

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Fiscal Devolution in Wales: An update on preparations for its implementation



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU





I have prepared and published this report in accordance with the Government of Wales Acts 1998 and 2006.

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**Mae'r ddogfen hon hefyd ar gael yn Gymraeg.**

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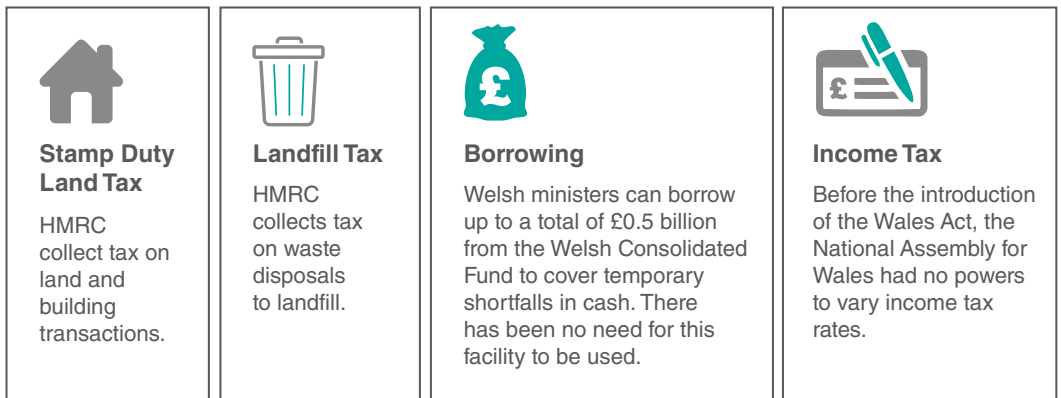
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# Summary

- 1 Fiscal devolution refers to the transfer of taxation and borrowing powers from the UK Government to the National Assembly for Wales (the National Assembly) and Welsh Ministers. From 1 April 2018, and for the first time in over 800 years, Wales will become responsible for raising an element of its own tax revenues.
- 2 The **Wales Act (2014)** devolved certain taxation and borrowing powers from the UK Government and Parliament to the Welsh Government and National Assembly. The Act empowers the National Assembly to legislate for taxes on the purchase or leasing of land and buildings and the disposal of waste to landfill for the first time. It also paves the way for the future devolution of an element of income-tax-raising powers to the National Assembly, extends the circumstances in which Welsh Ministers can borrow in the short term to manage the Welsh Government's budget, and grants Welsh Ministers new powers to borrow for capital expenditure. **Exhibit 1** sets out the specific changes to the financial environment in Wales.

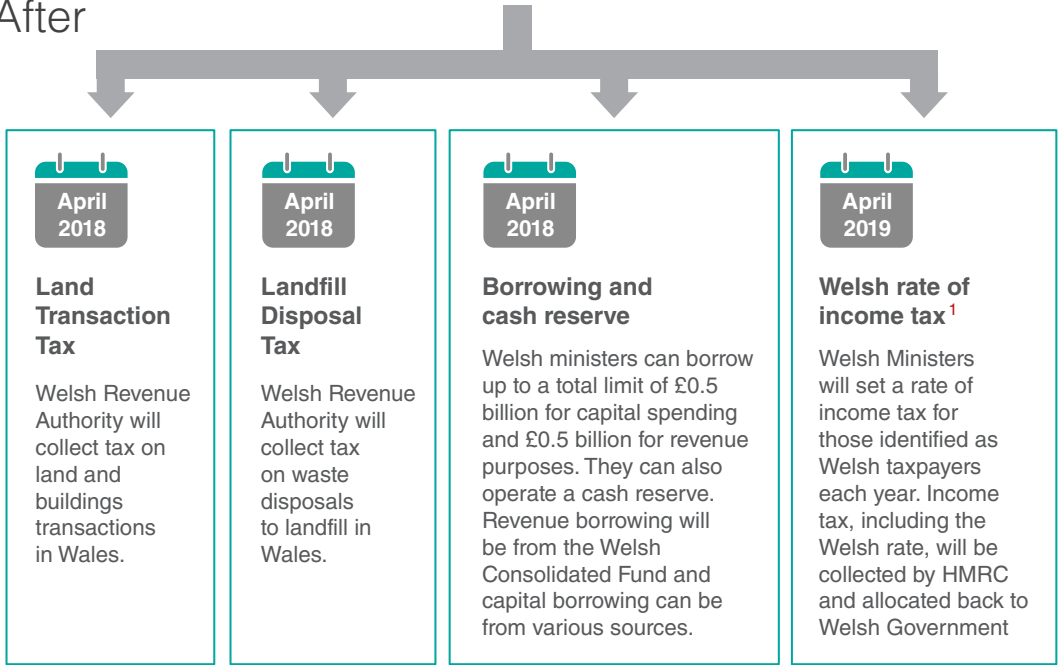
## Exhibit 1 – Devolved taxes in Wales

### Before



### Wales Act 2014 (and subsequent legislation)

### After



Source: Wales Audit Office

<sup>1</sup> The Welsh and UK governments are working towards an implementation date for income tax devolution of April 2019.

- 3 The Wales Act 2014 was followed by the **Tax Collection and Management (Wales) Act 2016**, which received Royal Assent in April 2016. Together with the **Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017** and the **Landfill Disposals Tax (Wales) Act 2017**, this legislation establishes the foundations for Wales' devolved tax regime. This includes the establishment of the Welsh Revenue Authority (WRA) on 18 October 2017 to collect the devolved Welsh taxes, land transaction tax and landfill disposal tax (**Exhibit 2**).

### Exhibit 2 – The establishment of the WRA

**The Welsh Revenue Authority**

Llywodraeth Cymru  
Welsh Government

The Welsh Revenue Authority (WRA) is a new public body responsible for collecting devolved Welsh taxes from 2018.

**Summer 2017**  
WRA Board appointed

**Autumn 2017**  
WRA Board established

**April 2018**  
WRA fully operational

In 2018 the WRA will collect **£288m\*** of taxes in Wales

\* Office of Budgetary Responsibility forecast (March 2017) for Landfill Disposals Tax and Land Transaction Tax to be collected April 2018-March 2019

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- 4 In December 2016, we published a report on the preparations the Welsh Government was making for the implementation of fiscal devolution<sup>2</sup>. We concluded that the Welsh Government was preparing well to take on its fiscal devolution responsibilities, including the establishment of the Welsh Revenue Authority by the April 2018 commencement date. However, we noted that significant challenges remained in getting detailed plans in place and delivering key projects. We also noted that, because the key work was still progressing, we would carry out a second review in autumn 2017 to assess the progress being made.
- 5 This report summarises that progress, firstly on the broader fiscal reform agenda, and secondly by the Welsh Revenue Authority Implementation Programme (WRAIP) and (from 18 October 2017) the WRA itself. The review sought to answer the question: ‘Has the Welsh Government made sufficient progress towards successfully implementing fiscal devolution for Wales by 1 April 2018?’ [Appendix 1](#) provides more detail about our audit methods.
- 6 In our previous report we made one key recommendation that, in order to meet the key milestones of its critical timetable, the Welsh Government needed to finalise its detailed delivery plans as soon as possible to allow the programme boards and groups to move forward into the delivery phase in 2017. We also identified a number of specific areas these detailed delivery plans needed to address and have reviewed progress in these areas as part of this second review. A summary of the progress against the areas of focus is outlined below.

2 Auditor General for Wales, **Preparations for the Implementation of Fiscal Devolution in Wales**, December 2016. The report provided further detail on the changes to the tax regime in Wales arising from the UK Government’s **Wales Act 2014**.

**Exhibit 3 – Progress against the areas of focus from 2016**

**Specific area identified in December 2016**

Given that the bills for the specific taxes are progressing through the legislative process, the Welsh Government will need to ensure the impact of any amendments to these bills is reflected in the detailed project plans and processes.	Good progress
There will be challenges in agreeing a timely fiscal framework, striking the balance between preparing forecasts as late as possible to ensure accuracy, and allowing adequate time for the National Assembly’s scrutiny of the 2018-19 budget.	Good progress
The Welsh Government needs to ensure that it is continuously reviewing what Welsh Treasury functions it needs in light of fiscal devolution, in particular the capacity and number of staff to deliver these roles up to and beyond 1 April 2018.	Ongoing
Detailed and close engagement will be required as the programme moves through the delivery phase and approaches the implementation date of 1 April 2018, including the need to raise awareness of the changes to the tax regime in Wales among the wider general public.	Good progress
The WRA’s statutory basis, governance and accountability frameworks need to be clearly defined and understood by all of its key stakeholders from the outset.	Good progress
The WRAIP needs to approve formally the underlying project plans as soon as possible for each project to move quickly into delivering its objectives. The programme will need very careful governance, management and monitoring as it progresses over the coming months.	Good progress
More detailed budgets now need to be developed to ensure the WRA is established on time, within cost and with the right skilled people.	Mixed progress

Source: Wales Audit Office

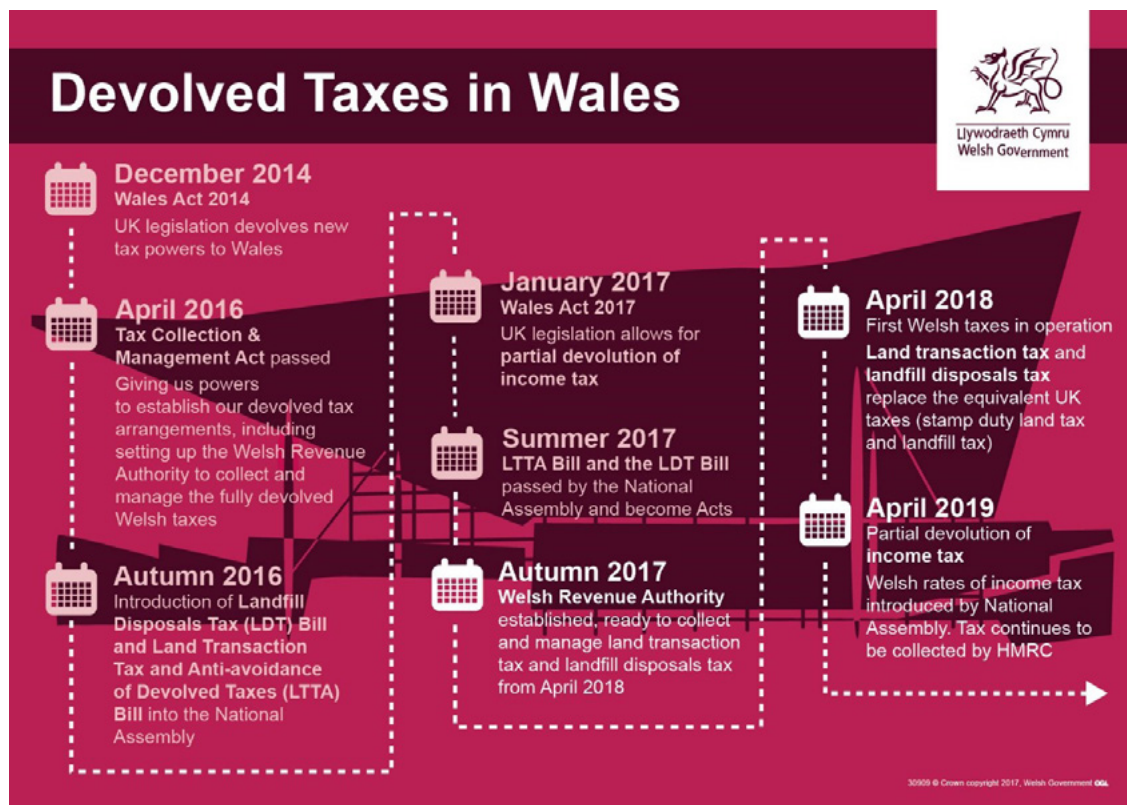
- 7 **We concluded that the Welsh Government and WRA have made important progress in most areas but are now in a critical phase to deliver key projects in the few remaining months to April 2018. The main focus and challenge in the next period to 1 April 2018 are the delivery of robust tax collection systems, including the delivery and testing of the digital systems, and the publication, following customer engagement, of the guidance required by WRA customers when completing their tax return.** The following paragraphs provide a brief overview of our key findings.
- 8 **The fiscal reform agenda has made progress in all key areas during 2017.** The UK and Welsh Governments have agreed a revised 'fiscal framework', although it is too early to fully assess its financial value for Wales. The Welsh Government continues to make good progress in developing the legislative framework required for devolved tax arrangements. The governance structure and management arrangements for the fiscal reform agenda have continued to evolve appropriately in response to changing circumstances. The Welsh Government prepared timely forecasts of revenues for the newly devolved taxes, and is developing its approach for the Welsh Rates of Income Tax. The Welsh Government has made good progress to date in developing and implementing revised budgetary procedures. The Welsh Government has successfully engaged with tax experts and stakeholders to establish a tax policy framework and annual work plan for the Welsh Treasury in 2018-19.
- 9 **The Welsh Revenue Authority Implementation Programme is entering a critical phase with a tight timetable to deliver to 1 April 2018, in particular the digital tax collection systems.** Governance arrangements for the WRAIP have evolved to give greater prominence to people and finance-related issues. Following the WRA's establishment in October 2017, further work is required to ensure that the relationship between the Welsh Government and the WRA is clearly understood. The establishment of a working WRA is generally progressing well but the delivery of digital systems remains the highest risk and is entering a critical phase with little room for error. While the implementation costs remain within the estimated range, the WRA's initial operating budgets will be higher than previously estimated. Good relationships are being developed between the WRA and external stakeholders.

- 10 The WRAIP is now in a critical phase of delivery to ensure taxes can be collected from 1 April 2018, and the Auditor General may provide a short update early in 2018 on the further progress made at that date on the key areas of focus identified below. The Auditor General does intend to conduct another review in the autumn of 2018 to assess how the WRA is operating, the success of the implementation of Welsh Landfill Disposals Tax (LDT) and Land Transaction Tax (LTT) collection, and preparations for the introduction of the Welsh Rates of Income Tax from 1 April 2019.

### Key areas of focus through to April 2018

- 11 The Welsh Government is well advanced along the critical timetable for the devolution of taxes to Wales which is summarised in **Exhibit 4** below.

Exhibit 4 – Summarised timetable for devolved taxes in Wales



Copyright: Welsh Government

- 12 While we are not raising any specific recommendations in this report, in the few remaining months to 1 April 2018, the Welsh Government and the WRA need to remain focused on the essential actions needed to deliver working tax-collection systems at that date.
- 13 The specific areas/key milestones for this coming period include:
- practical delivery and testing of the WRA's digital tax collection and management system and finance systems in time for 1 April 2018;
  - a joint readiness assessment by the Welsh Government and Her Majesty's Revenue and Customs (HMRC) to confirm that both sides are ready for the transition to the new devolved taxes;
  - development and agreement of a clearly defined and realistic operating budget for 2018-19 for the WRA, based on the actual delivery model and expected staffing levels;
  - finalisation of clear contingency plans to deal with any non-delivery of projects that might occur;
  - complete the recruitment of the remaining 55 WRA staff so they are in post when needed;
  - the Operational Policy project will need to work closely with the National Assembly and Ministers to ensure that any potential risks or delays to the legislative process are mitigated;
  - operational guidance needs to be issued to WRA customers and internal WRA policies finalised;
  - the Welsh Government needs to agree arrangements for future independent reviews of Welsh Treasury forecasts;
  - appropriately timed post-implementation review shortly after April 2018 and lessons learned review;
  - clear communications plans by the WRA for ongoing engagement with Welsh public-sector bodies, other UK tax collection agencies and other key stakeholders;
  - early agreement on WRA strategy and medium-term plans after the final Remit Letter is issued by Welsh Ministers; and
  - the WRA's governance and accountability frameworks need to be finalised and clearly understood by all of its key stakeholders, particularly through the agreement of a final Framework Document with the Welsh Government and the issuing of the final Remit Letter by Welsh Ministers.

## Part 1

The fiscal reform agenda has made progress in all key areas during 2017



## The UK and Welsh Governments have agreed a revised fiscal framework, although it is too early to fully assess its financial value for Wales

- 1.1 The devolved tax regime will operate within a revised fiscal framework between the Welsh Government and the UK Government. The Welsh Government reached agreement with HM Treasury in December 2016 on this revised fiscal framework that will take effect for the 2018-19 financial year.
- 1.2 The Fiscal Framework Agreement sets out how the UK Government will calculate the total block grant and adjustments for new tax revenues, and the powers of the Welsh Government to save and borrow public money. The framework also enables the Welsh Government to set devolved taxes with a firm understanding of the likely financial implications. It is expected to be a permanent framework, with periodic reviews but without regular renegotiation. [Exhibit 5](#) outlines the main features of the agreement.

## Exhibit 5 – Fiscal Framework Agreement between the Welsh Government and UK Government



### **The block grant adjustment**

The UK Government provides a block grant of funding to the Welsh Consolidated Fund, which in turn funds the Welsh Government. The block grant will be reduced to reflect the anticipated revenues from the LDT and LTT collected in Wales. The methods for calculating the reduction in the block grant in subsequent years are now agreed and a separate calculation is done for each tax. Looking forward, for the Welsh Rate of Income Tax (WRIT) there will also be separate calculations for the standard rate, higher rate and additional rate of income tax, as the Welsh share varies considerably for each band.



### **Borrowing powers**

The Wales Act 2017 extends the borrowing powers created in the Wales Act 2014. The total limit for capital borrowing is increased from £500 million to £1 billion, and the annual limit is increased from £125 million to £150 million. The revenue borrowing limit remains at £500 million and will cover any shortfall arising from tax revenues being lower than forecasts or coming in more slowly than expected.



### **A cash reserve**

A new Wales Reserve from 2018-19 will allow the Welsh Government to carry forward up to £350 million of unspent budgets or surplus tax revenues above forecasts. Annual drawdowns will be limited to £125 million for revenue purposes and £50 million for capital expenditure.





### **Compensating adjustments**

The agreement recognises that fiscal decisions in one country can directly impact on revenues or public expenditure elsewhere in the UK. The framework allows for compensating adjustments to the block grant arising from changes in policies from Government decisions. Behavioural effects, such as increased migration due to different tax rates, can also be accounted for in exceptional circumstances.



### **Revenue forecasts**

The UK Government will use OBR forecasts to calculate block grant adjustments. Forecasts will be reconciled to outturns once these are available. The outcome of reconciliations will be applied to the Welsh Government's funding for the following year. The Welsh Government will establish independent forecasting arrangements after a short interim period.



### **Administration and scrutiny**

Governance will be overseen by the Joint Exchequer Committee (Wales) which comprises the relevant Welsh Government and UK Government Ministers, supported by senior officials. The National Audit Office will provide independent assurance that HMRC has correctly identified and transferred relevant income tax revenues to the Welsh Government.

Source: Wales Audit Office

- 1.3 The Welsh Government expects that the new framework is likely to be more favourable to Wales than the current arrangements. It reforms the Barnett Formula and reflects the long-term funding needs identified and recommended in the Holtham Report. The Welsh Government's assessments indicate that Wales will have more funding available for public services than under the current arrangements. However, the framework has only just been established and it is too early to assess its overall benefits for Wales, as this depends on tax revenues as well as spending allocations.
- 1.4 The Fiscal Framework provides clarity on the principles for calculation of block grant adjustments for new tax revenues. The adjustments will be based on actual revenues arising from Wales in 2017-18, so Wales will be subject to two key risks in particular: the risk of its devolved tax base increasing or decreasing at a faster rate than the UK average; and the risk that revenues will be higher or lower than forecast. Both of these risks can have a positive or negative impact on Welsh public finances and are likely to change over time.
- 1.5 The agreement also allows the Welsh Government to borrow more and to put more funding into reserves in order to help smooth the impact of these risks. This provides greater flexibility in dealing with underspends in its budgets, and the Welsh Government can carry forward up to £350 million of its resource and capital budgets as part of the Wales Reserve facility.
- 1.6 Ongoing liaison between the Welsh Government and HM Treasury is required to administer the practical details of the framework, and to resolve any disputes that may arise. The Welsh Government is working on memoranda of understanding setting out more detailed guidance with HMRC and the Office for Budget Responsibility. The Welsh Government told us that the principles of the revised fiscal framework have operated smoothly in the early stages of their 2018-19 budget process.

## The Welsh Government continues to make good progress in developing the legislative framework required for devolved tax arrangements

1.7 The Welsh Government has developed the legislative framework to establish the devolved tax arrangements provided for in the Wales Act 2014 through three key pieces of Welsh primary legislation. Royal Assent has been granted for three Acts of primary legislation in this area (Exhibit 6).

### Exhibit 6 – Primary legislation for devolution of tax-collection powers to Wales that have received Royal Assent

<p><b>Tax Collection and Management (Wales) Act 2016</b></p> <p>Establishes the foundations of the tax regime in Wales. This includes the arrangements for collecting and managing the new devolved taxes, and the creation of the WRA.</p> <p>Date of Royal Assent - 25 April 2016</p>	<p><b>Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017</b></p> <p>Establishes a tax on transactions involving interests in land, such as buying a house, and provides the WRA with the powers to take forward anti-avoidance action.</p> <p>Date of Royal Assent - 24 May 2017</p>	<p><b>Landfill Disposals Tax (Wales) Act 2017</b></p> <p>Establishes a tax on disposing of waste to landfill, and provides the WRA with the powers to enforce compliance with this legislation.</p> <p>Date of Royal Assent - 24 May 2017</p>
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Source: Wales Audit Office

- 1.8 Among other things, Welsh Ministers will need to decide whether to provide the WRA with statutory criminal powers. The Welsh Government will need to develop secondary legislation to enact the tax rates and bands set by Welsh Ministers. The 'Operational Policy' project of the WRAIP is also developing other secondary legislation aimed at WRA operations, including permitted disclosures, LDT administration regulations and LTT transitional regulations.
- 1.9 In addition, the Welsh Government is already looking ahead to developing the resolution that will allow Welsh Ministers to determine the rate of income tax for Welsh taxpayers from 1 April 2019. The Welsh Government expects to present the draft resolution for consideration by the National Assembly in late 2018.

### **The governance structure and management arrangements for the fiscal reform agenda have continued to evolve appropriately in response to changing circumstances**

- 1.10 The Fiscal Reform Oversight Group has assured the fiscal reform agenda since the beginning of 2016 and met four times during 2017. The Oversight Group was chaired by the Deputy Permanent Secretary of the Welsh Government and included representatives of the Welsh Treasury, WRAIP, the wider Welsh Government and an independent external member. The Oversight Group assured the range of matters stemming from the first report of the Silk Commission and subsequent UK legislation (Wales Acts 2014 and 2017), such as tax policy development, budget production and scrutiny, the fiscal framework, and implementation of the WRA itself. However, as elements of the fiscal reform agenda have been delivered, the need for the assurance role of the Oversight Group was assessed and the Oversight Group concluded that it was no longer a necessary forum. The Oversight Group took a decision to cease their role in December 2017.

- 1.11 The WRAIP Board continues to drive delivery of the implementation of the WRA and the activities required to collect devolved taxes. Overseen by a Programme Director and a Programme Manager, the WRAIP is essentially made up of four individual projects - digital services; operational policy; people; and finance. We consider progress on each project in **Part 2** of this report.
- 1.12 As parts of the overall reform agenda have been delivered by the Welsh Government, additional UK Government governing groups have been established which align to the fiscal reform agenda. For example, a Welsh Tax Devolution Programme Board has been established by HMRC from July 2017. This Board provides senior oversight of both Stamp Duty Land Tax and Landfill Tax Transition Board and the newly established Welsh Rates of Income Tax Board, and provides an escalation route for both projects. All three of these groups have representation from the Welsh Government, HMRC, HM Treasury and the Wales Office. HMRC intends for the Welsh Tax Devolution Programme Board to continue into 2019, particularly as the focus changes from the implementation of LTT and LDT to the introduction of the WRIT from 1 April 2019.
- 1.13 These governance arrangements have evolved throughout the year and should allow the Welsh Government and the WRA to appropriately monitor the implementation of fiscal devolution in Wales.

## The Welsh Government prepared timely forecasts of revenues for the newly devolved taxes, and is developing its approach for the Welsh Rates of Income Tax

- 1.14 Robust forecasts of potential tax revenue are an essential part of the Welsh Government's new budgetary process, and enable effective decision making. There is an inherent risk of uncertainty in all forecasts whether from poor initial assumptions, or due to external factors such as UK Government policy and the recent introduction of the additional rate for second homes which has made LTT harder to predict. LTT receipts are also highly sensitive to economic conditions that impact on changes in property prices and the number of property transactions.
- 1.15 The Welsh Government began preparing tax forecasts LTT and LDT at the start of 2017, refining and updating them over the following months as part of the Budget process. The models were first put through an internal quality assurance process. The models were also tested against known tax revenues or estimated receipts from previous years to assess their accuracy and adjusted as necessary.

## Exhibit 7 – Approach taken to forecasting tax receipts for LTT and LDT

This table outlines the Welsh Government’s approach to forecasting tax receipts for LTT and LDT.

<b>Tax</b>	<b>Approach to forecasting</b>
Land Transaction Tax (LTT)	<ul style="list-style-type: none"><li>• Similar approach to that used by the Office for Budget Responsibility to estimate Stamp Duty Land Tax revenues in England.</li><li>• Office for Budget Responsibility (OBR) economic forecasts for the UK as a whole used to estimate growth in property prices and number of transactions.</li><li>• Prices and number of transactions determine tax revenue for each of the four main types of tax (residential main rate, residential additional rate, non-residential property, non-residential leases).</li><li>• Model tested against actual Stamp Duty Land Tax revenues from Wales in 2015-16 and previous years.</li><li>• Includes a sensitivity analysis – how revenues will change if property prices or the number of transactions differ from those forecast.</li></ul>

Tax	Approach to forecasting
Landfill Disposals Tax (LDT)	<ul style="list-style-type: none"> <li>• The Welsh share of tax receipts cannot be separately identified from HMRC’s information on Landfill Tax across England, Wales and Northern Ireland, so accurate information on current tax receipts was not available.</li> <li>• Collected information from Natural Resources Wales to estimate amount of waste received by landfill sites in Wales in 2015-16. This is split into standard and lower-rate waste.</li> <li>• Standard-rate waste is split into waste from Welsh local authorities and other sources: <ul style="list-style-type: none"> <li>o waste from local authorities is assumed to fall in line with new incineration capacity (or in line with the authority’s three-year trends, if there are no current plans to use incineration); and</li> <li>o the non-local authority element of standard-rate waste is assumed to fall by 10% a year, in line with UK trends.</li> </ul> </li> <li>• Total volume of lower-rate waste is assumed to fall by 1.1% a year, in line with a three-year average to March 2016.</li> <li>• Assumed that increase in incinerator capacity happens as planned.</li> <li>• No revenue included for unauthorised disposals because there was no reliable information on which to base a forecast.</li> <li>• Model tested against HMRC’s estimate of Landfill Tax receipts from Wales in previous years.</li> <li>• Sensitivity analysis to assess effect on revenues if inflation differs from forecast, if the volume of local-authority waste remains at 2015-16 levels, or if there are changes in non-local-authority waste trends.</li> </ul>

Source: Bangor University, **Independent Scrutiny and Assurance of Devolved Tax Forecasts for Wales**, October 2017



- 1.16 The revised Fiscal Framework Agreement described in paragraphs [paragraphs 1.1 to 1.6](#) requires independent scrutiny of the Welsh Government's forecasts and the Welsh Government appointed Bangor University to undertake this work for the 2018-19 Welsh Government budget. Bangor University worked closely with the Welsh Treasury to review and test the Welsh Treasury's forecasting methodology, and made suggestions on how those methods could be improved.
- 1.17 Bangor University published its commentary and opinion on the forecasts alongside the Draft Budget in October 2017. They concluded that the forecasts were 'based on robust and appropriate methodologies and assumptions'. The University will assess any changes to the forecasts made following the UK Government's Autumn Budget and the OBR's accompanying Economic and Fiscal Outlook published on 22 November 2017.
- 1.18 Bangor University made several specific recommendations to improve the future forecasting of LDT and LTT which the Welsh Government accepted. The report also recommended that the Welsh Government should consider developing more Wales-specific data, for example on LTT where that data is not available. However, this would be challenging and time-consuming, and the costs and benefits of doing so would need to be carefully assessed by the Welsh Government.
- 1.19 The Welsh Government is currently considering its forecasting needs for the Welsh Rate of Income Tax, which is being introduced in April 2019. Following a similar approach as for LDT and LTT, an outline forecast model for the 2019-20 Welsh Government budget will need to be developed in early 2018 and independently assessed.
- 1.20 To inform the model, information on income tax received from Welsh taxpayers is available from a dataset maintained by HMRC, the Survey of Personal Incomes. This provides anonymised data for individuals but not the full range of information available to HMRC and through it to the UK Government to enable tax policy decisions. Particular issues are:
- information is not analysed below the Wales level;
  - there are concerns about the timeliness of this data, as the most recent dataset relates to 2014-15 due to the time lag involved in collating anonymised data from tax returns; and
  - Welsh Government does not have early access to the dataset.

1.21 Despite this, the dataset remains the best source of information, and earlier access to the dataset and real-time information about income tax receipts in Wales would significantly help the forecasting model. The Welsh Government is continuing to discuss these issues with HMRC.

## The Welsh Government has made good progress to date in developing and implementing revised budgetary procedures

1.22 The Wales Act 2014 provides increased fiscal responsibilities of tax devolution and borrowing to the Welsh Government. In addition, in 2015 the National Assembly's Finance Committee recommended that a two-stage budget scrutiny process be developed<sup>3</sup> with further clarity on the roles of the Finance Committee and the other subject committees during the budget scrutiny process. The Welsh Government therefore established the Future Budget project in 2014 to address this and to update the existing arrangements set out in the Government of Wales Act 2006 and the National Assembly's Standing Orders.

1.23 The National Assembly agreed in June 2017 the final amendments to its updated Standing Orders, and a new budget protocol to deliver the changes required. In line with the Finance Committee's 2015 report recommendations, the Welsh Government has published its 2018-19 Draft Budget in two stages. Welsh Government officials have drawn up and begun to implement the budget planning framework for the 2018-19 Draft and Final Budgets and are developing the process for supplementary budgets. Progress on implementing this budget planning framework is set out in [Exhibit 8](#).

3 National Assembly for Wales – Finance Committee, **Best Practice Budget Process Part 2 – Planning and implementing new budget procedures**, March 2015

Exhibit 8 – Progress on implementing the 2018-19 revised budget planning framework



Source: Wales Audit Office

- 1.24 A positive development in the revised budgetary process is the publication of key external documents alongside the 2018-19 Outline Draft Budget. This included the Welsh Government's Tax Policy Report; the Bangor University report on the independent scrutiny and assurance of devolved tax forecasts; the chief economist's report; and the Memorandum of Understanding between the Welsh Government and the Office for Budget Responsibility. Following the Finance Committee's scrutiny of all of this additional information alongside the Outline Draft Budget, the Welsh Government will publish the 2018-19 Final Budget in December 2017.
- 1.25 Going forward, the Welsh Government is also establishing a Fiscal Strategy and Policy Group to assure advice to the Cabinet Secretary for Finance on fiscal matters, and provide a forum to collectively discuss and manage the individual fiscal elements which now feed into the overall Welsh Government Budget.

### **The Welsh Government has successfully engaged with tax experts and stakeholders to establish a tax policy framework and annual work plan for the Welsh Treasury in 2018-19**

- 1.26 The Welsh Government continues to run a well-managed engagement programme with key stakeholders. These arrangements have developed as the fiscal reform programme matures and the implementation date of 1 April 2018 approaches. The key external stakeholders remain the members of the Tax Advisory Group and the Tax Forum. Along with the Senior Officials' Tax Group, the Tax Advisory Group provides strategic advice to the Cabinet Secretary for Finance on tax policy and administration, and comprises representatives from business, local Government and third-sector organisations. The Tax Forum provides a platform for WRA officials to engage with relevant professions and organisations.

- 1.27 The extensive engagement with these groups contributed to the Welsh Government's publication of a **Tax Policy Framework** and work plan in June 2017. The Tax Policy Framework sets out the priorities for taxes in Wales, and the five key principles that will inform tax policy and development. It also sets out how the Welsh Government will engage with both experts and the public as it develops those tax policies. The work plan contains a number of priorities for the first year and they are aligned with the goals of the Well-Being of Future Generations (Wales) Act 2015; the Welsh Government's 'Taking Wales Forward' agenda; and with wider policy objectives. The Welsh Government intends to publish an updated 2018-19 work plan in early 2018.
- 1.28 As part of the 2018-19 Outline Draft Budget stage, the Welsh Government published a comprehensive update on progress in delivering the objectives in the work plan. The update included the announcement of the rates and bands for the new LTT and LDT. Publication of the update alongside the Outline Draft Budget is a positive move that reinforces the new link between spending and tax policy for Wales going forward.
- 1.29 We have also seen an increase in communications to raise awareness of the introduction of new taxes from 1 April 2018, and to engage the wider public in understanding and contributing to the tax policy agenda. This has included the 'Year to Go' campaign in March 2017, and, following the publication of the Tax Policy Framework, in July 2017, the Cabinet Secretary for Finance led a debate in the National Assembly on new taxes. This debate was widely reported and there was a good public response to this in both social media and in news articles. The positive momentum and broader awareness this has generated will need to be maintained as 1 April 2018 approaches.

## Part 2

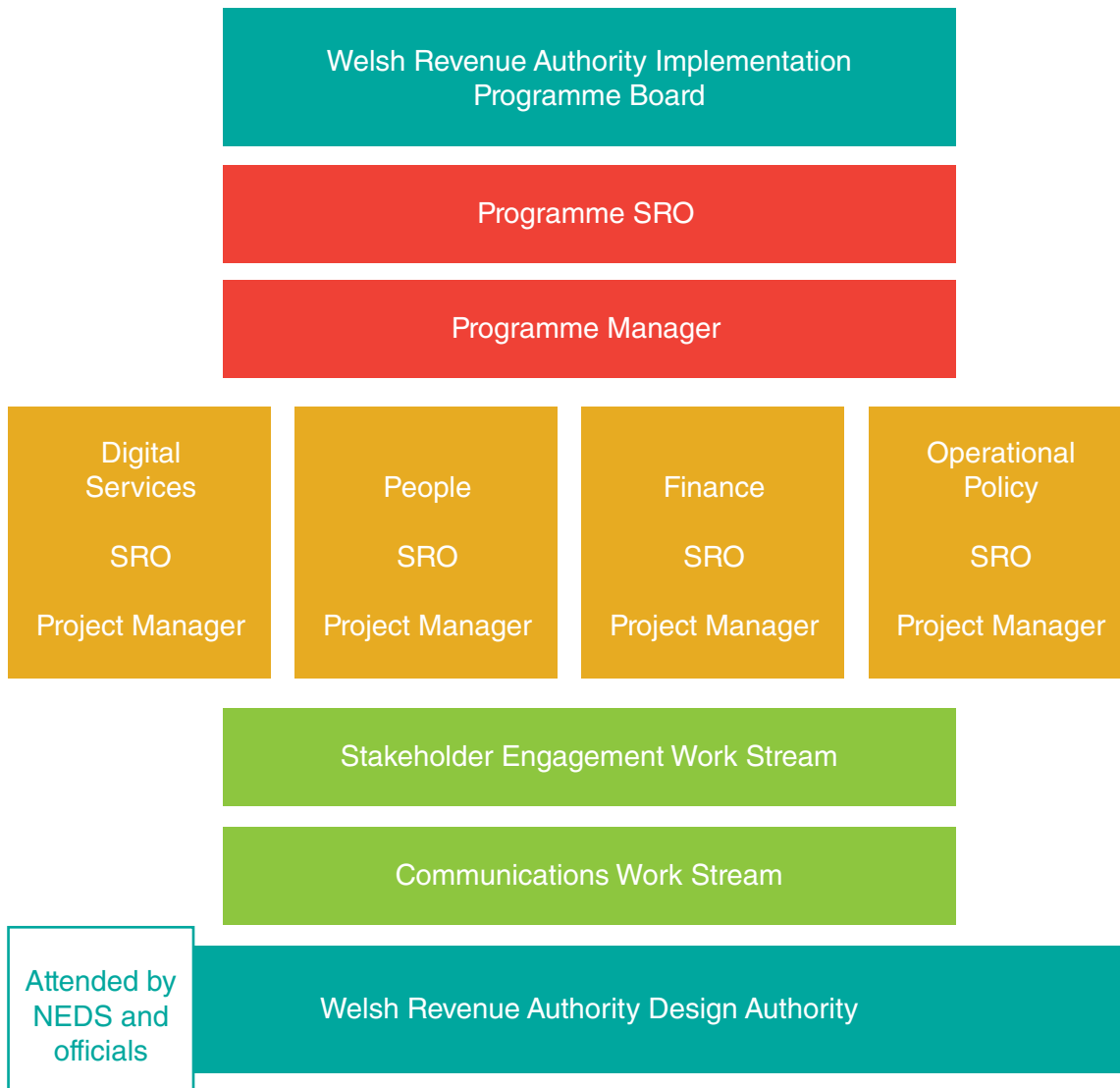
The Welsh Revenue Authority Implementation Programme is entering a critical phase with a tight timetable to deliver to 1 April 2018, in particular the digital tax collection systems



## Governance arrangements for the WRAIP have evolved to give greater prominence to people and finance-related issues

- 2.1 The WRAIP is responsible for establishing the WRA and tax collection systems before 1 April 2018. The governance arrangements and structure of the WRAIP are clear, with individual project boards taking forward specific aspects.
- 2.2 The structure has developed in 2017. The previous Governance and Organisation project was replaced with two new projects 'People' and 'Finance'. In part this was to ensure the application of the right focus and expertise to the two areas but also to recognise that the WRA needed to develop and deploy its own finance system. This change significantly increased the scope of the WRAIP. New external members were invited to advise on the WRAIP Board and a shadow WRA was formed in order to ensure that the future organisation and its customers contributed to the delivery of the programme. [Exhibit 9](#) sets out the current governance arrangements and structure of the WRAIP.

Exhibit 9 – Governance structure of the WRA Implementation Programme and its key project workstreams



Source: Welsh Government



- 2.3 As noted in our 2016 report, the WRAIP Board has defined terms of reference covering the structure, composition and remit of the Board. Membership of the WRAIP Board continues to include both senior Welsh Government officials and external representatives who provide experience, knowledge and insight. The WRAIP is led by the WRAIP Director who is also the Chief Executive of the WRA, and also includes a WRA representative.
- 2.4 WRAIP Board papers are concise and include programme timetables, project delivery plans and highlight reports from each project board. The level of detailed reporting is generally sufficient and members can and do request further information if required. Information on the costs of implementation and future operation of the WRA is less detailed.
- 2.5 The WRAIP risk register does have a clear assessment of the major risks and mitigating actions being taken by the programme. Risks are identified, monitored, mitigated and closed, and interdependencies are generally identified. The programme does take an understandably cautious approach to assessing risks. This takes account of the significant reputational risks to all parties as well as the operational impact of non-delivery of the programme.

**Following the WRA's establishment in October 2017, further work is required to ensure that the relationship between the Welsh Government and the WRA is clearly understood**

- 2.6 Significant work on the governance arrangements of the WRA was done prior to its establishment on 18 October 2017. This work included recruitment of key people such as the Chair (February 2017), the Chief Executive (July 2017) and the non-executive members of the WRA Board (September 2017). The first WRA Board meeting on 18 October 2017 received and reviewed key governance documents such as standing orders, terms of reference, Board sub-committee structures and delegated authorities.

- 2.7 The WRA is the first non-ministerial department of the Welsh Government, with substantial autonomy over day-to-day operations but within a remit set annually by the Welsh Ministers. Because of this there could be confusion over how the WRA is managed and governed, and how it should interact with the rest of the Welsh public sector. There are two key documents that will be key to ensuring a broad understanding, particularly within the Welsh Government, of the WRA's role going forward:
- **Framework Document** – this document defines a permanent framework to underpin the relationship between the Welsh Government and WRA. As a result, both parties are working closely to get the Framework Document right at the outset. The principles of the Framework are agreed, but the application of the framework on a practical day-to-day basis is still being worked through. It will be important that this Framework Document is clearly understood, throughout the Welsh Government in particular, and is revisited regularly as the role of the WRA develops over time.
  - **Remit Letter from Welsh Ministers** – this will set out the shorter/ medium-term objectives for the WRA, and the finalised Remit Letter is expected to be issued by the end of December 2017. Once received, the WRA can produce a corporate plan and detailed operating budget to April 2019, with medium-term strategies to be developed later in 2018.
- 2.8 With the closure of the Fiscal Reform Oversight Group in October 2017, a key issue is the dual role that the WRA Chief Executive has as the WRAIP Implementation Director up to 1 April 2018. The individual is responsible for the migration of responsibility from the Welsh Government to the WRA, while also delivering a programme of work to establish the organisation that he will lead. In effect he is delivering a programme of work to himself. This does raise potential risks to effective governance and the accountability of decision making.
- 2.9 To mitigate these challenges a new Governance Group – separate from the WRAIP Board – was established in November 2017. The Group is made up of the Welsh Government's Permanent Secretary, the Director of the Welsh Treasury, the WRA Chair and WRA Chief Executive/WRAIP Director. While it will act as a short-term governance solution for delivery decisions up to April 2018, the Welsh Government and WRA are currently considering whether this Group has an ongoing strategic and partnership role beyond April 2018, given the need to clearly understand the WRA relationship with the Welsh Government.

The establishment of a working WRA is generally progressing well but the delivery of digital systems remains the highest risk and is entering a critical phase with little room for error

2.10 The WRAIP has delivered against a number of key milestones and deliverables identified in our report last year. Progress against these milestones is set out in **Exhibit 10** and commented on in the project level sections below.

**Exhibit 10 – Progress against key milestones and deliverables by the WRAIP**

<p><b>Tranche 1</b>  <b>February 2016 – September 2016</b>            Original capabilities delivered:</p> <ul style="list-style-type: none"> <li>• WRA Delegation Decision</li> <li>• Digital Services Project Confirmation Phase</li> <li>• Appointment of Welsh Revenue Authority Implementation Director</li> </ul>	<p><b>Tranche 2</b>  <b>September 2016 – April 2017</b>            Original capabilities partially delivered:</p> <ul style="list-style-type: none"> <li>• Decision on location of WRA</li> <li>• Digital services ‘testing’ the market followed by procurement of services</li> <li>• WRA Chair announced</li> </ul>
<p><b>Tranche 3</b>  <b>April 2017 – November 2017</b>            Original capabilities partially delivered:</p> <ul style="list-style-type: none"> <li>• WRA Board members appointed</li> <li>• Phased recruitment of WRA Staff</li> <li>• Delivery of Digital Services</li> </ul>	<p><b>Tranche 4</b>  <b>November 2017 – April 2018</b>            Capabilities to be delivered:</p> <ul style="list-style-type: none"> <li>• Communication campaign</li> <li>• Internal and external guidance published</li> <li>• Regulations in place</li> <li>• UK taxes ‘switched off’, Welsh taxes ‘switched on’</li> </ul>

Source: Welsh Government

- 2.11 The key milestones that have been achieved in line with the planned timetable are the location of the WRA, and the appointment of the WRA Chair and Board members. The phased recruitment of WRA staff has begun and is ongoing. However, the digital services project has not been delivered within the original planned timetable and we consider this further in [paragraphs 2.25 to 2.33](#) below.
- 2.12 As noted previously there are four projects that are crucial to the successful delivery of the programme and establishment of the WRA. Progress for each of the four projects is considered in more detail below.

### **The people project has made good progress in recruiting staff and is on track to deliver its main objectives**

- 2.13 The people project is responsible for all HR aspects of setting up the new WRA, including the corporate structure, recruitment, and learning and development. The WRA's organisation structure has evolved since the first draft in March 2017 and there are currently three senior staff in the structure below the Chief Executive – Head of Operational Delivery, Chief Strategy Officer and Chief Finance Officer – to reflect the WRA's main corporate functions. There are 75 posts in total, at a projected annual cost of £3.8 million. The 75 posts include nine transitional posts to help the WRA establish itself that will be removed later in 2018-19.
- 2.14 The people project is making good progress against its recruitment plan. To date the WRA has appointed 19 staff, including a Head of HR. Fifteen staff have taken up post, including the Chief Executive, senior management team and 70% of the next management tier. Recruitment is already underway for another 16 posts, and a further 28 posts will be prioritised and filled as needed by 1 April 2018. WRA are working to balance recruitment carefully to ensure staff are employed and trained when needed, but are not in post unnecessarily early. Twelve posts will therefore be filled after April 2018. The Welsh Government and WRA are happy with the number, calibre and diversity of candidates and have not struggled to recruit suitable candidates for the jobs advertised so far.

- 2.15 The WRA has successfully recruited a number of staff with relevant experience on loan from other organisations, primarily the Welsh Government and HMRC. This does mean the WRA is initially relying heavily on staff on loan from these other organisations – 15 of the 19 appointments to date, including senior posts. Secondments have the advantage of flexibility and ease of transfer for both employer and employee, and have helped attract suitable candidates into the WRA, a new and untested organisation. However, such a dependence on loaned staff brings a risk that key skills will be lost once those staff return to their 'home' employer. To mitigate this risk WRA are starting to stagger these loans, and have also advertised other posts as permanent roles.
- 2.16 Good succession planning and knowledge transfer will therefore be vital in managing this risk. The WRA considers knowledge transfer a key priority because of its reliance on seconded staff and has a high-level knowledge transfer plan in place. This identifies the knowledge to be transferred and how this will be done, with a focus on on-the-job learning rather than formal training courses. These proposals will need to be developed into a more detailed learning and development plan quickly in 2018.
- 2.17 The people project team has developed an initial training plan to ensure all operational staff receive induction training and essential technical training before 1 April 2018. Further training will follow later, once requirements are clearer and nearer to the time that staff will make use of the relevant skills.
- 2.18 The people project is on track to deliver its targets by 1 April 2018, and the key challenge is to recruit the remaining 56 staff so they are in post when needed. The additional challenges are to maintain the initial enthusiasm, morale and creativity of all staff; transfer expert skills to permanent staff; and retain those skills within the WRA in the medium to longer term.

## The operational policy project is well advanced in developing key guidance and working practices for the WRA

- 2.19 As noted in **Part 1** above, the WRA operational policy project is managing the drafting and production of secondary legislation to implement fiscal devolution in Wales. Among other things, this project is also developing the internal policies of the WRA itself including compliance and tax avoidance policies and all external facing guidance and procedures. So far the delivery of the secondary legislation, operational policies, and guidance and working practices of the WRA is on track. Nevertheless, the timetable for completion is tight.
- 2.20 Key individuals from the Welsh Government and WRA are drafting both the guidance for each tax and the secondary legislation. Monthly meetings ensure relationships and resources are managed, and that there is full consultation and a smooth transition of knowledge to the WRA.
- 2.21 Drafting has commenced on the guidance for LTT, LDT and the areas covered by the Tax Collection and Management (Wales) Act 2016. Building on relationships established in developing the primary legislation, early drafts of the LTT and LDT guidance were shared with key stakeholders including HMRC, the Law Society and Valuation Office Agency, professional bodies and small and large practitioners based in Wales and England. Early feedback on the draft guidance has been positive and amendments are being made in response to their comments.
- 2.22 A further 19 items of subordinate secondary legislation have been identified by the operational policy project as being required to fully implement the WRA and its tax collection activities on 1 April 2018. Liaison took place during the passage of the legislation with the National Assembly's Constitutional and Legislative Affairs Committee to identify the most appropriate category for each individual item of legislation, as follows:
- Commencement Orders: where proposed legislation is published and approved directly by Ministers or officials without an Assembly vote being required;
  - Negative Resolution: where legislation is published and approved directly by Ministers or officials, but the Assembly can agree within 40 days to annul the legislation if an Assembly Member tables such a motion; and
  - Affirmative Resolution: where legislation is published, and requires the approval of the full Assembly before it can come into force.

- 2.23 The Operational Policy project has established a detailed schedule to ensure each individual item of legislation is passed when required for a smooth progression of the fiscal reform agenda. The project will need to work closely with the National Assembly and Ministers to ensure that any potential risks or delays to the legislative process are mitigated.
- 2.24 Consultation remains a key element of the legislative process. All draft legislation (other than Commencement Orders) is subject to scrutiny by the National Assembly and there is input from external stakeholders.

**The digital services project remains very high risk as it enters a critical phase of delivery over the few remaining months to 1 April 2018**

- 2.25 The Digital Services project is managing the ongoing development and delivery of the Digital Tax Collection and Management System (DTCMS). Once in place, this system will allow Welsh taxpayers to submit returns for LTT and LDT online from 1 April 2018. The system will be made up of two parts:
- **Registrations** – allows taxpayers and/or their agents to register via the system. Development is due to be completed in December 2017, with actual registration to begin in January 2018.
  - **Tax returns** – allows taxpayers and/or their agents to submit formal tax returns for LDT and LTT. Development is due to be completed in February 2018, with a ‘go-live’ date of 1 April 2018.
- 2.26 The Welsh Government intended to issue a contract to a successful supplier for the DTCMS by the end of 2016. However, a contract was not issued until April 2017, delaying the start of the project by four months. This delay was due to an unexpectedly high number of bids and a lack of detail in the initial tender specifications that led to requests for clarification from potential suppliers. The Welsh Government appointed a supplier in April 2017 and development work then began in May 2017.

2.27 Several factors have further complicated the delivery and management of the Digital Services project including:

- the scope of the DTCMS became more complex following the decision by Welsh Ministers that LTT would maintain a higher tax rate on second properties, in line with that used for Stamp Duty Land Tax.
- the decision in January 2017 for the WRA to have an in-house finance system integrated with DTCMS, rather than use part of the Welsh Government's existing finance system.
- initially there was a lack of clarity between the supplier and the project team for how changes in design were to be managed under AGILE<sup>4</sup> methodology. This was due to too few expert WRA staff in post early enough to work effectively in an AGILE way with the supplier. This has led to ongoing discussions about the nature and subsequent cost of those changes.

2.28 The WRAIP has made good use of gateway review processes throughout 2016 and 2017 across the whole programme. Gateway reviews have been particularly beneficial on the digital services project with two key reviews being carried out – a full project review in June 2017, and a follow up in September 2017. Both of these reviews gave the project a rating of 'amber/red', defined as follows:

‘ Successful delivery of the programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and establish whether resolution is feasible.’

2.29 Between June and September 2017 the project looked to strengthen arrangements and identify and recruit the right people and skills to engage better with the supplier. This did take time and needed to be balanced with financial cost constraints in the programme. The September 2017 review found that the project had made significant progress on a number of urgent recommendations from the June review. The September review also noted that although a lot of activity had taken place, the timescale for delivery by 1 April 2018 is now extremely compressed with little or no margin for any further slippage; and that there remains a major risk that successful delivery of the DTCMS may not be achieved by that date.

4 This methodology involves a high degree of consultation with stakeholders to identify requirements, with development and testing of elements of the system then being combined into short 'sprints'. This contrasts with the more traditional 'waterfall' method of software development, which has clearly separate design, implementation and testing phases. AGILE is widely thought to produce software more in line with user needs, within tight timescales.



- 2.30 After September 2017, and with key personnel now in place, we have seen a step change in project management arrangements between the digital services project and the supplier. Specifically:
- the formal scope of the DTCMS has been fixed to focus solely on what needs to be delivered for 1 April 2018. No further changes to the design are permitted, other than those that arise from development and testing under AGILE methodology.
  - the project plan for completion has been revised, reduced and agreed between the digital services project and the supplier. Specific times have been allocated for development and user testing in each of the remaining 'sprint' periods under the AGILE methodology.
  - there is now daily contact between the digital services project and the supplier to monitor overall progress and report any issues arising. There are also regular update reports issued to the WRAIP Manager each week.
- 2.31 In the remaining period to implementation, there are three principal areas of focus for the project:
- the project needs to be held to its agreed scope by the WRAIP Manager and recently appointed senior WRA staff. It is important to ensure the focus is on the successful delivery of the DTCMS as it stands, rather than trying to introduce further changes.
  - the digital services project must develop and finalise contingency plans. While there are alternative ways to collect LDT and LTT and disaster recovery procedures can be outlined, the detailed contingency plans are not yet confirmed.
  - the appointment of a testing manager within the Digital Services project. This will ensure appropriate and thorough end-to-end testing prior to implementation.
- 2.32 The delivery of the DTCMS was originally planned for September 2017 with testing starting in October 2017. This did allow for a significant contingency period before April 2018. However, this has taken longer due to the changes in scope for additional rate, and the finance system and testing will now begin in December 2017 and will continue through until February 2018.

2.33 At this point, with the DTCMS due to be delivered by mid-February 2018, little of this contingency period remains and the project is entering a critical phase. Any further significant issues could seriously threaten the successful delivery of this project. Despite there being little room for error, all indications from the WRAIP and WRA are that, provided the revised project plan is followed, the DTCMS will be in place and operational by 1 April 2018.

### **The finance project has made significant progress on procuring and implementing an in-house financial system in a short space of time**

2.34 Initially, WRAIP intended that the WRA would use the Welsh Government's existing finance system. However, following advice from the Welsh Government, WRAIP decided in February 2017 that it would need to have its own finance system. WRAIP then conducted a benchmarking exercise (which included Revenue Scotland) to confirm and refine that decision. In particular, WRAIP learned that it would be easier to integrate the tax finance system alongside the development of the DTCMS before going live. It would also be easier to match individual tax payments to individual tax returns. The introduction of the additional rate of LTT was also an important factor emphasising the need for effective integration of the two systems. The decision further highlights the WRA's independence from the Welsh Government, and allows future development of its own systems as additional taxes are transferred. This decision will result in additional implementation costs of approximately £0.5 million, as well as ongoing additional operating costs for the WRA finance and information technology staff.

2.35 The finance project was established by WRAIP in February 2017 to identify and deliver appropriate financial processes for the tax collection and corporate finance functions of the WRA. The finance project developed the requirements and identification of an off-the-shelf finance system by April 2017 and appointed a supplier in June 2017.

- 2.36 The finance project confirmed the final scope with the supplier and procured the finance system in August 2017. Implementation of the finance system is already well advanced and consists of two parts: a corporate finance system for running costs, and a tax finance system to collect and manage the payment of taxes. The main risk for the project is the interface required between the tax finance system and the DTCMS, and work began in October 2017 on the interface requirements. The finance system also includes an HR system which WRA will use, although payroll services will continue to be provided by the Welsh Government.
- 2.37 So far, robust project management and an experienced project manager have enabled significant progress to be made in a short timeframe. Current indications are that the plan to deliver the finance and HR systems needed by 1 April 2018 will be achieved alongside the digital services project.

**While the implementation costs remain within the estimated range, the WRA's initial operating budgets will be higher than previously estimated**

- 2.38 In December 2016, we reported that the Welsh Government estimated that the costs of setting up the WRA and its annual operating budget would be in line with its initial estimates. The set-up costs for the WRA were initially estimated at between £4.9 million and £6.4 million, and the estimated annual operating costs of the WRA would be between £2.8 million and £4 million. However, more detailed budgets were needed to ensure that the WRA is established on time and within cost.
- 2.39 Detailed budgets have not been developed at a project level as programme costs have been reported and scrutinised at a programme management level, with high-level information being submitted to the WRAIP Board. The Minister has written to the National Assembly's Finance Committee in March 2017, September 2017 and December 2017 explaining the changes to the initial implementation and operating costs of the WRA. **Exhibit 11** shows the current forecast costs through 2017.

## Exhibit 11 – comparison of initial estimates to current forecast costs

	Initial estimates	Current forecasts
Implementation Costs – WRAIP	£4.9 million - £6.4 million for the three-year period 2016-17 to 2018-19	<b>£6.3 million</b> for the two- year period 2016-17 to 2017-18
Annual Operating Costs – WRA	£2.8 million - £4 million in 2018-19 and beyond	<b>£1.5 million in 2017-18</b> <b>£6.0 million in 2018-19 and 2019-20</b>

Source: Welsh Government

- 2.40 Current projections show that the implementation costs are still on track to be within the original estimates. More costs are being incurred in the first two years of the three-year period than originally planned and funding has been re-profiled accordingly. £1.3 million of costs were incurred in 2016-17 and the Welsh Government now believe the remaining £5.0 million of implementation costs will be incurred in full in 2017-18. The Welsh Government therefore expects no further costs of implementation will be incurred in 2018-19.
- 2.41 The annual running costs of the WRA are now reported to be in the region of £6.0 million for a full year in 2018-19 and 2019-20, against the initial estimates of up to £4.0 million. The estimated annual operating costs were based on the assumption of establishing a similar body with similar approaches and systems to Revenue Scotland. However, there have been significant changes in planned systems and process within the WRA, most notably the adoption of an in-house finance and HR system, and also in-house paper tax return and cheque receipting. The addition of a higher rate for additional properties has added complexity to the digital systems, processes and resource requirements. The two bodies are now quite different and are not directly comparable as the WRA is carrying out more functions itself than originally envisaged. Because of these changes, the WRA's annual operating budgets for 2018-19 and beyond will be substantially higher than the original estimates, as shown by the current forecasts above.

- 2.42 We also noted in our previous report that the total budget for 2017-18 identified that £2.5 million was specifically identified for implementation costs. The Minister confirmed in March 2017 that the updated estimate for implementation costs was £3.5 million with a further £1.0 million of expected operating costs for the WRA in 2017-18. The Welsh Government's current forecasts suggest the full remaining implementation cost budget of £5.0 million and WRA operating costs of £1.5 million will be spent in 2017-18. A supplementary budget will therefore be needed in February 2018 to cover the difference between the initial estimate of £2.5 million and current total forecast costs of £6.5 million for 2017-18.
- 2.43 Going forward, more detailed costings need to be maintained, monitored and reported by both the WRAIP and the WRA so as to fully inform future decision and budget discussions.

## Good relationships are being developed between WRA and external stakeholders

- 2.44 As noted in [paragraphs 1.26 to 1.29](#), WRAIP and the WRA have established good working relationships with external stakeholders, building on those established by the Welsh Treasury. Stakeholder engagement is managed as a workstream across the programme, and there are detailed stakeholder plans in place to engage on particular areas of work, including user testing and systems, guidance, etc.
- 2.45 There is an implementation group with HMRC to manage the transition from Stamp Duty Land Tax and Landfill Tax. Mature relationships have developed over the last few years of HMRC working with the Welsh Treasury and the WRAIP. Relationships with HMRC have also been helped by the recruitment or secondment of a number of key managers into the WRA. This needs to continue ahead of the joint readiness review in early 2018, which will confirm to HM Treasury and the Welsh Government whether the transfer of LDT and LTT collection can commence from 1 April 2018.

- 2.46 WRA has also worked well with the Land Registry and Valuation Office Agency, producing consistent guidance for properties that straddle the Wales/England border. This joint working needs to continue as the bodies share information for compliance purposes for the LTT. As more WRA staff are appointed and the systems and processes are established, there is a clear need at an operational level to mirror the good engagement to date by senior managers.
- 2.47 Looking ahead further, careful cultivation of relationships with these and other stakeholders, such as local Government bodies, is needed to realise the potential of WRA to work with the Welsh Government and other public sector bodies as a lever for change in delivering key policies in Wales.

# Appendices



# Appendix 1 – Methods

We reviewed a range of information during our audit including:

- Various legislation including the Wales Act 2014, Tax Collection and Management (Wales ) Act, the Land Transaction Tax Act, the Landfill Disposal Tax Act, and the Anti-Avoidance of Devolved Taxes (Wales) Act
- Publicly available information on fiscal devolution relating to both Wales and Scotland
- Reports on tax forecasts by Bangor University
- The project plans
- The highlight reports from key programme and project/group boards
- The governance documents
- The results of gateway reviews that have been undertaken
- Various reports from other audit bodies on fiscal devolution and project management including Audit Scotland, and the National Audit Office
- Published documents from the Welsh Government and Welsh Ministers

We received introductory presentations from both the Welsh Government and the Welsh Revenue Authority which covered:

- Presenting progress to the audit team to set the scene
- Identifying how the programme and WRA are developing
- How the agenda, programme and projects are being delivered
- The key risks to delivery
- Recommendations from Gateway reviews and actions being taken
- The next stages for the individual projects/group and the overall Welsh Government fiscal reform agenda

We received a demonstration from the Welsh Revenue Authority of the tax collection system under development.

We spoke to a wide range of representatives and officials from:

- The Welsh Government including the Permanent Secretary, the Director, the Welsh Treasury and the WRA Implementation Director
- The WRA including the Chair and the Chief Executive
- HM Revenue & Customs
- The suppliers and developers of DTCMS and the finance system to WRA
- External members of the WRAIP Board





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