the Record work incredibly hard at what they do—that if the mikes aren't on at any point, aspects of the Plenary will be lost, which, at the moment, will be picked up?

[642] **Mrs Clancy:** They're the risks that the pilot will be assessing. So, we'll compare the quality of the record that's been produced and check for those sorts of points. Yes, there is that risk. Just a couple of other streamlining points: there is now a new editing style, so less comprehensive editing, just the removal of things that are obviously the 'ums and the ahs'—but you can't take those out of the Record because they were deliberate, if you see what I mean. So, a new editing style to save some time—

14:00

[643] **Jocelyn Davies:** But, you see, Claire, when I read the Record before, I sounded more grammatically correct than I do now, because it's actually now a verbatim record, apart from the 'ums' and 'ahs', isn't it?

[644] **Mrs Clancy:** It's more verbatim, yes. One of the issues, of course, is

that people increasingly are using and relying on Senedd.tv and the audio-visual record, and so, it gets to a point where it's strange that the written record and the audio-visual record don't match. So, part of the aim is to bring those two records closer together.

[645] **Jocelyn Davies:** Okay. So, we should be more careful and speak more grammatically correct. Right, whose questions were we on now? Ffred, we're back to you.

[646] **Alun Ffred Jones:** A gaf fi ofyn **Alun Ffred Jones:** Can I also ask how hefyd sut y mae'r canlyniadau, o ran Members' satisfaction results have boddhad yr Aelodau, wedi newid yn changed in the July 2015 as arolwg Gorffennaf 2015 o'u cymharu compared with the 2014 survey? ag arolwg 2014?

[647] **David Melding:** Is this in terms of language of choice or specifically on the Record of—?

[648] **Alun Ffred Jones:** Boddhad yr **Alun Ffred Jones:** General Member Aelodau'n gyffredinol. satisfaction.

[649] **David Melding:** I think most indicators continue to improve. I'm not sure if there is any further detail that we can give beyond what we've published. But the next report is due—

[650] **Mrs Clancy:** If you don't mind, as the representative of the Commission, I can give a flavour. So, to pick up the point that was made earlier, 33 Members responded to the latest survey—that's 55 per cent—and 107 support staff, which was 41 per cent. Almost all of the scores increased, compared to the previous year. Probably the one exception was to do with bilingual services, working in the language of your choice, where the increase the year before had been so strong—up to 8.9 per cent—and this year, the Members' score dropped to 8.8 per cent, so there was a marginal drop on that one, but every single other—. There was a similar small decrease on the legal score, but every other one went up, including the score for ICT, both here in the Assembly estate and in constituency offices.

[651] Members Business' Support continue to be the stars of the show from Members' point of view, scoring 9.3 per cent, which was 0.6 per cent up. So, they obviously have very close and constructive working relationships. But all of the scores, to be honest, are well over seven, and most are well over eight

out of 10, which, I think, is a tribute to the staff who work for the Commission and do a great job.

[652] **Jocelyn Davies:** Mike, shall we come to you for a supplementary?

[653] **Mike Hedges:** I'm just surprised that the education people didn't come out top. I find them phenomenal in dealing with schools, when they come in from my constituency, and very helpful when, like most Assembly Members, I have a very short period of time in which I'm able to go and see the schools that have arrived and the way that they make it available, whatever time you turn up.

[654] **Ms Clancy:** I think there wasn't a separate score for them.

[655] **Mike Hedges:** Fine.

[656] **Jocelyn Davies:** Of course, this survey was among support staff and Assembly Members, rather than the public.

[657] **David Melding:** Precisely.

[658] **Jocelyn Davies:** Ffred, shall we come back to you?

[659] **Alun Ffred Jones:** Un cwestiwn **Alun Ffred Jones:** One further  
arall: pa gynlluniau pellach sydd question: what further plans do you  
gennyh chi i wella gwasanaethau have to improve bilingual services in  
dwyieithog yn 2016–17? 2016–17?

[660] **David Melding:** It's a key part of what we need to do and, as Claire has already indicated, the change in approach in this Assembly to more strategic use and a focus on what Members need, like support in committees, clearly led to a jump in the level of satisfaction, which is marginally done in the later survey, but it's basically been sustained, I think. So, how do we develop from here? To continue that good practice, but, next week, the Constitutional and Legislative Affairs Committee will publish its report on law making in the fourth Assembly and it will be saying some things about really having bilingual legislation, which means making law bilingually and not translating bits made in one language into the other. So, that's a key area where we would want to see advance and be setting standards that would be the envy of legislatures around the world. So, that's probably the one example I would want to give you immediately. We want a fully bilingual culture here, and that

means comprehensively working through both languages as Members prefer.

[661] **Alun Ffred Jones:** Diolch yn fawr.

[662] **Mrs Clancy:** May I just add—

[663] **Jocelyn Davies:** Of course.

[664] **Mrs Clancy:** We are required—formally required—to review the official languages scheme as soon as practicable after the election, and so we will be doing that. And, of course, a fundamental part of that will be talking to Members in the fifth Assembly about what their individual requirements are. And we want to continue the trend of tailoring and adapting our services to suit the individual needs of Members. We're also looking at how we can improve the learning of the Welsh language for Members and staff in the fifth Assembly.

[665] **Alun Ffred Jones:** Diolch yn fawr.

[666] **Jocelyn Davies:** Okay, thank you. Nick, shall we come to you?

[667] **Nick Ramsay:** Thanks. Good afternoon. The Assembly has had a savings target of £500,000 in previous years; are there any overall targets on savings for 2016–17, and what proportion of these savings are recurrent?

[668] **David Melding:** Well, the big change that's occurred in the fourth Assembly is that a much larger percentage, about 60 per cent now, is recurrent. So, we're not relying on, you know, the serendipity of staff vacancies. So, I think that's a key change and, in a way, the £500,000 target has become more challenging because we are shifting to recurring savings, usually involving more effective procurement. So, that's where we're at at the moment; the new Commission may want to review that and set a different target. But it is a robust one and, as I said, although it's remained the same target, it's become more robust over the fourth Assembly. Nicola, do you want to add to that?

[669] **Ms Callow:** If I may, yes please. The other point I'd like to make is that whilst the target of £500,000, as David has just said, remains the same, we're expecting more procurement savings, more recurring savings to be delivered. But, also, to make it harder on ourselves, the savings that we've already incurred through procurement—so, earlier in the week, PAC was



talking about telephony savings that we'd made—those savings that impact on future years wouldn't be part of the £500,000 target. We set ourselves a new target of £500,000. So, we're continually pushing ourselves.

[670] **Jocelyn Davies:** So, you're not continuing to count savings that you've had in the past.

[671] **Ms Callow:** We're looking for new. We're keeping the old, and making best use of those, re-investing them back within the organisation, but seeking to challenge ourselves to get the new.

[672] **Nick Ramsay:** Over what period of time is the £4.15 million indicative costing of maintenance works, as identified in the draft budget?

[673] **David Melding:** I'm going to have to—

[674] **Nick Ramsay:** It's very specific, £4.15 million.

[675] **David Melding:** —ask Nicola to come to my rescue on that one.

[676] **Ms Callow:** Yes. This is the estates and facilities management side, where you'll have heard previously we have significant 10-year rolling plans for work that needs to be done on the estate. So, the £4 million, to answer your question specifically, is over, predominantly, the next Assembly, the fifth Assembly term. And the sorts of things that we're seeking to deliver there, because, as you know, we have a full repair and maintenance lease on Tŷ Hywel, we have quite a—

[677] **Nick Ramsay:** Does this relate to Tŷ Hywel rather than this building that we're in now?

[678] **Ms Callow:** No, the values relate to the whole of the estate, so it's Pierhead, Senedd and Tŷ Hywel, as well as our north Wales office. Yes, the figures are predominantly Tŷ Hywel, but Senedd takes a reasonable percentage of our work, our budget, as well.

[679] **Nick Ramsay:** Is that work that's identified as having to be done due to the standard of the building, or is it, 'If we choose to do'?

[680] **Ms Callow:** It would be a mixture. So, one of the questions I was talking to the estates and facilities manager about, in pulling the budget

together, was around, you know, ‘How much of the work do we have to do because maintenance standards, legislation standards, are changing?’ ‘Do we have any backlog of maintenance’, is one of the benchmarks that public sectors use. The good news is that, because of the way we’ve been using the budget and making sure that, through this 10–year approach, we can move items backwards and forwards according to need, we’ve been able to address practically all of the legislative changes that we have needed. So, most recently, in 2014–15, for example, we were changing the gas in the air-conditioning units and making sure that those were up to standard. By the way, that will, hopefully, help us with our sustainability targets in the future, as well. Sorry; does that answer your question?

[681] **Nick Ramsay:** Yes, that’s great. Has the lease issue been sorted out now on Tŷ Hywel, because it was quite short at one point, wasn’t it?

[682] **David Melding:** It has been, but Nicola will give you the full detail.

[683] **Ms Callow:** We’re in a 25–year lease period with five–year rent reviews on the lease, and we have the option to renew towards the end, so we’re—

[684] **Jocelyn Davies:** Mike, did you have a supplementary on this?

[685] **Mike Hedges:** Yes. I’ll start off by saying it is serendipity that the heating in here is actually working today; we’re neither too hot nor too cold. The question I was going to ask is: is it still your ambition to buy Tŷ Hywel?

[686] **David Melding:** I think, should it become available, we would look at the case, but it’s not within our own gift to purchase, because, obviously, we would need the support of Welsh Government. Otherwise, we seek to get stability and value for money through a lease.

[687] **Mike Hedges:** Would it be in your ambition to actually purchase the building?

[688] **David Melding:** Well, personally speaking, I can see advantages in us having the freehold, and I’m sure that’s something that the Commissioners may well share. Certainly, if the opportunity arose, we would have a full business case, look at it and then seek to see if it was feasible through being able to raise the capital revenue.

[689] **Mike Hedges:** Thank you very much.

[690] **Jocelyn Davies:** Okay? Nick?

[691] **Nick Ramsay:** In terms of planning for constitutional change, which Claire touched on earlier, and prioritisation and budget process, the committee recommended that the Commission look at the capacity available to undertake work in relation to the devolution of further fiscal powers to Wales. Can you update the committee on how this work on resourcing to deal with the increased legislative—I can never say that word—workload is progressing?

[692] **David Melding:** Well, it's a key area, and I think the Commission and the Presiding Officer have taken a real grip of this matter and have shown real leadership. The Presiding Officer, I think, has had a UK impact, as well as within Wales, on some of these key issues relating to constitutional fundamentals. So, that continues, but I think the big challenge of the next Assembly will be to continue the excellence we've shown in law making to improve it further, but then to really be able to take our fiscal responsibilities, which themselves may increase—we obviously know we'll have some—

[693] **Nick Ramsay:** That's going to be a huge change, isn't it, in the next Assembly?

[694] **David Melding:** It could be, particularly if the more fundamental ones are taken on board. Significant ones are coming anyway, and we'll be reflecting on what your committee advises. But, in the immediate scenario, we're already about to recruit, or have recruited, additional expert staff that can deal with financial scrutiny, and there may be a need to do more of that. We'll certainly need to maintain and strengthen our legal team, so that's all being prepared. And, the way that we support the whole committee structure, there's a review in terms of the legacy report that's been prepared of how committees have coped with the dual function they've had and how we see that working in the fifth Assembly, given that we may be under even more strain to deliver the essential functions of a legislature. So, we're looking at all this, in terms of what investment we need, what greater efficiencies we need and shifting resources so that we have world-class committees. Committees are, really, core to producing our most vital outputs in terms of legislation.

[695] **Nick Ramsay:** You're answering the questions in my head before I can

get them out of my mouth. Finally from me, Chair, in terms of the scrutiny element, I agree exactly with what you've just said that it's been probably one of the weaker elements, not just of the Assembly but it applies to other institutions as well—scrutiny, that is. Did you envisage that, in the next Assembly, maintaining and improving the scrutiny role will almost certainly require greater staffing? Do you have any idea yet as to how many more staff that might entail, or will that be on a see-how-we-go basis?

14:15

[696] **David Melding:** I don't start from the point that we've been poor at scrutiny. I do agree that it's an ongoing challenge to scrutinise effectively. We've clearly identified some things that we need to do externally as well: public engagement; reviewing the Stage 1 processes and how we consult widely; looking at the fact that as, you know, we don't have two Chambers, we've really got to get some of these things right and not just wait for people to come to us. So, there have been real interactive new approaches and we've also been looking at innovative things like post-legislative scrutiny. So, I've seen developments in those areas. Our staffing requirements change. As I indicated, the increase in staffing that we'll see in the fifth Assembly—much of that is going to be around key requirements, particularly in financial scrutiny and strengthening the legal team because of the demands on them. So, I think we've got a good record on scrutiny, but you can't stand still, and there are a lot of challenges ahead to get that right and to keep it at a high level.

[697] **Jocelyn Davies:** Okay, Nick?

[698] **Nick Ramsay:** Yes. Thanks.

[699] **Jocelyn Davies:** Julie, shall we come to your questions?

[700] **Julie Morgan:** Thank you very much, and apologies for arriving late. I wanted to ask you a bit more about staffing and the £1.6 million increase. What proportion of that is information communications technology staff—in the increase? Would that be—

[701] **David Melding:** I would have to ask Nicola how that breaks down.

[702] **Ms Callow:** Yes, most certainly.

[703] **David Melding:** Some of it's national insurance changes, and—

[704] **Julie Morgan:** Yes, and, obviously, what are the NI changes?

[705] **David Melding:** I think some is ICT and then some is, as I've indicated, the need to recruit further expert personnel.

[706] **Ms Callow:** Exactly so. So, we have 13 staff that we've identified so far, where we're going to need additional capacity, and the funds have been provided for that. To answer your first question, though, around ICT, the changes and costs that we have in here are not specific because of ICT now. We made that change in 2014–15. There's some fine-tuning that we're doing in 2015–16 as we make sure that the target operating model is doing what it needs to do, but, certainly, by the end of this year and certainly going into 2016–17, there are no more big changes for ICT. So, those changes are now just part of the normal practice that we operate here within the Assembly. So, included in the change from the 2015–16 to the 2016–17 staffing budget will be national insurance changes, as David has indicated. That's just under £400,000—about £350,000. There's the new posts that we've mentioned and the funding for that, which is circa £800,000; and then the balance is made up of the contractual increments and the full-year costs of posts that were recruited to in 2015–16.

[707] **Julie Morgan:** Right, thank you. That breaks it down. That's fine. The other questions that I wanted to ask were about youth engagement. I know you've made great efforts to engage with young people, and I know that you're planning to look at the Erasmus+ programmes to fund future activities. So, could you explain how you would access funding for that?

[708] **David Melding:** I'll ask Nicola on that specific point about the Erasmus programme, but can I say that our general approach has really been to develop youth engagement? So, we have youth workers now that work for the Commission and outreach and trying to get to groups that normally would perhaps find it difficult to access our work; and, really, we've tried to mainstream it in our processes so that committees consult and so it really has an effect on a committee inquiry or piece of law that's being scrutinised or whatever. So, I think that's been a big advance, really, and it's a more sophisticated approach than we had previously. It's been very, very important, so we want to definitely sustain that. But, you know, we've done other things, like develop an apprenticeship scheme, and that's been a key way of identifying opportunities that people may be able to pursue in the

Assembly. But I'll now ask Nicola on that particular point of the Erasmus programme.

[709] **Ms Callow:** Thank you. To answer your very specific question, on the Erasmus+ programme, we were aware that Northern Ireland were successful in bidding for some moneys towards this programme. As a result of that, we've been talking to them and, indeed, colleagues in Flanders, and what we're actually able to do now is continue that approach with the aim of putting a joint bid together for the Erasmus+ programme, so it's part of an international approach to the youth engagement that we wish to pursue. And, as you'd expect, it's about how to engage youth in the democratic life, the democratic processes, inquiries, et cetera. We're still at a relatively early stage, but that's the flavour of where we're heading—it's this international collaboration.

[710] **Julie Morgan:** That sounds very exciting, but what sort of funding is available for that? How much money is available?

[711] **Ms Callow:** We don't actually have a precise idea of how much this will cost at this point. The sorts of figures that have been discussed with me previously have certainly been within the current and existing budget, so they wouldn't require significant chunks of additional spend, but, until we actually know the focus of how the bid will be put together, we find it a little hard to cost such things.

[712] **Julie Morgan:** So, early stages. Fine. I know you've sent us a map, I think, of the schools that have visited, and, also, I think you've included, this time, the engagement outside by the education people, which is very interesting to see. Also, you are considering options for subsidising train travel, now, as well as coach travel.

[713] **David Melding:** That's beyond what I know, but I hope we have an answer.

[714] **Mrs Clancy:** It was a point that was raised by the committee last year and there was then a review of the subsidy arrangements and changes were made so that schools can now claim for train subsidy in the same way as other public transport travel.

[715] **Julie Morgan:** Right. Has that made a difference in some way?

[716] **Mrs Clancy:** Nobody's used it yet. So, no, it hasn't made a difference yet, but it may be that we need to publicise it a bit more strongly.

[717] **Jocelyn Davies:** Or we need to come up with better ideas for you.

[718] Looking at the map, though, I was a bit surprised that there's not much activity around Monmouthshire. Did you look at the map, Nick? Your constituency—no outreach work was done there.

[719] **Nick Ramsay:** Oh, I'm doing all that.

[720] **Jocelyn Davies:** Well, no outreach work. I was a bit surprised.

[721] **Alun Ffred Jones:** Arfon is doing very well.

[722] **Jocelyn Davies:** Yes. What do you make of that?

[723] **David Melding:** Well, I think it's helpful, and, for future planning of work, obviously, if there are deeper reasons—. If it's a trendless fluctuation, then you let it go, but if there really is a trend that there's a lack of engagement in a certain geographical area, then we would expect our teams to be able to address that.

[724] **Jocelyn Davies:** Well, certainly, when I saw the map, it didn't look how I expected it to look, so that was a nice surprise that there was a lot of activity in some places where I thought I wouldn't see much, but I was surprised at Monmouthshire. Did you have a point that you wanted to make about Monmouthshire?

[725] **Nick Ramsay:** I have many points that I'd like to make about Monmouthshire, but I think probably—

[726] **Jocelyn Davies:** On this issue.

[727] **Nick Ramsay:** On this issue. Yes, now you mention it, thinking back to the summer recess and the shows that are a big part of the rural communities—the Monmouth and Usk show—I don't think the Assembly outreach team were at the shows this year. They have been in previous years. Is there a scaling back of outreach at rural shows?

[728] **David Melding:** I think it's more reviewing what we get out of our

presence at these events. We invest a lot at the Royal Welsh Show and the Eisteddfod and in whole lots of events, and I'm not sure I know the actual decision that was made, if one was, in terms of the shows, but I think it would've been reviewed as part of the general outreach work and then decided that, perhaps, there were better ways of focusing.

[729] I should say that we've developed an Assembly week. We've had one in Wrexham and we've got one in Swansea in a couple of weeks. Should we determine there is a real issue—

[730] **Nick Ramsay:** Well, I'm not attacking the lack of presence there—

[731] **David Melding:** —that may be a way of trying to resolve, or, at least, starting to resolve it. So, I'm sorry, I'd probably have to write to you in terms of specifically whether we looked at—

[732] **Nick Ramsay:** It may well be that it doesn't work out—

[733] **David Melding:** —the issue of how many shows we should be attending.

[734] **Nick Ramsay:** —the cost-benefit—. It may not work out. I mean, I'm at the shows, so I tend to deal with a lot of the Assembly enquiries, but I do remember, in previous years, I've been on the bus—on the bus, not going anywhere; on the static bus—for an hour or so and the team and I have dealt with overarching Assembly issues together, which I think younger people appreciate, but particularly school—

[735] **Jocelyn Davies:** I guess you can't be everywhere all at the same time, so maybe it's choices that have been made, but at least it does show—. The map, I think, gives us a good indication of what's going on and allows us to ask questions such as this. So, I think, you know, the map is a really good idea for us, and I'm sorry that Ann wasn't here to see the map, because I know she would have been as surprised as I was to see some of that activity there.

[736] There were just a few last things on—have you finished, Julie, on youth engagement?

[737] **Julie Morgan:** Yes, thank you.



[738] **Jocelyn Davies:** On sustainability, just, really, tell us how you've performed on all the sustainability targets you had for this period, you know, up to 2015.

[739] **David Melding:** Well, can I say, in the fourth Assembly, you know, we set a very ambitious target of reducing our emissions by 40 per cent, and I think we hit 35 per cent, which is a little short of our target, but it was a very, very ambitious one. So, we've set for the fifth Assembly a target of 30 per cent, which we think is achievable—

[740] **Jocelyn Davies:** But that's going to be a further 30—

[741] **David Melding:** Indeed. So, it builds on current good—. You know, it's challenging.

[742] **Jocelyn Davies:** Yes. Very.

[743] **David Melding:** Overall, of course, on the, I think it's called the Green Dragon scheme—I apologise if I've got that wrong—we continue to have the highest rating on that, and we've had it now for seven years or so. I believe we are still rated as the most sustainable public building in the UK, you know, which is outstanding. But it also means we should set very exacting targets, I think. There are other areas as well, which are not at my fingertips, but—

[744] **Jocelyn Davies:** Well, we should congratulate you on being the most outstanding, I think. There's much to be proud of. So, I mean, obviously, you've done very well. You might not meet your—but you've set yourself a very ambitious target, you've nearly met it, and you've set yourself an even more ambitious target than on top of that.

[745] Just one thing I wanted to mention, of course, was that the performance against sustainability shown on page 34 of the budget document is green from amber; I think it was amber, was it, previously? You've already told us that there's a further 30 per cent on top, so does the change in the indicator status reflect success in achieving the targets or the fact that the target's changed or—?

[746] **David Melding:** That's a very good question. I'm not sure I know the specific answer.

[747] **Mrs Clancy:** I would say it reflects that we're on track for our new target.

[748] **Jocelyn Davies:** Right, okay. Thank you. What plans do you have—well, you've told us: for 2016–17, it's to work towards meeting the new sustainability targets. Are we going to have to sit here in our coats for you to meet your new target? You know, it's finding the balance, isn't it, between sustainability and enough comfort, because people have to come into the building and work in the building?

[749] **David Melding:** Well, you know, we certainly expect to meet those targets in a proper and reasonable way, so having people freezing in Plenary or committee is, obviously, not acceptable, so, I mean, there'll be no attempt to cut corners and achieve these targets in a way that's clearly not efficient, safe or appropriate. So, you know, we take very seriously when people feed back to us that they've felt uncomfortable in committees, because that's not acceptable. I think it was Mike who said this afternoon—I mean, I certainly feel comfortable in the temperature here in this room this afternoon, and that's what we would be aiming to consistently achieve.

[750] **Jocelyn Davies:** Fred, did you have a question on this?

[751] **Alun Fred Jones:** A bit of coolness keeps us awake, of course.

[752] **Jocelyn Davies:** Of course, yes.

[753] **Alun Fred Jones:** What I wanted to ask: in terms of the 40 per cent—or the 35 per cent—that you have achieved, what are the main elements there that have enabled you to get to that point?

[754] **Mrs Clancy:** So, it's—

[755] **David Melding:** Who would like to start on that?

[756] **Jocelyn Davies:** So, I guess this is going to be water, energy.

14:30

[757] **Mrs Clancy:** Exactly, so, energy consumed through the fuel that we use to heat the buildings, and for electricity and air conditioning, but also—and this element was less successful in the last year—the consumption through

travel.

[758] **Jocelyn Davies:** So, sort of changing the lights so that they go out if nobody moves in the room—you do that throughout the building, and that's helped to—.

[759] **Ms Callow:** It has indeed.

[760] **David Melding:** It's part of the package.

[761] **Ms Callow:** In fact, we've replaced the building management system in Tŷ Hywel this financial year, and that is expected to generate savings for us in the future because the core parts of the building should be able to operate far more efficiently and effectively. We mentioned the air conditioning units and having to change the gas in those for legislative purposes, but we've also been replacing ageing air conditioning units, and we already can see that those are saving 25 per cent energy consumption on the ones that they replaced.

[762] The other thing that we are looking at doing for 2016–17, so, what we have made provision for within this budget, is the potential for the high-level lighting within the Senedd, in this building here, particularly in the public areas, so that we would move to a solution that's low energy, low maintenance, and LED. That, again, will help us, we believe, move towards that sustainability target.

[763] **Nick Ramsay:** No chandeliers, then. [*Laughter.*]

[764] **Ms Callow:** Not quite in the budget, no.

[765] **Mrs Clancy:** In the annual report and accounts for the Commission that we published in the summer there is a specific sustainability report, and that breaks down where the achievements were.

[766] **Jocelyn Davies:** Yes, Nick.

[767] **Nick Ramsay:** This is probably not the venue, but, as we're on the subject of the Chamber refresh project, any chance of some power sockets? I notice a lot of Members now are taking tablets in, but they're having to leave to charge them up, so it would be quite helpful if you could actually—

[768] **David Melding:** I take your feedback very seriously, because the Chamber refresh is—

[769] **Nick Ramsay:** It's quite a small change to it, but I think in the Scottish Parliament they have sockets, don't they? It would—

[770] **Mrs Clancy:** I believe it is part of the plan. So, the desk space generally will be modernised so that it is more suitable, gives you more space, and helps with tablets and phones, smart devices that people have, and I believe it does include a charging point, yes.

[771] **Nick Ramsay:** Marvellous.

[772] **Jocelyn Davies:** There you are. Well, that's a very positive note. I think we ought to finish there. Thank you very much for coming to see us this afternoon. As always, the Commission's very open and candid with us, and we'll let you know in due course whether you've got the job, Mr Melding. *[Laughter.]*

[773] **David Melding:** Thank you so much. We're very grateful for the care and attention you give to this subject. It's really important and some key matters have immediately come through this scrutiny process. You will no doubt follow up with others, but, yes, we take this whole process very seriously. Thank you.

[774] **Jocelyn Davies:** Thank you.

14:33

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd  
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o weddill y exclude the public from the cyfarfod, ac eitem un o'r cyfarfod ar remainder of the meeting, and item 1 7 Hydref 2015, yn unol â Rheol of the meeting scheduled for 7 Sefydlog 17.42(vi). October 2015, in accordance with*

*Standing Order 17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[775] **Jocelyn Davies:** I now propose we go into private session under 17.42. Everybody happy? Thank you.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 14:33.*

*The public part of the meeting ended at 14:33.*