

Agenda – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 1 October 2015

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

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1 Introductions, apologies and substitutions

(09.00)

2 Papers to note

(09.00)

(Pages 1 – 3)

Attached Documents:

Minutes of Previous Meeting

3 Tax Collection and Management (Wales) Bill: Evidence session 2

(09.00 – 09.45)

(Pages 4 – 7)

Eleanor Emberson, Chief Executive, Revenue Scotland

Colin Miller, Revenue Scotland and Tax Powers Bill Team Leader

Research briefing

Attached Documents:

Research briefing

4 Tax Collection and Management (Wales) Bill: Evidence session 3

(09.45 – 10.30)

(Pages 8 – 17)

Geoff Yapp, Deputy Director, Corporation Tax, International and Stamps, Head of Stamp Taxes, HMRC

Doug Stoneham, Senior Policy Adviser, Devolution, HMRC

Paper 1 – HMRC consultation response



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Research briefing

Attached Documents:

FIN(4)-20-15 P1 HMRC Consultation Response

Research briefing

Break (10.30 – 10.45)

5 Tax Collection and Management (Wales) Bill: Evidence session 4

(10.45 – 11.30)

(Pages 18 – 23)

Isobel Moore, Head of Business, Regulation and Economics, Natural Resources Wales

Rebecca Favager, Waste and Resources Manager, Natural Resources Wales

Paper 2 – Natural Resources Wales consultation response

Research briefing

Attached Documents:

FIN(4)-20-15 P2 Natural Resources Wales Consultation Response

Research briefing

6 Tax Collection and Management (Wales) Bill: Evidence session 5

(11.30 – 12.30)

(Pages 24 – 40)

John Cullinane, Tax Policy Director, Chartered Institute of Taxation

Claire Thackaberry, Technical Officer, Low Incomes Tax Reform Group

Paper 3 – Chartered Institute of Taxation consultation response

Paper 4 – Low Incomes Tax Reform Group consultation response

Research briefing

Attached Documents:

FIN(4)-20-15 P3 Chartered Institute of Taxation (CIOT) Consultation Response

FIN(4)-20-15 P4 Low Incomes Tax Reform Group (LITRG) Consultation Response

Research briefing

7 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(12.30)

Item 8

8 Tax Collection and Management (Wales) Bill: Consideration of evidence

(12.30 – 12.45)

Lunch break (12.45 – 13.30)

Public

9 Assembly Commission draft budget 2016–17: Evidence session 1

(13.30 – 14.30)

(Pages 41 – 78)

David Melding AM, Acting Assembly Commissioner

Claire Clancy, Chief Executive and Clerk of the Assembly

Nicola Callow, Director of Finance

Paper 5 – Assembly Commission draft budget 2016–17

Attached Documents:

FIN(4)–20–15 P5 Assembly Commission Draft Budget 2016–17

10 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(14.30)

Items 11, 12 and 13 of today's meeting and item 1 of the meeting scheduled for 7 October 2015

11 Assembly Commission draft budget 2016–17: Consideration of evidence

(14.30 – 14.45)

12 Welsh Government Report on Outturn 2014–15

(14.45 – 14.55)

(Pages 79 – 90)

Paper 6 – Letter to Chair of Finance Committee from Minister for Finance and Government Business

Attached Documents:

FIN(4)–20–15 P6 WG Report on Outturn 2014–2015

13 Welsh Government Draft Budget 2016–17

(14.55 – 15.00)

(Pages 91 – 94)

Paper 7 – Letter to Chair of Finance Committee from Minister for Finance and Government Business

Attached Documents:

FIN(4)–20–15 P7 Letter from the Minister for Finance on the Welsh Government's Draft Budget 2016–17

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 17 September 2015

Meeting time: 08.46 – 12.16

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3225>

Attendance

Category	Names
Assembly Members:	Jocelyn Davies AM (Chair) Peter Black AM Christine Chapman AM Mike Hedges AM Alun Ffred Jones AM Ann Jones AM Julie Morgan AM Nick Ramsay AM
Witnesses:	Jane Hutt AM, The Minister for Finance and Government Business Sean Bradley, Welsh Government Richard Clarke, Welsh Government Jeff Andrews, Welsh Government David Phillips, Institute for Fiscal Studies
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk)



	Tanwen Summers (Deputy Clerk)
	Richard Bettley (Researcher)
	Joanest Varney-Jackson (Legal Adviser)
	Lakshmi Narain
	Gerald Holtham

TRANSCRIPT

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

1.1 The Chair welcomed Members to the meeting.

1.2 No apologies were received.

1.3 The Chair reminded Members of their obligation to declare an interest in accordance with Standing Orders 2.6, 2.7 and 17.24.

2 Papers to note

2.1 The papers were noted.

3 Tax Collection and Management (Wales) Bill: Evidence session 1

3.1 The Committee took evidence from the Minister for Finance and Government Business.

3.2 The Minister agreed to provide additional information to the Committee.

4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

4.1 The Motion was agreed.

5 Tax Collection and Management (Wales) Bill: Consideration of evidence

5.1 The Committee considered the evidenced received.

6 Future Funding: Evidence session 5

6.1 The Committee took evidence from David Phillips, Institute for Fiscal Studies.

7 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

7.1 The Motion was agreed.

8 Future Funding: Consideration of evidence

8.1 The Committee considered the evidenced received.

9 Environment (Wales) Bill: Consideration of draft report

9.1 The Committee agreed the draft Report with some minor changes.

10 Draft Wales Bill

10.1 The Committee agreed to reconsider its involvement in the scrutiny of the draft Wales Bill at a later date.

11 Public Health (Wales) Bill: Consideration of draft report

11.1 The Committee agreed the draft Report.

Agenda Item 3

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

Document is Restricted

**HMRC evidence to the Welsh Assembly Finance Committee –
the Tax Collection and Management (Wales) Bill**

Background

1. The Welsh Government has asked HMRC to administer their Land Transaction Tax (LTT) when this is introduced in place of Stamp Duty Land Tax (SDLT) in Wales in April 2018. HMRC has agreed to carry out this work and looks forward to working with the Welsh Government, the Welsh Revenue Authority (WRA) and the National Assembly for Wales in introducing the new tax.

HMRC's existing powers

2. HMRC was legally established by the Commissioners for Revenue and Customs Act 2005 (CRCA). This sets out the functions of the Commissioners and also legislates in a number of other areas, including HMRC's information powers.
3. Following the creation of HMRC, the Review of HMRC Powers, Deterrents and Safeguards was put in place – this ran from 2005 to 2012. This was a programme of consultation and legislative change to provide a modern framework of law and practice for tax administration. Its aim was to secure the benefits of the merger of HM Customs and Excise and the Inland Revenue by aligning powers, deterrents and safeguards across the taxes and duties administered by HMRC, where it made sense to do so. The resulting legislation spanned a number of Finance Acts, but the key provisions (including those not derived from the Review of Powers) are found in the following Acts:

- Tax returns, enquiries and assessments and Investigatory Powers (Parts 2-4 of the Taxes Management Act 1970 (TMA) and Part 6 of the Finance Act (FA) 2007. Further powers include information and inspection powers (Schedule 36 to FA 2008), data-gathering powers (Schedule 23 to FA 2011) and powers in relation to dishonest tax agents (Schedule 38 to FA 2012).

For Income Tax, the legislation contains a requirement for taxpayers to notify their chargeability to tax within six months of the end of the tax year and for certain taxpayers to submit returns. HMRC have a one year period from the date the return is received to commence an enquiry. This timeframe may be extended where the return is received after its due date, or is amended by the taxpayer.

HMRC has a duty to collect the correct amount of tax as required by statute, but can apply limited discretion, where this results in the highest net return. HMRC may also remit duties where the customer has a legitimate expectation that HMRC will act in a certain way, where it is stipulated it will do so. Collection and management powers allow HMRC to consider a concession from the strict letter of the law. Such discretionary powers are limited in use.

- Penalties (The main cross-tax penalties provisions are at section 97 of and Schedule 24 to FA 2007, Chapter 3 of Part 7 of and Schedules 40 and 41 to FA 2008 and sections 106 and 107 of and Schedules 55 and 56 to FA 2009 (as amended by subsequent FAs). Penalties are applied where customers fail to meet their obligations. There are many different penalties, but they break down into three broad areas:
 - penalties for failing to meet a time-bound obligation, such as submitting a return or making a payment by a specified deadline. Such penalties are generally automated;
 - penalties for failing to meet a regulatory obligation such as notifying taxable status or not complying with a regulatory regime, for instance by handling goods subject to unpaid excise duty; and
 - behavioural-based penalties for submitting inaccurate returns and documents.

Other penalties exist that fall outside these groups, including penalties for failure to keep certain records, or those that are specific to particular taxes and systems.

- Interest (Schedules 53 and 54 to FA 2009, Schedule 9 to F(No.3)A 2010)
The law requires a person to pay the correct amount due under an enactment to HMRC by the due and payable date. HMRC charges interest when the person does not fulfil this obligation and pays interest when the person pays too much. Interest is recompense for the loss of use of money over time. It is not a penalty. To compensate either party for the loss of use of money, HMRC:
 - charges interest when a person pays late – this is known as late payment interest; and
 - pays interest on overpayments and repayments – this is known as repayment interest.
- Payment and enforcement (Chapter 5 of Part 7 of FA 2008)
For any tax charge, there must be a due date to prevent postponement of payments ad infinitum. For any payment that is made, an effective date of payment must be determined in order to establish whether a payment is made on time or not. Where an effective date of payment is not the same or prior to the due date there may be interest and /or penalties due from the taxpayer. The purpose of such is to compensate HMRC for a loss of timely access to the money and to deter delayed payment. It is not for the purpose of raising additional revenue.
- Reviews and appeals.
Where taxpayers disagree with an appealable decision made by HMRC they can ask HMRC to review the decision or make an appeal to an independent tax tribunal, or take both actions. Cases may proceed from the tax tribunal to higher courts. For direct taxes the taxpayer may apply to HMRC to postpone the tax due pending the outcome of the appeal, while for other taxes tax can be stood over only on the grounds of hardship. Each tax has its own legislation for this (for example Part 5 of TMA or Part 5 of the VAT Act 1994). HMRC also has powers to make secondary legislation in connection with review and appeals under section 124 of FA 2008. Appeals in respect of certain taxes must also be notified to HMRC.
- Investigation of criminal offences (Part 6 of FA 2007)
HMRC is not a prosecuting authority in its own right and cases are taken through the Courts by the Crown Prosecution Service. HMRC usually reserves criminal investigations for cases where HMRC needs to send a strong deterrent message, or where the conduct involved is such that only prosecuting an offender is appropriate. However, HMRC has the discretion to undertake a criminal investigation in any geographical location, and across any tax regime, for which the Commissioners for HMRC have responsibility. Criminals, including organised criminals, seek to attack the UK's tax and duty systems to steal taxpayer's money. To counter this HMRC needs similar criminal investigation powers to those that are available to other law enforcement agencies. In particular it needs powers to:
 - apply for orders requiring information to be produced - production orders;
 - apply for search warrants;
 - make arrests; and
 - search suspects and premises following arrest.In England and Wales these powers are made available through the Police and Criminal Evidence Act 1984 (PACE). FA 2007 amended PACE for all HMRC criminal investigations.

Not all the powers in PACE are made available to HMRC. For example, HMRC does not take fingerprints, charge or bail suspects. This has to be done by the police. Some of the powers in PACE are modified for HMRC. For example, a search warrant may allow HMRC to search persons found on the premises without the need for arrest. This allows HMRC to search a bookkeeper who may have evidence in a briefcase or laptop when a company's premises are searched but who is not considered a suspect.

4. It should be noted that particular rules apply to the operation of SDLT, which differ from some of the wider provisions above. These are set out in Schedule 10 to FA 2003. Similarly, further provisions about Landfill Tax can be found in Part 3 of FA 1996.
5. Additionally, while this sets out the position at present, HMRC is currently in the process of moving towards greater use of digital technology in its interactions with taxpayers. This may well necessitate changes to our existing approach and provide opportunities to carry out enforcement activity in different ways. Our digital plans will transform the way we operate and serve our customers.
6. HMRC's compliance strategy is based on three basic principles: Promote, Prevent and Respond. It is designed to make it easier for our customers to get things right first time, rather than chasing them to meet their tax and payments obligations after they have dealt with us.
 - **Promote** is about ensuring customers have the information they need to get their tax and entitlements right first time; that they clearly understand their obligations and risks they face through non-compliance; designing out careless errors; looking for risk; and giving active help to customers to meet their obligations.
 - **Prevent** is about exploiting our digital channels and using what we know about customers to identify risks as they arise and intervening to give customers the opportunity to correct their mistakes (in registration or filing) when they transact with HMRC, and before we make payments or repayments.
 - **Respond** is about tailoring our enforcement and compliance activities and interventions to address specific customer behaviours and compliance risks. We will use technology where we can to automate tasks and to support the successful investigation of non-compliant behaviours. Our activities will be more personalised as a result of our increased ability to analyse customer information.
7. HMRC are also exploring how penalties need to change in the future so that they better reflect the principles of Promote, Prevent and Respond and work as effectively as possible in the digital environment. As part of this work we will consider how non-financial sanctions and behavioural nudges could support improvements in compliance as well as ensuring that financial penalties are well-targeted and drive behavioural change. Our current thinking is based around five principles which we consider should underpin any new penalty regime. They are:
 - The penalty regime should be designed from the customer perspective, primarily to encourage compliance and prevent non-compliance. Penalties are not to be applied with the objective of raising revenues.
 - Penalties should be proportionate to the offence and may take into account past behaviour.
 - Penalties must be applied fairly, ensuring that compliant customers are (and are seen to be) in a better position than the non-compliant.
 - Penalties must provide a credible threat. If there is a penalty, we must have the operational capability and capacity to raise it accurately, and if we raise it, we must be able to collect it in a cost-efficient manner.

- Customers should see a consistent and standardised approach. Variations will be those necessary to take into account customer behaviours and particular taxes.
8. Any changes to HMRC's penalty regimes would follow the usual policy development process and need primary and secondary legislative changes. As part of that process, we would follow the tax impact assessment process, and build a good understanding of the possible impact on our customers – businesses and individuals – the Exchequer and HMRC. Any changes made would take account of HMRC's developing IT capability and the wider transformation of the way in which we administer taxes.

Digitalisation

9. In line with the development of social media and business technology across the world, the UK tax system is moving towards greater digitalisation whereby individuals and businesses will have Digital Tax Accounts in which data will be uploaded (by customers and or/HMRC), in many cases more frequently than data is currently provided by statutory returns. The Digital Account will become the way by which tax liability is calculated and notified to customers. Digitalisation also enables convergence of processes and possibly statutory reporting/payment dates across a range of differing taxes.
10. To support the move to digitalisation, we are currently reviewing the tax administration framework in order that it both reflects the changes in the way that data is reported to HMRC, and the greater alignment of process/payment across differing taxes. Crucially, the reporting of data in real time and the advent of Digital Tax Accounts will enable HMRC to apply "promote" and "prevent" in a more targeted way by messaging to customers' Digital Accounts in order to influence positive behaviour. Data in real time will also enable the quicker identification of serious non-compliance and we are currently considering how most effectively to respond in real time to such non-compliance and what changes will be needed to the current administrative framework to accommodate compliance interventions in a digital environment. This work will also provide an opportunity for cost saving for both customers and the Government.

Administering the Land Transaction Tax

11. Section 7(13) of the Wales Act 2014 amended CRCA to make clear that functions conferred on HMRC relating to devolved taxes are not functions of HMRC, meaning that the UK legislative framework under which HMRC operates more generally will not apply to HMRC's administration of LTT. This will be governed by the provisions in the Tax Collection and Management (Wales) Bill and any future legislation amending this or made under powers within the Bill. It is worth noting that HMRC may still carry out SDLT compliance activity in Wales after April 2018 in relation to transactions that took place before that date, which would continue to be governed by its existing powers
12. HMRC's initial intention is to adapt its existing SDLT system to operate the devolved tax and also to use existing staff working on SDLT to carry out administration activities (for example, processing returns, following-up errors etc). SDLT is largely administered by HMRC from an office in Birmingham where an experienced operational team carries out this activity.
13. HMRC will also be carrying out some compliance work on LTT, which will be carried out by a specialist LTT team working closely with the operational team and the WRA. The Welsh Government has set out that WRA will undertake complex compliance, avoidance and enforcement work for LTT – HMRC will work with Welsh Government to establish how the two organisations can most readily work together on these cases.

14. HMRC will be discussing the requirements for administering LTT with the Welsh Government in more detail in the autumn and will support the Welsh Government in producing initial costings ahead of the Stage 1 debate on the Bill. These costs will continue to be developed and refined on an ongoing basis.

Tax Collection and Management (Wales) Bill

15. HMRC welcomes the fact that much of the content of the Bill builds on the existing UK Government legislation that applies for the same purposes. This will make the transition to the new tax more straightforward for customers and follows the approach taken in Scotland. HMRC's processes and the legislation that underpins them are well-understood by advisers and professional bodies and were the subject of a lengthy period of consultation.
16. There are some minor differences in approach, for example in areas such as enquiry powers. However, this is a natural consequence of devolution and similar minor differences also exist between UK legislation and the Revenue Scotland and Tax Powers Act 2014.
17. HMRC has not currently identified any potential barriers to implementation. HMRC has not begun detailed work in developing systems changes to implement the LTT as yet, so there is time to accommodate any differences in approach here and in the legislation to implement LTT. Additionally, many aspects in the Bill, such as differences in enquiry powers, will not require systems changes but, instead, will be addressed via guidance for staff.

HM Revenue & Customs September 2015

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

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Finance Committee inquiry into the general principles of the Tax Collection and Management (Wales) Bill

Submission by Natural Resources Wales

1.0 Introduction

- 1.1 We welcome the opportunity to provide our views and recognise that the transfer of tax-raising powers to Welsh Government represents a significant step in devolution in Wales.
- 1.2 The principles and process around tax collection and management is highly technical, and outside of our current expertise. However we continue to work with Welsh Government to ensure that the design and implementation of Welsh Landfill Disposals Tax is effective and best-suited to Welsh needs. Our response to this call for evidence is therefore focussed on broad principles of tax collection and management in relation to Welsh Landfills Disposal tax and potential implications for Natural Resources Wales.
- 1.3 We are represented on Welsh Government's Wales Landfill Tax Project Board, and Landfill Tax Technical Experts Group. Through these groups we have been looking at the potential role and opportunities for Natural Resource Wales in relation to Welsh Landfill Disposals Tax.

2. Role of Natural Resources Wales

- 2.1 The purpose of Natural Resources Wales is to ensure that the natural resources of Wales are sustainably maintained, used and enhanced, now and in the future.
- 2.2 Natural Resources Wales works as a regulator, partner and advisor to businesses, non-governmental organisations, local authorities and communities to help deliver Welsh Government and European Union policies and priorities.
- 2.3 Natural Resources Wales is responsible for regulating the waste industry and is principal adviser to WG, adviser to industry and the wider public and voluntary sector, and communicator about issues relating to the environment and its natural resources. We take an ecosystem approach to promoting integrated natural resource management that delivers social, economic and environmental benefits for the people of Wales.
- 2.4 Natural Resources Wales is also the designated monitoring authority for The Recycling, Preparation for Reuse and Composting Targets (Monitoring and Penalties) (Wales) Regulations 2011 and Landfill Allowances Scheme (Wales) Regulations 2004.

3. General Principles and need for the legislation

- 3.1 We support the introduction of this Bill and recognise its necessity in establishing the legal framework required for the future collection and management of devolved taxes in Wales.
- 3.2 The White Paper on devolved tax collection and management confirmed that Natural Resources Wales (NRW) would be considered as potential partners to work with the WRA in the delivery of tax collection and management functions in relation to Landfill Disposals Tax. Our ability to undertake such a role requires that Welsh Revenue Authority has the ability to delegate their functions, which the Section 13 of the Bill provides.
- 3.3 The UK Landfill Tax introduced in 1996 was the UK's first environmental tax and is a key mechanism in enabling the UK to meet its targets, for the landfilling of biodegradable municipal

waste, set out in the Landfill Directive. Landfill Tax is a tax on the disposal of waste at landfill, which provides a strong incentive for waste producers to produce less waste, recover more value from waste, for example, through recycling or composting and to use more environmentally friendly methods of waste management. Through increasing the cost of landfill, other advanced waste treatment technologies with higher gate fees are made to become more financially attractive. The effectiveness of this tax in changing behaviour has been demonstrated by the reduction of waste disposed at Landfill sites in Wales. Since 2000 the amount of waste disposed at landfills in Wales has reduced from 4.5 million to 2.1 million tonnes in 2013.

- 3.4 The proximity of major urban areas on both sides of the Welsh and English Borders means that potential flows of waste could easily be reversed simply by relatively small changes in differential rates. It is important therefore that the Welsh Disposals Tax is introduced and we believe there are significant potential benefits to continued consistency between Welsh Government and the UK and Scottish Governments.

4. Implementation and financial implications of the Bill

- 4.1 The provisions of the Bill and in particular delegating any functions from the Welsh Revenue Authority to Natural Resources Wales will have a financial implication. We indicated in our response to the Welsh Government's consultation on the white paper "Collection and management of devolved tax in Wales" that we did not wish to be considered for the collection and management role at this time, but recognising there are potential synergies between our existing regulatory role and the forthcoming landfill disposals tax regime, we committed to explore opportunities to deliver a more effective compliance and enforcement regime in Wales, working on the expectation that any additional role would be fully funded.
- 4.2 We continue to work with Welsh Government to explore the following three elements in relation to our potential role and the future collection and management of landfill disposals tax in Wales:
- information sharing opportunities,
 - policy opportunities,
 - compliance and enforcement responsibilities
- 4.3 Following National Assembly for Wales passing this Bill we anticipate more intensive discussions will begin with Welsh Government. We recognise that any potential financial implications from being involved in a compliance and enforcement role will be dependent on
- i. the scale and scope of any role in delivering functions and the anticipated required service standards,
 - ii. the future development of legislation and associated policy decisions.
- 4.4 We understand that the forthcoming regulations would also be subject to a further Regulatory Impact Assessment. This process would refine cost estimates and provide us with greater certainty on any likely costs that would be incurred.
- 4.5 We welcome the opportunity to provide oral evidence if invited to do so by the Finance Committee.

For more information

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Finance Committee of the National Assembly of Wales – call for evidence on the Tax Collection and Management (Wales) Bill

Response by the Chartered Institute of Taxation

1 Introduction

- 1.1 The Chartered Institute of Taxation (CIOT) is pleased to comment on the Tax Collection and Management (Wales) Bill (the Bill) in response to the Finance Committee’s Call for Evidence. We have endeavoured to keep our submission short, in line with the Committee’s requirements; we would be pleased to amplify our points orally or in writing.
- 1.2 We consider that the Bill has been developed with open and effective consultation. We commend the wide-ranging consultation including the consultative forums and for allowing a proper timescale for responses to be developed.

2 Avoidance and evasion

- 2.1 We note that Welsh Ministers have confirmed that they wish to see more evidence of the scale, scope and nature of tax avoidance in relation to SDLT and LFT within Wales, to ensure that legislative and operational approaches to tackling tax avoidance are clear, robust, and proportionate. These issues are therefore under consideration in the context of consultations on LTT and LFT. We support this approach with some caveats; it would be disappointing if this approach led to the inclusion in LTT of an equivalent to Finance Act 2003 sections 75A-C, legislation that has been found to be flawed and unworkable both in practice and in the tribunals¹.

¹ See *Project Blue Limited and the Commissioners for Her Majesty’s Revenue and*

2.2 We consider that there is merit in trying principles-based drafting where necessary combined with specific targeted anti-avoidance rules. Traditionally UK tax law, particularly in an 'avoidance' context, has been written in great detail, leading to complexity and often to loopholes that then require further legislation.

3 The appropriateness of the powers in the Bill for Welsh Ministers to make subordinate legislation (as set out in Chapter 5 of Part 1 of the Explanatory Memorandum).

3.1 This is a key area of concern. In our view secondary legislation should be used only for procedural and administrative matters. There are four areas where a regulatory power is prescribed in the Bill that extends beyond the scope of procedure or administration (albeit with the affirmative procedure because of its potential significant effect). These four areas are:

- Power to amend the conditions under which protected taxpayer information is disclosed (clause 17(2))
- Power to amend the amount and assessment of penalties charged to taxpayers (clause 154)
- Power to amend provisions relating to what are to be classed as appealable decisions (clause 170(7)) and
- Power to confer further investigative, detention and seizure powers (clause 183(1) (2)).

3.2 It is our view that such powers belong properly in primary legislation. Although a limited power to make inflationary adjustments to penalties, for example, would be appropriate in secondary legislation it is important to ensure that matters such as substantive changes to penalties are seen as fairly imposed and properly legitimised by the Assembly, rather than simply by administrative decision.

4 Use of terminology in the Bill common to UK tax legislation

4.1 As set out in the policy background of the Explanatory Memorandum, Welsh Ministers have agreed that where there is no good policy reason to diverge from UK tax administration, current operational processes and arrangements will be adopted in the Welsh context. Therefore, in the interests of certainty, where terms used in Bill are the same as those used in equivalent UK legislation (for example 'reasonable' in the sense of 'reasonable excuse' 'reasonable grounds' or 'reasonable care' etc), it would be helpful - unless it is stated elsewhere- to acknowledge in the Bill itself that UK jurisprudence should be regarded as binding precedent, unless the Assembly indicates

otherwise in the legislation.

5 Part 2: The Welsh Revenue Authority (WRA)

- 5.1 We are pleased to note that the WRA has the freedom to establish non-voting committees in order to fulfil its functions. The involvement of committee members with particular tax expertise and experience in business and practice will build confidence in the Authority. Such committees provide also the opportunity for exercising valuable oversight of fundamental aspects of the management of devolved taxes such as evaluating proposed changes and monitoring WRA adherence to the Charter of standards and values.
- 5.2 The main functions of the WRA (clause 11) are reasonable as far as they go although we consider that the duty to provide information and assistance relating to devolved taxes to devolved taxpayers, their agents and other persons might emphasise more robustly the need for good communication with taxpayers. As we noted in our consultation response, frequent and clear communication is important, ideally with a good mix of communication methods, in order to reach all taxpayers. A compliance culture depends upon good communication.
- 5.3 We note that clause 15 provides for the use of information by WRA and persons to whom the WRA has delegated any of its functions. This power is subject to any international obligation of the United Kingdom which restricts or prohibits the use of information. We note that a similar provision in the Revenue Scotland and Tax Powers Act 2014 is subject in addition to 'any other enactment' (section 17(b)). Is the apparent omission of that specific qualification intentional?
- 5.4 Clause 23 provides that the WRA may pay a reward to a person in return for a service which relates to any of its functions. This seems a very wide scope and we think it should be restricted to matters such as rewarding informers, if that is the intention.'
- 5.5 We are pleased that the Charter of standards of values has been given statutory force and that there is parity of obligations between the WRA and the taxpayer. We are concerned though that the standard is aspirational in terms of the behaviours and values contemplated; we think it would be better framed in terms of the 'behaviour and values expected of the Welsh Revenue Authority'. It would be appropriate to frame the expectations of taxpayers similarly.
- 5.6 The WRA must review the Charter 'from time to time'. Although we recognise the value of flexibility (and the need to balance limited resources) we would prefer a more defined process and timeline or trigger for review. Failure to do so runs the risk of undermining the status of the Charter. Again a standing committee could offer the mechanism for a governance/ compliance function in relation to the Charter and a defined review process with a reporting timeline.

- 5.7 As an important safeguard the Charter should apply to any person to whom the WRA has delegated any of its functions explicitly, even if this is implicit.
- 5.8 We endorse the response of the Low Incomes Tax Reform Group particularly in relation to producing and publishing a Charter in readiness for 1 April 2018.
- 5.9 The timings for producing the Corporate Plan (clause 26) and Annual Report (clause 27) are a little vague. Timely production needs to be tied into the political timetable to ensure that these documents perform an effective function.

6 Part 3: Tax returns, enquires and assessments

- 6.1 We note that the record keeping obligation in clause 36 appears to diverge from the UK provisions in section 12B of the Taxes Management Act 1970 in that clause 36(3) refers to the sixth anniversary of the day on which the tax return is made (rather than the fifth). If so, it is unclear why this should be so given the intention to maintain consistency?

7 Part 4: Investigatory Powers of WRA

- 7.1 In relation to information notices we welcome the protection for 'journalistic information' (clause 96) although we note that this term could be usefully defined. Similarly the protection for personal records (clause 97), privileged communications between legal advisers and clients (clause 99) and for the extension of protection to communications between a tax adviser and client. The latter protection is provided under clause 100 (2) to a '*tax adviser*' (*'cynghorwr treth'*) [*that*] means a person appointed to give advice about the tax affairs of another person (whether appointed directly by that person or by another tax adviser of that person). There may be some ambiguity around the meaning of 'appointed' (by way of example 'appointed' might mean the existence of an engagement letter between client and adviser, or perhaps that notification has been made to the Authority that the adviser is acting as agent). Therefore some clarificatory guidance on what is meant by 'appointed' would be helpful.

8 Part 5: Penalties

- 8.1 We are concerned that provision is made in the Bill for a regulatory power to change penalty provisions. As noted above, although the secondary legislation will be subject to the affirmative procedure, changes to the penalty regime should be in primary legislation.

- 8.2 We note that HMRC issued a discussion document earlier this year² on a potential fundamental change of approach to the imposition of penalties. The CIOT's response is at <http://tinyurl.com/nvzw9xw>.

9 Part 8 : Reviews and Appeals

- 9.1 We are disappointed that there is no provision giving the WRA power to postpone the collection of tax when an appeal is made even in the case of (objectively tested) hardship. Whatever is promised by way of interest if the taxpayer wins, it will not provide full recompense unless the rate is set above the current commercial savings rate.
- 9.2 From a wider perspective (not limited to appeals to the tribunal), we consider that consideration should be given to adopting Time To Pay (TTP) arrangements similar to those used by HMRC.
- 9.3 In common with legislation in the rest of the UK, the Bill provides for circumstances in which reference to the tribunal is made by either the taxpayer or the WRA (or jointly) as part of the operation of the management of devolved taxes. These include not only appeals against assessments but also a limited number of applications that are made to the tribunal on other matters for example third party notices (clause 85), inspection of business premises (clauses 101, 104 and 106) and an application to impose a penalty for failure to comply with information notice (clause 149). In this context we note the current Ministry of Justice consultation *Court and Tribunal Fees - Consultation* that includes fee proposals relating to the First-tier Tribunal (Tax Chamber) and Upper Tribunal (Tax and Chancery).
- 9.4 Any imposition of fees on an application to the tribunal will need to be considered from the perspective of the management of Welsh devolved taxes if referrals are likely to be significant.

² <https://www.gov.uk/government/consultations/hmrc-penalties-a-discussion-document>

10 The Chartered Institute of Taxation

10.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the United Kingdom concerned solely with taxation. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries. The CIOT's comments and recommendations on tax issues are made in line with our charitable objectives: we are politically neutral in our work.

The CIOT's 17,000 members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

The Chartered Institute of Taxation
8 September 2015



**Consultation on an inquiry into the Tax Collection and Management (Wales) Bill
Response from the Low Incomes Tax Reform Group (LITRG)**

1 Executive Summary

- 1.1 We are pleased that the Tax Collection and Management (Wales) Bill contains provision for the introduction of a Taxpayers' Charter. The Bill signifies that the Charter should clearly state the standards of behaviour and values that the Welsh Revenue Authority (WRA) will use when interacting with Welsh taxpayers and vice versa. The WRA must ensure that the Charter is publicised upon the devolution of Land Transaction Tax and Landfill Disposals Tax.
- 1.2 The functions of the WRA are wide-ranging which is to be expected as it is not yet known how the devolution of Welsh taxes will unfold over time. For the Welsh Government and Welsh taxpayers to have confidence in a new tax authority it is essential that there is sufficient funding in place to enable the WRA to work effectively, efficiently and build up a good and trusting relationship with the National Assembly and the general public.
- 1.3 Any 'digital by default' approach must have proper regards to the needs of those who are unable to use computers or access the internet.
- 1.4 WRA guidance must be written with the unrepresented taxpayer in mind as its audience. Taxpayers must be able to rely on the guidance provided they have followed it in good faith.

2 About Us

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low income workers, pensioners, migrants, students, disabled people and carers.
- 2.2 LITRG works extensively with HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.
- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

3 Introduction

- 3.1 We welcome this opportunity to respond to the Finance Committee's consultation into the general principles of the Tax Collection and Management (Wales) Bill. It is important that the legislation contains the fundamental principles on how tax should be collected and managed in Wales even though it has yet to be decided which taxes will be devolved alongside Land Transaction Tax and Landfill Disposals Tax. We understand that there will be separate consultations regarding the legislation and guidance on penalties for the two new devolved taxes.
- 3.2 As explained in 2.1 above, LITRG primarily focuses on income tax and although that is currently not being devolved to Wales, we understand that the framework for the collection and management of devolved taxes may include income tax if this is devolved in the future. Therefore our comments on the principles of the Tax Collection and Management (Wales) Bill focus on developing a tax system which will be fit for purpose if income tax is devolved. Consequently our response primarily focuses on the formation and role of the WRA.
- 3.3 LITRG is an initiative of the CIOT; we support the CIOT's separate submission. Our response focuses on points of concern that have direct relevance for the low-income taxpayer.
- 3.4 We are pleased that the Welsh Government has recognised and agreed 'that where there is no good policy reason (for example, on the grounds of a focus on Welsh needs or efficiency)

to diverge from the UK tax administration, Welsh tax collection and management arrangements should replicate current UK operational processes and arrangements'.¹ This should minimise any changes and result in a more consistent approach for taxpayers who will be using both the Welsh and UK tax systems.

4 Part 2 – The Welsh Revenue Authority

- 4.1 We are pleased that staff who will be appointed to the WRA will be independent from the National Assembly, Government and Local Authorities. The WRA should be held accountable for its performance by the Welsh Government and therefore there should be no conflicts or perceived conflicts of interest. We support the decision that the WRA has power to set up non-voting committees which will enable them to receive advice and support from experts in particular areas of tax; this is imperative as it is unknown how Welsh taxes will develop in the future.
- 4.2 The functions of the WRA are wide-ranging and include providing ministers and taxpayers with information and advice, resolving complaints and disputes and promoting compliance with the tax system. For the WRA to be effective and achieve these objectives there needs to be sufficient resources and funding in place. It is good that the Bill provides flexibility to enable Welsh Ministers to provide appropriate funding for the WRA so that it can carry out its functions.² We consider that funding should be monitored on a regular basis as if there is insufficient funding this could potentially result in taxpayers losing confidence with the new system which may lead to less compliance, placing additional burdens on the WRA and possibly affecting any decisions to devolve further taxes in the future.
- 4.3 We understand the reasons for the WRA delegating some of the collection and management tax processes for Land Transaction Tax and Landfill Disposal Tax. We have raised concerns in our previous responses³ regarding delegation and we are pleased that the Tax Collection and Management (Wales) Bill addresses most of these concerns by stating that the WRA has

¹ Paragraph 23 of Explanatory Memorandum – Tax Collection and Management (Wales) Bill:
<http://www.assembly.wales/laid%20documents/pri-ld10293-em/pri-ld10293-em-e.pdf>

² Tax Collection and Management (Wales) Bill, Part 2 section 22:
<http://www.assembly.wales/laid%20documents/pri-ld10293/pri-ld10293-e.pdf>

³ See LITRG responses at:
<http://www.litr.org.uk/Resources/LITRG/Documents/2014/12/141210%20LITRG%20response%20Collection%20and%20management%20of%20devolved%20taxes%20in%20Wales%20FINAL.pdf> and
http://www.litr.org.uk/Resources/LITRG/Documents/2015/04/150423_LITRG%20Inquiry%20into%20the%20collection%20of%20devolved%20taxes%20FINAL.pdf

ultimate responsibility for any delegated processes,¹ that the delegated body must comply with the WRA's functions, that the delegation agreements may be varied and revoked at any time and that the WRA must publish information regarding these delegated processes. One concern we have raised which has not been addressed by the Bill or the Explanatory Memorandum is confirmation that any organisations performing collection of taxes will not be remunerated on a 'payment by results' basis. We would recommend that any organisation responsible for tax debt collection is paid independently of the amount they are able to collect.

- 4.4 One area we consider to be fundamental to the introduction of a new devolved tax system is a Taxpayers' Charter, as this should provide guidance and protection to unrepresented and vulnerable taxpayers. It is heartening to see that the Tax Collection and Management (Wales) Bill requires the WRA to produce a Charter, which must include standards of behaviour and values to which the WRA will aspire when dealing with taxpayers and also what is expected from devolved taxpayers when they deal with the WRA. LITRG would like to be involved in any future consultations which will address the format and wording of this new Charter. We agree with the Bill that the Charter should be reviewed and revised where necessary and that monitoring the WRA's standards of behaviour will be included as part of their Annual Report. We think it is important that the Charter is ready and its purpose publicised before 1 April 2018 as the Charter will only be effective and of value if devolved taxpayers are aware of it. The WRA must be provided with adequate funding to promote and embed the Taxpayers' Charter in due course.
- 4.5 The Tax Collection and Management (Wales) Bill explains how the WRA will be accountable to Welsh Ministers through the submission of a corporate plan for approval and Annual Reports. This level of public disclosure and accountability is reassuring but for it to work most effectively the Annual Reports must be prepared and published within a fairly short length of time, to enable any changes in processes to occur as soon as possible. The Bill refers to preparing the report 'as soon as it is reasonably practicable',² however as there is no definition of what is 'reasonably practicable' we recommend that a time limit of four months after the accounting year end is also included within the legislation to ensure that there are no lengthy delays.

5 Digital by default approach

¹ Tax Collection and Management (Wales) Bill Part 2, Section 13 Paragraph 6b:
<http://www.assembly.wales/laid%20documents/pri-ld10293/pri-ld10293-e.pdf>

² Tax Collection and Management (Wales) Bill Part 2, Section 27 Paragraph 1:
<http://www.assembly.wales/laid%20documents/pri-ld10293/pri-ld10293-e.pdf>

- 5.1 The Explanatory Memorandum mentions that it is probable that a ‘digital by default’ approach will be taken and that this could be seriously problematic for disadvantaged groups such as people with visual impairments or devolved taxpayers living in rural areas with poor internet connections. We would strongly recommend that other options are made available rather than just a ‘one size fits all’ approach using only digital payment and filing methods. This should then mean that the tax collection systems are fairer to all devolved taxpayers and would follow the principles set out by the Finance Minister which stated that the tax system ‘be fair to businesses and individuals who pay them’. LITRG were involved in the *LH Bishop & Others v HMRC* [2013] UKFTT 522 (TC)¹ case which established that while HMRC have a right to mandate the format of returns, in doing so they have to have regard to individuals’ human rights and similar principles.

6 Welsh Revenue Authority guidance

- 6.1 WRA guidance will always be required in respect of all taxes and management of taxes. For the unrepresented taxpayer, WRA guidance will explain the tax system and the approach of WRA— they are unlikely to read the legislation behind the guidance. It is essential that WRA guidance is written with the unrepresented taxpayer in mind as its audience. The guidance must be written in plain language; while it must be easy to understand, it must not simplify the law to such an extent that is misleading or incorrect. Taxpayers should be able to rely on WRA guidance, provided they have acted in good faith. Access to guidance is also of prime importance. Not all taxpayers will be able to access guidance on the WRA website. It is essential that WRA considers properly how to ensure that unrepresented and digitally excluded taxpayers in particular can obtain WRA guidance easily.

LITRG
24 August 2015

¹ The case of *LH Bishop Electrical Ltd and Others v HMRC Commissioners* [2013] UKFTT 522 (TC): <http://www.bailii.org/uk/cases/UKFTT/TC/2013/TC02910.html#7>

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

Document is Restricted

National Assembly for Wales
Assembly Commission

Draft Budget 2016–17

September 2015

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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01.Introduction

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

Throughout the Fourth Assembly, the Commission has taken a strategic approach to budget planning, with a budget strategy for the full duration of the Assembly and multiple year budgets. This approach has delivered greater clarity, transparency and consistency and has been approved year on year by the Assembly. Underpinning the budget strategy, we have detailed plans which allow us to take a long term view of spending requirements, such as a plan for maintenance and refurbishment of the estate. The Commission has an annual budget and has no facility to carry over funds from one year to the next; however, having clear plans about work that we know will be required, allows us to prioritise and make considered, well-judged use of our annual budgets. An Investment and Resourcing Board is the decision making body for resourcing in the Assembly, providing challenge and review for all resource decisions ranging from staff recruitment through to project funds or additional operational expenditure. Throughout the financial year, the Board balances the availability of funds with the needs of projects and services over multiple years to ensure its investment in the Assembly is properly scrutinised, prioritised and managed.

The Assembly Commission believes that securing value for money is vital; an internal audit report from March 2015 concluded that “the Assembly Commission has a well-developed value for money culture in place and this culture is embedded throughout the organisation”. Throughout this Assembly, one of the Commission’s strategic goals has been to “use resources wisely”. To strengthen our approach further we are shifting the focus of our value for money target from vacancy management to gains from projects in benefits realisation, Assembly services and procurement delivering successful contract negotiations that result in tangible savings. Beyond this, the measures published in our regular Corporate Performance Reports provide comprehensive information by which we can be judged. This in turn is part of our Assurance Framework, which is independently tested in a number of ways. Together all these elements, by ensuring that our budget planning is expert, thorough, transparent and subject to proper scrutiny, provide assurance that the Commission uses its resources efficiently, economically and effectively, avoiding waste and extravagance.

This budget relates to the first year of the Fifth Assembly and seeks to build on the Commission’s progress and achievements over the last five years. Throughout the Fourth Assembly, the Commission has focused investment and effort in the delivery of its strategic goals, and so in the effective performance of Welsh democracy. Continuing with that approach will be essential if the Assembly is to meet the challenge of increased responsibilities within the capacity constraints that are a feature of the UK’s smallest legislature.

With only 60 Members, the National Assembly is small by any objective local, national or international comparison. Assembly Members are thinly spread, especially in their committee work, and these pressures will only intensify as our legislative and fiscal responsibilities increase. Members in the next Assembly will be solely responsible for creating law in Wales in devolved policy areas. The breadth of that devolved policy responsibility will increase and they will have responsibility over aspects of the tax regime and government borrowing. Those Members not in Government will carry responsibility for holding the Welsh Government to account for all of its spending, policy and legislative actions and for articulating alternative visions for the future. Yet, although the view that the Assembly is too small in increasingly widely accepted, an increase in the number of Assembly Members is unlikely to occur before 2021.

The primary aim of this 2016-17 budget is to provide stability and ensure the continued delivery of excellent services to Members until the new Commission is established and their goals and priorities are clear. It will enable the new Commission to discharge its day to day responsibilities to the same high standards that have been achieved during the Fourth Assembly, with a sustained emphasis on continuous improvement, innovation and value for money.

Beyond that, however, the greatest challenge for the new Commission will be to ensure that an Assembly charged with greater responsibility than ever before is properly equipped and served to take account of its small size and consequent constraints on its capacity. How it does so will, of course, be a matter for the next Commission. We are confident that the services and culture of sound financial management that this Commission leaves behind will place it in a strong position to do so and that this budget will provide a secure start for first year of the next Assembly.

Useful Links

A Vision for World Class Parliamentary Committees

<http://senedd.assemblywales.org/documents/s29820/Review%20of%20support%20for%20committees%20-%20December%202013.pdf>

Commission Key Performance Indicators

<http://www.senedd.assembly.wales/mgissueHistoryHome.aspx?lid=6022>

Commission Equality Report 2014-15

http://www.assembly.wales/NAfW%20Documents/Annual-Equality-Report-2014-2015_Word.docx

Annual Reports and Statement of Accounts

<http://www.senedd.assembly.wales/mgissueHistoryHome.aspx?lid=2850>

Remuneration Board – Determination for the Fifth Assembly

<http://www.senedd.assembly.wales/mgIssueHistoryHome.aspx?lid=9636>

02.Budget 2016-17

The 2016-17 budget, as the first year of the Fifth Assembly, must ensure that services are maintained to the highest standard during the transition between the Fourth and Fifth Assemblies and position us to take forward the priority work areas of the new Commissioners.

The Commission budget, for which the Chief Executive and Clerk of the Assembly is accountable, is split into distinct parts providing funds for:

- expenditure under the Commission’s direct control;
- the Budget for the costs associated with the Remuneration Board’s Determination for Members’ Pay and Allowances;
- the accounting provision for the Members’ Pension Scheme under the HM Treasury’s Annually Managed Expenditure (AME) heading; and
- a ring-fenced budget for election related expenditure.

The proposed Commission budget for 2016-17 is shown in Table 1, together with the 2015-16 budget for comparison purposes.

Table 1	Budget 2015- 16	Proposed Budget 2016- 17
	£m	£m
Commission Staff	18.7	20.3
Fixed Costs (including Depreciation)	11.6	9.9
Variable Costs	5.4	5.4
Development funds	0.7	0.9
Total for Commission Services	36.4	36.5
Budget for Remuneration Board’s Determination for Assembly Members	14.5	15.5
Total Operational Budget	50.9	52.0
Annually Managed Expenditure	1.2	1.5
Election related expenditure	0.5	2.5

The Commission Services budget has been prepared on the basis of a 1.5% cut in real terms. Since 2014-15 we have tracked the funding changes to the Welsh Block when considering our own budget. The results of the comprehensive spending review that will cover 2016-17 are not expected to be published until November 2015. We have therefore used data published in the UK Government’s Autumn Statement (2014) as a guide (a 1.1% real terms cut to funding) and assumed that the final settlement will be harsher. Despite this reduction, the Commission will be able to continue to deliver strong, integrated support to meet the needs of individual Assembly Members and committees.

For some areas of Commission expenditure, such as staff costs, an increase in funding is proposed to provide additional capacity and skills to support Assembly business. The staff budget for 2016-17 also reflects the additional costs that arise from the end of contracting out for National Insurance.

This budget will provide full year funding for 441 staff posts, 13 more than in 2015-16. New posts are in several key areas:

- in the Assembly Business and Legal Services Directorates, where 7 additional posts increase capacity and expertise in financial scrutiny in the light of the enhanced fiscal and legislative powers of the Assembly, extend bilingual service in the Table Office, and provide for the introduction of trainee posts within Legal Services;
- in the Members Business Support and Equalities teams where 3 new posts will ensure that new and out-going Members receive the support they require;
- in the Learning and Development Team where an additional post will enhance our continuing commitment to staff training and development; and
- other staff changes include the restructure of the Pensions team to maintain service delivery and manage increasing legislative and regulatory requirements.

This level of funding also provides for: an extension of the apprenticeship scheme across the Assembly and continuation of graduate and training schemes in translation, research and human resources.

These staffing developments have been carefully planned. Commission staff work to an annual business cycle to specifically address the Commission's short to medium term resourcing needs and to assess options for meeting these, including changing ways of working and prioritising the use of existing resources. One of the key ways we do this is through a twice yearly capacity planning review where we consider changes to service plans and priorities for new development, identify risks and opportunities and assess the implications for the Commission's budget and resource needs. Effective challenge forms a significant part of this review process, which involves peer challenge and oversight and assurance from the Audit and Risk Assurance Committee.

Challenge and review for all resource decisions is also undertaken by the Investment and Resourcing Board. The Board meets fortnightly and is chaired by the Chief Executive and Clerk of the Assembly. Throughout the financial year, the Board balances the availability of funds with the needs of projects and services over multiple years to ensure its investment in the Assembly is properly scrutinised, prioritised and managed. It oversees the capacity planning exercise and assesses business cases for all staff recruitment, including the filling of existing vacancies as well as new posts.

Increased staffing costs will be balanced by reductions elsewhere. For example, the Commission will continue to benefit from the 2014 transition to in-house ICT services; this transformational change reduced our ICT costs by over 15% as well as providing the Commission with full control over time, cost and delivery. Similarly, we continue to benefit from a 20 % increased productivity in our translation and reporting services building on the successful launch of the Microsoft Translator facility. Other savings have been delivered through procurement and contract negotiations, ensuring that the savings reduce the baseline operating costs for the Commission as it enters its first year of the Fifth Assembly.

Remuneration Board's Determination for the Fifth Assembly

The costs of the Remuneration Board's Determination have been provided for in full.

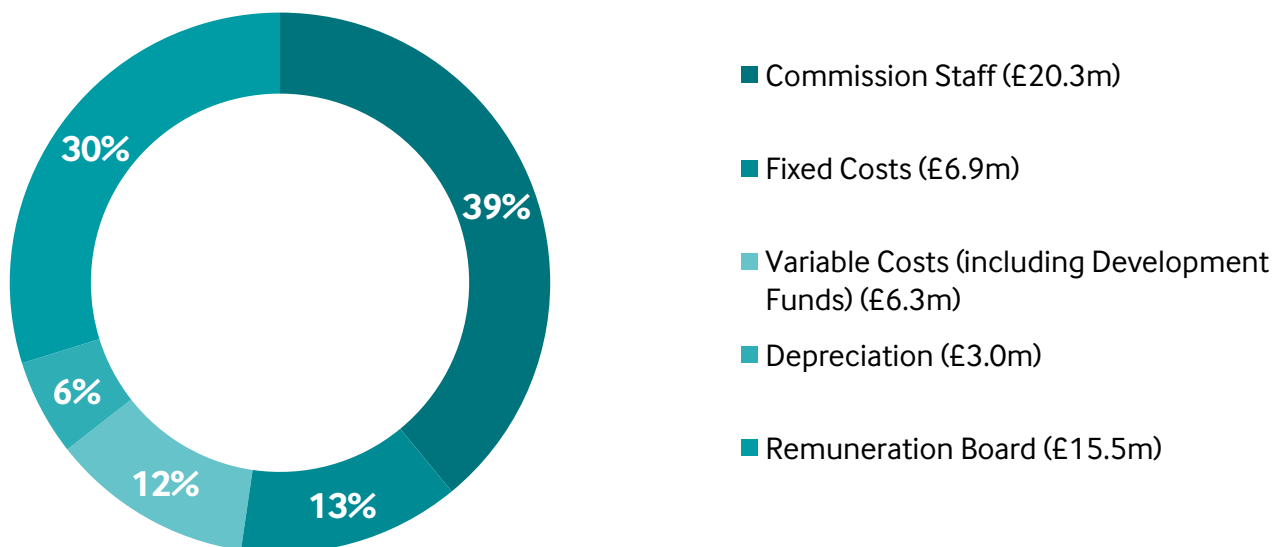
The Remuneration Board undertook a thorough review of Members' Pay and Allowance during 2014-15 to target resources to support Members to fulfil their core functions: scrutinising policy and finance; holding the Welsh Government to account; legislating; and representing their constituents. The Board's determination for the Fifth Assembly proposes a pay increase to £64,000 per annum (increasing from £54,391 in 2015-16) for Members with effect from 2016-17 to reflect the increased level of responsibility. The cost of this increase was offset by changes to the Members' pension scheme and reduction in the level of additional salary payable to Ministers and other office holders. An increase in the funding available for the support of Members' staff also contributes to the rise in the budget required. The **full report can be read here**¹ and explains the changes coming into effect from 1 April 2016. We are proposing a budget of £15.5m to fund the Remuneration Board's first Determination for the Fifth Assembly.

Linked to the Remuneration Board's Determination is the budget for the accounting adjustment related to the Assembly Members' Pension Scheme. This adjustment arises from the prescribed accounting treatment and has a separate ring-fenced budget, Annually Managed Expenditure, to provide the appropriate funds. For 2016-17 we are seeking a budget of £1.5m which includes a £300k contingency for any additional accounting adjustments arising from the pension scheme changes.

Costs relating to the election

Finally, we are proposing a budget of £2.5million for one-off costs specifically related to the election. It includes the costs associated with the termination of office for those Members who will cease to hold office, the cost of providing ICT equipment and support for incoming Members, any accommodation requirements that need to be met and the costs associated with managing these processes. By including this as a distinct budget, the specific election related costs charged to the budget are transparent and easily identifiable. Any surplus funds will be returned through a supplementary budget for use elsewhere in the Welsh Block. This robust financial management practice also safeguards the funds for Commission's services to Members, ensuring these continue to be provided as normal.

Figure 1: Costs of the National Assembly for Wales 2016-17



¹ <http://www.senedd.assembly.wales/mglIssueHistoryHome.aspx?lId=9636>

03. Supporting the increasing programme of legislative work

The volume and complexity of legislative scrutiny being undertaken in the Assembly is increasing significantly and rapidly. We expect this level and pace of legislative activity to continue until the very end of this Assembly and to be the norm from the earliest days of the next.

The key features of this increase are:

- Assembly Bills are now comparable with those of the UK Parliament in terms of size and complexity. There are more of them and they include larger, wide-ranging and / or technically complex Bills. In addition, the entire legislative procedure in the Assembly – from introduction, through scrutiny and amendment to final approval – is undertaken bilingually. Our Acts carry equal legal status in both Welsh and English;
- A corresponding increase in the numbers of amendments tabled by Assembly Members, most of which are drafted or advised on by Commission lawyers;
- Increased demand for in-depth legal advice on legislative competence; given the ratio of referrals to the Supreme Court of Assembly Bills, this work has to be given the highest possible priority and detailed attention;
- Demand for legislative drafting of individual Member Bills. The Commission has invested in external mentoring services from an internationally acknowledged expert so as to foster and improve the in-house provision of this skill;
- Increasing demand for accessible Research Service information; supporting legislative scrutiny, and publically available information explaining how a Bill changes as it progresses through the Assembly. Bill summary papers (which look at the policy context, main objectives and provisions of each new Bill) and glossaries of Welsh technical terms and phrases used in Assembly Bills are growing in popularity;
- More subordinate legislation flowing from powers in Acts of the Assembly, leading to an increased volume of legislative scrutiny work both for Members and Commission lawyers;
- Increasing numbers of Legislative Consent Memoranda, where far-reaching policy and constitutional implications arise; and
- Legislation to put in place new fiscal arrangements for the setting and collection of taxes – a new area of responsibility for the Assembly.

Ahead of the 2016 election, it is impossible to confidently predict what legislation will be introduced in the first year(s) of the Fifth Assembly. However, all indications suggest that the volume of legislation is likely to remain high so we have tried to ensure we are ready for this through capacity planning.

The Commission considers it essential that high quality support is in place for legislative scrutiny and amendment, as it is for the scrutiny of Welsh Government policy and financial decisions. This,

therefore, forms a crucial part of our capacity planning work to align resources to priority areas. We also continue to improve the services provided in support of Members' committee work through the Commission's framework on world class committees. Feedback from Members and their support staff reflects high levels of satisfaction with the enhanced services the Commission has delivered for committees. These enhancements have also been informed by a Member preference exercise, which has given Commission staff valuable insight into how Members approach committee work, use the products and services provided to them and what else teams can do to help Members engage and participate in committee work. This approach will be at the heart of the support offered to committees after the election and we hope that our successor Commission will share our aspiration for Assembly committees:

to demonstrably improve the quality of policy outcomes, legislation and public services for society as a whole in Wales; to be respected, influential, and accessible, acting with integrity and independence; to be strategic and rigorous.

Legislation introduced during the Fourth Assembly

1

Stage 1: Committee inquiry then Plenary debate on general principles

Historic Environment (Wales) Bill | Environment (Wales) Bill

Public Health (Wales) Bill | Tax Collection and Management (Wales) Bill

Holiday Caravan Sites (Wales) Bill | Financial Education and Inclusion (Wales) Bill

2

Stage 2: Committee consideration of amendments

Renting Homes (Wales) Bill | Regulation and Inspection of Social Care (Wales) Bill

Safe Nurse Staffing Levels (Wales) Bill

3

Stage 3: Plenary consideration of amendments

Local Government (Wales) Bill

4

Stage 4: Plenary debate on whether to pass Bill

Post Stage 4: The period when a Bill is prepared for Royal Assent, or sometimes referred to the Supreme Court

Recovery of Medical Costs for Asbestos Diseases (Wales) Bill



Royal Assent: Bill becomes law

Qualifications Wales Act 2015 | The Planning (Wales) Act 2015

Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015

Well-being of Future Generations (Wales) Act 2015 | Higher Education (Wales) Act 2015

Housing (Wales) Act 2014 | Agricultural Sector (Wales) Act 2014

Education (Wales) Act 2014 | Social Services and Well-being (Wales) Act 2014

Control of Horses (Wales) Act 2014 | National Health Service Finance (Wales) Act 2014

Further and Higher Education (Governance and Information) (Wales) Act 2014

Active Travel (Wales) Act 2013 | Human Transplantation (Wales) Act 2013

Local Government (Democracy) (Wales) Act 2013 | Public Audit (Wales) Act 2013

Food Hygiene Rating (Wales) Act 2013 | School Standards and Organisation (Wales) Act 2013

Mobile Homes (Wales) Act 2013 | Local Government Byelaws (Wales) Act 2012 |

National Assembly for Wales (Official Languages) Act 2012

04. Bilingual Services

The Commission's ambition is to be recognised and function as a truly bilingual institution, allowing staff and those who engage with the Commission to do so in the language of their choice.

Assembly Members and their support staff have told us that they value bilingual documentation and the bespoke provision that has already been made. The annual survey of Assembly Members and their support staff shows a marked improvement in the rating for the support provided to enable them to work in the language of their choice. We are enhancing this support by working with Assembly Members to deliver:

- increasing provision of bespoke services to Members and their Support Staff and tailored support to individuals or groups to ensure everyone has the ability and facility to work in their language of their choice as the default position;
- provision of bilingual committee support documentation including briefing documents for Committees;
- a review of the current language learning provision for Assembly Members and their Support Staff with the aim of implementing creative and innovative methods of supporting them; and
- improvements in the production processes of bilingual surgery notices, newsletters and other constituency related documentation.

The external translation contract that provides monolingual transcription services, text translation, interpretation and proof-reading will continue to be used to support peak work times. This contract is due for re-tendering in time for the Fifth Assembly and will be modified to include:

- new categories of translation to include text which has been machine translated and also post-edited text (this will attract different rates and differing turnaround times);
- bilingual sub-titling services of all Commission videos and exploration of sub-titling for Senedd.tv;
- enhancing the Assembly Members' constituency contract by extending choice of call-off contractors and the types of work included; and
- an enhanced interpretation call-off contract.

In addition, we will aim to effect greater awareness of bilingualism within the Assembly by various means e.g. holding an "official languages week" to tie-in with the Shwmae/Su'mae national day.

Plans are underway to secure independent feedback and evaluation of the quality of the Assembly's bilingual services offered to the people of Wales. This feedback will prove invaluable in ensuring that our services provide excellent "value for money" and are indeed of exemplar quality.

05. Professional Development for Members

The provision of Continuing Professional Development (CPD) for Members was a new initiative for the Fourth Assembly and is one which has gathered significant momentum and value since its inception. We have been at the forefront of this area of activity in comparison with other legislatures and are now working with them to help develop their interventions and share best practice.

The service has now developed to a level that means it can be tailored to the individual needs of each participant, covering a varied and wide range of subjects to assist Members in carrying out their formal duties, for example, scrutiny of legislation, financial scrutiny and effective questioning. In addition we have run a pilot programme of CPD for Committee Chairs and a joint CPD session for Chairs from both National Assembly for Wales and the Northern Ireland Assembly.

Support staff as well as Members actively engage with the service and they have been provided with a wide range of development opportunities to reflect the different ways in which Members utilise their staff resource. Examples of the types of skills provided include press and media training, language learning provision, casework, dealing with constituents, speech writing, the legislative process and amending legislation and an accredited management development course.

As we move towards the Fifth Assembly and a change to the cohort of Assembly Members, the initial focus will be on providing a welcome programme and induction for newly elected Members which will allow them to get on with the job as soon as possible. It is likely that this will include access to support from a range of officials, with briefings, guidance, a 'buddy' system and specific induction sessions.

Following this induction period there will be a continuing programme of CPD available to all Members. The CPD offer will reflect what has worked well during the Fourth Assembly as well as incorporating new opportunities based on feedback from current Members and input from Members elected to the next Assembly as to what additional support they feel would be beneficial. As part of this, we anticipate that there will be an increasing demand for language learning from both new Members and their support staff.

As far as possible, interventions for Members will continue to be tailored to suit the needs of the individual whilst support staff will still be able to access a flexible and varied programme to meet their needs. The programme will encompass a mixture of learning opportunities including training sessions, online and written materials, briefing and coaching reflecting the range of Member and AMSS responsibilities. Individual Members will be supported in getting to grips with their responsibilities in running offices and managing staff alongside the more formal business of the Assembly. They will then be individually supported as they identify areas of particular interest. Committees will have access to an ongoing flexible programme of support to enable them to carry out their scrutiny functions, which will include coaching for Chairs, evidence gathering and questioning skills, and the scrutiny of legislation. The existing CPD offer for AMSS will be maintained, with an additional focus on supporting caseworkers and staff in constituency office that deal directly with the public.

There will be a significant focus on ensuring Members are ready to operate under the arrangements that will arise from the new financial powers of the Assembly which are expected over the next 1-2 years. The support available will build on the financial scrutiny programme delivered in the Fourth Assembly and will include providing specialist, targeted training and briefings

In the first year of the Fourth Assembly, £73k was invested in providing training and development for Members. As the Assembly has progressed and more work has been done to establish a comprehensive training programme, this has increased to an estimated cost of £149k for 2015-16. In order to maintain this level of provision and in addition provide induction to new Members, the budget for 2016-17 has been set at £165k.

06.Supporting Constitutional Change

Constitutional developments across the UK will be a significant factor in the work of the next Assembly. Fundamental questions will be asked about the nature of the Union, the powers of its parliaments and the size and powers of national and local governance.

The Presiding Officer has consistently promoted her three priorities for constitutional change: enhancing the capacity of the Assembly by increasing its size; embedding the sovereignty and permanence of the Assembly; and moving towards a clearer devolution settlement.

The Commission has focused on making sure that the support and services provided to Members are fully prepared for the implications of constitutional change.

We will continue to ensure that the Assembly has a strong voice in, and is prepared for, UK and European constitutional changes, the scale of which will be significant following the Wales Act 2014 and the St David's Day UK Announcement in February 2015. Our focus will be on influencing any future Wales Bill, securing the Assembly's constitutional position and significance, and ensuring delivery of the Presiding Officer's priorities.

Preparing for the fiscal devolution contained in the Wales Act 2014 is a priority area of work for the Commission and its staff. The Finance Committee has published two reports on Best Practice Budget Procedures in response to the Silk recommendations. The second report, published in March 2015, provided a model budget process and recommended that the Assembly and the Government work together to implement a new budget procedure that meets the needs and requirements of both organisations.

We are investing resource to provide additional expertise and capacity required to support Members in exercising these new powers and scrutinising the Government. The first Bill relating to the new tax raising powers will be introduced in 2015, with further tax specific Bills anticipated early in the Fifth Assembly. As further powers are devolved to the Assembly, we will ensure the continuation of appropriate support to Members in carrying out their duties in the future and for the development of any Assembly-led legislation arising from new legislative powers for the Assembly's internal arrangements and electoral matters.

07. Continuing and increasing engagement work

Over the course of the Fourth Assembly considerable progress has been made to:

- Establish consistent and professional branding for the Assembly;
- Engage with hard to reach groups through schemes such as the Women in public life programme and a new focus on youth engagement;
- Develop an enhanced social media presence for Assembly activity;
- Deliver an ambitious programme that positions the Senedd as the stage for events of national significance;
- Promote the Presiding Officer's Democratic Deficit initiative aimed at increasing awareness;
- Increase and improve the way we support public engagement with Assembly committees; and
- Deliver a new youth engagement strategy which provides opportunities for children and young people to influence the Assembly's work.

The priority for the first half of 2016-17 will be to:

- Raise awareness about the Senedd's 10 anniversary, the election and its outcome;
- Deliver a successful Royal Opening of the Assembly; and
- Deliver a programme of engagement work for the new Assembly and Commission.

The second half of 2016-17 will give the chance to reflect on and respond to the impact of constitutional change. This is expected to impact particularly on the work of Committees and we will have to be ready to respond to the challenges of communicating new and different information in a way which is effective and accessible.

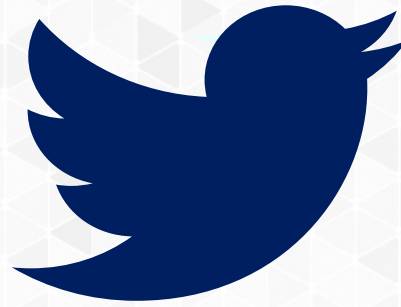
In addition, the following activity will enable us to consolidate and build on the achievements to date:

- Roll out 'What is the National Assembly for Wales?' and 'Train the Trainer' projects for young people and professionals to help promote greater awareness of the Assembly and its relevance to young people;
- Explore the potential for Erasmus+ programmes to fund future youth activities and content development;
- Produce more online interactive resources for public use;
- Continue to provide Assembly committees with access to first class services that support their inquiries;
- Further enhance our online profile; and
- Deliver a community and national events programme aimed at raising awareness about the new Assembly and its powers.

SOCIAL MEDIA

OUR TWITTER FOLLOWERS
HAVE INCREASED TO

13,555



AVERAGING

600
NEW

FOLLOWERS
A MONTH

36

TWITTER FEEDS
REACH OVER
30,000
PROFILES



WE NOW HAVE OVER

50

CHANNELS ACROSS MULTIPLE
SOCIAL MEDIA PLATFORMS



WE NOW HAVE

30000

LIKES OVER 5
FACEBOOK PAGES



THE NUMBER OF VIEWS ON OUR
YOUTUBE CHANNEL IS NOW OVER

75,000

Pack Page 57

THATS THE EQUIVALENT OF

70

DAYS' WORTH OF
VIDEO VIEWING

Europe

From a wider viewpoint, and in particular focussing on the influence of Europe in Wales, we propose an annual conference throughout the Fifth Assembly. This will act as a forum to discuss EU matters which are of importance to both Wales and the work of the Assembly.

Other ideas which will help develop links with Europe and with the general public regarding the work of the Assembly and how it links with Europe are:

- An 'Annual Europe Day' reception including a debate or discussion featuring Welsh MEPs as well as other dignitaries on a theme of interest and in co-operation with the EC-Wales and with the European Parliament's UK Office (EP-UK); and
- Themed debates around the EU referendum, EU reform and Wales' role in the EU; these would be aimed at the general public to bring to their attention and engage with them on relevant issues to Wales on the EU agenda.

08. Technological service development – progressing our work as a digital, open, accessible parliament

We will continue to invest in technology to become a truly digital parliament, transforming our support for Members. With the challenging workloads Members carry, a key benefit will be to transform Member's digital access to our services and Assembly business information.

The Review of Reporting is addressing our production and use of the information in the Record of Proceedings (RoP) and the way in which we present information about what has happened in committees and Plenary. The recommendations will address how we can use information technology to make what we publish more accessible and usable and how we can improve our approach to translating the RoP.

The Review has led us to reflect more widely on the way that the Assembly's key outputs meet the needs of those who use what we publish, in a digital world. We will be embarking on a programme to transform the way we create, use and manage our information to ensure that the Assembly becomes a parliament that is open, accessible and easy to engage with. A digital information management system will allow us to structure our data as information and make it a valuable asset for use by Members, staff and the public.

It is also the start of a move towards publishing more open data. Enabling third parties to take our data and use it in different ways to create messages for their audiences would enable much wider engagement, with more organisations and citizens able to access the Assembly on their terms, and engage with us on an issues led basis. Indications are that the availability of data in this transparent way could have a positive effect on the trust felt by the general public towards politicians and the organisations in which they work. It is also likely that information about the work of the Assembly will travel further and engage audiences that may not be currently known to us.

Siambr Refresh

The facilities within the Siambr to support Members during Plenary have remained largely unchanged since the Senedd was opened in 2006. However, the needs of Members have changed in terms of access to information and physical working space in the Siambr and many of the supporting ICT systems have reached the end of their operational and support life. Therefore, we have taken the opportunity to consult with Members on their views on how to make the Siambr a better environment in which to conduct Plenary business and we have used this information to identify and select solutions to deliver cost-effective improvements. The planned changes are expected to be implemented in 2016-17 following on from trials in summer 2015. The exact costs will depend on the final options selected and we have identified an initial budget estimate of £0.65 million. The work will involve a replacement of the conferencing and interpretation system and the audio-visual hardware in the Siambr. Alongside this, we will also replace the Siambr software system, which enables the smooth running of the Plenary meeting and voting functions. The system will integrate with our wider piece of work on transforming Assembly Business information management. Finally, the ergonomic layout of the Members' Siambr desks will be improved to address existing accessibility and practical work-space limitations.

Creating opportunities and efficiency in ICT services

The Future ICT Services Transition Programme was completed on time and under budget in July 2014. The vision was to:

- provide the Assembly and Commission with an ICT service specifically designed for its needs;
- return control over investment and development to the Commission;
- introduce flexibility and innovation into ICT solutions supporting the business; and
- do all of this within the existing ICT budget and, in addition, to release funds to deliver the ICT Strategy.

We are delighted that our efforts have achieved all elements of this vision and proud that the way in which the transition was planned, managed, governed and delivered has been recognised as an exemplar by external auditors and the Assembly Commission's Audit and Risk Assurance Committee. We gained a great deal of valuable learning from this 18-month journey and we are now regularly asked to share this with other organisations considering both outsourcing and insourcing of their ICT services.

Having full control over time, cost and delivery has provided the Commission with the capability and capacity to address new ways of working. We recognise that for Assembly Members and many of their staff, an office-centric way of working is far from ideal. Equally, Constituency offices have distinct needs that a one-size-fits-all service will not satisfy. Therefore, we are working towards delivering applications and information via secure cloud services, over an improved data network, as this will significantly improve accessibility and resilience and over time, will reduce costs to the Commission.

In bringing the ICT service in-house, we recognised the need for a different approach to providing the Assembly with ICT applications to support its business. We have established an in-house applications management and development function and where we need additional expertise, we engage mainly with Wales-based SME software specialists. This means, wherever possible, we no longer buy off-the-shelf products which require significant configuration work by the supplier, at great cost and time, but which experience has shown rarely fully meet our needs.

We have adopted an agile approach to development which has already proven itself in the building of a replacement Plenary Business System, due for deployment in 2016. This approach has actively facilitated involvement by Members, Commission staff, our business analysts and applications experts to build and agree the application in incremental stages, ensuring we get what is needed at a fraction of the cost on the open market. We will continue this approach as the core methodology for future applications development.

In 2016-17 the Commission's 'core' ICT service is anticipated to cost £3.7 million. Operating costs have fallen to £2.0 million and, as set out in the original business case, the balance in the ICT budget of £0.7 million is being used to further enhance ICT services. We have developed a rolling 3-year ICT investment plan which has been designed to redress the deficiencies inherited from the previous outsourced arrangements as we as taking a forward look to enhance the cost-effectiveness of the Assembly's ICT infrastructure. All proposed works and expenditure is subject to business case approval by the Investment and Resourcing Board and this ensures that the fund is spent wisely on corporate priorities.

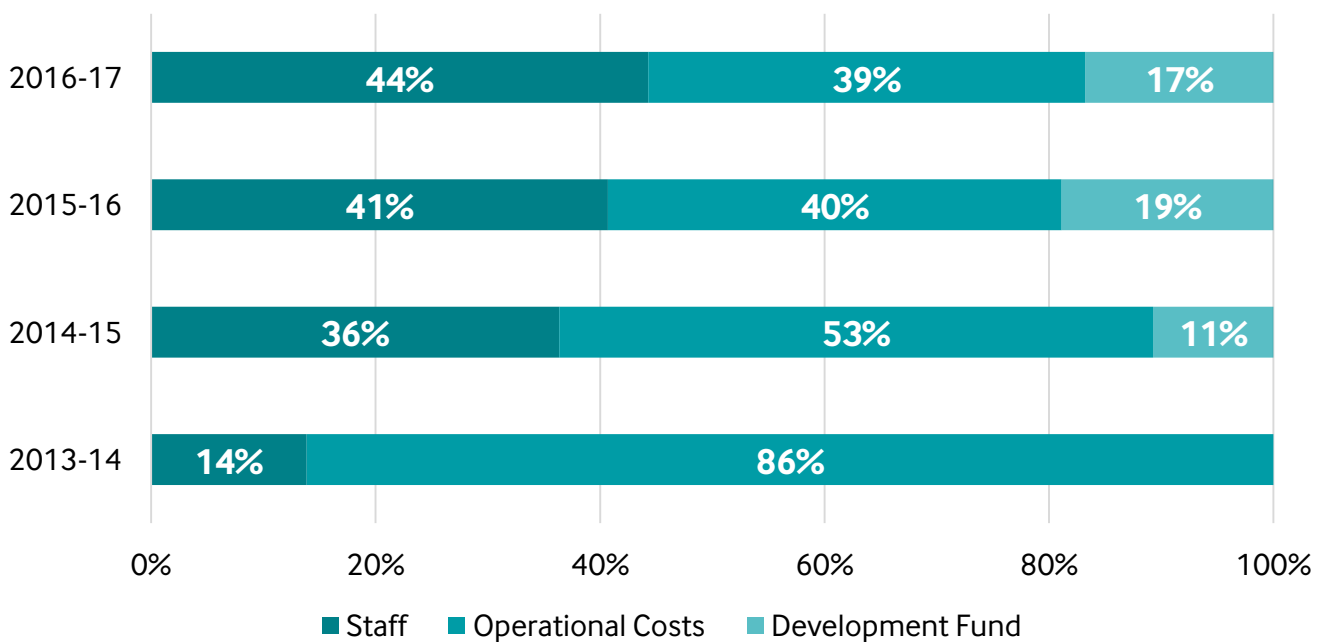
Looking ahead into the Fifth Assembly, flexibility will be the cornerstone of the ICT Strategy as we focus our resources, services and systems on solutions that work for all users. There are significant

opportunities to build on the current development of cloud-based services and the new communication system introduced in 2015 has the potential to revolutionise collaborative working and engagement. Equally, there are opportunities to improve legacy back-office systems and reduce costs. All this work will prepare the Assembly to face the challenge of possible future expansion in the size of the Assembly.

The strategic aims of the service going forward will ensure the service is fit for purpose and continues to deliver the highest standard to its customers by:

- Being innovative, responsive, reliable, flexible and offering value for money solutions;
- Making ICT services and information available to users, regardless of their location, in the correct format for their needs;
- Providing users with a choice of end-user device;
- Providing effective support to users;
- Supporting collaborative working and sharing information safely and securely;
- Managing information assets effectively; and
- Structuring the service to meet business need whilst at the same time improving efficiency, delivering value and enhancing engagement with the people of Wales.

Figure 2: ICT Costs 2013-2017



09. People and Places - Estates and Investing in our staff

Enhancing the estate

Our work in managing the Assembly estate is underpinned by the strategic priority 'to make the most of our estate,' one of five updated priorities agreed by the Commission in May 2014.

The estate has benefitted greatly from investment over the last 4 years allowing the highest priority lifecycle replacements and refurbishments to take place and help to maintain an estate that reflects the Assembly's status, both nationally and internationally.

We continually work to ensure that our estate, with its iconic buildings plays a key part in the Assembly's wider engagement strategy striving to ensure the estate is open, welcoming and secure.

In order to ensure investment is targeted and demonstrates value for money, we have produced a long-term investment plan for maintenance and refurbishment which has been endorsed by Investment and Resourcing Board. This was developed for us by experts who reviewed the condition of all our buildings, equipment and plant, together with forecast lifespans and timetables for refurbishment and replacement. As a result, we have a schedule of the work required over a ten-year period, which we use to inform our investment decisions.

The estate is constantly reviewed to identify potential security enhancements and in recent years, in response to the changing international political landscape has seen its perimeter reinforced with the installation of more robust security measures. More recently a pro-active change to armed officers has been implemented to provide a higher level of protection and the ability to respond should the situation arise.

The security of our estate and all those that access it, will continue to be of paramount importance and will, as part of the wider rolling programme of works be an investment priority (where investment is required) for the foreseeable future.

Underpinning our approach to managing our estate is our commitment to sustainable working and our continued investment in the fabric of the building to ensure waste is managed effectively and the utilisation of energy is minimised. The aim for the Fifth Assembly is to send zero waste to landfill and continue to make savings on energy usage.

People coming to see us: 2014-15



88% RATED THE
SENEDD POSITIVELY
AFTER THEIR VISIT



OVER **87,000**
VISITORS TO
THE PIERHEAD

OVER **80,000**
VISITORS TO
THE SENEDD

TRIP ADVISOR CERTIFICATE
OF EXCELLENCE



THERE WERE **17,168**
VISITORS ON TOURS
OF THE ASSEMBLY

THERE WERE **296**
EVENTS HELD ON
THE ASSEMBLY ESTATE

Our sustainability achievements

THERE HAS BEEN A **35%**
REDUCTION ON ENERGY
EMISSIONS IN 2014-15
COMPARED TO 2008-09



GREEN DRAGON
ENVIRONMENT
MANAGEMENT
STANDARD LEVEL
5 FOR THE 7TH
YEAR IN A ROW



WE NOW RECYCLE
95% OF OUR WASTE

Estates and Facilities Management

The Commission pro-actively manages its resources by understanding its spending commitments for current and future financial years.

One of the key services in assessing future commitments is the Estates and Facilities Management (EFM) team.

EFM have a comprehensive programme of works for the next 10 years which is continually reviewed and updated. Indicative costs for the works required to maintain the upkeep of the Estate in achieving our priorities and fulfilling our obligations are currently £4.15million as we head into the Fifth Assembly.



Human Resources

At the heart of the HR agenda is a commitment to build organisational capability, to ensure the Assembly has the right people in the right place at the right time with the right skills to provide outstanding parliamentary services against a backdrop of changing organisational need.

Recent work on capacity planning has identified areas for investment to ensure our people resources are aligned with business need, particularly the expanding programme of legislation. In the future we will continue this work to inform investment decisions and provide a strategic approach to the work of the Investment and Resourcing Board.

Staff surveys show that our people have high levels of engagement, a prerequisite to delivering high quality services and this is illustrated through a large number of external awards and accolades. We will work to maintain and increase levels of engagement, using the 2015 staff survey results and other formal and informal engagement strategies, such as breakfast meetings with the Chief Executive, alongside our partnership arrangements with Trade Unions, to maintain and further improve staff engagement and review and update our people policies and practices as required.

We have done much to strengthen our Performance Management arrangements and in the year ahead will place increasing emphasis on our values and the behaviours and competencies critical for success and in so doing, raise performance further, address areas of underperformance and inform our learning and development agenda.

An engaged workforce alone will not deliver excellence and a key priority for the year ahead is the development of the talent and potential within our people. Key priorities include refining our management development programme to ensure those leading and managing our people, are effective in their role. To meet the change agenda ahead we will focus on improving our change management capability, including project management capability alongside the softer skills required to deliver change effectively.

We have successfully run two apprenticeship schemes and are intending to run an apprenticeship scheme with Assembly Members. Due to the level of specialist skills required within the Commission, some services are now also looking to 'grow their own' staff in-house to aid succession planning. For the first time, Legal Services will be taking on trainees in 2016-17 who will receive training specific to the nature of the Commission's legal work as well as addressing succession planning in the service for the future. Research Service have already used this approach in the past with success and will be running a training scheme again in 2016-17.

In progressing the HR agenda we will seek to be an exemplar employer and to gain appropriate recognition for the best practice we seek, reflecting our aspiration to be an employer of choice to all sections of our community.

10. Value for Money

The Commission believes that securing value for money (VfM) is essential and VfM targets have been a feature of budget management every year. In March 2015, an internal audit report concluded that:

“the Assembly Commission has a well-developed value for money culture in place and this culture is embedded throughout the organisation.”

We aim to ensure that every pound spent in supporting the Assembly represents good value for money and that resources are used in the most appropriate way to deliver effective services to the Assembly and the people of Wales. We have had three priorities:

- improving management information to better understand the activity and costs associated with Assembly services and what drives those costs;
- simplifying processes and how we work in order to maximise the effectiveness of Assembly services and make even better use of resources; and
- maximising the benefits and cost savings from procurement and robust contract management.

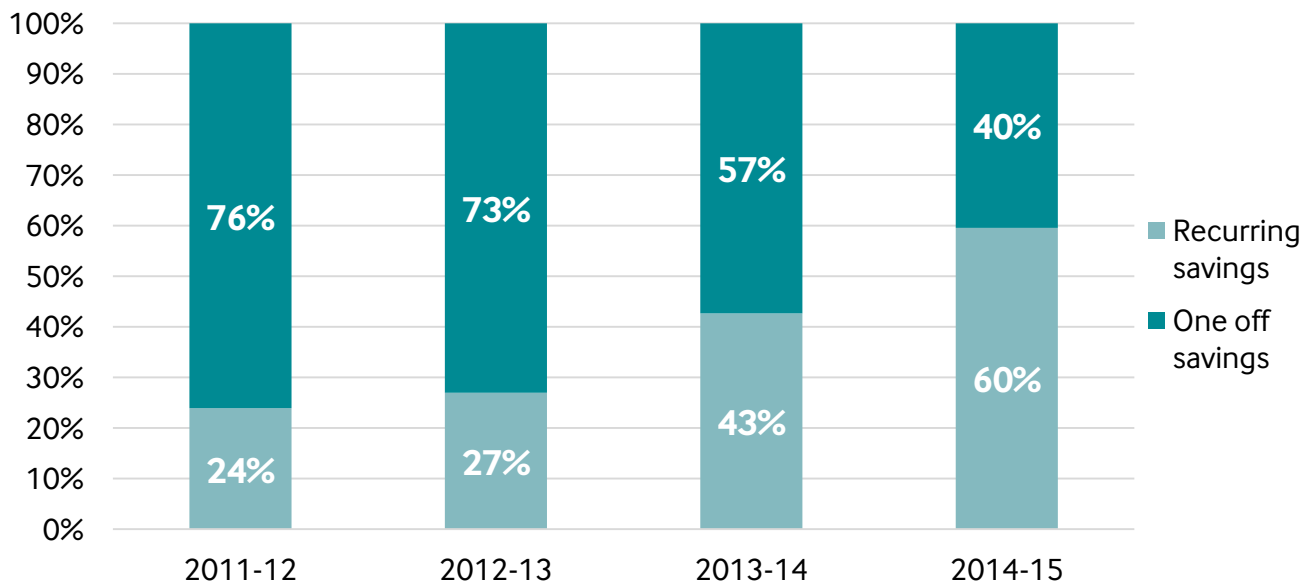
A business efficiency review planned for 2015-16 will provide assurance that what we are doing is fit for purpose and cost effective. The first step following this review will be to set a savings target specifically targeted at service and contract savings. The business efficiency review will contribute to a more comprehensive approach that will reinforce the commitment to efficiency and excellence in all aspects of the Commissions’ work as well as providing a broader range of evidence of achievements to date in projects, programmes, business change, service delivery and procurement and contract management. This will be supported by careful prioritising of investment and robust cost control disciplines as well as additional independent or external validation and benchmarking.

Whilst encouraging efficiency, it is important to note that the drive for continuous improvement does not necessarily always result in cash savings. We have also seen, and will continue to see, savings demonstrated by a release of resource. For example, a review of the way in which the Record of Proceedings is produced was started in 2014. It was found that there were parts of the process were long-established but potentially no longer required. This has provided options for streamlining how this work is undertaken which will be taken forward ready for the Fifth Assembly.

In addition we will be seeking to streamline processes for Members as far as possible. To date this has included automation of Members expense claims and provision of a dashboard on a quarterly basis to show expenditure against allowances.

Figure 3 below shows the types of savings which have been made, split between savings which have a one-off benefit and those which reduce the future baseline operating costs. The latter are realised via procurement and as we move forward are expected to continue generating the majority of savings.

Figure 3: Savings by financial year



Moving away from being part of a large ICT services contract that supported thousands of users with differing needs has enabled us to be far more flexible in our choice of products and maintenance agreements. By doing this we have already realised significant savings, including over £50k per year on a new back-up system and £30k on new proxy servers. Using our own staff has also enabled us to introduce controlled change, at the pace appropriate for the organisation. This has also meant that we delivered an upgrade of the Microsoft Office application suite at no additional cost to the organisation – an upgrade that would have cost tens of thousands of pounds under the previous arrangement.

The first major product delivered under our Applications Strategy – the Assembly website – has resulted in significant hosting and licencing savings of almost £50k per year.

As we move into the Fifth Assembly, the key values and principles which will underpin delivery of strong procurement and value for money are:

- Be the best and to provide a service which is modern, efficient and socially responsible;
- Put sustainability at the heart of everything we do;
- Deliver the quality of services that Assembly Members and the public have the right to expect;
- Provide opportunities for small suppliers to compete for our business;
- Deliver value for money, but not just through buying the cheapest option;
- Be transparent and adopt the highest professional standards when dealing with suppliers; and
- Ensure our processes have due regard to equality.

11. Budget to fund the independent Remuneration Board's Determination for Assembly Members

The National Assembly for Wales Remuneration Board (the Board) is the independent body responsible for setting the pay, pensions and allowances of Assembly Members and their staff.

The Board ensures Assembly Members have access to funds to cover the expenses associated with their role as a Member and / or Office Holder, including:

- Running and office and engaging with constituents;
- Salaries and travel expenses of their own Support Staff;
- Residential accommodation in Cardiff (if Member is eligible);
- Travel expenses incurred necessarily in the discharge of their duties; and
- Support for the Party Groups and policy research.

During 2014-15 a thorough review was undertaken of the pay and allowances system. This was subject to extensive consultation and challenge by Members and the public alike resulting in their final Determination published in May 2015. This makes some fundamental changes to the existing pay and allowances which are in place and reflects the increase in responsibilities following changes to the devolution settlement. The main changes are to:

- Increase the basic salary of an Assembly Member from £54,391 per annum to £64,000 per annum and adjust in each subsequent year to reflect the change in the ASHE Median Earnings in Wales between March and the March of the previous year.
- Reduce the additional salaries payable to Ministers and some other office holders.
- Increase the maximum annual sum available per Member for the purpose of employing support staff from £91,879 to £94,000.
- Decrease the costs of the Members' Pension scheme by reducing the contribution made by the Commission and by moving to Career Average Revalued Earnings rather than Final Salary scheme.

Table 2 shows the budget to fund the Remunerations Board's Determination for 2016-17.

Table 2	2016-17 £000
Assembly Members – Salary and Office Costs	£7,508
Support Staff	£7,960
Total	£15,468

12. Budget Ambit

This budget submission is laid in compliance with the National Assembly Standing Order 20.13 to assist in the compilation of the Annual Budget Motion required by Section 125 of the Government of Wales Act 2006. The submission covers the resource and cash requirements of the Assembly Commission for the year ending 31 March 2017.

The Budget Motion will authorise the net resources to be used for the services and purposes of Members and Assembly Services. The motion includes the maximum income (or accruing resources) that may be retained for use on those services and purposes instead of being paid into the Welsh Consolidated Fund and the cash amount that will need to be issues from the Welsh Consolidated Fund to meet the anticipated net amounts falling due for payment by the Commission.

The 2016-17 Budget for the Assembly Commission addressing these requirements is set out in Table 3 below.

Table 3	£000
Resources other than accruing resources for use by the National Assembly for Wales Commission on revenue and capital costs associated with the administration and operation of Assembly Services to support the National Assembly for Wales (“The Assembly”; promotion of the Assembly including payments to the Electoral Commission and others; payments in respect of the Commissioner for Standards and Remuneration Board; any other payments relating to functions of the Assembly or functions of the National Assembly for Wales Commissions	£36,470
Resources other than accruing resources for use by the National Assembly for Wales Commission in respect of decision of the Remuneration board	£15,468
<i>Total resources other than accruing resources</i>	£51,938
Annually managed expenditure for use by the National Assembly for Wales Commission in respect of the Assembly Members’ Pension provision	£1,500
Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the National Assembly for Wales Commission;	£400
– From the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets	
– Rental income, gifts, grants, recharges and income from commercial sales and other services provided to the public or others for use on administrative cost of the Assembly	
Amount to be issued from the Welsh Consolidated Fund to meet the anticipated amounts falling due for payment in the year in respect of the above services and purposes less expected retainable receipts and recoverable VAT	£49,538

Table 4 below reconciles the net resource requirement to the cash drawing requirement from the Welsh Consolidated Fund.

Table 4: Cash Requirement	2016-17 £000
Members Net Revenue Requirement	£15,468
Commission Net Revenue Requirement	£36,220
Net Capital Requirement	£250
Annually Managed Expenditure	£1,500
<i>Adjustments</i>	
Depreciation	(£3,000)
Movements in provisions	(£1,500)
Movements in debtors and creditors	£600
Use of provisions	
Net cash requirement for issue from the Welsh Consolidated Fund	£49,538

Annex 1: Budget Overview

Table 5 shows a comparison between the 2015-16 budget for the last year of the Fourth Assembly compared with the proposed budget for the start of the Fifth Assembly.

Table 5	2015-16 Budget £000	2016-17 Budget £000
Budget Heading		
Staff salaries and related costs	£18,750	£20,391
Accommodation and facilities	£7,509	£7,514
ICT costs	£2,758	£2,614
Other costs	£1,266	£2,133
Training and development	£380	£385
Promoting awareness and understanding	£368	£324
Staff travel and subsistence	£134	£156
Other HR costs	£103	£103
Depreciation and amortisation charges	£4,700	£3,000
Revenue Expenditure	£35,968	£36,620
Revenue Income		
Sales – the Assembly Shop	(£15)	(£15)
Accommodation – rental income	(£90)	(£50)
Miscellaneous income	(£195)	(£335)
Total Income	(£300)	(£400)
Capital Expenditure – creation of fixed assets	£732	£250
Total Resource	£36,400	£36,470
Members’ salaries and related costs	£14,500	£15,468
Net Resource	£50,900	£51,938
Election related expenditure	£500	£2,500
Members’ Pension finance costs	£1,200	£1,500

Annex 2: Financial Information
















Expenditure areas over the Fourth Assembly















	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Actual	Actual	Actual	Budget
	£000	£000	£000	£000	£000
<i>Accommodation and facilities costs</i>					
Leases - buildings	2,204	2,812	2,837	2,830	2,835
Maintenance	1,357	1,163	1,299	1,243	1,625
EFM Projects and Works	359	808	635	2,293	-
Rates	1,285	1,356	716	1,236	1,272
Security	581	603	573	574	600
Utilities	506	518	507	569	537
Catering	323	305	306	328	320
Leases photocopier	127	161	134	132	150
Car parking	99	115	105	102	120
Furniture and fittings	68	79	268	51	50
<i>ICT costs</i>					
ICT Contracted-Out Services, including Telephone	2,856	2,558	2,669	1,085	498
Broadcasting	433	475	578	637	490
Licence and maintenance costs	289	385	520	730	740
IT Projects	147	215	795	549	770
Website	176	121	117	86	130
ICT consumable purchases	63	90	292	255	130
<i>Other costs</i>					
Other administrative expenses	61	343	202	551	214
Language Contracted-Out Services	116	204	276	241	263
Printing, Stationery and Postage	181	203	242	216	277
Insurance and Specialist Advice	109	195	130	120	131
Publications	174	110	102	104	110
Accounting and Financial Service	126	92	77	108	25
Audit	82	87	128	89	93
Committee Advisors	71	57	117	80	50

Hospitality	31	37	45	57	35
<i>Training and development costs</i>	194	250	384	370	380
<i>Promoting awareness and understanding</i>	170	178	217	286	368
<i>Staff travel and subsistence costs</i>	92	136	128	159	134
<i>Other HR costs</i>	1,035	211	113	119	103
<i>Election Costs</i>	442	-	-	-	500
<i>Depreciation and amortisation charges</i>	3,781	3,942	3,734	4,008	4,700
Income	190	165	281	223	300

Annex 3: Corporate Performance Report – Achievements against Strategic Goals

Summary overview of the more detailed KPI information included in the Assembly Commission Corporate Performance Report April 2014– March 2015.

KPI group no.	Providing Outstanding Parliamentary Support	April 2013 - March 2014	April 2014- March 2015	
1	Member Satisfaction	 amber	 green	No change in scores for plenary and committee meetings; the score for working in language of choice has increased from 6.2 in 2013 to 8.9 in 2014. The next Member satisfaction survey will be conducted in Jun/July 2015.
	Timeliness and Service Delivery	 green	 green	Consistently high performance on timeliness. For issuing committee papers and publishing committee proceedings, more challenging targets have recently been set.
	Professional Development	 green	 amber	The number of new AMs and AMSS participating in CPD activity has been maintained and the number of Welsh learners has increased.
	Progress on Corporate Plan Priorities	 green	 green	Further embedding of progress towards “world class committees”. Upgraded technology improving access to information and proceedings. Efficiencies realised from use of improved translation tools.
KPI group no.	Engage with the People of Wales and Promote Wales	April 2013 - March 2014	April 2014- March 2015	
5	Member Satisfaction	-	 amber	Score of 6.7. This is a new measure with no comparator from previous surveys.
	Engagement at the Assembly	 green	 green	Visitor numbers have been maintained and visitor satisfaction levels have improved (90% good/satisfactory ratings).
	External Profile of the Assembly	 green	 green	Significant increases in social media interactions, particularly for Twitter, YouTube and Senedd TV.
	Progress on Corporate Plan Priorities (better engagement)	 green	 green	Good levels of engagement with Assembly business, particularly with young people and for committee work. Significant increases in social media interactions.

KPI group no.	Use Resources Wisely	April 2013 - March 2014	April 2014- March 2015	
9	Member Satisfaction	 green	 green	Improved scores across each category with significant increases to ICT scores.
10	Budgetary Performance	 green	 green	Strong position on % underspend forecast and spend against profile. Annual VfM target achieved during December. We are shifting our focus to savings on contracts and services.
11	Staff	 amber	 amber	Sickness absence rate remains below sector average. More accurate reporting methods now allow a better insight into absence reasons.
12	ICT Customer Service	 amber	 amber	Overall performance of SLA targets for incident handling was down and issues have been addressed to rectify this. Customer satisfaction score remains high.
13	Governance	 green	 green	Payments remaining within target times. Improvement in % FOI requests answered to deadline (94% against a target of 100%).
14	Sustainability	 amber	 green	New target of reducing energy emissions by a further 30% by 2021 have been introduced.
15	Progress on Corporate Plan Priorities (making the most of the estate)	 green	 green	Priorities in Forward Investment and Maintenance Plan completed.

Key



RED: There are significant issues impacting the achievement of business objectives. To achieve delivery, changes must be made to timing, costs, and/or scope.



AMBER: There are issues or risks which must be addressed. However, successful delivery is achievable without major impacts to budget, service standards, or target dates.



GREEN: Work is meeting agreed standards or is proceeding to plan. All known risks are being managed.

Annex 4: Glossary

Annually Managed Expenditure (AME)

A categorisation of expenditure reserved for less predictable and controllable items. Can only be allocated to the purpose for which it is assigned.

Barnett formula

A formula used to allocate a population-based share of changes in planned expenditure on comparable services by departments of the UK Government to the devolved administrations of Scotland, Wales and Northern Ireland.

Budget

Sets out the resource and cash amounts proposed for use in the following financial year and indicative figures for the subsequent financial years.

Capital

Expenditure that generally results in a fixed asset (e.g. A building, equipment or land) intended to benefit future accounting periods, or spend that increases the capacity, economy, efficiency or lifespan of an existing fixed asset.

Creditor

An organisation or someone that you have an obligation to pay for goods or services received.

Debtor

An organisation or someone that has an obligation to pay you for goods or service that you have delivered to them.

Depreciation

A measure of the consumption, wearing out or otherwise reduction in the useful life of a fixed asset.

Fixed Assets

Items that are purchased with an expected life greater than one year for the economic benefit of the business such as land, buildings and equipment.

Government of Wales Act 2006

The Act of the Parliament of the United Kingdom that reforms the National Assembly for Wales and allows further powers to be granted to it more easily. The Act creates a system of government with a separate executive drawn from and accountable to the legislature.

Provisions

A provision is a liability of uncertain timing or amount. A cost is recognised in the Commission's Resource Account when we have a present obligation (legal or constructive) as a result of a past event, when it is probable that a transfer of economic benefits will be required to settle this obligation, and when a reliable estimate can be made of the amount of the obligation.

Real terms

The value of expenditure adjusted to take account of general price inflation. Enables comparisons of spending across years without the distortion caused by price changes.

Revenue/ Running Costs

Current expenditure covering day-to day running costs such as staff salaries and the purchase of consumable goods and services.

Value for Money

The process under which organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, value and avoidance of error and other waste, judged for the public sector as a whole.

Variable Costs

Expenses that change in proportion to the organisation's activities.

Welsh block

Is the block grant of money, calculated using the Barnett Formula, voted by Parliament to the Secretary of State for Wales for funding that comes to Wales.

Welsh Consolidated Fund

Created by the Government of Wales Act 2006, this is a neutral bank account held by the Paymaster General. The account into which the money voted by the UK Parliament for use by the Welsh Government, the Assembly Commission, the Auditor General and the Public Services Ombudsman for Wales is paid.

Jane Hutt AC / AM
Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business

Ein cyf/Our ref: MB-JH-2294-15

Llywodraeth Cymru
Welsh Government

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

22nd September 2015

Dear Jocelyn,

The Welsh Government's Consolidated Annual Accounts for 2014-15 have now been audited and published on 21 September 2015. In line with my commitment to good practice and transparency I am now able to provide the Finance Committee with a written report on the 2014-15 final outturn for the Welsh Government set against spending plans approved in the Second Supplementary Budget 2014-15.

The final Ambit outturn for 2014-15 is £13.7 billion against the Welsh Government Budget of £13.9 billion. This represents a 1.5% variance against the approved budget.

The report and supporting annexes provide: a summary of expenditure by portfolio within Treasury control totals; variations compared to the budget; an explanation of significant variances; and details of amounts to be carried forward into the current year under HM Treasury's 'Budget Exchange' mechanism.

I would be happy to discuss the report if you feel that it would be beneficial.

*Best wishes,
Jane*

Jane Hutt AC / AM
Y Gweinidog Cyllid a Busnes y Llywodraeth
Minister for Finance and Government Business

Welsh Government

Report on Outturn 2014-15

A report from the Minister for Finance and Government Business to the Finance Committee on the audited outturn of the Welsh Government 2014-15 set against the planned expenditure contained in the Second Supplementary Budget 2014-15.

1. Introduction

1.1 This report has been produced in accordance with the protocol endorsed by the National Assembly for Wales on 21 March 2012 regarding changes to the Budget motion and their impact on the in-year Budget cycle.

1.2 As part of the protocol the Welsh Government agreed:

In line with the Welsh Government's commitment to working openly and transparently, the Welsh Government will provide a written report to the Committee on final outturn. The report would include a comparison with the spending plans set out in the last Supplementary Budget of the year and an explanation of significant variations.

1.3 This report addresses that commitment for the financial year 2014-15.

1.4 The Second Supplementary Budget for 2014-15, was approved by the National Assembly on 10 March 2015. The final outturn follows publication of the Welsh Government's Consolidated Annual Accounts on 21 September 2015. See the attached internet link:

<http://gov.wales/about/civilservice/how-we-work/facts-figures/ourfinance/welsh-government-consolidated-accounts/welsh-government-annual-accounts-2014-2015/?lang=en>

1.5 The outturn is reported on the basis of the Welsh Government budget structure in force at that time.

2. Main Expenditure Group Outturn 2014-15

2.1 The Consolidated Accounts of the Welsh Government were laid before the Assembly on 10 August 2015. These audited accounts contain a Summary of Resource Outturn against the control totals approved in the Second Supplementary Budget motion of 2014-15 (the 'Ambit').

2.2 This report provides details of outturn against the controls operated and enforced by HM Treasury. These administrative budgets are detailed in the documentation and tables which supported the Second Supplementary Budget.

<http://gov.wales/funding/budget/2nd-supplementary-budget-2014-2015/?lang=en>

Departmental Expenditure Limit (DEL) Outturn

2.3 The Welsh Government's audited DEL outturn is £15,642 million. This is an underspend against the budget as agreed in the Second Supplementary Budget of £30 million.

2.4 Included in the results is an underspend of £8.3 million against the Fiscal Resource budget (near cash revenue). There is also an underspend of £1.4 million on the Capital budget. The outturn represents an underspend of 0.06% against Fiscal Resource and 0.09% Capital. The Non Fiscal Resource budget (non cash) is underspent by £20.3 million. It is important to note that the underspend on the Non Fiscal Resource budget is ring-fenced and covers accounting adjustments (see below). It could not have been re-directed to Welsh Government spending programmes.

2.5 As in previous years, underspends of greater than 1% of departmental DEL and above a de-minimis level of £0.5 million are explained below.

There are no overspends to report on. A breakdown of the outturn by MEG is provided in Annex 1.

Fiscal Resource (Revenue)

2.6 Departmental performance in this budget classification was extremely good. Very small underspends were reported in every MEG with no MEG exceeding a 0.3% variance when measured against the Second Supplementary budget. This proves that spending within the Welsh Government revenue budget of £13.7 billion has been maximised.

Capital

2.7 Performance was also very good against the Welsh Government capital budget of £1.4 billion with underspends of less than £0.5 million reported on all MEGs.

Non Fiscal Resource (revenue non cash)

2.8 The majority of the £30 million underspend against the Welsh Government DEL relates to non cash budgets with all MEGs underspending in this classification. Non cash budgets are ring-fenced and provided for accounting estimates such as depreciation and provisions adjustments. An explanation of those underspent by 1% or more is provided in the following paragraphs.

2.9 The Health and Social Services (HSS) non cash budget reported an underspend of £6.6 million. The budget primarily funds the depreciation charges arising on the NHS estate so forecasts are sensitive to fluctuations in capital schemes progression, valuations and timing of capital additions and disposals. Slippages of major scheme completions were a factor.

2.10 The underspend of £2.3 million within the Economy, Science and Transport (EST) MEG largely related to a lower than anticipated level of capital maintenance expenditure on ancient monuments within Cadw.

2.11 An underspend of £9.7 million was reported by Education and Skills. This budget covers the estimated annual charge for the write-off of student loans. The calculated charge is generated by a statistical model developed by the UK Department for Business, Innovation and Skills. The charge is applied to the value of the student loan book. The modelling is complex and takes many social and economic factors into account and as such is difficult to forecast accurately.

2.12 The Welsh Government's Central Services and Administration MEG underspent by £1.2 million on non cash. This underspend derives from depreciation charges associated with the Welsh Government estate. The estate is subject to an independent five yearly valuation and it is difficult to forecast the outcome.

Annually Managed Expenditure (AME) Outturn

2.13 HM Treasury recognise the volatility and demand led basis of certain programmes and the resultant difficulty in estimating costs over a period of time. As a result these programme budgets are managed on an annual basis and funding cover is generally provided by them. Examples include asset impairments, student loans issued and repaid, housing revenue account subsidy and pension valuations of sponsored bodies. The Welsh Government are unable to recycle underspends against AME programmes. The main variances are explained below.

2.14 The HSS AME budget was £94.5 million underspent. The first element of the underspend is £74.2 million on impairments in the value of NHS assets. Of this, £51.6 million was as a result of a revised technical accounting treatment agreed with Wales Audit Office. The remaining £22.6 million underspend related partly to variations between interim and final District Valuer valuations, and partly to scheme timing slippages for asset completions and disposals now expected in 2015-16.

- 2.15** The second element of the HSS underspend is £19.8 million covering movements on provisions. The Welsh Risk Pool provision movement was £9.6 million below budget. The budget is based upon the most likely trend analysis of claims in the pool during the year. Actual out-turn reflects variations in the valuation, timing or probability of individual claims within the pool, which can individually be material in value. A further £10 million underspend arose in respect of potential new provisions anticipated relating to legal matters. As at 31 March 2015 it was established that provisions were not required in respect of these matters.
- 2.16** The Local Government AME underspend was £45 million. On HM Treasury's advice, officials requested budget cover of £45 million as part of the second Supplementary Budget to cover an on-going legal case. The case concerns a historical pension lump sum calculation error stemming back to 2004, before responsibility for fire service pensions was devolved to Wales. However, this litigation case had not progressed sufficiently to warrant providing for a liability in the accounts.
- 2.17** The AME variance of £9.6 million within the EST MEG arose as a result of provisions not being required in respect of potential loan guarantee arrangements and funding set aside for museum and library pension deficits not being required.
- 2.18** An underspend of £21.4 million was reported on the Education and Skills AME budget. This mainly related to the student loans budgets which are demand led and difficult to forecast. Loan issues and repayments in the year were less than anticipated.
- 2.19** The underspend of £2.9 million on the Natural Resources MEG relates to pension liabilities arising from the transfer of staff from the Environment Agency Wales to Natural Resources Wales on 1 April 2013. Active members and those eligible to be active members of the Environment

Agency Pension Fund (EAPF) retained the right to continue in the EAPF when they transferred. From April 2013 the pension liability transferred to Natural Resources Wales and we required a budget to cover any future deficit in the scheme. Whilst the budget has been included in the two years since the transfer it has not been utilised.

2.20 The Central Services and Administration MEG reported an underspend of £33.1 million. The majority of this variance related to the inclusion of a budget included in the Second Supplementary Budget for exchange rate losses on funding for future EU projects receivable in Euros. However, it was not possible to calculate a value for the potential loss due to the range of variables (future exchange rates, final claims to be received from projects etc.), the number of possible outcomes for each variable, and the unknown probability of the factors that affect these variables.

2.21 Annex 2 to this report provides a summary of outturn against Annually Managed Expenditure (AME) Budgets.

3. Budget Exchange System

3.1 In the Second Supplementary Budget for 2014-15, the Welsh Government reported Fiscal Resource DEL reserves of £60.3 million and Capital DEL reserves of £1.9 million. We planned to carry forward both these reserves along with any underspends up to the agreed caps under Budget Exchange. The caps are set at 0.6% of Resource DEL and 1.5% of Capital DEL (although financial transactions within the Capital DEL had a cap of 10% in 2014-15).

3.2 Table 1 illustrates the final reserves position. The balances to be carried forward for the Wales DEL will be £69.3 million Fiscal Resource, £13.6 million Non-Fiscal Resource and £3.3 million Capital which are within the Treasury limits.

Table 1 Carry forward resulting from Welsh Government outturn

	Fiscal Resource £m	Non Fiscal Resource £m	Capital £m
Reserves as per Second Supplementary Budget 2014-15	60.3	54.3	1.9
2014-15 Welsh Government underspends	8.3	20.3	1.4
2014-15 Assembly Commission underspend	0.1	-	-
2014-15 Public Services Ombudsman for Wales underspend	0.2	-	-
2014-15 Auditor General for Wales underspend	0.4	-	-
Balance to be carried forward to 2015-16	69.3	13.6¹	3.3
<i>Treasury Budget Exchange Limits</i>	<i>82.9</i>	<i>3.1</i>	<i>32.7²</i>

¹ In the event that the limit for Fiscal Resource DEL carry forward is not fully utilised the balance can be used to carry additional Non Fiscal Resource DEL forward up to the overall cap on the Fiscal Resource DEL.

² The capital limit is made up of £20.7m traditional and £12m financial transactions.

- 3.3** As well as the underspends reported by the Welsh Government, the balances to be carried forward take account of the outturns of the other bodies funded from the Welsh DEL i.e. the National Assembly for Wales Ombudsman, the Public Services Ombudsman for Wales and the Auditor General for Wales.
- 3.4** The adjustments to our baseline to reflect the final amount carried forward outlined above will be made later in the financial year through the UK Supplementary Estimate process and will feature in the Welsh Government's Second Supplementary Budget 2015-16.
- 3.5** Allocations from the Fiscal Resource reserve of £109.5 million were made in the First Supplementary Budget of 2015-16.

Annex 1 – Departmental Expenditure Limit (DEL) Outturn 2014-15

Main Expenditure Group	Supplementary Budget			Outturn			Underspends / Overspends (-)		
	Fiscal Resource	Non Fiscal Resource	Capital	Fiscal Resource	Non Fiscal Resource	Capital	Fiscal Resource	Non Fiscal Resource	Capital
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Health & Social Services	6,178.8	166.9	315.6	6,174.4	160.2	315.2	4.4	6.7	0.4
Local Government	4,570.1	0.2	22.4	4,568.7	-	22.2	1.4	0.2	0.2
Communities & Tackling Poverty	347.0	0.5	393.4	346.9	0.3	393.4	0.1	0.2	-
Economy, Science & Transport	518.9	155.0	459.8	518.1	152.7	459.5	0.8	2.3	0.3
Education & Skills	1,500.9	116.6	153.8	1,500.5	106.9	153.8	0.4	9.7	-
Natural Resources	295.6	9.7	133.0	295.2	9.7	132.8	0.4	-	0.2
Central Services & Administration	295.4	16.0	22.6	294.6	14.8	22.3	0.8	1.2	0.3
TOTAL	13,706.7	464.9	1,500.6	13,698.4	444.6	1,499.2	8.3	20.3	1.4

Annex 2 – Annually Managed Expenditure Outturn 2014-15

Main Expenditure Group	Supp Budget £m	Outturn £m	Under/ Over(-) Spend £m
Health & Social Services	188.7	94.2	94.5
Local Government	66.8	21.8	45.0
Communities & Tackling Poverty	-72.6	-72.6	-
Economy, Science & Transport	66.9	57.3	9.6
Education & Skills	309.5	288.1	21.4
Natural Resources	2.9	-	2.9
Central Services & Administration	32.3	-0.8	33.1
TOTAL	594.5	388.0	206.5

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