



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyllid](#)

[The Finance Committee](#)

11/10/2017

[Agenda'r Cyfarfod](#)

[Meeting Agenda](#)

[Trawsgrifiadau'r Pwyllgor](#)

[Committee Transcripts](#)

Cynnwys Contents

- 4 Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest
- 5 Papur(au) i'w Nodi
Paper(s) to Note
- 5 Ombwdsmon Gwasanaethau Cyhoeddus Cymru—Amcangyfrifon
2017–18: Sesiwn Dystiolaeth
Public Services Ombudsman for Wales Estimates 2018–19: Evidence
Session
- 34 Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
ar gyfer Eitemau 5, 8 a 9
Motion under Standing Order 17.42 to Resolve to Exclude the Public
from Items 5, 8 and 9
- 35 Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2018–19: Sesiwn
Dystiolaeth 2 (Prifysgol Bangor)
Welsh Government Draft Budget 2018–19: Evidence Session 2 (Bangor
University)
- 55 Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2018–19: Sesiwn
Dystiolaeth 3 (Trysorlys Cymru)
Welsh Government Draft budget 2018–19: Evidence Session 3 (Welsh
Treasury)

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Neil Hamilton Bywgraffiad Biography	UKIP Cymru UKIP Wales
Mike Hedges Bywgraffiad Biography	Llafur Labour
Eluned Morgan Bywgraffiad Biography	Llafur Labour
Nick Ramsay Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
David Rees Bywgraffiad Biography	Llafur Labour
Simon Thomas Bywgraffiad Biography	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)

Eraill yn bresennol
Others in attendance

Dyfed Alsop	Prif Weithredwr, Awdurdod Cyllid Cymru Chief Executive, Welsh Revenue Authority
Nick Bennett	Ombwdsmon Gwasanaethau Cyhoeddus Cymru Public Services Ombudsman for Wales
Andrew Jeffreys	Trysorlys Cymru, Llywodraeth Cymru Welsh Treasury, Welsh Government
Dr Edward Jones	Prifysgol Bangor Bangor University
David Meaden	Cyfrifydd Ariannol, Ombwdsmon Gwasanaethau Cyhoeddus Cymru Financial Accountant, Public Services Ombudsman for Wales

Julian Revell	Pennaeth Dadansoddi Cyllidol, Trysorlys Cymru Head of Fiscal Analysis, Welsh Treasury
Dr Helen Rogers	Prifysgol Bangor Bangor University
Chris Vinestock	Prif Swyddog Gweithredol, Ombwdsmon Gwasanaethau Cyhoeddus Cymru Chief Operating Officer, Public Services Ombudsman for Wales

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

Ben Harris	Cynghorydd Cyfreithiol Legal Adviser
Leanne Hatcher	Ail Glerc Second Clerk
Joanne McCarthy	Y Gwasanaeth Ymchwil Research Service
Georgina Owen	Dirprwy Glerc Deputy Clerk
Christian Tipples	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 09:02.

The meeting began at 09:02.

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest

[1] **Simon Thomas:** Bore da. **Simon Thomas:** Good morning.
Croeso i'r Pwyllgor Cyllid. A gaf i jest Welcome to the Finance Committee.
atgoffa pawb fod cyfieithu i'w gael ar May I just remind people that
sianel 1, lefel y sain ar sianel 0, a'ch translation is available on channel 1,
atgoffa chi i dawelu dyfeisiau and amplification on channel 0? And
electronig hefyd—yn cynnwys fi? A may I remind you to ensure that any

hefyd rydw i'n gofyn am unrhyw electronic devices are on silent—
ymddiheuriadau. Rydw i'n gwybod including mine? And also could I ask
bod Steffan Lewis mewn angladd, if there are any apologies? I know
felly nid yw ef yma. Steffan Lewis is at a funeral, so he's
not here today.

Papur(au) i'w Nodi
Paper(s) to Note

[2] **Simon Thomas:** Os felly, a gaf i **Simon Thomas:** Therefore, could I
ofyn i aelodau'r pwyllgor yn gyntaf ask members of the committee first
oll jest i nodi llythyr rydym ni wedi'i of all to note a letter that we've
dderbyn gan Ysgrifennydd y Cabinet received from the Cabinet Secretary
ynglŷn â'r adroddiad ar yr alldro, on the report on outturn, which
sydd yn dangos faint o arian sydd shows how much money has been
wedi cael ei wario, a dweud y gwir, spent by the Government according
gan y Llywodraeth yn ôl y gyllideb? A to the budget? Are we all content to
yw pawb yn hapus i nodi hwnnw? note that paper? Thank you very
Diolch yn fawr. much.

09:03

Ombwdsmon Gwasanaethau Cyhoeddus Cymru—Amcangyfrifon 2017–
18: Sesiwn Dystiolaeth
Public Services Ombudsman for Wales Estimates 2018–19:
Evidence Session

[3] **Simon Thomas:** Fe wnawn ni **Simon Thomas:** We'll turn to the
droi at y tystion, felly, a chroesawu witnesses, therefore, and welcome
Nick Bennett, Ombwdsmon Nick Bennett, the Public Services
Gwasanaethau Cyhoeddus Cymru, ac Ombudsman for Wales, and members
aelodau o'r staff. A gaf i jest ofyn i of staff. May I just ask you to give
chi ddatgan eich enwau a'ch your names and roles for the record,
swyddogaethau ar gyfer y cofnod, os please?
gwelwch yn dda?

[4] **Mr Bennett:** Bore da. Fy enw i **Mr Bennett:** Good morning. I'm Nick
ydy Nick Bennett. Bennett.

[5] **Mr Vinestock:** Good morning. I'm Chris Vinestock and I'm the chief

operating officer.

[6] **Mr Meaden:** Good morning. I'm David Meaden, financial accountant.

[7] **Simon Thomas:** Diolch yn fawr. Rydym ni wedi derbyn yr amcangyfrifon wrthy ch chi, so fe wnawn ni ddechrau a mynd yn syth ati. A wnewch chi roi amlinelliad o'r gwariant o gymharu â'r flwyddyn ddiwethaf i ddechrau? Mae'n ymddangos i mi eich bod chi'n chwilio i wario mwy ar staff, ond eich bod chi'n gwneud arbedion ar y cynllun pensiwn, ac felly, at ei gilydd, rŷch chi'n gofyn am ychydig llai o arian na'r llynedd. Ai dyna'r casgliad cywir?

Simon Thomas: Thank you very much. We have received the estimates from you, and we'll start straight away. Could you give us an outline of your expenditure comparing with the last year to start with? It appears to me that you're seeking to spend more on staff but that you're making savings on the pension scheme, and therefore, together, you're asking for a little bit less money than last year. Is that the right conclusion?

[8] **Mr Bennett:** Ie. Nid ydw i'n gyfrifydd, ond mae hynny'n wir i ddweud. Nid ydym ni'n gofyn am fwy o *cash*, ond beth rydym ni yn gofyn amdano ydy mwy o adnodd ar gyfer y flwyddyn nesaf.

Mr Bennett: Yes. I'm not an accountant, but that is true to say. We're not asking for more cash, but what we are asking for is more resource for next year.

[9] **Simon Thomas:** Iawn. Diolch yn fawr. Sut ydych chi wedi penderfynu, felly, i ofyn am yr adnoddau yna, wrth gymharu â'r blaenoriaethau sydd gyda chi yn eich swyddfa? Sut ydych chi wedi penderfynu bod angen yr adnodd staff yn benodol, byddwn i'n tybio?

Simon Thomas: Right. Thank you. How have you decided, therefore, in asking for those resources, comparing with the priorities you have in the office? How have you decided that there's a need for the staff resource specifically?

[10] **Mr Bennett:** Wel, rydw i'n gobeithio ein bod ni'n gyson o safbwynt blaenoriaethau. Rydw i wedi bod yn glir iawn, rydw i'n gobeithio, efo pawb. Rydw i'n ymwybodol iawn fy mod i'n atebol i'r Cynulliad. Rydw i

Mr Bennett: Well, I hope that we're consistent in terms of priorities. I've been very clear, I hope, with everyone. I'm very aware that I'm accountable to the Assembly. I want to be very clear with our staff and

eisiau bod yn glir iawn efo'n staff ni hefyd, a hefyd gyda'r cyrff sy'n dod o dan ein hawdurdodaeth ni beth yw ein blaenoriaethau. Tri: yn gyntaf, y ffaith bod yn rhaid inni arloesi. Mae yna lai o adnodd o gwmpas a mwy o alw am ein gwasanaethau ni, felly mae'n rhaid inni fod yn fwy arloesol. Yn ail, mae'n rhaid inni sicrhau bod yna ddylanwad yn cael ei roi ar y cyrff sydd angen gwella eu gwasanaethau cyhoeddus. A dyna'r trydydd pwynt, rydw i'n meddwl: sicrhau bod yna welliant go iawn pan fo'n dod i brofiad pobl Cymru pan fo'n dod i wasanaethau cyhoeddus.

[11] Felly, beth rydw i'n trio ei wneud yn ystod y flwyddyn nesaf ydy sicrhau ein bod ni'n gwario mwy ar arloesi. Un o'r pethau pwysig yma ydy cydymffurfio a sicrhau bod cyrff cyhoeddus yn cydymffurfio â'r argymhellion rydym ni wedi'u gwneud, a hefyd sicrhau'r ffordd rydym ni'n mynd o'i chwmpas hi gyda thechnoleg gwybodaeth. Mae yna risg mawr yn y fanna. Mae pawb yn ymwybodol iawn o beth sy'n digwydd ar hyn o bryd pan fo'n dod i ddiogelwch—*malware* yn yr NHS, yn y gwasanaeth iechyd yn Lloegr, er enghraifft. Mae bron iawn i 40 y cant o'r cwynion rydym ni'n eu cael yn ymwneud â'r gwasanaeth iechyd. Mae'n rhaid inni sicrhau bod diogelwch data personol pobl yn cael ei drin yn iawn, a hefyd ein bod ni'n defnyddio technoleg gwybodaeth yn y ffordd iawn i fod yn fwy effeithiol yn symud ymlaen.

with the bodies that come under our jurisdiction in terms of what our priorities are. There are three: first, we have to innovate. There is less resource around and more demand for our services, so we have to be more innovative. Secondly, we have to ensure that we have an influence on the bodies that need to improve their public services. And that's the third point, I think: to ensure that there is a real genuine improvement when it comes to the experience of the people of Wales when it comes to public services.

So, what we're trying to do over the next year is to ensure that we spend more on innovation. One of the important things there is compliance and ensuring that public bodies do comply with the recommendations that we've made, and also ensuring the way that we approach information technology. There is a grave risk there. People are very aware of what's happening at present in terms of security—malware in the NHS in England, for example. Nearly 40 per cent of the complaints that we have are to do with the NHS. We have to ensure that the security of people's personal data is treated properly, and also that we use IT in the right way to be more effective moving forward.

[12] **Simon Thomas:** Diolch am hynny. Mewn ffordd mae gyda chi, wrth ofyn am y canran arian, y ddau begwn fan hyn. Rydych chi'n gwybod yn iawn beth sy'n cael ei wneud gyda bloc Cymru, felly nid ydym ni'n disgwyl unrhyw gynnydd sylweddol yn hynny o beth. Felly, mae eich canran chi o'r bloc yn fach, ond mae'n dal yn ganran ac mae'n dal yn bwysig yn y cyd-destun yna.

Simon Thomas: Thank you for that. In a way, in asking for this, you have the two extremes here. You know what needs to be done with the Welsh block. We don't expect any significant increase in that. So, your percentage of the block is small, but it's still a percentage and it's still important in that context.

[13] Ar y llaw arall, rydych chi hefyd yn adrodd i ni gymaint mae'r llwyth achosion wedi cynyddu ac rydych chi'n disgwyl iddyn nhw gynyddu o hyd. Ym mha ffordd ydych chi wedi llwyddo i sicrhau bod gyda chi'r adnodd i ddelio â'r llwyth achosion yna, ond hefyd gan gofio eich bod chi hefyd yn gorfod dod yn rhan o'r bloc arian sy'n cael ei gyfyngu o hyd ac o hyd o'r arian o San Steffan?

On the other hand, you also report to us how much the case load has increased, and you still expect that to increase. In what way have you succeeded to ensure that you have the resource to deal with that increase in case load, but also given the fact that you also have to become part of the Welsh block that is being restricted time and time again in the money from Westminster?

[14] **Mr Bennett:** Mae'n anodd, ac mae'n anodd oherwydd amseru hefyd, oherwydd rydw i'n meddwl bod y *Standing Orders* yn dweud bod rhaid ichi ymdrin â fy nghyllideb i erbyn 22 Tachwedd. Wel, mae rhywbeth yn digwydd yn San Steffan ar 22 Tachwedd—

Mr Bennett: It's difficult, and it's difficult because of timing as well, because I think the Standing Orders say that you have to deal with my budget by 22 November. Well, there's something happening in Westminster on 22 November—

[15] **Simon Thomas:** I fod.

Simon Thomas: Well, supposedly.

[16] **Mr Bennett:** Ie, wel—. Y drafferth rydym ni wedi'i chael ydy: nad ydym ni'n gallu cadw i fyny efo tyfiant sydd wedi bod yn hanesyddol

Mr Bennett: Yes, well—. The difficulty we've had is that we can't keep up with the growth that there has been, historically, in the block. For

yn y bloc. Er enghraifft, eleni—roeddwn i'n ddiolchgar iawn, gyda llaw—roedd y pwyllgor wedi rhoi 3.8 y cant i ni yn ystod y flwyddyn ddiwethaf, ond wrth gwrs, ar ôl hynny, yn ystod y datganiad ym mis Tachwedd, ddaru ni weld y bloc yn tyfu gan 4.3 y cant. Felly, canran bach o'r bloc Cymreig ydym ni, ond rydym ni'n dal i syrthio i lawr i 0.26 y cant o'r bloc, rydw i'n meddwl, erbyn hyn. Rydw i'n meddwl, yn hanesyddol—dywedwch, wyth neu naw mlynedd yn ôl—roeddem ni tua 0.3 y cant o'r bloc. Felly, rydym ni'n gwybod bod yna bwysau wedi bod ar y bloc, ond rydym ni wedi bod o dan fwy o bwysau, ac rydw i'n gobeithio ein bod ni'n gallu dangos heddiw ein bod ni wedi 'cope-io' efo hynny ac wedi sicrhau ein bod ni'n gallu gwneud mwy efo llai, ac os nid llai, wel, o leiaf gyda'r un lefel o adnodd.

[17] **Simon Thomas:** Un o'r pethau rydych chi wedi'i ddweud wrth ateb rhai o'r cwestiynau y bore yma yw eich bod chi'n chwilio am fod yn ddyfeisgar, yn chwilio am arloesedd yn y system, ond rydych chi hefyd yn chwilio am fwy o gydymffurfiaeth, oherwydd os cewch chi fwy o gydymffurfiaeth, mae yna llai o gwynion, ac mae yna llai o draul costau gyda chi, felly. Pam ydych chi'n teimlo nad ydych chi wedi gweld y gydymffurfiaeth yna? Roeddwn i jest yn darllen eich adroddiad chi. Roeddwn i'n gweld bod chwe—. Sori, roedd gyda chi chwe adroddiad diddordeb

example, this year—I was very grateful, by the way—the committee gave 3.8 per cent to us over the last year, but of course, after that, during the November statement, we saw the block growing 4.3 per cent. So, we're a very small proportion of the Welsh block, but we're still falling down to about 0.26 per cent of the block, I think, by now. I think, historically—say, maybe eight or nine years ago—it was 0.03 per cent of the block. So, we know that there's been pressure on the block, but we've been under more pressure, and I hope that we can show today that we've coped with that and have ensured that we can do more with less, and if not less, well, certainly with a flat resource.

Simon Thomas: One of the issues that you have mentioned in answering questions this morning is that you're seeking to be innovative, you're seeking to be pioneering, but you're also looking for more compliance, because if you have more compliance there will be fewer complaints, and there will be fewer costs, therefore. Why do you feel that you haven't seen that compliance? I was just reading your report and I see that six—. Sorry, you had six public interest reports, and half of them came from one health board—Betsi Cadwaladr. When you have outliers such as those—. You're

cyhoeddus. Roedd tri ohonyn nhw— hanner ohonyn nhw—yn dod o un bwrdd iechyd—bwrdd iechyd Betsi Cadwaladr. Pan fo gyda chi *outliers* fel yna—. Rydych chi'n gofyn am y system gyfan. Ydy'r system gyfan yn delio â hyn? Neu a oes gyda chi yn y fanna broblem go iawn y mae'n rhaid mynd i'r afael â hi?

[18] **Mr Bennett:** Dyna pam rydw i'n meddwl bod cydymffurfiaeth mor bwysig. Nid oes pwynt inni awgrymu gwelliant mewn un ysbyty a bod, dywedwch, bwrdd iechyd ddim yn meddwl bod hynny yn addas ar gyfer gweddill yr ysbytai mewn unrhyw ardal. Ond yn sicr, oherwydd—. Rhai o'r pethau rydym ni'n eu gweld mewn rhai—ac mae'n rhaid i mi ddweud, dim ond rhai o'r byrddau iechyd—. Rydym ni wedi gweld cwynion yn dod i lawr o ran nifer, ond tyfu maen nhw wedi bod yn gwneud yn Betsi Cadwaladr, ac, wrth gwrs, mae'r rhai mwyaf difrifol wedi cynyddu hefyd, ac i weld tri mewn un bwrdd iechyd—. Rydym ni'n tueddu i weld un ymhob bwrdd bob blwyddyn, ond mae tri, ac wedyn y tri yn ymwneud â'r un ysbyty, yn golygu ein bod ni eisiau gwneud mwy pan fo'n dod i gydymffurfiaeth yn y dyfodol.

[19] **Simon Thomas:** Jest i fennu rhai o'r cwestiynau cyffredinol yma ynglŷn â blaenoriaethau ac ati, byddwch chi'n ymwybodol, mae'n siŵr, fod ymateb wedi bod i'ch cynnig, neu'ch bwriad chi i ymateb i bwerau comisiynydd yr iaith Gymraeg

asking for the whole system. Is the whole system dealing with this? Or do you have a real problem there that you have to address?

Mr Bennett: That's why I think that compliance is so important. There's no point in us suggesting an improvement in one hospital and that the health board doesn't think that that is appropriate for the rest of the hospitals in any area. But certainly, because—. Some of the things that we're seeing—and I have to say, it's just in some health boards—. We have seen complaints coming down in terms of numbers, but they have been growing in Betsi Cadwaladr, and, of course, the more serious ones have increased as well, and to see three in one health board—. We tend to see one in every health board every year, but three, and the three relating to the same hospital, means that we need to do more when it comes to compliance in the future.

Simon Thomas: Just to bring these general questions to a close, in terms of priorities and so forth, you will be aware, I'm sure, that there has been a response to your proposal, or your intention to respond to the Welsh Language Commissioner's powers to

i edrych i mewn i ddelio â chwynion. A ydych chi wedi gwneud unrhyw ddarpariaeth yn y gyllideb yma ar gyfer mabwysiadu'r pwerau hynny, neu ydy hynny'n gorwedd y tu hwnt i'r gyllideb hon?

[20] **Mr Bennett:** Mae'n gorwedd tu hwnt, ac rwy'n falch eich bod chi'n codi'r mater oherwydd rwy'n gwybod ei fod wedi cael ymateb. Rwyf eisiau bod yn hollol glir: nid wyf eisiau rheoleiddio'r iaith Gymraeg. Nid wyf yn ceisio bod yn Gomisiynydd y Gymraeg. Roeddwn yn meddwl ei fod yn bwysig. Roedd gennyf ddyletswydd gyhoeddus i ymateb, oherwydd nid oedd papur y Llywodraeth yn adlewyrchu'r ymarfer da sydd ar gael yng Ngwlad y Basg, yng Nghatalonia ac mewn llefydd eraill lle mae yna iaith leiafrifol. A beth sy'n digwydd yn fanna—ac, yn sicr, mae ombwdsman Gwlad y Basg yn teimlo'n gryf dros hyn—yw bod datrysiad cynnar yn rhan bwysig iawn er mwyn edrych ar ôl hawliau ieithyddol pobl. Ac rwy'n teimlo, ar hyn o bryd, oherwydd bod datrysiad cynnar yn *ultra vires*, yn ôl bob sôn, o beth rwy'n ei ddeall, o dan y safonau presennol, mae hynny'n golygu, os yw rhywun yn dod ymlaen â chwyn ieithyddol, nid oes ganddyn nhw yr un hawl cyfartal â beth maen nhw'n ei gael os maen nhw'n dod at fy swyddfa i gyda chwyn ar gyfer rhywbeth arall. Ac rwy'n coelio mewn hawliau cyfartal ieithyddol, a dyna pam rwyf wedi dod ymlaen efo'r syniad.

deal with complaints. Have you made any provision in this budget for adopting those powers, or does that lie beyond this budget?

Mr Bennett: It does lie beyond that budget, and I'm pleased that you've raised this issue because I know that it has had a response. I want to be very clear: I don't want to regulate the Welsh language. I'm not trying to be the Welsh Language Commissioner. I thought it was important. I had a public duty to respond, because the Welsh Government paper didn't reflect the good practice that's available in the Basque Country, in Catalonia and in other countries where there is a minority language. And what's happening there—and, certainly, the ombudsman in the Basque Country feels very strongly about this—is that early resolution is an important part of protecting people's linguistic rights. And I do feel that, at present, because early resolution is *ultra vires*, from what I understand, under the current standards, that means that if someone comes forward with a linguistic complaint, they don't have the same equal rights as what they'd have if they came to my office with a complaint about something else. And I believe in equal rights linguistically, and that's why I've made that proposal.

[21] **Simon Thomas:** Océ. Diolch **Simon Thomas:** Thank you for that. I am hynny. Rwy'n credu ein bod ni'n think we can now turn to Nick gallu troi at Nick Ramsay, felly. Ramsay, therefore.

[22] **Nick Ramsay:** My turn, is it?

[23] **Simon Thomas:** Yes.

[24] **Nick Ramsay:** Thank you. What investment has the ombudsman made in dealing with or improving the handling of code of conduct complaints, and in your opinion, have these led to a decrease in the number of complaints?

[25] **Mr Bennett:** I'm pleased to say, this past year, we've seen a reduction in the number of code of conduct complaints. That trend has not always been the case, and they tend to follow—and I could show you a longer trend analysis—

[26] **Nick Ramsay:** They've always been up, haven't they?

[27] **Mr Bennett:** No, they haven't always been up. They tend to follow local election periods. So, every four years, you would see a beep, and I'm pleased to say that there was not quite such a level of beep before the last local government elections. I hope that's because of at least two reasons. First of all, the excellent work that my staff have done in trying to be better at managing the code of conduct complaints that we get. We're turning them around faster. And I hope, secondly as well, we're clearer. We're clearer about vexatiousness. I have had some very, very low level—

[28] **Nick Ramsay:** You get troublemakers. It's like me and Waitrose. I'm not going there anymore. [*Laughter.*]

[29] **Mr Bennett:** Well, I won't get into supermarket complaints, I get enough trouble with code complaints, but to be absolutely serious on this point, I would never, ever shy away from using the powers that I have under the Local Government Act 2000, when it comes to code, where there is a public interest. If there was any serious issue arising and it came to my attention, when it came to the misuse of power—bullying, corruption, people using their public office for private gain—then they will get the full force of the powers that have been bestowed upon me. But too often, I have had vexatious complaints that you wouldn't even entertain in Waitrose or

anywhere else. So, I'm not going to use taxpayers' money to investigate the fact that a councillor was clicking his pen in an aggressive manner. There are limits to what you'd expect me to do, and also, if you look at the more serious level of public service complaints that I've been receiving more recently as well, where someone has lost a young one, or other issues, I think that's where you would expect me to use public money, particularly given that there are still significant pressures on public expenditure in Wales.

[30] So, I'm glad that code of conduct complaints have come down. I hope it's because I've been very clear with the local government community that I'm serious about the public interest test, and that's a test that's always applied. It's not simply enough that somebody might have broken the code. Is there a definite public interest in us pursuing that matter? If there is, then somebody can expect to be pursued, but if there isn't, because somebody doesn't like the way that they click their pen, then I'm not going to waste public money on that.

[31] **Nick Ramsay:** I don't even click my pen, I've got a top on it. [*Laughter.*] Can you provide an update in respect of the role of improvement officers and subject leads—how they're driving improvement and what the benefits of the officers are?

09:15

[32] **Mr Bennett:** I can. It's early days, and what I hope our improvement and investigation officers can do is assist in a better culture of complaint handling and responsiveness from what I call some of our best customers—so, those bodies, perhaps five or six of them, that in the past have accounted for perhaps 25 per cent or 30 per cent of the overall universe of complaints that I receive.

[33] So, some really good examples of where I think we've made progress. There was only one local authority that we designated an improvement authority; that was Ceredigion. Two years ago—sorry, three years ago—Ceredigion, with a population of only 2 per cent of the total Welsh population, accounted for 28 per cent of upheld local government complaints in Wales. Last year, it was 17 per cent. So far this year, it's zero. So far this year—obviously that may change. I've got to say that that authority has responded.

[34] **Nick Ramsay:** That's phenomenal.

[35] **Mr Bennett:** It's worked with the improvement officer. It's the kind of result—. If I could see it in other areas, then there's an awful lot for us—

[36] **Nick Ramsay:** Which authority has the most complaints?

[37] **Mr Bennett:** It wasn't the authority with the highest number of complaints. The number of complaints tends to follow population levels, so you'd expect to see a much, much higher level of complaints in the urban areas of Wales, but my issue in terms of designating Ceredigion was that there was this disproportionate level of upheld complaints.

[38] Moving on to health complaints, and clearly that's an area where—38 per cent of the complaints I currently receive are health related, I was pleased to see a reduction of 25 per cent in the volume of complaints for Abertawe Bro Morgannwg University Local Health Board over the past year. Hywel Dda, Cwm Taf, an increase in their complaint volumes, but no corresponding increase in the number of upheld complaints that we had for them. That was good. There was also a small reduction for Aneurin Bevan. But, unfortunately, and it's already been raised by the Chair in terms of the experience of north Wales, we saw an increase there, unfortunately, in the volume of complaints, in the volume of upheld complaints, and then I did six public interest reports and three of them related to Betsi Cadwaladr. If we'd have seen the same trend in north Wales, then perhaps we could have seen, actually, a decrease in the overall level of complaints when it comes to health, which would have been very welcome as far as my office is concerned and, I'm sure, as health complainants would feel as well.

[39] So, I'd just say, in fairness, our experience so far has been patchy, but there's been a lot of positives early on, given that you're talking about organisational cultural change, and that does tend to take a longer period of time. We've also taken to using the thematic powers that I have under the Act to do more thematic work, so we did one report on the out-of-hours care requirements that people in Wales have. I was very pleased that the Government did respond constructively to that and that there is now going to be a peer review that should be coming to an end, I think, quite soon, looking at what can be done to improve out-of-hours healthcare in Wales. More recently, we did a groundhog day report as well, because too often, it goes back to your earlier point about *cydymffurfio*, about compliance, that too often these lessons are not being learnt. Learning the lessons has become the cliché of ombudsmanny, and too often I hear these words being

used. I think there's more that we can do practically to ensure that people are really learning the lessons and make sure that services will improve.

[40] **Simon Thomas:** Can I bring in David, just on this point, if I may?

[41] **David Rees:** You've indicated you noticed the volume of complaints in Cwm Taf and Hywel Dda increased, but you were pleased that the number of upheld hadn't, but in your earlier comment about ABMU, you were pleased to see that it had gone down. You didn't comment upon the volume of upheld in ABMU, so has that—

[42] **Mr Bennett:** As I recall, I don't think that there was any serious increase or increase at all, but I can come back to you on those precise issues. One of the reasons I was pleased with what was going on in Cwm Taf is that I think even the health board there has had concerns in the past that perhaps there weren't enough complaints coming forward. A disadvantaged area tends to be afraid of challenging or saying, 'Perhaps I should have had a higher standard of care', so I think there's actually a desire there for them to hear more voices, and I think, often, if you can see—. Because, you know, all complaints are not bad. The fact that there's feedback is not necessarily a bad thing; it's where they keep getting upheld. I think that's the issue. So, the fact that there was more interplay in the Cwm Taf area, but actually complaints not increasing, was a good indicator.

[43] **David Rees:** The interesting thing would be that the complaints procedure within the institution itself is more robust and therefore would reduce the number of complaints to you as a consequence of that. But my concern would be, as I said, the proportion of upheld complaints and I'd like to see what happened on that. So, the information on ABMU would be helpful.

[44] **Mr Bennett:** I'll happy feed that back to you.

[45] **Simon Thomas:** And Mike Hedges, just on this as well.

[46] **Mike Hedges:** How detailed can you go down to where the complaints are coming from? Can you go down to constituency levels, council level or only on an all-Wales level? I ask that question because I, like everybody else in this room, get a whole range of complaints and far too many people say things to me like, 'Don't tell the health board what I told you and name me, because they'll hold it against me in the future if I say—[*Interruption.*]

‘They’ll put me at the back of the queue if I make a fuss’, so to say. I certainly get that from some constituents. So, are you able to highlight—to what level—where complaints are coming in and not coming in and which areas are massively underreporting where there would obviously be problems?

[47] **Mr Bennett:** Obviously, we do have a duty of confidentiality. We could go down to post code, but we wouldn’t do a street name or anything, or a street number, because I think there is a serious point there in terms of people’s concerns about complaints. It’s one of the reasons why I’m so pleased the committee has agreed to go forward with the legislation. Own initiative—own initiative is very much about having the power to go forward and investigate where, perhaps, somebody feels voiceless, vulnerable or intimidated about making that complaint. So, that’s a very important issue that you raise there, Mike.

[48] In terms of the spatial level that we can go down to, certainly we publish in our annual report an analysis of complaint by different health board area, different local authority area. We could go down lower than that. We’ve also produced in the past—and this has been included in some of the briefings that we’ve done for the Assembly—maps with geographic demonstrations, global maps, if you like, of where the vast majority of complaints are coming from. So, we can go down to quite a granular level. We’re putting more resource now into data analysis, so that we’re more aware of this for the future. I must finish this point: what really is of concern to me—clearly, we’re not short of business, complaints are going up every year, but what is of concern to me and, again, one of the issues around the legislation is that we have to make sure that we’re reaching those people who need our services the most. So, we have to test, and we do that regularly, making sure in terms of the demographic that we’re not ignoring social classes in Wales or different minority classifications or geographic areas as well.

[49] **Mike Hedges:** Just finally, if you could produce it at ward level, I’d certainly find that useful.

[50] **Mr Bennett:** Okay.

[51] **Nick Ramsay:** Ward level?

[52] **Simon Thomas:** But not necessarily with any more resources.

[*Laughter.*]

[53] **Nick Ramsay:** We'll see you next century. [*Laughter.*]

[54] **Mr Bennett:** I'll give a commitment to the 22 local authorities. I'll see what we do have in terms of data below that. Is there anything you'd like to add on that one, Chris?

[55] **Mr Vinestock:** Only that one of the things you'll have seen from the paper is we are looking to improve our IT systems. One of the things that we've been working on over the course of the last two or three years is getting more detailed data about the nature of complaints that we actually investigate, so that we can do analysis. We've got less good analysis, at the moment, of the types of complaints that come to us but aren't investigated, and we're trying to do some work to get more information on that. I think that would be something that we would build into our new IT system. That will actually give even better information. Certainly, we can get information to local authority level. At ward level, I think it's unlikely the information would be very meaningful.

[56] **Nick Ramsay:** Why do you want it at ward level?

[57] **Mike Hedges:** I'll tell you why I want it at ward level—.

[58] **Simon Thomas:** It should come through the Chair, but we'll have a debate across the table. [*Laughter.*]

[59] **Mike Hedges:** I'll tell you why I want ward level: because I've got some very poor wards in my constituency and I want to see if they're the ones that are being left more disadvantaged. I saw this with the magistrates' court, for example: the number of people attending magistrates' court against where the magistrates came from. It was almost like they were from two entirely different worlds, where the people attending magistrates' court tended to come from certain areas and the magistrates seemed to come from an entirely different area, even though within the same city.

[60] **Nick Ramsay:** Ombudsman, it wasn't a question, but—

[61] **Simon Thomas:** I shall leave that with further data analysis. I might come on to it.

[62] **Nick Ramsay:** Can I ask you about pooled arrangements for sharing knowledge and IT skills and the like? It was in your report, so—.

[63] **Mr Bennett:** Well, certainly we've got pooled arrangements in place now for internal audit, which I think has been an innovation. Was your question in relation to other arrangements like that, or—?

[64] **Nick Ramsay:** I'll tell you now. Can you identify opportunities to working towards pooled arrangements? Cost savings. That's what I want to know.

[65] **Mr Vinestock:** The internal audit arrangements were clearly one of those, and that was an early project to try and bring together us and commissioners to try and save money, both in terms of the procurement process, but also in terms of the outcome of the process, and that has worked well. We've got a single supplier of internal audit, but each of us has got our own individual contracts. So, within the arrangements, each commissioner and ombudsman is self-contained.

[66] We run the payroll service for the Future Generations Commissioner for Wales. I think when that was set up, when the future generations commissioner role was created, she was looking at different payroll arrangements and trying to come up with a cost-effective way of doing that. That's something that we were able to do at marginal cost that is working well.

[67] We regularly meet with counterparts within the commissioners' offices, Healthcare Inspectorate Wales as well, to try and make sure that we are sharing knowledge and pooling information. We've talked as well, and have done some shared arrangements on training, with the commissioners. We had a seminar on cyber security and the general data protection regulations. It was a joint seminar, so we managed to get commissioner and ombudsman staff briefed and trained at the same time. Perhaps moving beyond Wales, we—

[68] **Nick Ramsay:** Have you found your meetings with the commissioner helpful? Because I see the CBI's attacked her today.

[69] **Mr Bennett:** I think that's a slightly different issue. We're talking about back-office savings rather than collaborations.

[70] **Nick Ramsay:** But you have regular meetings to deal with the future generations legislation.

[71] **Mr Bennett:** No. We have regular meetings with all commissioners to identify issues where we could have some cost savings, and Chris has alluded to some of those. But I think in terms of future generations, in certain ways the new legislation that you're proposing is true to those values, because we're trying to futureproof legislation to make sure that we're equipped for the next period. So I hope that the commissioner will support your excellent efforts in that regard.

[72] **Simon Thomas:** The legislation also includes a requirement to work amongst all commissioners, as you know.

[73] **Mr Bennett:** Which we do, yes.

[74] **Simon Thomas:** As you do. Okay. David Rees then, please. Sorry—did you want to—?

[75] **Mr Bennett:** I think the only point there that Chris was alluding to, which I think is important, is that we can certainly, and would be very ready now, before the new legislation comes into place, to work with other commissioners when it comes to identifying back-office services. I think that is absolutely something we should all be doing during a period when there's still economic scarcity, and should be, actually, even if that wasn't the case. But there are other savings that we can make through collaboration on a pan-UK basis. So, clinical advice is one of those areas. In the past, clearly we had to have counter advice to something, particularly when it comes to medical issues. Wales is a very, very small country, so we have to be able to go into a pool of specialism where perhaps somebody can give that counter advice without being conflicted because they would know the person who had undertaken the original treatment. So, I'm very pleased with the progress that's been made there with our new clinical advice team, and Chris has played a huge part in making sure that that's been a success. But I think that's an important area where we can save some resources through collaboration with Scotland, Northern Ireland and England, as well as within Wales.

[76] **Simon Thomas:** Okay. Thank you. We move on to David Rees, then.

[77] **David Rees:** Diolch, Gadeirydd. The report, and you talk about

efficiency and effectiveness, actually gives a very good record of efficiencies. Unit costs have gone down over seven years by 60 per cent, 14 per cent last year, but your case load's gone up, and the crossing over is quite dramatic when you look at the figures. So, can you explain some of the actions that you have taken to actually look at how you've improved efficiencies over those years?

09:30

[78] **Mr Bennett:** Yes, and I'll ask Chris as chief operating officer to go into the detail there. But I am pleased that, certainly, this year, in terms of value for money, I hope we can demonstrate a 16 per cent increase in terms of outcomes, so, upheld complaints, and a 26 per cent increase in early resolutions, so that the number of people coming to the office who've had a positive outcome for them has increased 16 per cent, which, I think, is a good indicator, given that you did recommend us getting an additional 3.8 per cent last year. We have looked at all systems to see where there's any scope for more efficiency and innovation moving forward. Also—and I can't remember exactly which committee it was, but, in the past, certainly when I started the job, we had a sickness problem in the office. Our sickness rate was 10.6 days on average. It's now, I'm pleased to report, four days. So, a saving of 6.0 days per employee—there are 60 employees; I think that works out at almost two full-time equivalent. So, I'm very pleased at the progress that we've made there in terms of our efficiency—very pleased as well that everybody is so much healthier, of course. That's another—

[79] **Nick Ramsay:** You can give some advice to the Assembly Commission. They need help.

[80] **Mr Bennett:**—in terms of future generations and other things. But, again, a lot of that work has been—

[81] **Nick Ramsay:** All the money goes on offices.

[82] **Mr Bennett:** Well, again, all I can say is that those efficiencies have been realised because of the excellent work that's been done in terms of workforce support and development, and an awful lot of that work has come from Chris. Are there other things I've left out, Chris? Would you like to give a—?

[83] **Mr Vinestock:** Obviously, one of the key things is in terms of our day—

to-day work in managing enquiries and complaints, and you'll have seen that the number of cases continues to go up overall. We've done quite a lot of work to try to go through, review, our processes to make sure that they are as streamlined as they can be, but also that they do some more of the things that we identified we need to do more on: so, things like making sure that we've got really good, detailed data that we can analyse and also doing more work on compliance. I guess there are challenges there in trying to make sure that, as well as expecting more from people—and you'll see that the case numbers that people are handling have gone up—we're also expecting them to do more on those cases in terms of compliance and data. So, there is no doubt that there is pressure on staff.

[84] But, in terms of the efficiencies, we've continued to try and develop our IT systems. I think you'll have seen from the paper that we feel that we need to do more, but we have moved towards more streamlined, paperless processes. That means that we're not relying so much on post and couriers; we're using electronic transmission of documents increasingly. We're not having large paper files. We're producing fewer paper documents, so that they're available on request rather than as the default. So, there are a number of things that actually have contributed to those improvements, as well as, of course, as Nick said a minute ago, the fact that we've got people in the office more of the time because the sickness levels have gone down.

[85] It is an ongoing process and we're wanting to make sure that, both now, and in terms of IT developments, we review our processes and streamline them as far as possible so that they do everything that we need them to do, but no more—that they are as streamlined as they can be and that we're supporting staff, not just through day-to-day well-being at work and counselling and occupational health and whatever, but actually in terms of having realistic and achievable processes. So, it is an ongoing process.

[86] **David Rees:** Can I ask, then—? Your graph in your paper shows the cost per unit going down and the case load work going up. You were already projecting perhaps a 5 per cent to 12 per cent increase in case load. At what point would you see that gap stopping and starting to close: in other words, it's getting closer and closer to perhaps a point where you say, 'I don't know if we can handle this anymore'?

[87] **Mr Bennett:** Certainly, there are some pressures now that I don't think we can find much additional capacity for. I do appreciate the fact that it's tough generally in terms of public services, but, as I said earlier, we haven't

kept up with the growth, such as it's been, in the Welsh block. That was even evident last year, when I thought that 3.8 per cent was sufficient for us to move ahead, but, again, we saw the block grow by 4.3 per cent. We're now at a point, I think, where we're likely to see additional pressures—not necessarily out of numbers; numbers can be quite a crude indicator. So far this year case load is up, but complaints are down, but that's because local government complaints are down 19 per cent, which is great—very, very pleased for them to see that general trend—but NHS complaints, so far this year, within this current year, are up 15 per cent.

[88] Now, going back to some of the points I was making earlier, you would expect me to put resource where the greatest need and public interest is. And I think, if somebody's lost a member of their family, if there's been an issue around some of the higher profile public interest issues that we've had recently, those are much more expensive issues to deal with than the fact, perhaps, that somebody's unhappy about what time their bins are emptied or something. I would say it's probably 4:1. So, we've got, within those trends, health complaint inflation rather than other complaint inflation, and that means, whilst those numbers are going up, that we are going to struggle to find additional efficiencies going forward, and the sponge has been squeezed pretty dry.

[89] **David Rees:** So, you've just said the health complaints have gone up by 15 per cent so far this year, which is higher than the expectation you had, and just indicated that, actually, they could be more time consuming for the purpose, therefore more resource intensive. Are you going to hit a point this year where you think that, actually, you may struggle to meet your budget because of the resources to deliver on all those issues, or is there an expectation that, with the council complaints going down, that might balance out?

[90] **Mr Bennett:** We will be struggling, and there is a specific request in terms of the additional resource cover that we're seeking in terms of HR. And that is specifically down to maternity leave. In the past, we've been able to soak up those types of pressures that emerge; this year, 10 per cent of our workforce is seeking maternity leave during the current period. But we're glad that sickness levels are coming down, because—

[91] **Simon Thomas:** There's no wonder that they're much happier.

[92] **Mr Bennett:** And we wish them every happiness—in terms of future

generations, going back to other issues that we touched on earlier. But there is a difference between taking on, absorbing, the occasional one-off issue with staff, and the fact that 10 per cent will be seeking maternity leave. So, we need that additional cover this year, for that specific reason.

[93] **David Rees:** And you talked about earlier resolution being improved. Is your focus to keep on targeting early resolution as much as possible, so that that can actually help you with—

[94] **Mr Bennett:** Early resolution is—. I worry sometimes that there are some complainants—and, obviously, I do upset some complainants on a regular basis, and also some bodies in jurisdiction. There will be some complainants who would not wish to have early resolution. They want an investigation; they feel, for them, justice demands a full investigation, nothing else. As far as we're concerned, I would say the vast majority of people coming to us want a resolution—they want justice. If we can do that faster, so that there is less cost and bureaucracy, particularly to important services such as the NHS, less cost to ourselves, but there is a solution for the complainant earlier on, then I think that's certainly an area where we could do more. What I've been keen to point out, though, to bodies in jurisdiction is that sometimes we call these early resolutions 'quick fixes', which can sound a bit, certainly, less official, and a little bit fast and easy—they are still a commitment from the body in jurisdiction to a citizen of Wales, and I expect them to be honoured in the same way as they should honour a recommendation that they've agreed to from our full investigation.

[95] So, you might remember last year there was one health board, we'd asked them to do something very simple—a young man's eye procedure had not gone according to plan, his mother had complained on his behalf: early resolution, he was to receive a letter of apology and redress of £250. Very, very simple and appropriate—the young man and his mother were happy, the health board had given that undertaking. I had to make several requests of that health board for them to honour that early resolution. It didn't happen, so, in the end, I issued a section 22 report, which means I have to lay a report in front of the Assembly. And the reason that I did that was I don't want bodies in jurisdiction thinking, 'Oh, we'll just sign up to an early resolution because we avoid having an upheld complaint against our names.' It's important that bodies in jurisdiction don't just sign up to these resolutions willy-nilly because you're avoiding a black mark. Do it because it's the right thing to do, do it because you're happy, you're still the custodian of public services, you think it's fair, and it's appropriate and

proportionate.

[96] So, I think we can do it, but it can't be done in some kind of swashbuckling, cavalier manner—it's got to be an alternative and quicker system of justice.

[97] **David Rees:** Okay. Apart from, obviously, the need for the public bodies to meet their obligations of an early resolution, the types of cases you see coming through—are you seeing more that could be resolved with an early resolution, or are they getting more complicated and more complex coming through?

[98] **Mr Bennett:** Cases—certainly health cases, I think—will get increasingly complex as the population ages. When it comes to early resolution, I'm pleased to say that I think there has been a greater readiness. I've asked the office and we've had this conversation with staff, and it's the reverse of what Napoleon said, you know—'success has many fathers, failure is an orphan'. I was asking different teams, 'Is this you?' Because we have a complaints advice team—clearly, they've done a lot of good work here that means that we get these early resolutions done. So, right, great, 'This must be down to your excellent work that we've seen this increase'. They didn't really want to take ownership of that. So, I then went to the improvement officers—clearly, they've done a lot of cultural work with some of the bodies in jurisdiction around issues like early resolution, so that, hopefully, more health boards and other bodies are ready to go down it. Again, I think some of the response I got was, 'We could do more investigations, if you like, ombudsman', which wasn't really the response I was expecting.

[99] I think that this has been successful and I think it's been through a combination of the good work that different parts of my office have done. And also, I think, for many bodies in my jurisdiction, in fairness—I think many of them are genuine in seeking to want to improve their complaint-handling culture, and there's evidence that they have done that, and it's going to take a longer time for us to see more positive outcomes over time.

[100] **David Rees:** Just a final question, going back to unit costs—unit costs, as I said, have gone down, but do you have figures that indicate are there different unit costs for different types of complaints and public bodies' compliance?

[101] **Mr Bennett:** Not in terms of different aspects of complaints in terms of

different stages, but, certainly, obviously, early resolution will be cheaper generally than a full investigation. I'll be looking over at Dave here, our financial accountant, but the biggest issue for me in terms of unit cost is health. You would expect, I think, that health complaints are going to be significantly higher. I think we probably spend 80 per cent of our investigative resource on health complaints, but they make up 40 per cent of our complaint volumes. So, that tells you something in terms of relative cost, and that is where the inflation comes up inside our system. Dave, would you like to add to that?

[102] **Mr Meaden:** We don't break it down that way. The unit cost is a fairly crude measure, which tends to show us that we are doing more for less. We don't record detailed timesheets, complex timesheets, and things like that. I'm not quite sure whether the investment in that is worth doing.

[103] **David Rees:** It's a very crude measure, then, of the volume of cases on a health basis compared to the costs, and you could actually roughly work it out, the cost.

[104] **Mr Meaden:** And from experience we know that complaint A is more expensive and is going to take a lot more time, is going to be more expensive, than complaint B. But how do you—? One complaint is not comparable with another, even at the same time. So, you'd have to put a lot of investment into—

[105] **David Rees:** I appreciate that, but, if you've seen a volume increase in particular areas, and there's an understanding that that particular area is costing more, then you can predict your costs are going to increase as a consequence.

[106] **Mr Meaden:** Yes.

[107] **David Rees:** Okay.

[108] **Simon Thomas:** Nick Ramsay, on this. Did you want to come in, Nick?

[109] **Nick Ramsay:** I'm just thinking, I get loads of complaints about the health service—I'm sure other AMs do as well. So, there are far more complaints going on than reach you. Some people go to you direct. I'm just wondering now, I try to deal with it with the Minister, maybe I'm making a mistake, maybe I should go to you.

[110] **Mr Bennett:** Well, as I said, we're trying to reduce the volume of health complaints coming to the office. But, you know, clearly, we are there and we are available to people across Wales. When it comes to health, we would expect, normally—and I underline again that this is another reason why I responded to the language White Paper, because it points out we have a two-stage test—we would normally expect a complainant to go back to the health board and to seek resolution before they come to us. So, we do get the most stubborn and the most difficult complaints, if you like, in terms of that they're the most difficult to resolve, in that sense. I'm not suggesting the complainant is stubborn, by the way; I mean the problem, rather than any individuals concerned. But I still do have discretion where I think that that's appropriate, where perhaps somebody has simply waited too long or other things have gone awry where we wouldn't insist upon that procedure.

09:45

[111] **Simon Thomas:** Thank you. Neil Hamilton.

[112] **Neil Hamilton:** It's clear from what David Rees said about the number of complaints dealt with and the reduction—the substantial reduction—in unit costs in a small organisation of 58 or 60 staff or so, everybody must be pretty much at full stretch. It said in your annual report that you've looked at the structure of your office in the last year. Can you tell us what changes you made, if any, as a result of that inquiry?

[113] **Mr Bennett:** Yes. Yes, happily. I'll hand over to Chris, our chief operating officer.

[114] **Mr Vinestock:** Thank you. I guess before talking about the recent changes, I'll just put it in the context of the changes a couple of years before that, which is when the improvement officers were introduced, as that's one of the key changes. More recently, we've been focusing on what we see as some of the key priorities and key risks. So, one is obviously about making sure that we get our core service right and that we put resources there, and the other is to try to understand and manage some of the risks that we face, particularly those about IT, about cyber security, about data security and some of the challenges that we face particularly with the change in regulations, the general data protection regulations, and things like that.

[115] IT is a key part of it, particularly because that is the way that a lot of

our complainants interact with us, and it's key to our analysis of data and key to our systems, and we want to make sure that those work well. So, that's one of the biggest risks. If something does go wrong in terms of data security, the implications are quite serious. If our systems fail, our ability to provide a service is obviously immediately affected. So, we've identified that, actually, we haven't put enough resource into IT. That is really in two parts. That is partly the systems themselves, but it's also our internal resource for managing IT and IT projects. So, one of the key changes is that we've got an IT project manager within the office who was previously doing a whole host of things but is now focusing entirely on the IT projects, and those are particularly going to be a new website and a new case-management system, which we're seeking tenders for at the moment.

[116] As a result of that, one of the things that we had to do was increase our backfill, if you like, particularly for the finance officer role, which was the bit of work that the IT project officer gave up, if you follow me. So, we needed to backfill that. We've also reviewed the policy and communications arrangements after the policy and communications manager left, and have not replaced her on a like-for-like basis, and that's allowed us to make sure that we've got more resources actually going into investigations. Those are the key issues that are reflected in the budget submission, and it is very much about focusing on the key priorities of the front-line service, but also about identifying and managing some of the key risks we think we face.

[117] **Neil Hamilton:** I see, from looking back to your estimates, that there's a significant increase in the amount of money that you plan to spend on computer systems and support, and also on professional fees. And, on the other side of the balance, that money seems to be found largely from a reduction in depreciation. Am I reading that correctly? I was wondering what impact of the structural changes you've made or priority changes you've made in the office is reflected in the estimates.

[118] **Mr Vinestock:** They are reflected in the salaries budgets, in the IT budgets, primarily. Some of the other changes, particularly the depreciation charge, is a technical change as a result of the age of our assets, rather than any particular spending decision. But overall, you will see that the focus continues to be very much on the front line and on making sure that we have the staff there to do the job that we need to do.

[119] **Neil Hamilton:** Yes.

[120] **Simon Thomas:** For clarity on that, are you, in effect, saying that you're buying new IT equipment and therefore your depreciation costs are changing? No?

[121] **Mr Meaden:** No. The age profile of our assets are—. They're getting older, and more and more—

[122] **Simon Thomas:** So, you write less off for depreciation.

[123] **Mr Meaden:** Yes.

[124] **Simon Thomas:** Okay.

[125] **Mr Meaden:** As I said, we won't plan in the future to invest in IT, but the current assets—

[126] **Simon Thomas:** But it's not here. Okay. Sorry—Neil Hamilton.

[127] **Neil Hamilton:** It's okay. Going on from there, your estimate for 2018–19 seeks an increase of £232,000 in totally managed expenditure, up to nearly £4.5 million. That's an increase of over 5 per cent. One hundred and seventy three thousand pounds of that £232,000 is accounted for by salaries and related costs. Can you tell us what that £173,000 relates to in terms of your office?

[128] **Mr Bennett:** Yes. I'm afraid I've already alluded to maternity costs for next year—

[129] **Neil Hamilton:** Right. That's a one-off.

[130] **Mr Bennett:** That's 10 per cent of the workforce. That will cost £86,000, so that's 50 per cent of the £173,000 human resources cost. And would you like to refer to the other aspects, Dave?

[131] **Mr Meaden:** Yes. As Nick says, half of that is something we wouldn't normally be here for. It's the maternity cover.

[132] **Neil Hamilton:** Unless maternity becomes an annual event.

[133] **Mr Meaden:** Unless it does. The people who are on maternity leave are in key investigative roles as well.

[134] **Neil Hamilton:** I see, right.

[135] **Mr Meadon:** We've allowed for a 1 per cent pay increase—not high. Various figures have been thrown up, but we've stuck with the 1 per cent pay cap. We're funding increments. Nick has already mentioned the backfill for the IT job, and we've included that. And that really is all there is in the £173,000. There are no major changes. As I say, most of it is maternity cover.

[136] **Neil Hamilton:** Right. Well, that's unusual. The pension fund has been a bit of a headache but seems to have been sorted out now; it's now in surplus. You intend to move to a no-risk or low-risk pension funding strategy. Can you tell us what progress you've made on that and how this affects the estimates for the future?

[137] **Mr Bennett:** I can. The progress we've made has been very satisfactory, and it's down to Dave here. So, I'll hand over to Dave.

[138] **Mr Meadon:** The deficit was due to be eliminated this year, and, at the last time we met, we included £292,000 for that, but it was actually eliminated a year earlier and we've given that £292,000 back—

[139] **Neil Hamilton:** To the consolidated fund.

[140] **Mr Meadon:**—and there is nothing included in this estimate.

[141] **Neil Hamilton:** Has this arisen because of a change in actuarial calculations?

[142] **Mr Meadon:** Yes. It's a mix of things, but it meant—. We also had negotiations with the Cardiff and Vale pension fund and the actuaries just to confirm where we were, because if I'd paid that £292,000 over, we wouldn't have got it back. So, we stopped that happening and gave that back. We have moved into a low- or no-risk fund within the local government pension scheme. Previously, 75 per cent of the investment was in stocks and shares, 8 per cent in property and only about 8 per cent or 9 per cent in, say, Government bonds. It's now moved to 100 per cent Government bonds. That has happened. It's still—

[143] **Neil Hamilton:** You'll not want an increase in interest rates.

[144] **Mr Meadon:** It's still within the local government pension scheme, so there's no risk to the actual pensioners themselves. We've not moved them out of the fund and put them into a private pension scheme or anything like that. We wouldn't be allowed to do that anyway. So, there's no risk to them. Perhaps for assurance purposes, hidden in those annual accounts if you were ever to look at the annex at the back of the annual report and accounts, which is quite difficult reading, it shows that the assets of that pension fund are £7 million—that's just the ombudsman's element—and that there is really a surplus. If you compare the assets of £7 million with what's projected to be paid out, there is a surplus of almost £2 million, but you're not allowed to actually show all of that in the accounts. There are certain accounting standards that have to be applied, so it just shows a very small surplus, but underlying that is £7 million in assets. And the actuary has made a statement in writing to say that he does not believe that a deficit will ever arise in the future. I guess there are no guarantees, but he has actually said that based on the decisions we've made. I think it was important to say, 'This has happened. There was a £1.6 million deficit a few years ago. How can we stop that happening again?' And we feel we've done just about everything we can to eliminate that risk.

[145] **Neil Hamilton:** But you've put all your eggs in one basket—Government bonds. So, what happens if there's a substantial increase in interest rates?

[146] **Mr Meaden:** Well, if the fund were to ever go into deficit again, we'd be back talking—. I could ask the question: what happens if there's a stock market crash tomorrow?

[147] **Neil Hamilton:** Yes, but the whole point is you've got all your investments in one category of assets.

[148] **Mr Meaden:** Well, we took the advice of the actuary, who is the expert advising us on that.

[149] **Neil Hamilton:** And, the path of interest rates is undoubtedly going to be upwards. We've seen it already with the Federal Reserve in the United States. The Bank of England, although it has often cried wolf in the past on increasing interest rates, is again this week forecasting that, at the November meeting of the monetary policy committee, they might put rates up to 0.5 per cent.

[150] **Mr Bennett:** The point is taken that if there's an increase in interest rates, bond yields will go down. I don't know what the new normal is, but I am pleased that we've been able to eradicate this deficit. It's one of the reasons why we've come today looking for a 5 per cent increase in resource, but not in cash, and, again, I hope that we've been able to demonstrate that we're offering value for money and that, where we can find savings, we try and do that in the public interest and invest in the front-line services that people expect of us.

[151] **Neil Hamilton:** Thank you very much.

[152] **Simon Thomas:** Okay. Mike Hedges.

[153] **Mike Hedges:** I'll move on to ICT. You've talked about increasing the budget for ICT, or IT—you probably mean 'ICT', do you, or do you mean just 'IT'? Do you mean 'ICT' or do you mean 'IT'? When you say 'IT', do you mean 'ICT'?

[154] **Mr Bennett:** Yes.

[155] **Mike Hedges:** The question I've got on it is: have you got a replacement upgrade programme? I haven't seen it in here, but it existed with your predecessor; he had a programme of upgrading systems and software. Have you still got such a scheme?

[156] **Mr Bennett:** We certainly feel that our—. And, I'm no expert on this, Mike; I couldn't actually, in all honesty, tell you the difference between IT and ICT—does the 'C' stand for 'communications'?

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

[158] **Mr Bennett:** Okay. I think this is a key area of risk for us going forward, because of the personal data that we're party to, and the fact that so much of what we do is seen as sensitive personal data when it comes to health. We've seen what happened with the NHS with the malware attack there, so if there was anything that would give me sleepless nights right now in terms of business continuity, it would be around IT or ICT security in particular. Our system, even if it is upgraded, is over eight years old, which, I'm told in IT or ICT terms, is Jurassic. So, we do have to make sure that we do more there, particularly given that we understand, quite rightly, we cannot

expand our numbers as casework expands; we have to be as efficient and effective as we can be in terms of using IT and ICT.

[159] So, there are a number of things that we think we now need to look at: a more modern customer-facing website and a more modern case load system—absolutely, and there are other issues about ensuring security and the use of the cloud and so forth. But I want to assure you that we have freed up—Chris was referring to this earlier in terms of the current structure of the office—one of our senior managers so that we are ensuring that there is that strategic input on IT issues moving forward, so that it's not neglected in terms of managerial risk management. But also, the reason why we've bid for some more resource there, historically I think, perhaps, the investment that we've made in IT has been lower than perhaps it should've been for an organisation of its size, and we've got some comparators there from other similar type organisations where the percentage investment would be higher. I think we need to sustain that moving forward if we're to avoid some of those risks that, when they do go wrong, can be very, very serious.

[160] **Mike Hedges:** And my last question is: do you expect the additional expenditure on IT or ICT to reduce unit costs?

[161] **Mr Bennett:** Yes, to some extent, but fundamentally, my overriding issue here isn't just about efficiency; it's about safety. I would not wish to ever come to this Finance Committee or, indeed, the Public Accounts Committee, explaining why somebody had made a cyber demand for bitcoin payments, because they'd accessed the data of any of our complainants. So, this is overridingly a security issue, as well as an efficiency issue, for us moving forward.

10:00

[162] **Simon Thomas:** A oes gennyh chi gwestiynau, Eluned? **Simon Thomas:** Do you have any questions, Eluned?

[163] **Eluned Morgan:** Jest ar y *contingency*, mae gyda chi achos deddfwriaethol ar hyn o bryd; roeddwn i jest eisiau gwybod faint mae hwnnw wedi costio hyd yn hyn. A oes gyda chi syniad faint mae'n mynd i'w gostio, a pham nad oes **Eluned Morgan:** Just on the contingency, you have an ongoing legal case, and I just wanted to know how much that has cost so far. Do you have an idea how much it is going to cost, and why don't you have a contingency in your figures at

contingency gyda chi yn eich ffigurau ar hyn o bryd? the moment?

[164] **Mr Bennett:** Rydw i'n meddwl fy mod i'n gallu dweud ein bod ni wedi gwario llai na £15,000 hyd yn hyn yn ystod y flwyddyn yma. Nid wyf yn gallu rhoi ffigur terfynol ar gyfer y flwyddyn yma. Rydw i'n hyderus na fydd yn effeithio ar yr *estimate* ar gyfer y flwyddyn nesaf. Y rheswm nad oes *contingency*? Wel, rydw i'n meddwl y buasai'n rhaid inni roi rhywbeth i mewn petaswn i'n meddwl bod yna oblygiadau, neu siawns o oblygiadau'n digwydd. Ac, wrth gwrs, ar hyn o bryd—ac rydw i'n meddwl fy mod wedi ysgrifennu at y Cadeirydd ynglŷn â sut i ddiwygio'r system cyn rŵan hefyd—rydym yn symud o flwyddyn i flwyddyn. Nid oes gennym gyfundrefn ar hyn o bryd lle rydym yn cyllido'n amlflynyddol, ac felly nid wyf yn meddwl bod rhaid inni roi unrhyw beth ynglŷn â'r *contingency* i mewn.

[165] **Eluned Morgan:** Ond mae'r *legal challenge* yma sy'n digwydd ar hyn o bryd, mae rhyw syniad ei fod yn mynd i gostio tua £42,000. Dyna'r ffigurau—

[166] **Mr Bennett:** Yn sicr, mae yna ffigur yn ein cyfrifon ynglŷn â beth yw potensial ein costau cyfreithiol ni, ond nid wyf eisiau mynd i mewn i'r manylion yna'n gyhoeddus oherwydd nid wyf yn meddwl ei fod o ddiddordeb i'r trethdalwr i ystyried y pethau hynny yn hollol gyhoeddus,

Mr Bennett: I think I can say that we have spent less than £15,000 so far during the current year. I can't give a final figure for this year. I'm confident that it won't affect the estimate for next year. The reason that there is no contingency? Well, I think we'd have to put something in if we thought that there were going to be implications, or a chance of implications happening. And, of course, at present—I think I've written to the Chair about this, and about how to reform the system before now—we move from year to year. We don't have a system at present where we budget on a multi-year basis, so I don't think that we have to put any contingency in there.

Eluned Morgan: But this ongoing legal challenge at the moment, there is some idea that it is going to cost about £42,000. Those are the figures—

Mr Bennett: Certainly, there is a figure in our accounts about the potential legal costs, but I don't want to go into details on that publicly because I don't think it is within the taxpayer's interest to consider those things in public, but I'm very happy to give a private briefing, if you

ond rydw i'n hapus iawn i roi *briefing* require it, at any time.
mewn preifat, os yw hynny bosibl, ar
unrhyw adeg.

[167] **Simon Thomas:** Océ. A oes **Simon Thomas:** Okay. Are there any
unrhyw gwestiynau eraill? Nac oes. other questions? No. If not, may I just
Os felly, a gaf i ddiolch i Nick Bennett thank Nick Bennett and the team for
a'r tîm am gyflwyno'r amcangyfrifon presenting the estimates this
y bore yma? Diolch yn fawr iawn ichi. morning? Thank you very much.

10:02

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
ar gyfer Eitemau 5, 8 a 9**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from Items 5, 8 and 9**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd ar gyfer eitemau exclude the public from items 5, 8
5, 8 a 9 yn unol â Rheol Sefydlog and 9 in accordance with Standing
17.42(vi). Order 17.42(vi).*

Cynigiwyd y cynnig.

Motion moved.

[168] **Simon Thomas:** A gaf i ofyn i'r **Simon Thomas:** If I could ask the
pwyllgor os ydynt yn fodlon inni fynd committee for us to enter into a
i sesiwn breifat o dan Reol Sefydlog private session, under Standing
17.42 ar gyfer yr eitem nesaf ac Order 17.42 for the next item and
eitemau 8 a 9 hefyd ar yr agenda? A items 8 and 9 on the agenda. Are you
ydych yn hapus i wneud hynny? content? Thank you very much. So,
Diolch yn fawr. Fe awn i mewn i we will now have a private session,
sesiwn breifat, sydd yn cymryd rhyw which will take a few seconds in this
ychydig eiliadau yn y system newydd new system.
yma.

Derbyniwyd y cynnig.

Motion agreed.

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:02.
The public part of the meeting ended at 10:02.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 10:32
The committee reconvened in public at 10:32*

**Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2018–19: Sesiwn
Dystiolaeth 2 (Prifysgol Bangor)
Welsh Government Draft Budget 2018–19: Evidence Session 2 (Bangor
University)**

[169] **Simon Thomas:** Croeso yn ôl i'r Pwyllgor Cyllid. A gaf i groesawu Edward Jones a Helen Rogers o ysgol fusnes Prifysgol Bangor? A gaf i ddechrau drwy ymddiheuro eich bod chi wedi bod yn aros i'r pwyllgor? Mae'r sesiwn flaenorol wedi gor-redeg rhywfaint ond rŷm ni'n ddiolchgar iawn eich bod chi yma. Rŷm ni'n ymwybodol, wrth gwrs, fod hwn yn broses newydd. Dyma'r tro cyntaf i ni gael adroddiad wedi'i gomisiynu gan y Llywodraeth, adroddiad annibynnol ar ragolygon treth, felly mae'n broses newydd i chi ac i ni fel Pwyllgor Cyllid. Mae'n siŵr y byddwn ni yn teimlo ein ffordd, ar y ddwy ochr, drwy hyn. Rŷm ni'n ddiolchgar i gael y cyfle i'ch holi chi. Os ydych chi'n hapus, gwnaf i jest ddechrau gyda chwpl o gwestiynau ac wedyn cewch chi esbonio'r broses drwy hynny. A dweud y gwir, y cwestiwn cyntaf sydd gyda fi yw jest amlinelliad o'r rôl oedd gyda chi—ym mha ffordd oeddech chi wedi bod yn rhan o'r broses yma? Rŷch chi wedi gosod allan yn yr adroddiad y cyfarfodydd roeddech chi wedi'u

Simon Thomas: Welcome back to the Finance Committee. Could I welcome Edward Jones and Helen Rogers from Bangor University business school? May I start by apologising that you've been waiting for the committee? The previous session has overrun a little. We're very grateful that you're here with us today and we are aware that this is a new process. This is the first time for us to receive a report commissioned by the Government, an independent report on the tax forecasts. It's a new process for you and for us as a Finance Committee. I'm sure we'll find our way through this. We're very grateful to have the opportunity to ask you questions. If you're happy, I'll just start with a few questions and you'll be able to explain the process through that. Really, the first question I have is just an outline of the role that you had—in what way were you a part of this process? You've set out in the report the meetings that you held with the Government. What was the process, really, so that we can understand that?

cynnal gyda'r Llywodraeth. Beth oedd y broses, a dweud y gwir, fel ein bod ni'n gallu deall hynny?

[170] **Dr Jones:** The Welsh Government, under the terms of the fiscal framework, committed to putting in place arrangements for independent scrutiny of its devolved tax revenue forecasts. So, following a competitive procurement process, Bangor business school at Bangor University were appointed to undertake this work, with the contract starting in March 2017 and aiming to conclude in January 2018. There were two main aims for this work: first of all, the provision of independent scrutiny and assurance about the Welsh Government's forecast for devolved taxes, for inclusion in the Welsh Government's budget for 2018–19, and the provision of advice about approving methodologies for future years' inclusion. I suppose the key thing here is that we don't generate the forecasts. That's been the work of the Welsh Government. Our role is to provide independent scrutiny and advice on where these forecasts can be improved.

[171] The work itself then: what we have done is we've applied different technical statistical analysis, economic analysis and taxation examinations to all three areas—so, landfill disposals tax, land transaction tax and non-domestic rates—to make sure that these are suitable for inclusion in the budget. Would you like us to go—?

[172] **Simon Thomas:** No, that's fine. You can stop there. There'll be more questions and the detail will emerge, I'm sure, in the questions that we have. But, just on that, we had a session with the finance Secretary last week, on the draft budget. He told us in that session that, in fact, he'd given you an advance, obviously, in order for you to be able to scrutinise this—he had indicated to you what his thinking was on the land transaction tax. I just wondered if you could tell the committee when you had that information, and how you were able then to scrutinise that and factor it in. Did you have it in good enough time? Did you have plenty of time to be able to do the facts and figures around it? How did that work?

[173] **Dr Jones:** With all the models—. I suppose if we go back to the very start, March 2017, we were involved in the building process from that stage, and it's been an ongoing process since then. When new information becomes available—because we're not going to be scrutinising the tax rates or the bands—for us, when the information becomes available, it's just a case of putting it through the model and making sure that the model works correctly

and reflects those decisions. So, we wouldn't be scrutinising the policy or the rates themselves, but making sure they're applied correctly within the model. With the models themselves, there have been developments throughout the whole process, but there hasn't been a significant or a major step change in the methodology. So, it has been possible just to put new information in and seeing what the output is.

[174] **Simon Thomas:** You said, just at the start, that you weren't doing the forecasting and you were basing that on the Welsh Government's figures. The Welsh Government in turn bases a lot of its work on the Office for Budget Responsibility. Did you have a direct relationship with the OBR, or did you go through the Welsh Government to understand that?

[175] **Dr Jones:** We initially went through the Welsh Government to develop a relationship with the OBR, but then, we have been having phone calls and meetings with the OBR directly to understand what they're doing and what information is available as well.

[176] **Simon Thomas:** At this time last year, this committee took evidence directly from the OBR, but it's now, of course, your position to do that. That's the development of this process. Nick Ramsay, did you want to come in on something here?

[177] **Nick Ramsay:** I thought that—. So, you're not doing the forecasting, the Welsh Government is providing you with the figures and you just say that's right or wrong.

[178] **Dr Jones:** What we've done is looked at their methodology for producing those forecasts. So, the Welsh Government themselves are responsible for producing the overall forecast. What we've done is looked at their models and saying are they suitable or not for generating the forecast.

[179] **Nick Ramsay:** That's not what I understood the Cabinet Secretary said in our last session. I thought that you were actually forecasting, and you're not.

[180] **Dr Jones:** No.

[181] **Nick Ramsay:** Okay. We just need to be clear on that. So, the Welsh Government is making its own forecasts to then make its own budgets.

[182] **Dr Jones:** Yes.

[183] **Nick Ramsay:** Okay.

[184] **Simon Thomas:** And you're providing independent scrutiny of that.

[185] **Dr Jones:** That's correct.

[186] **Nick Ramsay:** And you'll tell them if you don't think it's reliable.

[187] **Dr Jones:** Absolutely. We're completely independent. There has been a good working relationship, but, again, we would certainly say if the methodology—

[188] **Nick Ramsay:** And what experience have you got of doing this?

[189] **Dr Jones:** I've been involved in various projects in the public and private sector on modelling. Now—

[190] **Nick Ramsay:** But you've never done it on a country-wide basis before.

[191] **Dr Jones:** Not this type of work, but—

[192] **Simon Thomas:** I think it's fair to put on record that nobody has in Wales.

[193] **Dr Jones:** What we see is that most forecasting exercises follow a similar trend, in that there's a process of understanding what data is available, and what data has gone in, assessing the methodologies, to see what's suitable, applying that data to the methodology, and then the back testing to see if the models are performing as expected. So, we've been through other projects that follow that approach, and that's a similar approach that we've tried—

[194] **Nick Ramsay:** But this is a first for you, isn't it, at Government level.

[195] **Dr Jones:** Yes.

[196] **Nick Ramsay:** So, you're novices. That's what I'm saying.

[197] **Dr Jones:** Maybe not from the statistical approach. A lot of the

techniques that we've used for other projects we've been able to apply here.

[198] **Nick Ramsay:** But it's one thing to talk about methodology and models, but this is the first time Bangor University has been involved in actually forecasting a nation's economic future like this.

[199] **Dr Jones:** That's correct.

[200] **Nick Ramsay:** Fascinating.

[201] **Dr Rogers:** Our role is to scrutinise. I think what they were after were people with a professional background—so, I'm a fellow of the institute of chartered accountants—with professional expertise to put fresh eyes on the forecasting process, and it was the process that we scrutinised, and we did make recommendations as we went, not just the recommendations in the report. So, it was an iterative process that we were involved in.

[202] **Simon Thomas:** Just on that, then. I'll come to David now with questions, but the report that we've received and which, indeed, has been laid before the Assembly, you have recommendations in that report, but as you had these meetings with Welsh Government and, later on, discussions with the Office for Budget Responsibility and all the rest of it, you were making ongoing recommendations—.

[203] **Dr Rogers:** Yes.

[204] **Simon Thomas:** For example—I'm not expecting you to give details now—if a particular model had been suggested and you thought that wasn't robust enough or suitable, you'd go back to Welsh Government and say, 'Well, no, that's not how you want to do it; you need to use this model or this set of statistics' or whatever it might be.

[205] **Dr Jones:** Absolutely.

[206] **Dr Rogers:** Yes, changes were made, yes.

[207] **Simon Thomas:** Okay. David.

[208] **David Rees:** Just to clarify a point, obviously, no-one has forecasted on Welsh figures before, but I'm assuming you won a contract based on expertise that you have modelled or assessed models previously and that,

therefore, you're able to undertake the assessment of the modelling approaches used by the Welsh Government.

[209] **Dr Jones:** Yes.

[210] **Dr Rogers:** Yes. That's in our bid document, yes.

[211] **David Rees:** Just to clarify that.

[212] **Simon Thomas:** Okay, yes. Eluned.

[213] **Eluned Morgan:** You've emphasised the importance of the methodology. Did you also scrutinise that the data you were given was also accurate or was it just assumed that that was correct?

[214] **Dr Jones:** We did look at different data sources and what was available, but there is a point where we just have to accept what data is feeding in. So, for example, the economic data provided by the OBR, we wouldn't be scrutinising that data itself, but we would be looking at other data sources just to make comparisons.

[215] **Simon Thomas:** And one of your recommendations, I think, is that there is a lack of timely data for some of this to be done. I think it comes to David's questions.

[216] **David Rees:** It does, Chair. Actually, several recommendations in the report highlight the fact of the Wales-specific data and the lack of it at this point in time. Is that a slight hindrance on the forecasts, in your view? I know you're assessing the modelling, but in that process of assessment is the lack of Wales-specific data actually a hindrance on whether that model delivers reasonable forecasts?

[217] **Dr Jones:** In a perfect world, I think we would have that Wales-specific data. What we have done, where possible, is we've looked at UK data and looked at the relationship between that and Wales-specific data, and what we find is that there's a strong relationship between the data series. That then leads us to conclude that, if we were to have Wales-specific data or Welsh forecasts to include in the models, it wouldn't lead to any significant improvement in the model performance.

[218] **David Rees:** Okay, but you've highlighted several times that you would

like to see Wales-specific data, highlighted also that it's a challenging process. How long do you think it will take, if we start now, basically, to be in a position where Wales-specific data can be fed into the model and can be effectively replacing UK regional data?

[219] **Dr Jones:** I suppose there's one thing I'd like to clarify on Wales-specific data. There is a rich dataset for Wales at the moment. The problem is that there aren't any forecasts available for that data. For forecasting to feed into our models, or these models, we would need to have Wales-specific forecasts, and I think that's the challenge that there is currently. So, we can continue collecting the data, but we need someone to be generating forecasts from that data, and that could take quite a while.

[220] **David Rees:** I'm assuming, therefore, that you do comparisons as to the effectiveness of the forecasts.

[221] **Dr Jones:** Yes.

[222] **David Rees:** Okay. I know that the First Minister's already indicated that he will not be using income tax-raising powers as a matter, but they come into place the following year and that's going to be another major consideration. So, you're saying about the Welsh data there now—the switch—but the forecasts are back in and are we going to be in a position in a year's time to look at the implications of that on our forecasts?

[223] **Dr Jones:** I think an assessment needs to be made of the costs and the resource required to generate those Wales-specific forecasts and the actual benefits from having Wales-specific forecasts. From the work we've done looking at the relationship between historical data in Wales and the UK, it's fair to conclude that any Wales-specific forecast wouldn't improve the performance of these models to a great degree.

10:45

[224] **David Rees:** So, if we're in that position, is there anything we can do to make these forecasts better with what we've got today?

[225] **Dr Jones:** With improving the models—and this would be the case with any models; there's always room for improvement—once the WRA start providing data and we're able to see the quarterly or even monthly performance of the tax revenues, we would then be able to calibrate the

models much quicker than what's currently possible, and that would then lead to better improvement of performance of the models.

[226] **David Rees:** So, continue our monitoring and assessment for a period of time.

[227] **Dr Jones:** Yes.

[228] **Simon Thomas:** Before I bring in Nick Ramsay, just one point: the Welsh Government, in effect—. The little forecasting that is going on, it's Welsh Government that's doing that, so, is that the chief economist in Welsh Government that you had that link with, or is it done in a different way?

[229] **Dr Jones:** For the economic forecasts—

[230] **Simon Thomas:** For the economic forecasts, yes.

[231] **Dr Jones:** For the economic forecasts that we do use in the models, they are UK forecasts provided by the OBR—

[232] **Simon Thomas:** The OBR ones, okay. Just for clarity. Okay, thanks. Nick Ramsay.

[233] **Nick Ramsay:** That was the question—. Chair, you're very good, as usual. That was my question. So, this is the first time I've got this. You are not forecasting; the Welsh Government is forecasting.

[234] **Dr Jones:** Yes.

[235] **Nick Ramsay:** But you're now saying that the Welsh Government isn't forecasting; it's the OBR that's forecasting and the Welsh Government is simply passing it on to you. Is that right?

[236] **Dr Jones:** No.

[237] **Nick Ramsay:** So, I'm confused, because we're getting lots of different messages here.

[238] **Dr Jones:** The models require forecasted inputs, so if you look at the land transaction tax models, they require forecasts for property price growths and growth in transactions. So, those forecasts would come from the

OBR and they feed into the model and then the model would generate the tax revenue forecasts.

[239] **Nick Ramsay:** And that's a Welsh Government model.

[240] **Dr Jones:** Yes.

[241] **Nick Ramsay:** So, who in the Welsh Government is doing that model?

[242] **Dr Jones:** That would be the Welsh Government Treasury team.

[243] **Nick Ramsay:** Right. Yes, we've had them here before, haven't we?

[244] **Simon Thomas:** [*Inaudible.*] They're coming in next, so it's okay, you can ask that question of them, Nick, because they're coming in next.

[245] **Nick Ramsay:** Yes, okay. When income tax comes down the line, will that be done by the OBR as well, or is that Welsh Government?

[246] **Dr Jones:** I suppose that's a decision for the Welsh Government.

[247] **Nick Ramsay:** I'll ask the Welsh Government.

[248] **Simon Thomas:** Do you want to ask any other questions, Nick, that you haven't—?

[249] **Nick Ramsay:** It's my turn, is it?

[250] **Simon Thomas:** Yes, it's over to you anyway.

[251] **Nick Ramsay:** I got distracted. This follows on from Dave's, could the landfill disposals tax forecast be underestimated?

[252] **Dr Jones:** The land disposal tax—. There are limited data available for modelling landfill disposals tax. What we take comfort from is that 60 per cent—

[253] **Nick Ramsay:** Sorry, is the OBR doing the forecast for that or the Welsh Government?

[254] **Dr Jones:** Welsh Government.

[255] **Nick Ramsay:** And not with the OBR, so that's just the Treasury team.

[256] **Dr Jones:** Yes.

[257] **Nick Ramsay:** Okay. I'm with it.

[258] **Dr Jones:** Now, a big part of those forecasts are the estimates or the forecasts for the standard waste that will be generated in Wales, and what we see is that over 60 per cent of that waste is coming from local authorities. So, the model itself is dependent upon the estimates by local authorities and we've taken the view that local authorities have their planning strategies in place and therefore have a good grasp on the standard waste that they'll be producing. Once we know what the standard waste is, we can apply the correct tax rates to that, and generate the forecasts from them. So, if the LDT is underestimated or overestimated, we think it's a good estimate because they're dependent on local authorities' forecasts.

[259] **Nick Ramsay:** And is—? Did you just say 60 per cent? How much is from local authorities?

[260] **Dr Jones:** Over 60 per cent.

[261] **Nick Ramsay:** And how effective are we at estimating the waste from other sources?

[262] **Dr Jones:** From other sources, we've had to make a few assumptions that the waste coming from other sources will be declining in line with historical trends. There is work going on at the moment to try and model the other waste, to link it maybe to GDP, or whatever, but there hasn't been that much development in that area because it's difficult to link the waste to any kind of economic factors at the moment. So, we feel the most prudent approach is to just look at historical trends and assume that they'll continue into the future.

[263] **Simon Thomas:** Okay. Eluned Morgan.

[264] **Eluned Morgan:** I just wondered: if you were doing that analysis over a much longer time period, would that help?

[265] **Dr Jones:** For LDT, or—?

[266] **Eluned Morgan:** LDT, yes.

[267] **Dr Jones:** I suppose the risk is that, again, for any kind of modelling, you could look at a very long period of time and draw conclusions from that, but we want to make sure that, whatever trends we identify, they're relevant to the future as well. So, there was a judgment call made in that sense, that the period that we've looked at to identify those trends, we believe the future that we're forecasting would look similar to those trends, to that period.

[268] **Eluned Morgan:** And, behavioural attitudes, how do you account for those? How do you build that into your analysis?

[269] **Dr Jones:** For LDT?

[270] **Eluned Morgan:** In particular with LDT, yes. It's a behavioural tax, isn't it, really?

[271] **Dr Jones:** Yes. Again, the key driver for LDT would be the waste generated from the local authorities. What we have is a schedule from them saying how their waste will change for the forecasted period. That forecast, it'll take into account the waste disposal plans that they have in place, or any projects to deal with their waste. So, in a sense, that forecast is taking into account the local authorities' behaviours. For the non-local authorities, what we've had to assume is that previous trends continue into the future. So, whatever behaviour we've seen over the last five years or so, that that behaviour continues going forward.

[272] **Eluned Morgan:** Okay. Thank you.

[273] **Simon Thomas:** So, in effect, either directly by contact—well, not directly, the local authorities; they have consortia for waste anyway, don't they? So, you've either directly had the information from them or via Welsh Government you've had that information. Is that correct?

[274] **Dr Jones:** Yes, that's correct.

[275] **Simon Thomas:** Okay. Neil Hamilton, then.

[276] **Neil Hamilton:** Yes, I want to talk about land transaction tax. Your report says that there are strong relationships between property transactions

and price growth in Wales and the UK, so you've used the OBR forecasts for this purpose, assuming that behaviour in Wales is the same as in England. How have you measured the correlations between Wales and England in this respect?

[277] **Dr Jones:** What we've done is we've just used the standard statistical technique, the Pearson correlation. So, this is an approach widely used in academia and industry for measuring the relationship between two data series. So, we'd be looking at the available information from the OBR on historical trends in the UK and in Wales, and calculating the Pearson's correlation to see what the strength is of that relationship. The correlations that we've identified for the series we were looking for are extremely strong—well over 90. What we would expect to see is—. Strong correlations would typically be between 60 and 80. Then, of course, anything less than 60 would be deemed to be very weak, and that would then bring into question whether we should be using UK forecasts for transaction growth and price growth in the model. Because of the strong correlations that we do see, that gives us comfort that using UK forecasts for the property is suitable.

[278] **Neil Hamilton:** Have you been able to build in more sophisticated possibilities, such as the end of the Severn bridge tolls, for example, and whether that's likely to make a differential impact? Given that property prices on the eastern side of the Severn are very different from what they are on the west.

[279] **Dr Jones:** The model at the moment doesn't take into account those kinds of local changes. It's something that could be done, possibly at a future date, but that would require modelling the property market at a very local level. It could lead to misleading conclusions, perhaps.

[280] **Neil Hamilton:** One of the possibilities—well, it's not just a possibility—we've seen it in other respects when taxes have been announced in advance and people then decide either to speed up their transactions or not to undertake them at all. To what extent have you been able to build in estimates of forestalling and the impact on demand of these proposed changes?

[281] **Dr Jones:** The forestalling effects, they're taken into account on the models. Now, it's a challenge because nobody's ever too sure how people are going to respond to new taxes. So, for residential, for example, we looked at the Scottish experience there and calculated the likely impact in Wales that

we're likely to see.

[282] For additional properties, we've looked at data from HMRC and looked at their experience of changes in tax systems and the impact that has on forestalling. So, for forestalling, we've had to use what data is available to us and draw conclusions from that. We've also taken into account other behavioural effects for price and transaction, and there it's been utilising data available from the Office for Budget Responsibility for that exercise.

[283] **Neil Hamilton:** Well, I see that 69 per cent of people are estimated to be paying less under land transaction tax than under stamp duty land tax, and only 8 per cent would be paying more. So, we're really talking about figures at the margins here, aren't we, given that only 2 per cent of all properties sold in Wales are over £450,000—residential properties, that is? The number of transactions in issue is very small. That's about 1,000 properties a year at current rates.

[284] **Dr Jones:** Yes. We did run a couple of scenarios analysis, if the elasticities or the behavioural effects were to change, of what impact that would have on revenue. And what we found for LTT was that the behavioural effects—we can move them substantially, but the overall impact then on the tax revenue generated isn't that much. The model itself is dependent on forecasted price growths and transaction growths, and that's where the real change in the revenue comes from.

[285] **Neil Hamilton:** I presume you're very much in favour of accumulating for the future Welsh-specific data that will enable us to have much less guesswork in forecasts.

[286] **Dr Jones:** Absolutely. Well—.

[287] **Neil Hamilton:** And we'll be able to do that now, presumably.

[288] **Dr Jones:** Again, having Welsh data is one thing, but what we need would be forecasts for those data. So, we have the historical price growth and transaction growth in Wales; what we don't have, at the moment, is the forecasts for them.

[289] **Neil Hamilton:** So, again, we would be dependent upon the OBR for those statistics?

[290] **Dr Jones:** Yes.

[291] **Neil Hamilton:** Have you tested the models that you used?

[292] **Dr Jones:** We have. For LDT, there's limited scope for testing. But, again, because over 60 per cent of that waste is coming from local authorities, that gives us comfort, and we feel that we didn't need to explore that further. For the land transaction tax, what we've done here—. The key part of that tax is the initial distribution that we have for the prices and the properties in various bands, because the model itself—. All that happens in the model is that we have that distribution to start with, that distribution gets changed over time, depending on the forecasts for price growth and transaction growth, and then we apply behavioural effects. So, it's very important that that distribution is a fair representation of what's actually occurring.

[293] So, what we've done is that we've tested the stability of that distribution. Now, the way we've done that is by applying the KS statistic, and what that does is a statistical approach for measuring whether there is a significant difference between various distributions. Now, we're conscious that the distributions that we have compared, some are from the marginal effect and some from slab.

11:00

[294] However, even with that difference, the distribution doesn't really change that much over time. So we're comfortable that the initial distribution in the LTT models are stable, and therefore that was the extent of our back-testing for that model.

[295] **Neil Hamilton:** Okay, thank you.

[296] **Simon Thomas:** Nick wanted to come in, and then David.

[297] **Nick Ramsay:** We're not following the old system completely, are we?

[298] **Dr Jones:** No.

[299] **Nick Ramsay:** We've got a new band of £400,000. So, have you done work on that? Has the OBR done work on that? Do we know what effect that will have on behaviour?

[300] **Dr Jones:** For that, the extent of our work was to make sure that the new bands modelled correctly and, in that, we're comfortable that the models are reflecting all the new bands. On the impact itself, that's just the output of the model that has been—

[301] **Nick Ramsay:** Just the output?

[302] **Dr Jones:** Yes. From our perspective, it's just the output.

[303] **Nick Ramsay:** So, it's not your responsibility to tell the Welsh Government, 'This may have a behavioural change'.

[304] **Dr Jones:** No.

[305] **Nick Ramsay:** So whose responsibility is that?

[306] **Dr Jones:** I—

[307] **Nick Ramsay:** No-one's responsibility?

[308] **Dr Jones:** I can assume it's the Welsh Government's.

[309] **Nick Ramsay:** The Welsh Government. The Welsh Government is saying to people you're monitoring this, and it's fine, and then basically you say, 'Well, Welsh Government are taking the decision'. So, there's no responsibility.

[310] **Dr Jones:** It wouldn't be our responsibility; we're just there to make sure that the tax policies, rates and bands are modelled correctly and the models are doing what they're supposed to be doing.

[311] **Simon Thomas:** So, the policy implementation is completely on the Welsh Government. David.

[312] **David Rees:** I'm comfortable with the clarification that your role is to assess the models and the effectiveness and robustness of those models and therefore the reliability of the data that are produced as a consequence of those models. I understand that. You've often talked about the Welsh-specific data set, but you need the Welsh forecasts as a consequence to be able to assess them effectively, again. The OBR, which you have been using—

have they been successful in being able to reflect Welsh forecasts? Can you actually extract from that a reasonable consideration of what Welsh forecasts would have been, and therefore can you use that type of approach to look at it?

[313] **Dr Jones:** It would be possible to extract Welsh-specific forecasts from the OBR forecasts. The problem with going down that route is that, if we were to extract Welsh-specific forecasts from the OBR, as with any type of forecast, there's going to be an error, and the problem is then that we would be using those forecasts to generate another forecast and then the error would increase. It wouldn't be good practice and we would have concerns surrounding that approach. It is possible, but it's something that we'd have to tread very carefully with.

[314] **David Rees:** And do you see, as years move on, you'll continue to have to use OBR forecasts?

[315] **Dr Jones:** At the moment, the way—. Given what's available, yes, we'd have to continue using the OBR. There are other institutions that provide forecasts for the UK—the International Monetary Fund or the Organisation for Economic Co-operation and Development, for example. So there could be the option to use their forecasts into the models, but we'd still be reliant upon UK-specific—

[316] **David Rees:** UK-wide figures.

[317] **Dr Jones:** Yes.

[318] **Simon Thomas:** Could I just ask you something—and I apologise, I don't have anything in front of me, so I'm taking a bit of a punt now? So, if this question doesn't make sense, that's why. The only thing that strikes me, and the only time I've seen any attempt to forecast stamp duty as was—land transaction tax—was a report from, I think, Cardiff University, who produced something about a year ago, where they looked at the housing market and how it might correlate between Wales and the dominance, if you like, of the housing market in the south-east in particular of England, London and so forth. The impression I got from that report—and, as I said, it was over a year ago—by just reading it, and the impression I get from yours, which is a different thing, I know, are two different things. About a year ago, there seemed to have been a suggestion in the forecasting around this of a bit of a red flag; that maybe stamp duty as was would operate very differently in

Wales because, in fact, we couldn't differentiate between the UK housing market and the dominance of the south-east, whereas your conclusions in your report seem much more clear-cut around the robustness of a Welsh housing market and the application of land transaction tax across that. Is that a reasonable conclusion, or have I got it completely wrong?

[319] **Dr Jones:** No, it's reasonable. I suppose, to clarify again, what we're looking at, we're looking at the way the housing market has grown in terms of price and transactions across the UK, and how it's grown in Wales. That doesn't mean that they're all at the same level—it's just that they've all followed the same trend, and that's what's been important to us in these models, that the trends are similar. So, whatever growth forecasts are made for price and transactions, we're happy enough to use them. But we don't have to make any assumptions about the starting point; we know what the starting point is in Wales, so we can just apply those forecasts to them. I'm not entirely sure about the Cardiff study, so we'd have to look at what they've done.

[320] **Simon Thomas:** Mind you, interestingly, of course, the trend in the south-east has recently been down, but that would be too late to be in the OBR and all the rest of it. Mike.

[321] **Mike Hedges:** A couple of general questions, before I move on to non-domestic rates. The first one is: let's assume that all the estimates are 10 per cent out. It wouldn't matter particularly with land disposals tax, would it—we'd be talking about £2 million here or there? It matters substantially more, but not hugely, with land transaction tax—we're talking about £26 million. But, all of a sudden, it becomes really important with non-domestic rates, which would be running at around about £100 million. Would you accept that?

[322] **Dr Rogers:** Well, any forecast has got errors. And, certainly, 10 per cent of the forecast NDR is of that magnitude, yes.

[323] **Mike Hedges:** The other thing is that we know land transaction tax is highly cyclical. And although people have said we haven't got lots of Welsh data, the Silk commission produced a substantial amount of data, at a very useful time, because they produced it around about the end of the 2000s. That showed land transaction tax in Wales virtually halving from one year to the next—it didn't quite halve, but it's in that order of magnitude—because the economy fell off the cliff, and the housing market followed. I see that,

with land transaction tax, you, the OBR, and everybody else, have got a straight line, which will go on forever. At some stage, we're going to get into another recession, and, at that stage, the amount of money taken from land transaction tax is going to drop, and it could drop by up to 50 per cent. Do you accept those as likely scenarios, or do you think that it will keep on going up forever?

[324] **Simon Thomas:** I'm not sure whether he's looking for stock market tips there, or what. [*Laughter*]

[325] **Dr Jones:** I don't think anything can continue going up forever. But one thing we've tried to do in a scenario analysis is look at possible different scenarios for price growth and transaction growth, and seeing what impact that would have on revenue. We've had to work with the forecasts that are available to us from the OBR. We weren't in a position to generate our own forecasts, so we have been dependent upon them. But, hopefully, the scenario analysis gives some kind of indication of what could happen to tax revenues.

[326] **Mike Hedges:** But it isn't price groups, it's volume. People, when they see the economy going off the cliff, and they feel that their jobs are less secure, they're less likely to want to increase their mortgage by moving, or less likely to want to start off. I think that's what happened—the volume of transactions collapsed, far more than prices. Prices stabilised, fell a small amount, but probably at my 10 per cent level, but transactions fell 40 per cent, 50 per cent.

[327] **Dr Jones:** Yes.

[328] **Dr Rogers:** In chapter 2 of the report, we do touch on that. There can only be one forecast, but we touch on the economic data and the risks of some of those things happening are there, yes.

[329] **Mike Hedges:** Okay. Can I move on to non-domestic rates?

[330] **Simon Thomas:** Sorry, no. David, on this.

[331] **David Rees:** Just before, Mike highlighted a point there about a forecast being 10 per cent error. What's the normal expectation error you accept as acceptable?

[332] **Dr Jones:** That's a difficult question to answer. It does vary across models. I suppose that question will be easier to answer once we have that tax revenue data from the Welsh Revenue Authority, and that we can start comparing the actual against the forecast, whether that's on a quarterly or biannual basis. Once that data becomes available, we can start then to calibrate the models if need be, or correct the forecast. What type of error is acceptable? I wouldn't like to give a percentage number, but it's a case of analysing that data once it becomes available and understanding why there would be a difference, because we could have a difference between the forecast and the actuals. It could be a temporary thing. If we understand that difference, we can then make an assessment in terms of whether it's an area that we need to be correcting or not.

[333] **David Rees:** We often see data that says 'within plus or minus 2 per cent or 3 per cent' because there's recognition that there is variation. I was just wondering if there was an acceptable range you to expect a forecast—

[334] **Dr Rogers:** On NDR, which obviously in absolute terms is the biggest, the OBR have done some research on forecasting around tax volatility and they did some research and the expectation was that NDR has low volatility and they would expect volatility to be about 1.5 per cent—so, 1.5 per cent variation from forecast to the outturn. The review of the recent years of NDR in Wales is that Wales is below that benchmark.

[335] **Simon Thomas:** So, on to NDR.

[336] **Mike Hedges:** Thank you for the introduction to that. On NDR, we've had it for a long time and it's simpler in many ways because really you're collecting it on existing buildings that have existing uses, which makes life a lot easier than waiting for people to buy or sell property. Two questions. When will you be able to test your model against the 2016–17 outturns so that we'll know how close your model is?

[337] **Dr Rogers:** The process that they've been using is unchanged for a long period. We'd resist using the word 'model'—it's an accounting tool on aggregate data. I think the 2016–17 final audited data will be available next month.

[338] **Mike Hedges:** Do we get that? I'm asking either you or the Chair or the researcher or the clerk or somebody—

[339] **Simon Thomas:** I'm sure we can go through the new Welsh Treasury and get that.

[340] **Mike Hedges:** Can I ask whoever I ought to ask that we can see a copy of that?

[341] **Simon Thomas:** I think it's to ourselves. We'll make sure that we pursue that.

[342] **Mike Hedges:** I wasn't sure about that. My last question is the same question but in two parts. If you go back to the 1980s, there was a collapse in NDR because you had large-scale closures and that had a major effect, and not just plant closures—if I look at Port Talbot, where I worked at the time, they took out large areas of buildings in order to reduce the rates. Lots of people in recession take out bits of the building in order to reduce the rates, and they reduce those by appeal, don't they, because they appeal against it because they've reduced it. Are you happy, or do you accept, that the 1 per cent appeal is around about right in normal times, but that we should always accept that sometimes there will be years like 2008 and 2009 or back to 1976 or 1977 or 1980, whenever it was? Neil, you were there during it.

[343] **Neil Hamilton:** [*Inaudible.*]

[344] **Mike Hedges:** But you had these times when you had major economic changes and NDR did go down. So, are you happy with where we are in terms of forecasting, assuming that that we don't have one of those major catastrophes? And, of course, if we have one of those major catastrophes, we need to review the whole thing.

[345] **Dr Rogers:** As I said, we're below the benchmark that the OBR has set. A major economic catastrophe would change a lot of things, yes. On appeals, we have raised that. That's one of our recommendations, because appeals can have an impact on NDR and one of the recommendations is to look for more information on that because there is limited information at the moment on appeals.

[346] **Mike Hedges:** Sorry, but who is supposed to get that more information? You, the Welsh Government or—?

[347] **Dr Rogers:** It was a recommendation for the team who have done the

forecasts so far—so, a recommendation to look at that and see what else they can find.

[348] **Mike Hedges:** It's one we could also echo to Welsh Government. Sorry, I keep asking questions both ways here. Apologies.

[349] **Simon Thomas:** This is a new process for us all, so that's fine.

[350] **Mike Hedges:** Apologies for that, but that is something that we could also echo in any report that we did.

11:15

[351] **Simon Thomas:** And you can also ask it in the next session if you want to as well.

[352] **Mike Hedges:** Okay, thank you.

[353] **Simon Thomas:** Any other further, last-minute, last questions from Members? Okay. In which case I would like to thank you very much for coming in and giving evidence today. As I said at the start, this is a new process for all of us and we look forward to next year when we'll have even better figures and hopefully the models will have proven to be robust and we can test and challenge those as well. Diolch yn fawr iawn i chi.

[354] I can to say to Members we'll move directly on to the next session now, which is directly related.

11:17

**Cyllideb Ddrafft Llywodraeth Cymru ar gyfer 2018–19: Sesiwn
Dystiolaeth 3 (Trysorlys Cymru)
Welsh Government Draft Budget 2018–19: Evidence Session 3 (Welsh
Treasury)**

[355] **Simon Thomas:** Gwnawn ni **Simon Thomas:** We'll restart the ailgychwyn a chroesawu'r tystion meeting and I welcome the new newydd: Dyfed Alsop o Awdurdod witnesses: Dyfed Alsop from the Cyllid Cymru, ac Andrew Jeffreys a Welsh Revenue Authority, and Julian Revell o Drysorlys Cymru. Andrew Jeffreys and Julian Revell Croeso mawr i chi. Rwy'n credu y from the Welsh Treasury. A warm

byddwn ni'n cario ymlaen gyda'r welcome to you. I think that we will
sgwrs rydym newydd ei chael gyda'r be carrying on with the conversation
tystion eraill, a dweud y gwir. A gaf i that we just had with the previous
ddechrau jest drwy ofyn y cwestiwn witnesses. Could I just start by
cyntaf i Mr Jeffreys ar y foment yma? asking the first question to Mr
Beth oedd y broses y gwnaethoch chi Jeffreys? What was the process that
ei dilyn er mwyn datblygu'r modelau you followed in order to develop your
yn y papur sydd gyda ni, y papur models in the paper that we have, the
ynglŷn â threthi a'r rhagolygon sydd paper on the taxes and the forecast
y tu ôl i hynny? Gwnaf i ddechrau behind that? I'll start with Mr Jeffreys,
gyda Mr Jeffreys, ond mae'n agored i but it's open to everyone.
bawb hefyd.

[356] **Mr Jeffreys:** Thank you for that. I suspect this might become a bit of a pattern in this session, but I'm going to ask Julian to go first on that one.

[357] **Simon Thomas:** That's fine.

[358] **Mr Revell:** I think there are three main elements to the process of developing the forecasting models: firstly is looking at what data's available for the taxes; producing the model that effectively models the tax base on the basis of that data; and then applying the tax system to it. So, the main activities we've gone through to go through those three elements are: first of all, investigating what data's available for the taxes in Wales, looking at existing modelling methodologies elsewhere in the UK, deciding whether those are appropriate, putting our own ones together, and talking to the relevant experts. Once we developed the models, we discussed them with others, such as the Office for Budget Responsibility and the Scottish Government and the Scottish Fiscal Commission, more recently. We then undertook an internal assurance process, in which we discussed the models with the heads of the analytical professions in the Welsh Government, and then, obviously, we've had the assurance process with Bangor University, which you've just been talking about, as well.

[359] **Simon Thomas:** So, the data that you were using, was that entirely provided by the OBR or did you have specific Welsh Government data sets that you needed to use as well?

[360] **Mr Revell:** On the land transaction tax, the data we've used is HMRC data. We used stamp duty land tax data—we've managed to get quite detailed information from HMRC. On landfill disposals tax, that's been more

trying, I think, because there's no Welsh-specific tax data for the current landfill tax. Because of the way the tax is collected, the Welsh landfill sites aren't separately identified in the tax collection process. So, we've had to turn to other sources. So we've actually used Natural Resources Wales data on landfills in Wales and adapted that to try and get at the tax base. Specifically, we've had to identify which bits of that waste going to landfill would attract the standard rate of tax and which bits would attract the lower rate, because the two rates are so very different, their impact on the revenues is huge. So, those are the data sources, and then there's a difference between the data sources and what we'd call the determinants, so the forecasts of other things going forward that have an effect on the tax base. So, for example, house price growth and housing transaction growth. On those, predominantly, yes, we've used OBR assumptions.

[361] **Simon Thomas:** You just mentioned the Bangor school of business who've been verifying, I suppose, or giving independent scrutiny of the process, and they told us earlier in their evidence that that process over the summer had been an iterative one—you know, they'd been back and forth on different models and discussions and so forth. So, would it be fair to conclude that what we see in your tax paper and what we see in Bangor's analysis or independent scrutiny of that is that you have a shared understanding of the models used? I mean, is that fair to say?

[362] **Mr Revell:** Yes, I think that is fair to say, yes.

[363] **Simon Thomas:** So, you know, there hasn't been a situation where the Welsh Government was proposing, 'Well, this is the way we do it', and somebody else—possibly from the Scottish Fiscal Commission as well—would have a completely different view on it, and there's a common—? I'm trying to understand how robust what we have before us is, in that sense.

[364] **Mr Jeffrey:** I think that's a really important question and it's worth just reiterating—you've probably picked this up from talking to Bangor already—but the responsibility for doing the forecast is with the Welsh Government in the current arrangements. Bangor's role is to quality assure the work that we're doing but also to not just passively comment on it, I suppose, but also to help us improve the forecast. So, it was very important that we got Bangor involved relatively early on. Of course, it probably would have been better for them to be involved even earlier on, but I think we started talking to them initially in March or April, and so they didn't come in just before we published the forecast and just mark our work.

[365] **Simon Thomas:** No, it's not that kind of thing where somebody publishes a draft document and then gets an external person just to look at it and give comments on it—it's a different process.

[366] **Mr Jeffrey:** No, definitely not; it's an iterative process, as you said. And that's been really valuable for us. There's quite a lot of improvements that we made to the model and the work as we went through that process with Bangor. So, I think, you know, it's our forecast, but I think it's been improved significantly by Bangor's involvement.

[367] **Simon Thomas:** Just to take an example to understand that process, the Cabinet Secretary in evidence last week—I think you were here as well—said that the new proposal for the land disposals—the land transactions tax—. I've got to be very careful, we've got quite similar sounding taxes here. Land transaction tax was shared with Bangor University in advance, obviously, of a public announcement around that. So, about when would they have been able to have that information in order for them to do this verifying and checking?

[368] **Mr Jeffrey:** The pre-measures forecast—so, the forecast assuming no change to policy—was done in July, June—?

[369] **Mr Revell:** Yes, around then.

[370] **Mr Jeffrey:** And then when was the first post-measures forecast that Bangor saw?

[371] **Mr Revell:** They'd have seen that in mid-September.

[372] **Simon Thomas:** Okay. I'm just wondering how much time they had to look at it and examine it.

[373] **Mr Jeffrey:** Basically, in an ideal world, you'd share that as early as possible with—in the same way the UK Government shares with OBR through the budget process in the UK options that they're considering for policy changes, and OBR goes through forecasting rounds iteratively and then they solidify relatively late in the day. As soon as you have got solid policy then you'll want to get that looked at. But it's important to note that the only real change that you're looking at between the pre-measures forecast and the post-measures—you're not really changing the model in that interim period,

you're just changing the rates and bands and then obviously that follows through into—

[374] **Simon Thomas:** So, the model had already been agreed, in that sense.

[375] **Mr Jeffreys:** The underlying nuts and bolts of it, yes, were settled.

[376] **Simon Thomas:** Okay. Nick Ramsay, do you want to—?

[377] **Nick Ramsay:** Yes. So, Bangor University, they will look at your methodology, your model, and say, 'That works', or, 'It doesn't work.' I assume they've given you the 100 per cent all clear, of course. So, how big is the team that you're heading that's actually making these forecasts?

[378] **Mr Jeffreys:** So, the—. Well, Julian, do you want to describe your team?

[379] **Mr Revell:** Okay. So, I have—

[380] **Eluned Morgan:** [*Inaudible.*]

[381] **Nick Ramsay:** Valid question.

[382] **Mr Revell:** I have three analysts working for me. So, I've got two economists and a statistician.

[383] **Nick Ramsay:** In terms of the methodology—if you'd forgive me, Chair. In terms of the methodology, I mean, land transaction tax, for instance, you can't just copy the OBR because we've got a new rate now—well, two new rates; we've altered the lower rate and there's a new upper rate. So, what methodology did they use for testing that decision?

[384] **Mr Jeffreys:** Sorry, can you clarify 'testing' the decision?

[385] **Nick Ramsay:** Well, the threshold for land transaction tax, the lower threshold, is now £150,000, I think—£5,000 higher than Scotland and £25,000 higher—. And there's a new upper rate from £400,000. So, what methodology was used to work out the behavioural impact of that?

[386] **Mr Jeffreys:** Okay. Julian, do you want to—?

[387] **Mr Revell:** Yes. So, the first part is to produce a model of the tax base

right across the price distribution: so, how many transactions take place at different prices. And then, once you've got that, which we did using HMRC data—. Once you've got that, then you apply the tax rates to it. Part of applying the tax rate to it is to think about are there any impacts from the tax rates themselves on the tax base. So, what impact is that going to have on prices? What impact is that going to have on transactions? And in order to do that that's where we apply these things called the behavioural effects. We use estimates called elasticities, which say, for a certain change in tax, what impact will that have on the number of transactions, what impact will that have on prices. The estimates that we've used for those are OBR estimates for those what are called elasticities.

[388] **Nick Ramsay:** So, it's OBR, basically, that's given you—

[389] **Neil Hamilton:** That's referred to in note 28 of the Welsh tax policy document, is it? That's the document that you've relied on.

[390] **Mr Revell:** That's right.

[391] **Mr Jeffreys:** It might be worth just adding, on the elasticities point, that the way that the OBR calculate those elasticities is partly driven by quite a lot of academic work done on this kind of thing over time. But also there have been quite a lot of changes in rates and bands in the UK in recent years, both in UK stamp duty land tax but also of course with the Scottish introduction of land and buildings transaction tax in Scotland. So, there's quite a lot of real-life data from the UK in recent times about what happens when tax rates change. Now, of course, disaggregating tax-rate impacts from other market impacts is very difficult and inevitably imprecise, rather than a science, but I think those experiences in the UK over the last couple of years have given us a bit of confidence in the current elasticities that OBR are using—

[392] **Nick Ramsay:** Sorry, but the UK forecasts are based on the UK. So, this is—. In my constituency, very near the border, clearly, there'll be a difference across that border.

[393] **Mr Jeffreys:** Yes, that's really important.

[394] **Nick Ramsay:** So, you have no data—

[395] **Mr Jeffreys:** No, no. So, that's true—

[396] **Nick Ramsay:** These forecasts aren't reliable at all, are they?

[397] **Mr Jeffrey:** Well, I think you're right in saying that there isn't any data at all yet about what happens when you have different rates in Wales—

[398] **Simon Thomas:** There will be soon.

11:30

[399] **Mr Jeffrey:** There will be soon, and I think that's probably the thing we're most anxious about in our forecast, the absence of Wales-specific data to work off. It's particularly, as Julian says, an issue on landfill disposals tax, where you haven't even got a reliable baseline of what the tax you're replacing is raising in Wales. But, yes, that difference between rates in Wales and England, that's something we haven't observed yet, but we will, as you say, over the next year or two, and that will improve, I'm sure, the robustness of the forecast. But, you know, I think our judgment is that these are the best quality forecasts that we could produce with the available information—

[400] **Nick Ramsay:** And they're worthless.

[401] **Mr Jeffrey:** I wouldn't say that. I mean, the forecast is only as good as the quality of information that's available—

[402] **Nick Ramsay:** Which we haven't got, so they're worthless.

[403] **Mr Jeffrey:** Well, that's your assessment. This is our assessment and, you know—

[404] **Nick Ramsay:** But you've already said that you don't have the data, so why make a pretence that you have?

[405] **Mr Jeffrey:** I don't think we're pretending we've got data that we haven't got. I think what we're saying is that the data we have got is sufficient—

[406] **Nick Ramsay:** You haven't got any data.

[407] **Mr Jeffrey:** —to produce a decent quality forecast that is—. And

Ministers have to base their spending plans on a forecast of these tax receipts—

[408] **Nick Ramsay:** I don't blame you for not having the data, because you haven't got it. I'm just saying: be honest.

[409] **Mr Revell:** We do have a lot of data on the tax base. We do have a lot of data on how much stamp duty's been collected in Wales, what prices transactions have taken place at over recent years. What we're talking about here are the elasticities, which are a very technical part of how you put together a forecast and particularly measure policy change. And, yes, it's true that we haven't got separate estimates of those elasticities in Wales compared to other parts of the UK—

[410] **Nick Ramsay:** Do you think it would have been better—? Well, it's a policy decision, so I shouldn't ask you this, but I'm—. Okay, I will. I suppose it would have been better if the Government had stuck to its original methodology, which is no change for change's sake in a transitional period, and then you could have amassed some Welsh data over the next couple of years, then made changes.

[411] **Mr Jeffreys:** But you still wouldn't have any data then of the sort you're talking about, which is about what happens when you make a change. So, in a way, until you do it you'll never have any data, but an important—

[412] **Nick Ramsay:** So, you haven't got data.

[413] **Mr Jeffreys:** An important point to note is that Bangor did a fair bit of work on the sensitivities around what difference would it make to the forecast if the elasticities are actually different from the ones that we've used. I don't know if you—

[414] **Nick Ramsay:** No. Bangor just tested your methodology. They didn't make any forecasts.

[415] **Mr Jeffreys:** They didn't make the forecasts, but they did sensitivity analysis of various elements of the forecasts to see what difference taking different elasticities would make, and that's obviously detailed in Bangor's report, and that's led us to the forecast that we've produced.

[416] **Simon Thomas:** We will move on, and time will tell whether Mr Ramsay

or Mr Jeffreys is correct on this, because we—

[417] **Nick Ramsay:** I'm usually very good, Chair.

[418] **Simon Thomas:** We will see how these things pan out, but we'll move on with David Rees.

[419] **David Rees:** Thank you, Chair. I'd just like to go back to one point—

[420] **Simon Thomas:** If you must. [*Laughter.*]

[421] **David Rees:** Well, it's important, because there's been continual talk about no data. The data Nick Ramsay is talking about is about the elasticities, basically, and not about the actual tax revenues on sales at this point in time. So, it's actually all about the variations that may occur due to behavioural impacts, nothing else.

[422] **Mr Jeffreys:** Yes. So, there's a lot of—. As Julian said, there is a lot of relevant data to help us produce a forecast for LTT. Yes, that's correct.

[423] **David Rees:** So, it's about behavioural matters. And you've already commented on the behavioural considerations of those elasticities, and using the OBR basis for that, which may have different consequences. As you pointed out, that's a UK base. Did you actually do any comparison between an OBR elasticity and maybe the Scottish figures, to see if there were any differences between those considerations? In other words, do differences exist in those?

[424] **Mr Revell:** I'm not sure that there are any Scottish-specific elasticities estimates out there. I'm pretty sure that, when they first put their forecast together, they didn't include any behavioural impacts at all, I think.

[425] **Simon Thomas:** I think it's fair to say they got it wrong.

[426] **Mr Revell:** Yes.

[427] **David Rees:** It was important to check on that.

[428] **Simon Thomas:** Yes, that's fine.

[429] **David Rees:** We've already mentioned Wales-specific data—the Chair's

already mentioned it—Bangor talked about it a lot, and then they talked about what Wales-specific forecasts as well, but what are you doing? Bangor mentioned it could be cost-intensive to do this, but are you looking at actually starting to collect more Wales-specific data so you can actually look at Welsh forecasts and, as time goes on, we can be more accurate in our forecasting?

[430] **Mr Revell:** Yes. So, it's definitely the case at the moment that we are in I think what you could call a transitional phase in that we're having to forecast Welsh taxes with no Welsh tax information. So, we're using either UK tax information or we're having to use other relevant information to the tax base. That will obviously change as we go forward. So, once the Welsh Revenue Authority is collecting the taxes, that will mean they will also be collecting a lot of data about the tax base in Wales, and we'll be working to make sure that we can make the most of that information as it becomes available.

[431] **David Rees:** So, I'm assuming you'll be, therefore, monitoring it regularly throughout the year to assess your revenue incomes against the forecasts and making constant considerations and adjustments.

[432] **Mr Revell:** Absolutely. So, one of the pieces of information we've had recently from HMRC is we now have some monthly information on stamp duty tax in Wales, and that will be very useful for when we start collecting the information ourselves next year, because, as monthly information becomes available from the Welsh Revenue Authority, we'll have something we can compare that with. So, if you know the monthly pattern of how stamp duty land tax was behaving, then that will give us a better handle on what the new numbers coming out of the WRA will mean. Having said that, I think we've got to be pretty careful in the early period of the new taxes, because, in the transition between SDLT and land transaction tax in Wales, there will be some quite big cash-flow effects of one tax stopping and another tax starting. So, we'll have to look carefully at what those might be. So, I think we'd be very careful not to draw any too-firm conclusions just from the very early period of data from WRA. And then, on landfill disposals tax, that will be collected on a quarterly basis, so, again, there'll be a bit more of a delay before we can say anything particularly definitive from the new information coming from the revenue authority.

[433] **David Rees:** I'm getting from that that, as well as your monitoring process, you will also be looking at perhaps some of the drivers of the

variabilities and perhaps behavioural aspects that may change over that time.

[434] **Mr Jeffreys:** That's right, but that kind of stuff takes a while to really work though. When we're coming to doing the forecasting work for next year, for example, even by October we'll have relatively little data from that year—maybe two quarters at most of landfill disposals tax data and half the year of LTT data. So, as Julian says, you don't want to put too much weight on those new data; it's over time that that accumulates and enables you to do different kinds of analysis that can really help improve and refine some of your assumptions.

[435] **David Rees:** And will this also help you look at the implications of tax policy impacts? As you say, and as Nick's been pointing out, the elasticities are a variance there, but the variation in the tax policies that perhaps now exist in land transaction tax in particular in Wales compared to England—.

[436] **Mr Jeffreys:** Yes, so any differential geographical impacts, for example, are worth thinking about. So, we'll have data on transaction volumes and prices, in, obviously, different post codes in Wales, and that kind of thing, and that will help give you a much better evidence base about what those impacts are.

[437] **David Rees:** So, we're starting with UK-based elasticity figures, and working towards a more Wales-based set of figures.

[438] **Mr Revell:** Yes. I think that's true across—.

[439] **David Rees:** When do you expect to be in a position where you think the Welsh will be the more dominant than the OBR?

[440] **Mr Jeffreys:** That's a good question. I don't know. [*Laughter.*] Can I get away with that?

[441] **Simon Thomas:** 'I don't know' is a valid answer.

[442] **Mr Jeffreys:** Yes, I wouldn't like to put a date on that, because I just think—. It may be that, for a fair while, it makes sense to continue to use UK-level data because it tends to work. It may be that it's actually performing very well as a tool in the forecast, rather than trying to develop something new that's perhaps less robust.

[443] **Mr Revell:** Yes, I think that's right. We'll hopefully learn lessons from how our forecasts perform against actual revenues and, hopefully, we'll be able to work out any differences that occur and what's caused those differences. It may be from there you can say it's because we're using these UK determinants, and if it were that that we thought was the thing that was causing a weakness in our forecasting methodology, then that would clearly give us a big incentive to look at alternatives.

[444] **Mr Jeffreys:** This might be a really obvious point, but we haven't just used UK because it's the only thing available, for example. It's because the Welsh market behaves very similarly to the UK market—obviously it's not identical, but the forecasts that are produced at the UK market, the Welsh market tends to track those closely, and we've done a fair bit of work on making sure that's true over time. So, it's obviously a natural thing to use the UK data, but we have tested whether that actually—you know, if we'd used it in the past, would it have been an accurate thing, and it is.

[445] **Simon Thomas:** Okay.

[446] **Neil Hamilton:** May I just ask one point—

[447] **Simon Thomas:** Yes, Neil.

[448] **Neil Hamilton:** —because I don't know what work the OBR has done on the regional effect of tax changes? You say that Wales moves in the same direction and at the same speed as England. Is England a homogenous unit for these purposes as well then, so that the north behaves the same as the south-east and London? We know that the property market has been a real hotspot in London, particularly, and the south-east. So, presumably, as regards stamp duty land tax, the impact of the changes that George Osborne introduced, which was designed to cool the market where it was hot, are you saying that they had the same effect in areas where the market wasn't overheated, proportionately speaking?

[449] **Mr Revell:** I think I've got an answer to that, which is, for the last few years, the OBR have been forecasting SDLT in Wales separately from the rest of the UK, and they apply the same house price growth and transaction growth assumptions to both. And actually, their forecasts for Wales have been slightly better than their forecasts for the UK as a whole, and it's probably because of what you say about there being more—

[450] **Nick Ramsay:** A stopped clock is right twice a day. [*Laughter.*]

[451] **Mr Revell:** But it's probably because there's more volatility, say, in the London and south-east market than there is in Wales, and maybe in lots of other parts of England as well, that actually those forecasts determinants have performed better for Wales than they have for the UK as a whole.

[452] **Mr Jeffreys:** Yes, that's the problem with making London and the south-east the outliers in the UK, in terms of the property market, really—that Wales is, in many ways, closer to the UK average than, certainly, those parts, certainly when you look at prices.

[453] **Neil Hamilton:** Thank you.

[454] **Simon Thomas:** Do you have questions, Nick Ramsay?

[455] **Nick Ramsay:** Yes—I don't think they've been answered yet. What's your timetable—well, you might have answered it—for providing tax forecast updates following the UK budget in November?

[456] **Mr Jeffreys:** Okay. We kind of touched on this when the Minister touched on this in his session last week—that we are producing our draft budget before the UK Government's fiscal event in the autumn, which is 22 November. And then we're producing our final budget after that, which means, yes, we need to reevaluate our forecast following the UK Government budget. That's—

[457] **Nick Ramsay:** I like the 'fiscal event' as a title. Is that only when they have the Welsh budget? [*Laughter.*]

[458] **Mr Jeffreys:** So, there are two big things that we need to take account of. Obviously, the OBR will be—we've been using OBR data from the March budget, so all of that will get redone, both their macro forecast and their more detailed tax forecasts. So, that's important, but also it follows through into the block grant adjustment, which helps determine our overall resources available. So, both the tax side in Wales, our forecasts, will need to be updated, and our spending plans, as determined by the block grant, will need to be updated.

[459] The UK Government's budget is on 22 November. We'll be publishing our final budget on 19 December, so that gives us three weeks from one to

the other. In the debate on the draft budget on 6 December, I think probably the Minister will want us to say at that point what effect overall he thinks the November budget has had on things. But the detailed numbers will be published the nineteenth, and then we will explain the changes that have been made at that point from the numbers that we've published here.

11:45

[460] **Nick Ramsay:** I presume that Bangor University will scrutinise and report. When does your arrangement with Bangor University end? Or is there no end point?

[461] **Mr Revell:** Their revised report will be published alongside our final budget and that's their final product under their contract.

[462] **Nick Ramsay:** I think the question about OBR has been answered, Chair.

[463] **Simon Thomas:** Yes, that's fair enough. Shall we go on to Eluned Morgan then?

[464] **Eluned Morgan:** Rwyf eisiau newid cyfeiriad rywfaint, os yw hynny'n iawn, a gofyn am Awdurdod Cyllid Cymru. Fe gawsoch chi eich penodi fis Ionawr 2016, do?
Eluned Morgan: I want to change direction somewhat, if that's okay, and ask about the WRA. You were appointed in January 2016, yes?

[465] **Mr Alsop:** Na. Pan wnes i gyrraedd yma i weithio yn Llywodraeth Cymru, y flwyddyn ddiwethaf ym mis Awst oedd hi. Rydw i'n mynd i gychwyn swydd newydd yn yr awdurdod ei hun pan fydd yn cael ei sefydlu ar y deunawfed o'r mis yma—felly, yr wythnos nesaf.
Mr Alsop: No. When I arrived here to work in the Welsh Government, it was August last year. I will start a new post in the authority itself when it's established on 18 October—so, next week.

[466] **Eluned Morgan:** Reit. Roeddwn i jest eisiau gwybod sut mae'r staffio yn mynd—a ydych chi wedi penodi pawb yr oeddech chi eisiau eu
Eluned Morgan: Right. I just wanted to know how the staffing is going. Have you appointed everyone you wanted to appoint? Have you

penodi? A ydych chi wedi cael y math o bobl roeddech chi eu heisiau? A ydych chi wedi ffeindio'r sgiliau roeddech chi eu hangen?

[467] **Mr Alsop:** Iawn. Rydw i'n meddwl bod neges bositif iawn i'w chyfleu ynglŷn â sut rydym ni wedi mynd ymlaen i gael pobl newydd i mewn i'r awdurdod i gychwyn. Rydym ni wedi penodi 12 o bobl yn barod, felly rydym ni—cyn hyd yn oed cychwyn yr wythnos nesaf—wedi cael nifer o bobl i mewn. Ac o ran y safon o bobl rydym ni wedi eu cael, buaswn i'n sôn—er enghraifft, ymhlith y 12 ohonyn nhw rydym ni wedi eu cael yn barod, mae hanner ohonyn nhw wedi dod i mewn i'r awdurdod ar—nid wyf yn siŵr beth ydy'r gair Cymraeg—*level transfer*. Hynny ydy, yn y *civil service* fel arfer mae yna dueddiad i bobl drïo cael *promotion* pan fyddan nhw'n mynd am swydd newydd, ond mae hynny'n dangos bod pobl eisïau dod i weithio yn yr awdurdod—nid dim ond er mwyn cael *promotion* allan ohono fo, ond bod ganddyn nhw ddiddordeb mawr i weithio mewn awdurdod newydd. Felly, mae hanner ohonyn nhw wedi dod i mewn ar *level transfer*, a 12 ohonyn nhw wedi dod i mewn yn barod.

[468] Ac, er enghraifft, rhywbeth arall i sôn amdano yw bod, *on average*, wyth o bobl wedi mynd am bob swydd—mae hynny hefyd yn dda iawn, ac rydym wedi cael cynigion o 14 o *Government departments*. Hynny ydy, mae yna bobl o 14 o

managed to get the kind of people you wanted? Have you found the skills that you needed?

Mr Alsop: Right. I think that there's a very positive message to convey about how we've gone about getting new people into the authority. We have appointed 12 people already—even before next week—so we've brought many people in. From the standard of people we've appointed, I would mention, for example, that amongst the 12 people who we've already appointed, half of them have come to the authority—I don't know what the word is in Welsh—on a level transfer. In other words, in the civil service, usually, there is a tendency for people to try to get a promotion when they go for a new post, but that shows that people want to work for the authority—not just to get a promotion, but because they have a great interest in working in finance and in a new authority. Therefore, half of them have come in on a level transfer, and 12 of them are already appointed.

And, for example, something else I'd like to mention is that, on average, eight people have gone for each post. That's, again, very good, and we've had applications from 14 Government departments. That is, there are people from 14 other

lefydd eraill wedi cynnig am swydd yn yr awdurdod. Rydw i'n meddwl bod hynny'n galonogol, i ddweud y gwir, oherwydd nid yw yna eto, ac yn barod mae gennym ni lot o ddiddordeb i weithio ynddo fo. Mae gennym ni bobl—ymhlith y 12, mae pump ohonyn nhw wedi gwneud *graduate fast stream* o lefydd eraill yn y gwasanaeth cyhoeddus ym Mhrydain. Mae hanner ohonyn nhw wedi dod o Lundain neu yn agos iddi. Mae yna ddau ohonyn nhw newydd orffen *future leaders scheme*, hynny ydy pobl sydd yn mynd i fod yn *directors* yn y dyfodol, ac wedi dod allan o Gyllid a Thollau Ei Mawrhydi. Felly, rydw i'n hapus iawn efo sut y mae wedi mynd hyd yn hyn. Mae gennym ni lot i'w wneud i wneud yn siŵr ein bod yn cael pawb i mewn cyn cychwyn, ond hyd yn hyn mae pethau wedi mynd yn iawn.

[469] **Eluned Morgan:** Mae hynny'n swnio'n *really* positif. A oes menywod gyda chi yn rhan o'r rheini?

[470] **Mr Alsop:** Oes. Buaswn i'n meddwl hanner ohonyn nhw hyd yn hyn—ie.

[471] **Eluned Morgan:** Océ, grêt. Roeddwn i eisiau gofyn i chi am y costau. Roedd yna syniad o ran costau—roedd y ffigwr rhwng tua £4.8 miliwn a £6.3 miliwn. Tua ble ydych chi'n meddwl y byddech chi'n cyrraedd nawr?

[472] **Mr Alsop:** Iawn. Jest i wneud

places who have applied for a post within the authority. I think that that is very encouraging, because it doesn't exist yet, and we've already got a great interest from people wanting to work in the authority. We've got people—amongst the 12, five of them have done a graduate fast stream from other sections of the public service in Britain. Half of them have come from London or near London. Two of them have just completed the future leaders scheme, namely people who are going to be future directors, and have come out of Her Majesty's Revenue and Customs. So, I'm very happy with how it's gone so far. We've got a lot to do to ensure that we have everybody together before we start, but so far everything's gone great.

Eluned Morgan: That sounds very positive. Do you have any women as part of those?

Mr Alsop: Yes. I would think that half of them so far are women.

Eluned Morgan: Okay, good. I just wanted to ask about costs. There was an idea in terms of costs—you gave a figure of between £4.8 million and £6.3 million. Approximately where do you think you are now?

Mr Alsop: Fine. Just to differentiate

gwahaniaeth rhwng yr—rydw i weithiau'n cael y geiriau yma'n anghywir yn Gymraeg—*implementation costs* i sefydlu'r awdurdod a'r costau rhedeg: efo'r costau sy'n ymwneud ag *implementation* i sefydlu'r awdurdod, hyd at y fan yma rydw i'n hapus i ddweud ein bod ni'n mynd i fedru cwblhau'r gwaith i sefydlu'r awdurdod efo'r *budget* sydd gennym ni. Ar yr ochr arall, mae yna waith yn dal i—. Rydym ni'n gorfod dal i wneud gwaith i wneud yn siŵr bod gennym ni ddigon o bobl i edrych ar ôl dau beth sy'n wahanol i le'r oeddem ni pan wnaethom ni gychwyn ar y daith yma, hynny ydy yr *additional rate*—mae hwnnw'n creu mwy o waith i'r awdurdod, ac roedd 25 y cant o'r arian a ddaeth i mewn o LTT yn y gorffennol, o leiaf yn y flwyddyn ddiwethaf, wedi dod allan o'r *additional rate*. Felly, mae yna rywbeth ynddo fo, ond mae hynny'n achosi lot mwy o waith i ni. Hefyd, rydym ni wedi bod yn siŵr ein bod ni'n gwneud y gwahaniaeth rhwng systemau'r awdurdod a systemau'r Llywodraeth, er enghraifft, y *finance system*, ac nid ydym ni'n mynd i fod yn rhannu dim un system efo Llywodraeth Cymru, felly mae hynny hefyd yn mynd i greu ychydig mwy o waith. Felly, rydym ni bron yna, ond nid ydw i'n bendant hyd yn hyn faint mae'n mynd i gostio i redeg y peth o'r flwyddyn nesaf ymlaen.

between the—I sometimes get these words wrong in Welsh— implementation costs to establish the authority and the running costs: with the costs that are associated with establishing the authority, so far I'm happy to say that we are going to be able to complete the work of establishing the authority within the budget that we have. On the other hand, there's still work to be done to ensure that we have enough people to look after two things that are different to where we were when we started on this journey, namely the additional rate—that creates more work for the authority, and 25 per cent of the money that came in from LTT in the past, or at least in the last year, had come out of the additional rate. So, there is something in it, but it does cause a lot more work for us. Also, we've had to make sure that we're differentiating between the authority's systems and the Government's system, for example the finance system, and we're not going to be sharing any system with the Welsh Government. So, that is also going to generate a bit more work. So, we're nearly there, but I'm not certain so far how much it's going to cost to run it from next year onwards.

[473] **Eluned Morgan:** Mae'r **Eluned Morgan:** That independence is annibyniaeth yna yn rhywbeth sy'n happening at a British level as well, I

digwydd ym Mhrydain hefyd, buaswn i'n cymryd. would assume.

[474] **Mr Alsop:** Ydy, yn union yr un peth. **Mr Alsop:** Yes, exactly the same.

[475] **Eluned Morgan:** Andrew, a rhywbeth? **Eluned Morgan:** Were you going to add something, Andrew?

[476] **Mr Jeffreys:** Sorry, yes, I was just going to come in on the point about the additional rate because I think it's really important that, in relation to LTT, it's made a massive difference to the nature of the tax, certainly compared to the thing that we thought we were implementing perhaps right at the outset, which was just a sort of transactional tax, where you were just charging tax on transactions, whereas now it matters a lot more exactly who's doing the transaction, which makes quite a big difference to the compliance effort required, and also there's the possibility of making a repayment to the taxpayer, which there wasn't before. At both of those stages, when you're verifying whether it's an additional rate transaction or not and when you're verifying whether you need to give a repayment or not, those are really important and sensitive points—you need a fair bit of effort involved: the right kind of systems, the right kind of staff and customer relationships, and, yes, it's required a pretty big rethink, I think, in terms of what our capability in the WRA has needed to be. So, that's really significant, I think.

[477] **Eluned Morgan:** A allwch chi fy atgoffa i tua faint o *transactions* y byddwch chi'n disgwyl o LTT y flwyddyn? **Eluned Morgan:** Could you remind me how many transactions you expect from LTT per year?

[478] **Mr Revell:** Around 50,000—50,000 to 60,000 in total.

[479] **Eluned Morgan:** Okay.

[480] **Mr Jeffreys:** And it does it fluctuate.

[481] **Eluned Morgan:** So, y cymhlethdod ychwanegol yma—a ydy hynny'n mynd i olygu y bydd angen **Eluned Morgan:** So, that additional complexity—is that going to mean that you will need more staff, or will

mwy o staff arnoch chi, neu a ydych chi'n gallu ei wneud e gyda'r hyn sydd gyda chi?

you be able to do it with what you've got?

[482] **Mr Alsop:** Na, rydw i'n meddwl y bydd angen mwy o staff. Nid jest pobl sydd eu hangen arnom ni, ond jest i egluro, er enghraifft, efo talu'r dreth, mae bron 99 y cant neu rywbeth felly o'r bobl sy'n talu LTT yn gyfreithwyr neu'n *agents* rhwng y person sydd *really* yn talu a ni. Ond pan fo'n dod at gael yr arian yn ôl, maen nhw'n wahanol, felly rydym ni'n gorfod delio efo'r cyhoedd ac felly mae'n rhaid cael esboniadau gwahanol a chael modd arall o siarad efo pobl. Rydw i'n meddwl ei fod o'n mynd i newid *branding yr institution*, hyd yn oed. Bydd rhaid inni fynd allan i siarad efo pobl wahanol.

Mr Alsop: I think there will be a need for additional staff. We don't just need people, but just to be clear, for example, with paying the tax, nearly 99 per cent of the people who pay the LTT will be lawyers or an agent between the person who is really paying and us. But when it comes to getting the money back, it's different, therefore we have to deal with the public and therefore there is a need for different explanations and other means of speaking to people. I think it is going to change the branding of the institution, even. We will have to go out to speak to different people.

[483] **Eluned Morgan:** So, rydych chi'n rhagweld—. Faint o bobl ychwanegol y bydd eu hangen arnoch chi?

Eluned Morgan: So, you forecast—. How many additional people will you need?

[484] **Mr Alsop:** Yr hyn rydw i'n ei wneud ar hyn o bryd ydy jest ystyried yr—. Nid ydym ni wedi cadarnhau pob dim hyd yn hyn. Rydw i'n defnyddio'r ffaith ein bod ni'n sefydlu'r bwrdd yr wythnos nesaf, a bod gennym ni *non-executives*, a rhai o'r rhain wedi bod yn gweithio yn y trethi yma, felly rydw i'n defnyddio eu *experience* nhw er mwyn gwneud yn siŵr bod y pethau rydym ni'n eu gwneud yn gwneud synnwyr, i gael ryw *opinion* sy'n *independent* o beth rydym ni wedi'i

[485] **Mr Alsop:** What I'm doing at the moment is just considering—. We haven't confirmed everything so far. I am using the fact that we're establishing the board next week, and that we have non-executives, and some of them having worked on these taxes, so I'll be using their experience in order to ensure that what we're doing is making sense, to obtain some opinion that's independent from what we've done so far. That's what I've been trying to do.

wneud hyd yn hyn. Dyna rydw i wedi trio bod yn ei wneud.

[486] Could I just make a reference to something that might be of relevance? There's a quote, which Andrew talked about, about the fact that the requirements of running the tax with additional rates is different to the requirements of running without that. I just thought it might be of interest. So, Revenue Scotland are in the process of re-procuring their tax management system at the moment, and, within the details that they've put in for the contract that they're looking to award, the Q&A in their tender document says that what they're looking to have is a single source of information and whole-customer view—which is precisely the point that I was making, I think, the last time I came before the committee, namely that that's what you require—both for Revenue Scotland and the taxpayer, and it is critical in order to support legislation to be transparent and accountable.

[487] So, it's that ability to cross-reference the transaction with the amount of money paid in the finance system—those two things. The two things that we were talking about is, interestingly, precisely what they are saying. No discredit to Revenue Scotland, because, when they started on their journey, they didn't know that they were going to be running an additional rate, but it's interesting that, in their re-procurement process, they are having to now build this functionality that we're endeavouring to try and build from the get-go.

[488] **Simon Thomas:** Jest ar hwnnw, byddwch chi'n cofio diddordeb pwyllgor hwn o'r blaen yn y ffaith eich bod chi'n mynd i fod yn gorff digidol gydag wyneb digidol i ymwneud â'r cyhoedd hefyd yn ogystal ag asiantiaid ac ati. Rwy'n credu, y tro diwethaf yr oeddech chi yma, roeddech chi'n sôn, rywbryd yr hydref yma, y byddech chi wedi dechrau rhedeg profion ar y system. A ydy hwnnw *on track* ar hyn o bryd? A ydych chi'n cadw at yr amserlen flaenorol?

Simon Thomas: Just on that, you will remember the committee's interest previously in the fact that you are going to be a digital body with a digital interface with the public as well as agents and so forth. I think the last time you were here, you mentioned that, sometime this autumn, you would start running tests of the system. Is that still on-track? Are you sticking to that previous timetable?

[489] **Mr Alsop:** Beth allaf ei ddweud **Mr Alsop:** What I can say is that I'm

ydy fy mod i'n bendant y byddwn ni'n cwblhau'r gwaith cyn gorfod mynd i ddelio â phobl sy'n gorfod defnyddio'r system. Rydym ni wrthi ar hyn o bryd yn gwneud *testing*. Y ffordd rydym ni'n creu'r systemau digidol ydy trwy *agile development*. Hynny ydy, mae yna *testing* bob wythnos, felly rydym ni mewn cyswllt agos iawn efo'r *supplier* sydd yn creu pethau drosom ni.

certain that we will complete that work before having to deal with people who have to use the system. We are currently undertaking testing. The way we are creating the digital system is through agile development. That means that there is testing every week, and so we are in very close contact with the supplier that is doing things on our behalf.

[490] **Simon Thomas:** Wrth wneud rhywbeth digidol yn fanna, rŷch chi eisoes wedi sôn am y ffaith bod eich prosesau chi yn gwbl ar wahân a chwbl annibynnol o Lywodraeth Cymru. I'r person sydd yn talu trethi yng Nghymru, byddan nhw hefyd eisiau gwybod bod gyda chi systemau diogel iawn, iawn yn eu lle. Pa fath o gadarnhad fedrwch chi ei roi i'r pwyllgor fod hynny'n mynd i fod yn sicr, felly?

Simon Thomas: In doing that digital work, you mentioned the fact that your processes are entirely separate and independent of the Welsh Government. The taxpayer in Wales will also want to know that you have extremely secure systems in place. So, what kind of confirmation can you give to the committee that that is going to be secure?

[491] **Mr Alsop:** Rŷm ni wedi penodi rhywun annibynnol, eto i wneud yn siŵr bod y safonau sydd gennym ni o ran *security* yn cael eu cyrraedd ac i wneud yn siŵr bod hynny yn ei le. Dyna sut rydym ni'n gwneud yn siŵr bod beth rŷm ni wedi ei wneud yn iawn.

Mr Alsop: We have appointed someone independent to ensure that the standards that we have, in terms of security, are met and are in place. That's how we're making sure that what we've done is correct.

[492] **Simon Thomas:** Wedyn, jest y pwynt olaf gen i: eto, rydym ni wedi bod yn trafod am y ffaith bod angen grŵp ehangach o bobl—nid jest y cyhoedd, ond yr asiantiaid, y gwahanol ymgynghorwyr a'r bobl sydd yn rhoi cyngor i bobl eraill

Simon Thomas: Then, the final point from me: again, we've been discussing the fact that we need a wider group of people—not just the public, but the agents and the different consultants and the people who give advice to other people

ynglŷn â threthi yng Nghymru. Sut y mae'r gwaith o ledaenu'r gair ynglŷn â'r awdurdod yn mynd? Rŷch chithau newydd gael eich penodi yn brif weithredwr a newydd gael y bwrdd anweithredol. Sut nawr y mae hysbysu pawb ynglŷn â hyn yn mynd? A ydy'r rhaglen yna hefyd wedi cadw at yr amserlen?

[493] **Mr Alsop:** Ydy. Yn yr wythnosau nesaf, mi fyddwn ni'n cael y canlyniadau o *survey* rŷm ni wedi'i wneud efo'r Law Society. Felly, rydym ni wedi bod yn gweithio'n agos iawn efo'r Law Society, ac rydym ni wedi gwneud ymchwiliad o ran yr aelodau sydd ganddyn nhw i ffeindio allan os ydyn nhw'n deall beth maen nhw'n gorfod ei wneud ac os ydyn nhw wedi cael y manylion yn ddigon cynnar yn y broses a beth arall maen nhw eisiau, ac fe fyddwn ni'n cael canlyniadau hynny yn yr wythnosau nesaf. Felly, byddwn yn cael rhywbeth *concrete* i'w fesur.

[494] Bron bob wythnos, rwyf wrthi'n cael rhyw gyfarfod efo *stakeholder group* o ryw fath, un ai efo cyfreithwyr neu *landfill operators*. Rwy'n meddwl bod hynny'n mynd yn iawn a bod modd mesur y peth.

[495] Andrew, was there something about a question about a wider survey about—

[496] **Mr Jeffreys:** Yes. I suppose there's the kind of specific stakeholders—people in the legal profession, landfill operators et cetera—who we obviously need to engage with, but I suppose there's the kind of wider general awareness that's important too.

12:00

[497] I don't know if we've mentioned this before to the committee, but there's a set of questions in the national survey for Wales about awareness of tax devolution and who's responsible for which taxes, and, 'Have you heard of this tax?', and those kinds of things. We put that in in 2016–17, so we've got a bit of a baseline there in terms of a level of public awareness before all of this activity, and we'll be able to keep track of that as we go along and that will tell us something about—.

[498] **Simon Thomas:** Can you remind us what the public awareness was?

[499] **Mr Jeffreys:** I haven't got the exact numbers but it's as you'd expect it to be.

[500] **Simon Thomas:** As far as I find it.

[501] **Mr Jeffreys:** Yes. Lots of people are not that clear about which bit of Government is responsible for which bit of tax.

[502] **Nick Ramsay:** They probably don't want to.

[503] **Mr Jeffreys:** Possibly not. [Laughter.]

[504] **Neil Hamilton:** Half the people of Wales don't know the Welsh Government's responsible for the health service.

[505] **Simon Thomas:** It's 40 per cent, apparently, but not according to—
[*Inaudible.*]

[506] **Mr Jeffreys:** But I suppose the thing we're interested in is a change in that—.

[507] **Simon Thomas:** You want to see whether there's an increase in that.

[508] **Mr Jeffreys:** So, it's pretty low to start with—the level of awareness—and that's not surprising. It'll probably stay relatively low perhaps, but if it's going in the right direction that would be a positive indicator that some of this is having an effect.

[509] **Simon Thomas:** A mischievous person would suggest that having different tax rates in Wales would help awareness.

[510] **Mr Jeffrey:** Yes. There was certainly a fair bit of coverage about that last week in the media.

[511] **Simon Thomas:** Nick, you had a quick question on this.

[512] **Nick Ramsay:** Yes. We haven't touched on the potential new taxes. In terms of the Cabinet Secretary's objective for testing the machinery—the possibility of land value tax, tourism tax and the two others as well—when will you start the preparatory work on looking at the effects that those taxes would have and the collection rates that might be employed?

[513] **Mr Jeffrey:** The way that this is intended to work is that, early on in the new year, the Cabinet Secretary will make a decision about which of those possible taxes we're going to be going into discussion with the UK Government about. The ones that don't make that cut, as it were, those are things that perhaps we'll still be interested in, but we'll be putting more focus on the one that we've—.

[514] **Nick Ramsay:** So, just to be clear, you won't do any preparatory work on how much money would be raised.

[515] **Mr Jeffrey:** Yes. We'll certainly be doing preparatory work over the next few months to help prepare for that initial decision, I suppose, but then we'll do a lot more work on the one that emerges from that as the lead candidate to test the process with the UK Government. So, the level of effort will go up then once we've focused on one particular—. It may be that the Minister will have made the decision to discount some of the other options altogether at that point.

[516] **Nick Ramsay:** But you will do work in advance of his decision.

[517] **Mr Jeffrey:** Yes, certainly. We have been doing work in the run-up to last week's announcement and will continue doing that. Obviously, now that that's out in the open, as it were, we can do a different kind of engagement with people than we were able to do before.

[518] **Simon Thomas:** Obviously, it's the Minister who makes the policy decision, but, when that decision is made, would you expect to be providing

similar public documents that have been provided around the current tax variable, so that there would be a forecast around whichever tax is chosen, for example?

[519] **Mr Jeffreys:** Yes. Some estimates of the yield—that's a key initial thing that you need to have a degree of knowledge about, not least because that's one of the things that the UK Government will be wondering about because one of their key criteria for consideration will be, 'What's this going to do to the yield from other UK taxes?' You can imagine, and probably not with any of these candidates, but you can imagine a Welsh tax that would perhaps have quite a big impact on the yield of a UK tax, which the UK Government might have a bit of a view about in terms of whether we should introduce such a thing.

[520] **Simon Thomas:** Which is presumably why they have this strange LCO type system in the first place.

[521] **Nick Ramsay:** Can we put a bid in for air passenger duty, is that possible, as a new tax? [*Laughter.*]

[522] **Simon Thomas:** I think we'll stick with the current arrangements, and move on with Neil Hamilton.

[523] **Neil Hamilton:** Well, I think you've asked my question.

[524] **Simon Thomas:** I'm terribly sorry if I strayed into that. In which case, we'll go to Mike Hedges.

[525] **Mike Hedges:** Data sharing. You'll remember that some we were talking to had problems with the Land Registry and the way in which properties were actually in Wales and having the Welsh border on their maps. Has that been put right, and have the Welsh Revenue Authority, the HMRC and the Land Registry written into their data protection papers that they would share data with each other?

[526] **Mr Alsop:** Can I make sure I've understood the second question, my apologies?

[527] **Mike Hedges:** The second question is that if you're going to share data, you should, in your data protection policy, say, 'We will share data with', shouldn't you? I'm just asking whether you with HMRC and the Land

Registry, and the Land Registry and HMRC with you, have said that you are one of the organisations they will share data with, so people won't have a Data Protection Act 1998 complaint, because it's already registered as sharing and it meets within the European Union—. But is it then defined as who it's going to be shared with?

[528] **Mr Alsop:** Okay, thank you. On data sharing, can I break it down into levels of where we're at, and I will try and cover the point that you've asked? In terms of the legal gateways to allow data to be shared, they're in place—the ones that we require—and what's going to happen next is there will be some regulation laid before the Assembly here in terms of allowing a permissive ability for the WRA to share data with Revenue Scotland and HMRC. So, in terms of the legal framework in place, that's either done or it's subject to regulation that's going to happen here.

[529] The next level is the bit that you're talking about in terms of whether we have drawn up the appropriate memorandum of understanding and the appropriate ability to do all of that. So, the answer to that is 'yes, almost' because that obviously needs the WRA to sign its side of it, if you see what I mean, because the WRA doesn't exist until next week. So, at the point at which it exists, then we can indeed do that. So, we have done preparatory work with all the organisations that we need to—you mentioned the Land Registry, HMRC. We have very good close relationships with them. I'm confident that that will be fine, but the actual signing of the document that says those things are in place can't happen until the WRA exists. I would also point to the fact that that's the intermediate level. At the practical level, my experience of the difficult issue of sharing data effectively between Government organisations, especially taxpayers' data, which needs to be handled so carefully, is that quite a lot of it is dependent on having the very good close working relationships with people in those organisations. That, in practice, is how you make these things really work effectively, and I think we've made a lot of progress in that regard, and we have very good relationships with HMRC, the Land Registry and Revenue Scotland. So, the practicalities of it we will be able to make happen. The middle bit that you're asking about in terms of that, it's just waiting for the WRA to exist.

[530] **Mike Hedges:** And the Land Registry and the border with Wales?

[531] **Mr Alsop:** There's certainly a commitment to do that. I believe that that has been done, but I can come back to you on it if it's helpful.

[532] **Mike Hedges:** What I'm trying to do is say that we've had a commitment to it. We talked to the ombudsman this morning about people who make commitments to be all sorts of things but they don't necessarily happen at all, never mind in time. I'd feel happier if you could confirm that that now exists. So, if you could come back to us with that—.

[533] **Mr Alsop:** Yes.

[534] **Mike Hedges:** And the last question I've got is this: with land transaction tax, Natural Resources Wales have got access to all the data, haven't they, on volumes of waste being dumped in each one of the sites that has got accreditation. So, we know how much that is, and they also know how much under each group, surely, that is being placed there. So, Natural Resources Wales could provide that information. So, are you getting that information from Natural Resources Wales, so that you really should have fairly accurate numbers? It's very simple in terms of waste disposal because there are so few sites left. Another one of these things is that 20 per cent or 30 per cent of the sites do 70 per cent to 80 per cent of the disposals, and then the rest pick up smaller portions. So, we know where we are with that. Have you got that information accurately from Natural Resources Wales and are you working closely with them to ensure that?

[535] **Mr Alsop:** I can give you a confident answer to the latter part of it, certainly. A lot of work has been done to inform the working relationship that could take place between WRA and NRW. I think it's important, just in terms of the steps that we have to go through to get to how that relationship will work formally, obviously, we're still working through the intricacies of that. But there will be advice to the Minister, in due course, from Welsh Government colleagues then for regulations to be passed to allow the delegation from the WRA in terms of how it works with NRW, and then—

[536] **Simon Thomas:** Just for clarity on that—the Act allows for that to happen, but there still need to be specific regulations to govern it. Is that right?

[537] **Mr Jeffrey:** Yes. The Act gives a regulation-making power to delegate collection and management functions to other bodies.

[538] **Simon Thomas:** Because, in effect, you want Natural Resources Wales to be your agent in the field in that respect.

[539] **Mr Alsop:** Well, I don't want to get ahead of myself, Chair.

[540] **Simon Thomas:** No, sorry.

[541] **Mr Alsop:** Once that regulation is in place, and assuming that's the case, then it becomes the decision of the WRA's board, which, again, doesn't yet exist, and they will then determine whether or not they wish to exercise that delegation and how that needs to work. Those are the technicalities of it. In terms of how the relationship is going and are we working closely with NRW, absolutely, I can confirm that that's the case. But again, we don't have access to all of the data that NRW have. Again, the WRA doesn't exist, so, unfortunately, until the organisation exists, we can't necessarily actually have that exchange between the two organisations, because it doesn't exist yet.

[542] **Mr Jeffreys:** Maybe we could get Julian to say something about the data that we currently share, which is obviously between the Welsh Government and NRW at this stage.

[543] **Mr Revell:** In order to put together our landfill disposals tax forecast, we've had a lot of data from NRW at site level and by type of waste. There's a slight complication, because the way they classify waste isn't the same way as the tax works, of course—

[544] **Mr Jeffreys:** That would be far too easy.

[545] **Mr Revell:** It would be too easy. So, there's not a direct read-across between the classification of waste that NRW uses and the way that the standard rate and the lower rate are defined. Nevertheless, we think we've got a pretty good information base there from NRW.

[546] **Mike Hedges:** But surely the landfill site operators would actually tell you how much tax they've paid to NRW anyway, wouldn't they?

[547] **Simon Thomas:** I think you said earlier that you don't have those figures.

[548] **Mike Hedges:** They don't have to, but I'm sure they would provide it if asked. Some of them are local authorities, so—

[549] **Mr Jeffreys:** If you're Biffa, for example, you've got an operation across the UK, and you're not necessarily interested in how much tax you're paying

on one site or another. So, the data on that is pretty flaky at the moment in terms of what level of tax is paid by individual sites in Wales. We'll know a lot more about that, obviously, once we've—

[550] **Mike Hedges:** Can I just take us further? The local authority ones you can get easily enough, can't you?

[551] **Mr Jeffrey:** Sorry, I'm not quite sure what question you're asking me.

[552] **Mike Hedges:** Data on what was paid last year by Swansea council's land disposals company in terms of waste disposal at Tir John—that information you could get from Swansea council. Biffa, as you said, yes, they put it in at a UK level, but it's not a guess on the UK level, is it? The UK level is based upon them collecting the data from every site and aggregating it.

[553] **Mr Jeffrey:** No.

[554] **Mike Hedges:** It isn't. How do they do it then?

[555] **Mr Jeffrey:** It's done on an operator basis. An operator will provide a return to HMRC based on their operations without going site by site. They're not required to do it by site.

[556] **Mike Hedges:** How would they get the information accurately if they don't collect it site by site?

[557] **Mr Jeffrey:** I don't know about that.

[558] **Mike Hedges:** It's not possible. I mean, if you could write to us and tell us how they can get an accurate response without collecting it on a site-by-site basis, I, and I'm sure other colleagues here, would be very pleased to hear it. For local authorities, it's available. Whether Biffa would be prepared to share it with you or not is another matter, but they must collect it on a site-by-site basis, otherwise, what they put in cannot be accurate, because the total they have to pay has to be based upon an aggregate of all the sites, surely. They can't just sort of say, 'Well, we'll put in £10 million because everybody will be happy with that'. It's 'We took this from this site and this on that site' and they add it all up and then they put the total bill at the bottom.

[559] **Mr Jeffrey:** Yes, but we don't have a right to that information.

[560] **Mike Hedges:** But you could request it.

[561] **Mr Jeffrey:** We could do, yes, but as it stands, that's between them and HMRC.

[562] **Mike Hedges:** Why wouldn't you want to request it?

[563] **Simon Thomas:** What Mr Hedges is asking is: have you requested it?

[564] **Mr Jeffrey:** No, we haven't.

[565] **Mike Hedges:** Why haven't you?

[566] **Simon Thomas:** And will you consider requesting that information?

12:15

[567] **Mr Jeffrey:** We can certainly think about it. I think part of the reason why we— We've been focusing our efforts on understanding the data that is available on waste that goes to landfill in Wales, of which there is a lot, and it's held by NRW and we work very closely with them. So, that's been our way into understanding the current arrangements in Wales, rather than asking operators to tell us how much tax they're paying.

[568] **Simon Thomas:** I think we'll leave you with that thought at the conclusion of this, and just thank you for your evidence this morning.

[569] Hefyd, rwy'n dymuno'n dda i Mr Dyfed Alsop a bwrdd newydd Awdurdod Cyllid Cymru. Rwy'n gobeithio yn fawr iawn y bydd yn llwyddiant, wrth gwrs. Mae dymuniadau'r pwyllgor gyda chi. Diolch yn fawr iawn i chi. I also wish Mr Dyfed Alsop well, and the new board of the Welsh Revenue Authority. I hope very much it will be a success. You have the committee's best wishes. Thank you very much.

[570] **Mr Alsop:** Diolch.

[571] **Simon Thomas:** If I could say to committee, we'll go briefly back to private session.

[572] **Mike Hedges:** And then engage in time travel.

[573] **Simon Thomas:** And then we'll engage in time travel, yes.

*Daeth rhan gyhoeddus y cyfarfod i ben am 12:16.
The public part of the meeting ended at 12:16.*