

Agenda – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 25 October 2018

Meeting time: 09.20

For further information contact:

Bethan Davies

Committee Clerk

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1 Introductions, apologies, substitutions and declarations of interest

(09.20)

2 Paper(s) to note

(09.20)

(Pages 1 – 3)

2.1 PTN1 – Letter from the Chair of the Economy, Infrastructure and Skills

Committee – Funding for major infrastructure projects – Mutual Investment Model – 18 October 2018

(Pages 4 – 6)

3 Welsh Government Draft Budget 2019–20: Evidence session 4 (Bevan Foundation)

(9.20–10.00)

(Pages 7 – 21)

Victoria Winckler, Director of the Bevan Foundation

4 Welsh Government Draft Budget 2019–20: Evidence session 5 (Welsh Revenue Authority)

(10.00–11.00)

(Pages 22 – 33)

Dyfed Alsop, Chief Executive, Welsh Revenue Authority

Sam Cairns, Head of Operational Delivery, Welsh Revenue Authority

Rebecca Godfrey, Chief Strategy Officer, Welsh Revenue Authority

Break (11.00–11.10)



**5 Welsh Government Draft Budget 2019–20: Evidence session 6
(HMRC)**

(11.10–12.10)

(Pages 34 – 42)

Jim Harra, Second Permanent Secretary, HMRC

Jackie McGeehan, Deputy Director, Income Tax policy, HMRC

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

(12.10)

**7 Welsh Government Draft Budget 2019–20: Consideration of
evidence**

(12.10–12.20)

(Pages 43 – 59)

Paper 1 – Summary of consultation responses

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Wednesday, 17 October
2018

Meeting time: 09.00 – 10.06

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

<http://senedd.tv/en/5131>

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM Mike Hedges AM Jane Hutt AM Nick Ramsay AM Helen Mary Jones AM
Witnesses:	Dr Edward Jones, Bangor University Dr Helen Rogers, Bangor University
Committee Staff:	Bethan Davies (Clerk) Georgina Owen (Deputy Clerk) Martin Jennings (Researcher) Christian Tipples (Researcher) Ben Harris (Legal Adviser)

1 Introductions, apologies, substitutions and declarations of interest

1.1 Following election on 3 October 2018, Llyr Gruffydd AM, as temporary Chair, welcomed Members to the meeting.



1.2 Apologies were received from Steffan Lewis AM and Neil Hamilton AM. Llyr Gruffydd AM attended as a substitute for Steffan Lewis AM.

1.3 Helen Mary Jones AM attended the meeting with the permission of the temporary Chair, in accordance with Standing Order 17.49.

2 Paper(s) to note

2.1 The papers were noted.

2.1 PTN1 – Letter from the Rt Hon Alun Cairns MP, Secretary of State for Wales – 11 October 2018

3 Welsh Government Draft Budget 2019–20: Evidence Session 3

3.1 The Committee took evidence from Dr Edward Jones and Dr Helen Rogers from Bangor University on the Welsh Government Draft Budget 2019–20

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

4.1 The motion was agreed.

5 Welsh Government Draft Budget 2019–20: Consideration of Evidence

5.1 The Committee considered the evidence received.

6 Renting Homes (Fees etc.) (Wales) Bill: Consideration of draft report

6.1 The Committee agreed the draft report with minor changes.

7 Scrutiny of the Assembly Commission Draft Budget 2019–20: Consideration of draft report

7.1 The Committee agreed the draft report with minor changes.

8 Wales Audit Office Board recruitment

8.1 The Committee considered and agreed its approach to the recruitment of two non-executive Members of the Wales Audit Office Board.

9 Welsh Government Draft Budget 2019–20: Approach to scrutiny

9.1 The Committee:

- noted that the evidence session with the Office for Budget Responsibility will now take place on 7 November 2018;
- agreed which Members would attend the concurrent meeting on impact assessments in the budget on 15 November with the Children, Young People and Education Committee and the Equality, Local Government and Communities Committee; and
- agreed to write to the Business Committee to request an additional meeting, in order to consider its draft report on the Welsh Government's Draft Budget 2019–20.

10 Welsh Affairs Committee Inquiry: Devolution of Air Passenger Duty to Wales

10.1 The Committee agreed its response to the Welsh Affairs Committee inquiry on the Devolution of Air Passenger Duty to Wales.

Llyr Gruffydd AM
Temporary Chair of the Finance Committee

18 October 2018

Dear Llyr,

Funding for major infrastructure projects – Mutual Investment Model

At its meeting on 3 October 2018, the Economy, Infrastructure and Skills Committee received briefing from Professor Gerry Holtham on financing for infrastructure projects and from Welsh Government officials on the Mutual Investment Model (MIM). I am writing to you to highlight some of the Committees concerns following those briefing sessions.

MIM reflects learning from the past use of PFI and PPP, and seeks to recognise where risk can effectively be transferred and where it cannot. The Committee was pleased to hear that soft services would not be included in a MIM and that provision for active contract management would be built in to the project from the start. In addition, a set of standardised contracts that seek to deliver community benefits and a return on any refinancing gains should deliver further improvements and greater value for money on previous models.

Although there are still questions around the availability of skilled, experienced staff able to deliver the improved contract management necessary to the success of the model, the Committee agreed that MIM appears to be a well thought through model that delivers significant improvements on previous models. However, the Committee was concerned about the context in which MIMs are



used. The Committee heard that the model could be used to deliver sections five and six of the A465, Velindre cancer centre, and Band B of the 21st Century Schools programme. The financing of these projects in this way seems to suggest that financing decisions are not taken within the context of a strategic, planned approach to infrastructure delivery.

No Government would borrow if it had ample budget to deliver its plans, but if its ambitions outstrip its capital means and there is a compelling case for delivering those ambitions, then prudent borrowing options are available. Professor Holtham described the issuing of Government bonds as ‘much cheaper’ than the funds that could be raised by private investors, especially for more complex or higher risk projects. The funding ceiling for such gilts is set at £1 billion in Wales, but the Committee has not got a sense from recent inquiries that this funding option was being considered as part of a wider discussion around the right investment type to deliver a part of a planned programme of projects. Rather, it seemed that MIMs are to be used when projects of sufficient size become a priority for delivery. Given that many of the positive aspects of MIMs – improved contract management; community benefits and adoption of environmental and employment codes of practice – can also be delivered through traditional procurement, it seems illogical to deliver complex projects like band B of the 21st Century Schools Programme through MIM when other, cheaper, financing options are available.

The EIS Committee will continue to scrutinise the funding of major infrastructure projects, but there appears to be a wider financial point of principle to be considered. Therefore, the Committee has asked me draw these concerns to your attention and ask if you have any plans to scrutinise the capital funding strategy of the Welsh Government.

The Clerk of the EIS Committee is able to supply further background information on these issues if that would be helpful.



Thank you for considering this issue. I look forward to receiving your response in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Russell George". The signature is fluid and cursive, with the name "Russell" written in a larger, more prominent script than "George".

Russell George
Chair



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Agenda Item 4

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Agenda Item 5

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

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