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Presiding Officer

Jocelyn Davies AM
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Dear Jocelyn

Thank you for your correspondence dated 5 May in relation to preparations within the Assembly for the devolution of fiscal powers.

I would like to take this opportunity to thank the Committee for its extensive work in this area; in particular the two reports on Best Practice Budget process. I appreciate the Committee's recognition of the Assembly's role in this area, and both reports have been extremely helpful in setting the direction for this work.

Complete readiness for the new challenges of the Fifth Assembly is one of the Commission's five strategic priorities. We recognise the importance of our readiness for the exercise of our new powers and responsibilities. As your recommendations highlight, this means:

- having the right capacity, understanding and expertise in place so that Members' can perform their role effectively and with confidence; and

- a new budget procedure which is the model of best practice that you have identified to effectively scrutinise the application of the Welsh Government's tax and borrowing powers.

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Thus, preparing for the fiscal devolution contained in the Wales Act 2014 is a priority area of ongoing work. The following provides an update in relation to each of these areas of work.

Development and implementation of new budget procedures.

As recognised by the Committee, and by the Minister for Finance and Government Business, collaborative working and continued co-operation between the Welsh Government and Assembly Commission is essential in taking this work forward, to ensure that the resulting budget procedures are fit for purpose for both the Welsh Government and the Assembly. I welcome the continued commitment from the Minister to work collaboratively with the Assembly.

Regular meetings between officials from the Welsh Government and Assembly are ongoing, and are proving helpful in developing our thinking on moving towards a new budget procedure in time for the tax powers going live in the 2018-19 budget round. Such discussions are following up on the Committee's reports, which are proving to be fundamental to this process.

We are confident that this will aid us in reaching a common agreement on a future budget procedure and associated safeguards, which allows the Welsh Government to meet its responsibilities and also provides for adequate scrutiny of the public finances, in time for summer 2017 and the preparations for the 2018-19 budget round.

As well as the Finance Committee, the Business Committee, as the committee with responsibility for Assembly procedures, will be instrumental in agreeing a future budget process. Commission staff will ensure that all are kept informed as this work progresses.

In taking the work on developing a new budget procedure forwards, all relevant Commission staff – including the Clerk of the Finance Committee – are working in a coordinated manner to ensure that there are clear lines of communication for all involved. They are supported in this work by an external expert advisor, Ian Summers.

Readiness for change – capacity planning

The Wales Act 2014 carries two main implications for the scrutiny work conducted by the Assembly. First, the need for scrutiny of fiscal legislation and, second, an expansion of its general financial and budget scrutiny to cover taxation and borrowing, in addition to public spending.

The Silk Commission in their Part 1 report (November 2012) recognised that: *'The National Assembly for Wales Commission may wish to consider building up of capacity and expertise for financial scrutiny through the training of Members and through research and committee support that Members receive.'* Since that time, work has been underway in the Assembly to improve our expertise in this area.

In principle, the scrutiny of tax legislation is no different to that of other legislation – the legislative process remains the same. However, there is clearly a need to build internal skills and knowledge in relation to taxation and to draw in external expertise. In relation to the latter, committees are already free to appoint expert advisors and I trust that this will continue. But should we need to make changes to these arrangements in order to access the scale and level of advice required, I will be supportive. My priority is to ensure that the Assembly, and its committees, can access the expertise that it needs in order to meet fully its enhanced fiscal responsibilities.

As for our internal expertise, the Assembly already has a programme of financial scrutiny development in place for Members and their staff, organised by the Members' Liaison and Professional Development team, in conjunction with an external provider. A review of the continuing professional development programme is planned in the next few months, to ensure that it is fit for purpose and reflects our new fiscal powers. A revised programme will be in place by the beginning of the Fifth Assembly, in time for the commencement of the new budget process in autumn 2017.

A programme of development for Commission staff supporting Committee scrutiny is underway, which aims to build our internal knowledge base. We are also tapping into good practice and experience from other Parliaments, such as the Scottish Parliament which has recently scrutinised a similar suite of tax legislation, following on from powers granted under the Scotland Act 2012.

The Research Service is in the process of expanding the team responsible for financial scrutiny through the recruitment of an additional senior research officer.

I hope this update reassures the Committee that preparedness for the devolution of fiscal powers is a priority within the Assembly and that work is underway to ensure that we are on course to meet the challenges ahead.

In keeping with your original request, I am copying this response to Jane Hutt AM, Minister for Finance and Government Business, and David Melding AM, Chair of the Constitutional and Legislative Affairs Committee, as well as members of the Business Committee.

Rosemary

Dame Rosemary Butler AM
Presiding Officer