



House of Commons
Welsh Affairs Committee

Pre-legislative scrutiny of the draft Wales Bill

Fourth Report of Session 2013–14



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*Report, together with formal minutes relating
to the report*

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The Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the National Assembly for Wales). All publications of the Committee (including press notices) and further details can be found on the Committee's web pages at www.parliament.uk/welshcom

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Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Marek Kubala (Clerk), Anwen Rees (Committee Specialist), Alison Mara (Senior Committee Assistant), Baris Tufekci (Committee Assistant), Jessica Bridges-Palmer (Media Officer), and Antonia Strachey (Policy Analyst).

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Summary

The draft Wales Bill has three main purposes: to devolve tax and borrowing powers to the Welsh Government and National Assembly for Wales, following the recommendations of the Silk Commission in November 2012; to make changes to the electoral arrangements of the National Assembly for Wales; and to clarify and update the devolution settlement through a number of miscellaneous changes. The Government hopes that the provisions in the draft Wales Bill will enable devolved governance in Wales to become more accountable.

This is the first time a Bill related to Wales has been the subject of pre-legislative scrutiny; we hope that this sets a welcome precedent, as we consider such a procedure improves the quality of legislation. We were asked to undertake that scrutiny and, in our Report we focus on the provisions relating to tax and borrowing powers and the electoral arrangements of the National Assembly.

Devolution of tax and borrowing powers

We agree with the provision in the draft Wales Bill to make the partial devolution of income tax to the Welsh Government contingent on a ‘yes’ vote by the people of Wales in a referendum. We recognise that there are differences of opinion on whether there should be a narrowly focused question on the current proposals or a more general question which would allow wider tax raising powers to be granted in future without a further referendum. We conclude that either approach would be reasonable provided that, if the wider question was posed, the Welsh public was aware that the consequences of a “yes” vote would be that further powers over income tax could be transferred in the future.

Although it is outside the scope of this inquiry, we have sympathy with the argument that the issue of fair funding should be resolved before income tax powers are devolved so that Wales is not unfairly disadvantaged. We believe that the issue of fair funding should be examined and do not see the need to postpone this until after the 2015 General Election.

Should stamp duty land tax and landfill tax be devolved, the Welsh block grant will be adjusted downwards accordingly. The mechanism by which this adjustment is calculated is important but is not explicitly stated in the Bill. We recommend that, by the time of the introduction of the Bill, the Government has set out its preferred method to adjust the block grant in respect of stamp duty land tax and landfill tax. Similarly, we recommend that, by the time of the publication of the Bill, the Government has set out the means by which it aims fully to devolve business rates to Wales.

It remains unclear how the Government arrived at the particular borrowing figures set out in the draft Bill. We recommend that, by the time of the publication of the Bill, the Government sets out how it decided the borrowing limits in the legislation. It also needs to clearly explain the full rationale for not granting the Welsh Government the power to issue bonds.

Should tax powers be devolved to the National Assembly, the Assembly’s existing budgetary procedures will not be fit for purpose. The Assembly will require legislative control of its own budgetary processes in order to consider and authorise Welsh taxation and borrowing plans. We recommend the Government consider amending the draft Bill to give the National Assembly for Wales legislative control over its budgetary procedures.

We recommend that the Government produces a Command Paper alongside the Wales Bill, as was done for Scotland in the case of the Scotland Act 2012, including detailed information on the areas we have identified that require further explanation such as the block grant adjustment mechanisms, how the proposed borrowing limits were calculated and the full devolution of business rates. These areas are crucial to the practical working of the scheme announced by the Government, due to the complex way the provisions of the Bill interact with non-statutory matters such as the calculation and operation of the block grant. Without such detail, it will be impossible to understand the overall impact of the Bill or for it to be properly scrutinised by Parliament.

National Assembly for Wales electoral arrangements

Some witnesses told us that, as a normal matter of course, four years is an appropriate term for an elected government or legislature, and that five years is too long. We accept that it is not ideal to hold National Assembly and UK General Elections on the same day. However, it is our view that the term length of the National Assembly is a matter to be decided by the Assembly itself rather than at Westminster. We recommend that clause 1 of the draft Bill, relating to the frequency of Assembly ordinary general elections, be removed from the Bill and replaced with provisions that give the National Assembly the powers to determine the length of its own electoral term.

In relation to the Bill's proposal to ban MPs simultaneously serving as AMs, there was a general consensus amongst witnesses that it was not ideal for the two roles to be combined. We believe it may be more practical to extend the exception in the draft Bill from six to twelve months to prevent the need for frequent by-elections. We recommend that clause 3 of the draft Bill be amended to extend the exemption period where an AM can simultaneously sit as an MP from six months to twelve months.

1 Introduction

1. The draft Wales Bill was published on 18 December 2013¹ and is the first such Bill related to Wales that has been subject to pre-legislative scrutiny.² We welcome the Government's decision to enable pre-legislative scrutiny, as it offers the opportunity to improve the quality of the Bill before it is introduced in the House.

2. The draft Wales Bill has three main purposes. First, it implements several of the recommendations by the cross-party Commission on Devolution in Wales chaired by Paul Silk (generally known, and herein described, as the "Silk Commission") in its first report on the devolution of tax and borrowing powers to the National Assembly for Wales and the Welsh Government, published in November 2012. The Government set out its full response to the first Silk Commission report in November 2013: of the 31 recommendations for the UK Government, 30 were accepted or partially accepted.³ The Government's aim in proposing these changes is to make the Assembly and the Welsh Government "more accountable to people in Wales for raising the money they spend".⁴

3. Second, the draft Bill makes a number of changes to the National Assembly's electoral arrangements, following a Green Paper consultation in 2012 and in line with similar changes proposed for Northern Ireland.⁵ Under the proposals in the draft Bill MPs will be banned from simultaneously sitting as AMs, the ban on candidates standing both in constituencies and on the regional list for National Assembly elections will be revoked and the term of the National Assembly will be increased from four to five years.

4. Finally, the draft Bill aims to clarify and update the devolution settlement through a number of miscellaneous changes. These include changing the name of the Welsh Assembly Government to the "Welsh Government", providing for HM Treasury to set an aggregate borrowing limit for local housing authorities in Wales, and enabling the Law Commission to provide advice and information to Welsh ministers on devolved matters.

5. The draft Bill consists of four Parts totalling 26 clauses and two Schedules. Half the clauses in the Bill relate to tax and borrowing powers (set out in Part 2). Three clauses relate to the Assembly's electoral arrangements (Part 1), with the remaining clauses updating the devolution settlement (Part 3) or making general provisions related to the terminology, commencement and title of the Bill (Part 4).

6. In the Foreword to the draft Bill, the Rt Hon David Jones MP, the Secretary of State for Wales says: "Taken together, these are significant reforms which provide the opportunity

1 [Draft Wales Bill](#), Cm 8773, December 2013

2 Our predecessor Committee reported on the [Government White Paper: Better Governance for Wales](#), on which the Government of Wales Act 2006 was based. First Report of Session 2005–06, HC 551.

3 [Wales Office Website](#), Accessed 11th February 2014

4 [Draft Wales Bill](#), Foreword, p 1

5 Wales Office, [A Green Paper on future electoral arrangements for the national Assembly for Wales](#), May 2012

for devolved governance in Wales to be fairer, more accountable and more able to support economic growth in Wales”.⁶

Our inquiry

7. We agreed in correspondence with the Government to scrutinise the draft Bill and report to the House by March 2014. We held six evidence sessions in January 2014 hearing from 12 sets of witnesses at the National Assembly for Wales in Cardiff and at Westminster. We are grateful to all those who gave oral evidence and submitted written evidence. We are particularly grateful to the Presiding Officer of the National Assembly for Wales, Dame Rosemary Butler AM, for agreeing to us holding our evidence sessions at the National Assembly, and for all the Assembly staff who facilitated our meetings there. We would also like to thank Alan Trench for his assistance as specialist advisor to the Committee.⁷

8. Alongside the draft Bill, the Government published an explanatory memorandum and impact assessment. The Government also met our request to provide a delegated powers memorandum, which we subsequently published.

9. We are also grateful to the Government for making the relevant members of the Bill team available to brief us in private at the beginning of our scrutiny, to assist committee staff throughout the scrutiny process, and to provide further information in writing on technical aspects of the Bill. This helped us focus our inquiry on the most significant issues raised by the draft Bill.

10. Due to the compressed nature of pre-legislative scrutiny, we were not able to cover all provisions in the draft Bill in detail. Our evidence focussed on those aspects of the draft Bill that we considered most significant for Wales, namely: the proposed devolution of tax and borrowing powers and changes to the electoral arrangements of the National Assembly. We did not consider in detail the clauses related to the Law Commission and limits on housing revenue account debt, and this Report does not address those issues.

11. The remainder of this Report is divided into two sections: first, we analyse the provisions in the draft Bill related to devolution of tax and borrowing powers; second, we analyse the proposed changes to the electoral arrangements of the National Assembly for Wales.

6 [Draft Wales Bill](#), Foreword, p 2

7 Relevant interests of the Specialist Advisor were made known to the Committee. Mr Trench is consultant to the Institute for Public Policy Research on the ‘Devo More’ project, he has commissioned research for the “Wales in a Changing Union” project at the Wales Governance Centre, Cardiff University and an unremunerated advisor to the Scottish Conservative working group on devolution. For a full list of his interests see the Formal Minutes of the Committee, Session 2013-14.

2 Devolution of tax and borrowing powers

12. The Government of Wales Act 2006 (GOWA 2006) specified the areas of legislative competence of the National Assembly for Wales and gave the Assembly the power to make laws, known as Acts of the Assembly. Currently, tax policy (with the exception of local taxes such as council tax) is outside the Assembly's legislative competence. However, under the proposals in the draft Bill, the National Assembly will obtain limited tax levying powers.

13. Part 2 of the draft Bill relates to taxation and finance measures. It will:

- enable the Assembly to legislate about devolved taxation, specifically stamp duty land tax and landfill tax;
- provide for a referendum in Wales on whether an element of income tax should be devolved;
- allow the Assembly, subject to a vote in favour in a referendum, to set a Welsh rate for the purpose of calculating the rates of income tax to be paid by Welsh taxpayers; and
- extend the circumstances in which Welsh Government ministers can borrow in the short term to manage the Welsh Government's budget, and grant Welsh Government ministers new powers to borrow for capital expenditure.⁸

14. In order to devolve taxes to Wales, the draft Bill amends GOWA 2006 by inserting new chapters relating to each of the new taxes to be devolved. After the pre-existing Chapter 1 in GOWA 2006, new Chapters 2 to 4 will be inserted. Chapter 2 relates to income tax, Chapter 3 to stamp duty land tax and Chapter 4 to landfill tax. The draft Bill also includes the provision that further taxes may be devolved to the National Assembly for Wales through amending Part 4a of GOWA 2006 by Order in Council.

15. A similar set of powers was devolved to Scotland under the Scotland Act 2012. Scotland's replacement taxes for stamp duty land tax and landfill tax are expected to be introduced in April 2015, and the Scottish rate of income tax is anticipated to come into force in April 2016.

Increasing financial accountability

16. One of the Government's main stated aims in introducing the Bill is to improve financial accountability in Wales. In the Foreword to the draft Bill the Secretary of State for Wales says:

These changes will give Wales more fiscal autonomy, and will make the Assembly and the Welsh Government more accountable to people in Wales for raising the money they spend.

The proposals in the draft Bill to devolve tax-making powers mean that spending decisions made by the Assembly and the Welsh Government will, for the first time, have consequences in terms of devolved taxation. It also provides the Welsh Ministers with an independent funding stream to support their new capital borrowing powers provided for in the draft Bill. These powers will enable the Welsh Government to borrow and invest in renewing Wales's infrastructure and support growth in the Welsh economy.⁹

However, the Rt Hon Carwyn Jones AM, First Minister of Wales, told us: "I would argue that accountability is already there, through the election process. Secondly, we are accountable for the money that is spent in Wales, and that is something of which the Welsh public and media take close notice."¹⁰ The need for the National Assembly for Wales and the Welsh Government to increase their financial accountability has been advocated by a number of influential bodies in recent years.

The Holtham Commission

17. The Independent Commission on Funding and Finance for Wales (the Holtham Commission) was established by the Welsh Assembly Government in 2007 and produced two reports. The first focused on the Barnett formula while the second addressed future funding models for Wales.

18. The Commission's second report described the lack of accountability as the "main weakness of the current funding regime" in Wales.¹¹ It found that financial accountability was limited in Wales because the Welsh Government was not able to levy taxes: instead all of the Welsh Government's resources came directly from the block grant provided by the UK Government. As a result the Welsh budget was not affected by changes in the performance of the Welsh economy and the Welsh Government lacked a fiscal incentive to improve the economy.

19. The Holtham Commission's report set Wales' funding position in an international context. It concluded that "The UK has a strikingly low proportion of tax revenue collected at the sub-national level, even by the standards of unitary states." Were the tax proposals in this Bill to be introduced, they would bring the UK closer to the OECD average in terms of devolved tax levying powers.¹²

9 [Draft Wales Bill](#), Forward, p1

10 Q209

11 Independent Commission on Funding and Finance for Wales, [Fairness and Accountability: A New Funding Settlement for Wales](#), (July 2010), p12

12 Independent Commission on Funding and Finance for Wales, [Fairness and Accountability: A New Funding Settlement for Wales](#), (July 2010), p30

The Silk Commission

20. The Silk Commission was established in 2011 to review the financial and constitutional arrangements in Wales. It published its first report in November 2012 on the devolution of tax and borrowing powers to Wales. Its second report, on the powers of the National Assembly, will be published in March 2014. The Silk Commission's first report found that "the current funding arrangements for the Welsh Government do not meet the requirements of a mature democracy and are anomalous in an international context".¹³ The Commission made 33 recommendations on ways to improve financial accountability in Wales, the most high profile of which was the partial devolution of income tax.

21. Most witnesses in our inquiry believed that it was important to improve the financial accountability of the Welsh Government and National Assembly for Wales and that the devolution of taxes and borrowing powers was an important way to achieve this.¹⁴

22. As a Committee, we have different views both about the principle of devolution in general and, more specifically, the devolution of financial powers. Our aim in conducting our pre-legislative scrutiny is to make specific improvements to the draft Wales Bill prior to its introduction as a Bill.

Partial devolution of income tax

23. The most significant provision in the draft Bill is the partial devolution of income tax on non-savings income. The Silk Commission's report noted that, internationally, income tax is one of the most commonly devolved taxes. It cited several attributes of income tax that make it an attractive choice for devolution. Most significantly, income tax raises a large amount of revenue and so has the capacity to have a significant impact on the financial accountability of devolved administrations. Income tax devolution can also provide a clear fiscal incentive for devolved bodies to promote economic growth since the revenue from income tax will increase as incomes grow.

24. In Wales, income tax accounts for over 30% of all revenue collected.¹⁵ The Silk Commission recommended that the UK and Welsh Governments should share the yield of income tax, with the basic, higher and additional rates of income tax, currently at 20p, 40p and 45p, levied by the UK Government to be reduced in Wales initially by 10 pence in the pound and the Welsh Government being able to vary the three rates independently. The Commission estimated the revenue yield from the proposed devolved part of income tax (10p of each band) in Wales at around £2 billion annually.¹⁶

13 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p9

14 Qq 1, 3 [Gerald Holtham], 4 [Professor Jim Gallagher], 29 [Gerald Holtham], 76 [FSB Wales], 165 [Presiding Officer], 192-3 [Chair, National Assembly for Wales Finance Committee]

15 'A Survey of the UK tax system', [IFS Briefing Note BN09](#), 2012, p37, and The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p90.

16 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p143

25. The Government accepted the Commission's recommendation that sharing the income tax base would significantly enhance the accountability of the Welsh Government.¹⁷ Clauses 8 and 9 of the draft Bill provide for a Welsh rate of income tax: a new section 116C is inserted into the GOWA 2006 which confers on the Assembly a power to set, by resolution, a Welsh rate of income tax, for Welsh taxpayers. The model of income tax is very similar to the Scottish model set out in section 26 of the Scotland Act 2012 (see Box 1), which amended the Income Tax Act 2007. In Scotland and under the powers proposed for Wales, 10p in the pound will be devolved and the three rates could only be moved in tandem in so-called 'lockstep' rather than individually. In many cases, the draft Bill simply adds "Welsh taxpayer" to the words "Scottish taxpayer" in the Income Tax Act. In other respects, however, the draft Bill is different from the Scotland Act.¹⁸

Box 1: Income tax powers in Scotland

Income tax in Scotland was partially devolved under the Scotland Act 2012. This model was based on the recommendations of the cross-party Calman Commission.

From 2016, when the measures come into force, the UK rates of income tax will be reduced in Scotland by 10p. The Scottish Parliament will then be able to set a single new Scottish rate of income tax which will apply to each of the three main UK rates (the basic, higher and additional rates). The three rates can only be moved in tandem, in 'lockstep', and not varied individually.

If the Scottish Parliament voted for an 11p Scottish rate, then the tax rates for Scottish tax payers would be 21p, 41p and 46p. Under the system it is not possible to set a Scottish rate of 8p for the basic rate, 9p for the higher rate and 10p for the additional rate.

26. Under the lockstep the basic, higher and additional income tax rates can only be changed by the same number of pence in the pound. So if the Welsh Government wanted to increase the basic rate by 1p then the other two rates would also have to be increased by 1p leading to a tax structure of 21p for the basic rate, 41p for the higher rate and 46p for the additional rate.

27. The new revenues coming to the Welsh Government from the devolved taxes will be offset by a commensurate reduction in the Welsh block grant. The mechanism of adjusting the Welsh block grant following the devolution of income tax is important because it will have an impact on Welsh revenues and devolved public spending. In the case of income tax, the indexed deduction method will be used in Wales as recommended by the Holtham and Silk Commissions. The same method will be used in Scotland. Under this method the block grant would be reduced in the first year by the amount of revenue raised from the

17 HM Treasury and The Wales Office, [Empowerment and responsibility: devolving financial powers to Wales](#), (November 2013), p 14

18 For example, the draft Bill provides for the Comptroller and Auditor General to make reports for the National Assembly on HMRC's activities collecting income tax in Wales.

devolved portion of income tax. In subsequent years the block grant would be adjusted annually in accordance with changes in a UK-wide economic indicator such as UK economic growth. The use of the indexed deduction method is not specified on the face of the draft Bill, but was confirmed in evidence to us by David Gauke MP, the Exchequer Secretary to the Treasury.¹⁹ *We recommend that, by the time of the introduction of the Bill, the Government provides further information on the mechanism for adjusting the Welsh block grant to take account of income tax revenues, including an examination of the ‘no detriment’ principle as applied in Scotland.*

28. Witnesses agreed that income tax was a good tax to devolve in order to increase financial accountability and to incentivise economic growth. Gerald Holtham told us:

The point about income tax is that it is a tax that is very broadly paid and therefore it affects a large proportion of the electorate. As such, it increases the visibility of the tax policies of the devolved authority and, as such, it is a good tax from an accountability point of view.²⁰

The Welsh Liberal Democrats said sharing the income tax base between Westminster and Cardiff Bay would “significantly enhance the accountability of the National Assembly and the Welsh Government”.²¹ The Welsh Government’s written evidence supported the devolution of income tax, stating it “agrees that income tax should be devolved to Wales” subject to prior resolution of the fair funding issue.²²

29. Describing the income tax provisions in the draft Bill the Secretary of State for Wales said:

The important thing about the proposed devolution of income tax powers is, first, that it renders the Welsh Government far more accountable to the people of Wales. [...] Importantly, too, it would act as a strong incentive to the Welsh Government to grow the Welsh economy, because, clearly, the more the economy improves, the more likely it is that the tax take from the devolved element of income tax would increase—and that is desirable as well. Thirdly—and I think possibly, in the eyes of some, most importantly—it would provide a significantly enhanced income stream against which the Welsh Government could borrow.²³

The “lockstep”

30. The Silk Commission put forward a package of measures on income tax devolution which differs in important ways from the provisions in the draft Bill. Under the Silk scheme, the revenue from 10p of each income tax band would be devolved to Wales

19 Q390

20 Q3

21 Welsh Liberal Democrats ([DWB 13](#)) p3

22 Welsh Government ([DWB 11](#)) p3

23 Q375

leaving the UK rates of income tax charged in Wales at 10p, 30p and 35p. The Welsh Government would then have the power to decide whether to re-impose a 10p tax on each rate, bringing the tax income tax rates charged in Wales back in line with those in England. Alternatively, higher or lower income tax rates could be set in Wales than those in place in England. Silk did not recommend linking the changes in income tax rates together in ‘lockstep’.²⁴

31. The Government’s “lockstep” provision in the draft Bill diverges from the Silk recommendations. It means that the tax rates on each tax band have to be changed together, by the same number of pence in the pound. The three different rates cannot be altered independently. The Government Response to the Silk Commission report stated:

The Government’s proposals for devolving income tax powers[...] reflect many of the [Silk] Commission’s detailed recommendations but would not allow tax rates for each band to be varied independently given the potential impact on the progressivity of the tax system and UK-wide tax revenues.²⁵

Most of our witnesses concluded that the lockstep was a constraint on the Welsh Government’s ability to use the new powers. Gerald Holtham described the income tax powers with the lockstep as “virtually unusable”.²⁶ He explained:

[...] the form of income tax devolution set out in the Bill is most unlikely ever to be used. [...] The Welsh border is too open for it to be safe to raise higher tax rates; revenue would be more likely to fall over time than rise. A cut in all tax rates would, however, be prohibitively expensive in the short to medium term, particularly so in current conditions of budget reductions.²⁷

A diverse range of witnesses including business groups,²⁸ constitutional experts,²⁹ the Welsh Government and the opposition party leaders in the National Assembly (Andrew RT Davies AM, Kirsty Williams AM and Leanne Wood AM)³⁰ agreed that the lockstep made the proposed income tax powers less likely to be used.

32. Iestyn Davies of the Federation of Small Businesses Wales (FSB Wales) argued that in the event that the income tax powers were not used, this would limit the effect of the proposals on financial accountability:

We believe that the proposed lockstep model, as it currently appears, would constrain the ability to use income tax as a lever. We would be in favour of

24 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p186, p101

25 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p14

26 Q10 26

27 Gerald Holtham ([DWB 03](#)) p1

28 Federation of Small Businesses Wales ([DWB 08](#)) p3

29 Q42 [Professor Wyn Jones].

30 Q212[First Minister of Wales], Q308[Kirsty Williams, Leader of Welsh Liberal Democrats], Q312[Andrew RT Davies, Leader of the Opposition in the National Assembly for Wales] Q315 [Leanne Wood, Leader of Plaid Cymru]

the position as outlined by the Silk Commission. I do not feel that businesses in Wales would welcome the Welsh Government or the National Assembly having a power that they could not effectively use. It would not be welcome to have a locked-down form of fiscal autonomy. It needs to be used and welcomed, and then Government kept accountable for using it.³¹

We questioned the First Minister of Wales about the proposed income tax model in the draft Bill. He told us that “I do not think that the model that we have at present, in the Bill, is sufficient. [...] The problem with a lockstep approach is that, if income tax is to be used as a fiscal tool, it is an immense straightjacket on the ability to exercise powers flexibly”.³² He added: “I do not see the point of devolving a system that is so narrow that it does not allow for any kind of flexibility for a Government to do things.”³³

33. Several witnesses, however, said that while the lockstep was not ideal, the tax powers as set out in the draft Bill were a useful first step in terms of tax devolution. Graham Allen MP, Chair of the Political and Constitutional Reform Committee but speaking in a personal capacity, said:

While it is better to have it as a lockstep than not to have it at all, I would strongly urge you to consider amending the Bill so that it is not a lockstep [...] I do not think that it will be helpful in the long term for it to be locked. It will be helpful in the short term to establish the principle that an amount of your base budget that you spend is not given to you as largesse from the Westminster-Whitehall machine but is your own [...] That is a first step.³⁴

Kirsty Williams AM, Leader of the Welsh Liberal Democrats, said:

My preference is to move forward without the lockstep, but I do not want to lose the opportunity to establish the principle that some powers over income tax should rest at Cardiff Bay. That is an important principle that we have never been able to push a Westminster Government to accept in the past.³⁵

34. In evidence the Secretary of State responded to criticisms of the lockstep by saying: “I disagree entirely with the suggestion that the powers proposed are unusable”.³⁶

The Government’s case for the lockstep

35. The UK Government preferred the lockstep mechanism for two main reasons: to maintain the progressivity of the income tax system at the UK level and to ensure consistency with Scotland. We cover each of these below.

31 Q83

32 Q210

33 Q220

34 Q296

35 Q314

36 Q375

UK control of progressivity of UK tax system

36. The UK Government has stated it rejected the Silk model for income tax devolution and instead introduced the ‘lockstep’ in order to “maintain the redistributive structure of the income tax system at a UK level”.³⁷ In oral evidence, the Secretary of State for Wales said:

We have made it very clear, in terms of the progressivity of income taxation in this country, that that decision resides with the UK Government. That is why we have come down in favour of the so-called lockstep, as opposed to what was proposed by the Silk Commission.³⁸

The Exchequer Secretary to the Treasury said:

[...] in terms of the differentiation between rates, we do believe that that is something that should be determined on a UK basis in Westminster elections [...] the degree in which the gaps between rates is a very important issue that should apply across the United Kingdom.³⁹

37. Evidence was put forward that the lockstep may not achieve the Government’s aim of preserving income tax progressivity at the UK level. Analysis undertaken by the Silk Commission found that with a 1p increase on all income tax rates, the 1p represented a larger proportional increase for the basic rate than for the higher rate. The Silk Commission illustrated this by showing the changing ratio of the basic to higher tax rate for different levels of taxation under the lockstep (Table 1). This suggests that, as income tax increases under the lockstep, the progressivity of the system declines and vice versa.

Table1: Income tax progressivity

Basic Rate	Higher Rate	Ratio of Basic to Higher Rate
10	30	0.33
15	35	0.43
18	38	0.47
19	39	0.49
20	40	0.50
21	41	0.51
22	42	0.52
25	45	0.56
30	50	0.60

Source: The Commission on Devolution in Wales

38. Silk concluded: “even with the [...] ‘lockstep’ system, progressivity would be affected and under our proposals, progressivity is unlikely to be affected markedly more than under the Scottish ‘lockstep’ system.”⁴⁰

37 HM Treasury and Wales Office, [Empowerment and responsibility: devolving financial powers to Wales](#), (November 2013), para 2.13

38 Oral evidence taken on [10 December 2013](#), HC (2013-14) 896, Q51 [Secretary of State for Wales]

39 Q375

40 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p103

39. In evidence, the Exchequer Secretary to the Treasury acknowledged this point but argued the case that the ‘lockstep’, while not perfect, was simpler than a system that would preserve progressivity in a more precise way.⁴¹ He said that adjusting the ‘lockstep’ system to resolve this divergence would “result in a great deal of complexity, with rates running into several decimal points” and therefore the lockstep should remain as set out in the draft Bill.⁴²

Consistency with Scottish model

40. The second argument made by the UK Government for the lockstep focuses on the consistency of the UK tax system. As previously discussed (in paragraph 25), the lockstep provision formed part of the Scottish model of income tax devolution contained in the Scotland Act 2012. The Secretary of State said “In frankness, [the lockstep] was regarded as desirable to mirror the Scottish settlement”.⁴³

41. However, both the Holtham and Silk Commissions advocated that the lockstep form of tax devolution, while possibly well suited to conditions in Scotland, was not suitable for Wales. Both Commissions pointed to the difference in population density along the Scottish and Welsh borders with England. The Silk Commission report argued that the ‘lockstep’ was:

unattractive for Wales. This is because the Scotland/England border is not so densely populated as the Wales/England border is: only 3.7 per cent of the population in Scotland and 0.5 per cent of the population in England live within 25 miles of the England/Scotland border. The figures for Wales are startlingly different: 48 per cent of the population of Wales and around 10 per cent of the population of England live within 25 miles of the England/Wales border. Moreover, people do not just live near the Wales/England border, but large numbers commute daily across it [...] the number of people who commute daily between Wales and England [is...] 130,000 at the latest count.⁴⁴

The Holtham Commission also argued that the densely populated Wales/England border would make it easier for people to move across it than the Scotland/England border. Higher rate tax payers were more likely to move in response to cross border differences in income tax rates, and an increase in the higher rates of income tax in Wales would therefore reduce the revenue collected in Wales as wealthy individuals moved to England.⁴⁵ The Commission concluded:

41 Qq388-9

42 Q388

43 Oral evidence taken on [10 December 2013](#), HC (2013-14) 896, Q50 [Secretary of State for Wales]

44 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p103

45 A similar argument was also made in the Silk report, The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p100

Whatever the merits of that proposal [the lockstep] in the Scottish context, our analysis suggests that it would be unattractive for Wales. [...] An insistence that any increase in taxes must apply across all income tax bands could reduce its revenue yield and perhaps reduce the likelihood of such powers being used.⁴⁶

42. Leanne Wood AM, the Leader of Plaid Cymru, also was unconvinced that the Welsh income tax system needed to mirror Scotland:

We in Wales are not wedded to developments in Scotland. Our settlement is different; our two countries are in different places. From my perspective as the leader of Plaid Cymru, I am more concerned about Wales's best interests. From our perspective, Wales's best interests are served by having these powers without the lockstep.⁴⁷

43. We heard evidence that the upcoming Scottish referendum on independence, in September 2014, was also likely to be a political factor in limiting the scope for Welsh financial devolution. Professor Dylan Jones-Evans of Bristol Business School said:

It is a political imperative with the sensitivities over the referendum. The Bill being debated is to give Wales different and what could be perceived as additional and more positive powers over income tax, and could unduly influence the debate going on in Scotland.⁴⁸

44. The Secretary of State for Wales said:

We have made it clear since the publication of our response to the Silk Commission that income tax devolution should not benefit one part of the UK at the expense of another, as could happen if bands were varied independently. Critics of the lockstep are taking a narrow view.

[...] We do not want a system that could promote a damaging race to the bottom, with different parts of the UK undercutting each other at the expense of the UK tax revenues overall. Variation by band would do that, and that is why we are not implementing it.⁴⁹

45. As a Committee we have a diverse range of views about the merits of the “lockstep” provision which is part of the income tax model proposed under the Bill.

46. Most witnesses to our inquiry preferred to remove the lockstep. We accept there is diminished value in devolving a power that will not be used. Nevertheless we recognise the advantage that devolving income tax will have in allowing further borrowing powers to the Welsh Government.

46 Independent Commission on Funding and Finance for Wales, [Fairness and Accountability: A New Funding Settlement for Wales](#), July 2010, p68

47 Q315

48 Q100

49 Welsh Grand Committee Debate, 5 February 2013, col [11-12](#)

47. **Some of our other concerns include whether it is politically possible to provide Wales with greater income tax powers ahead of the Scottish independence referendum in September 2014, and we have sympathy with the argument that the issue of fair funding be resolved prior to any devolution of income tax.**

48. **Whichever model of income tax is devolved, it is important that the Government provides full information about the potential benefits and costs of devolving this power so that Parliament can properly assess the impact of the Bill. *We recommend that, by the time of the introduction of the Bill, the Government has produced a much more detailed impact assessment of the effects of income tax devolution.***

Referendum on income tax devolution

49. Clauses 10 and 11 of the draft Bill make the partial devolution of income tax in Wales contingent on a ‘yes’ vote in a referendum. The Silk Commission said that the devolution of income tax represents “a fundamental constitutional shift in powers” from London to Cardiff and should therefore be subject to a referendum.⁵⁰

50. The provisions in the draft Bill on the referendum are similar to those set out in the GOWA 2006 which were used for the 2011 Welsh referendum on lawmaking powers to the Assembly. The Welsh Government has the power to trigger a referendum on partial income tax devolution following a draft Order in Council which is approved by both Houses of Parliament and a two thirds majority in the Assembly. When a referendum is held, income tax will be devolved to Wales provided a simple majority of voters vote in favour. In the case of a referendum not being triggered in the Assembly, or in the case of a ‘no’ vote by voters, income tax powers would not be devolved.

51. Several witnesses supported the proposed income tax referendum on the basis that a referendum was held in Scotland before similar measures were introduced there. In 1997 two questions were put to the Scottish public both of which were passed: the second question asked whether the Scottish Parliament should have tax varying powers. The First Minister of Wales supported having a referendum on the issue in Wales in part for this reason: “It is important to have referenda only on the fundamental things, but I think that income tax is a very fundamental thing, and I think that we should have a referendum. There is a template on principles in terms of what happened in Scotland.”⁵¹

52. The opposition party leaders in the National Assembly also broadly supported a referendum since it formed part of the package of proposals in the Silk Commission’s report which all parties in Wales had supported, although they acknowledged that the public appetite for such a referendum would not be great. Andrew RT Davies AM, the (Conservative) Leader of the Opposition in the National Assembly for Wales, said “I accept the argument that it is going to be a very tough referendum. I am not quite sure how stimulating it is going to be for the Welsh electorate to turn out and vote in that

50 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p8.

referendum”.⁵² Professor Jim Gallagher, who was involved with the Calman Commission in Scotland, agreed that “there is going to have to be a referendum before there are income tax powers.”⁵³ Similar views were expressed by the UK Independence Party (UKIP).⁵⁴

53. Others, however, did not believe the partial devolution of income tax was of sufficient constitutional importance to warrant a referendum. The Chair of the Political and Constitutional Reform Committee, said:

I think it is ridiculous, frankly, that technical issues—detailed financial issues—are constantly put to referendums. The big constitutional things should be, of course—as in Scotland, or whether we have a written constitution and so on—but not whether you should have this or that variability, or this or that tax. If you go that way you will tie yourself into neverendums on every detail.⁵⁵

54. Roger Scully, Professor of Political Science at the Wales Governance Centre at Cardiff University, was also not persuaded by the case for a referendum on income tax. He said:

We have in recent decades, for instance, established two wholly new systems of local government taxation in the community charge, poll tax and council tax without, I think, even the suggestion of a referendum on either. Is transferring partial responsibility over an existing tax from one level of government to another really more fundamental? I do not think so myself.⁵⁶

Richard Wyn Jones, Professor of Welsh Politics at the Wales Governance Centre, agreed saying “the justifications that are being offered for a referendum seem to me to be very weak”.⁵⁷ In supplementary evidence he discounted several arguments commonly made for the referendum including the Scottish precedent, that income tax devolution is a major constitutional change and claims that the Welsh electorate expect a referendum on the issue. He concluded:

None of the arguments for a referendum are persuasive. Indeed, it is worth pointing out that any decision to hold a referendum on this issue would be highly anomalous in international, comparative terms.⁵⁸

We heard that a manifesto commitment of an elected political party would be sufficient to proceed with the partial devolution of income tax.⁵⁹

52 Q322

53 Q26

54 United Kingdom Independence Party ([DWB 15](#)) p2, Welsh Government ([DWB 11](#)) p3

55 Q299

56 Q45

57 Q48

58 Professor Wyn Jones ([DWB 25](#)) p4

59 Q48 [Professor Wyn Jones]

55. Professor Scully expressed doubts about the level of public engagement with a referendum on such a technical point, saying he would not be surprised by a turnout of lower than 25%.⁶⁰

56. The Electoral Commission's main concern regarding a potential referendum was that there needed to be clear public campaigns on both sides of the debate:

In relation to the holding of referendums generally, we would say that the key issue for consideration is whether or not it will be something that generates viable debate on both sides of the campaign. The campaigns are the key way in which the public get to know what the issues are in a referendum.⁶¹

57. In evidence, the Secretary of State for Wales argued strongly that the devolution of income tax should be put to a referendum because it was “a serious constitutional issue”.⁶² He also stressed that it was important for a referendum to be held on the issue in Wales given the Scottish precedent:

The Scottish people, of course, had the opportunity to vote on income tax devolution, and I think, frankly, the people of Wales would be affronted if they felt that income tax devolution was being imposed upon them without having their say.⁶³

The referendum question

58. The draft Bill does not specify the wording of the question in a potential future Welsh referendum on partial income tax devolution. However, the Wales Office will have responsibility for drafting a question, and, the Electoral Commission would provide research on the technical aspects of the question and would conduct research into the intelligibility of the question.

59. We heard varied evidence on the kind of question that should be asked in a potential referendum on income tax devolution in Wales: specifically, whether the question should be narrowly focused on the income tax proposals in the draft Bill or a broader question on the principle of income tax or tax devolution which might avoid the need for future referenda.

60. The First Minister of Wales preferred a focussed question: “it is important that, where there is legislation, the question is tied into that legislation and is not too broad; people have to be able to understand what they are voting for in a referendum”.⁶⁴ On the other

60 Q46

61 Q246

62 Q400

63 Q400

64 Q241

hand some witnesses agreed with Gerald Holtham that “the referendum should be framed in sufficiently general terms that it covers subsequent changes.”⁶⁵

61. Several witnesses stressed the advantages of avoiding having further referenda on the issue of income tax in future. For instance, Andrew RT Davies AM, Leader of the Opposition in the National Assembly, highlighted that “as politicians, you do not want to be going back and forth to the electorate for referendums all the time”.⁶⁶

62. The Electoral Commission did not comment on whether the question should be broad or narrow, but stressed the importance of a question that was accessible to the public:

Our concern is always that the question should be one that is easy for voters to understand so that they know what they are voting for and can mark the ballot paper easily in the way that they intended.⁶⁷

63. At the Welsh Grand Committee the Secretary of State said:

I think that we should have a very discrete referendum on this particular issue. The issue is whether or not the Welsh Government should have access to an income stream afforded to it by the transfer of 10p in the pound.⁶⁸

However, he also said that “there should be a national debate in Wales on the whole issue of tax devolution.”⁶⁹

64. We agree with the provision in the draft Wales Bill to make the partial devolution of income tax to the Welsh Government contingent on a ‘yes’ vote by the people of Wales in a referendum. Tax devolution is an important constitutional change and one that requires a principle to be established by the electorate before commencement. Welsh voters should be afforded a similar opportunity to express their opinions on this issue as was given to Scottish voters.

65. We recognise that there were differences of opinion on whether there should be a narrowly focused question on the current proposals or a more general question which would allow wider tax raising powers to be granted in future without a further referendum. We conclude that either approach would be reasonable provided that, if the wider question was posed, the Welsh public was aware that the consequences of a “yes” vote would be that further powers over income tax could be transferred in the future.

65 Q28.

66 Q325. See also Q241 [first Minister of Wales] and Q325 [Kirsty Williams, Leader of Welsh Liberal Democrats]

67 Q24

68 Welsh Grand Committee Debate, 5 February 2013, [col.10](#).

69 Welsh Grand Committee Debate, 5 February 2013, [col.10](#).

Income tax devolution and fair funding

66. Currently, the size of the block grant from the UK Government to the Welsh Government is almost entirely determined by the Barnett formula. This formula has been in place for nearly 30 years and has attracted controversy for various reasons including the widespread view that it underfunds Wales. As described in paragraph 27, the block grant will be adjusted to take account of the revenue streams from the devolved taxes

67. The first of the two Holtham Commission reports examined the issue of fair funding in Wales.⁷⁰ In oral evidence Gerald Holtham summarised his Commission's findings:

Work we did back in 2010 suggested, that, if Wales were a region of England and you simply applied in Wales the needs-based formulae used in England to distribute health spending and local government revenue support around England, you would come to the conclusion that Wales is slightly underfunded by 2% or 3% relative to what it would get if it were an English region.⁷¹

He continued that the problem of the convergence of per capita spending between England and Wales, despite the broad recognition of Wales' greater needs, would continue in the future unless the Barnett formula was reformed.

68. The First Minister of Wales made it clear that he could not support the income tax devolution proposals in the draft Bill without prior resolution of the fair funding issue.⁷² He explained the reasons for his position:

Until that underfunding is addressed, I would certainly be most reluctant to look at income tax devolution, because it would simply lock in that underfunding. Why? I suspect that, with the devolution of some income tax powers, whenever the issue of fair funding would be raised in the future, the answer would simply be 'You've got powers to raise money yourselves; get on and do it'.⁷³

The First Minister of Wales suggested that revisiting the fair funding issue was politically impossible until after the Scottish independence referendum: "There are matters in Scotland that need to be resolved first, I suspect, before the issue of fair funding is addressed once more".⁷⁴

69. The leaders of the three opposition parties in the National Assembly agreed with the First Minister that the Barnett formula should be reformed. However, they were not convinced that the outstanding fair funding issue should prevent progress on income tax devolution. Leanne Wood AM, Leader of Plaid Cymru, said "Plaid Cymru has campaigned

70 Independent Commission on Funding and Finance for Wales, [Fairness and Accountability: A New Funding Settlement for Wales](#), (July 2010)

71 Q5

72 Q220

73 Q209

74 Q211

for more than a decade for reform of the Barnett formula. [...] I accept that Silk mentions the Barnett formula, but it does not link them; it is a false association to link them.”⁷⁵

70. The UK Government has consistently said that it will not reassess the Barnett formula in this Parliament.⁷⁶ The Government’s written response to the Silk Commission’s report said:

The joint statement made by the Government and the Welsh Government in October 2012 established a process to review relative levels of funding for Wales and England in advance of each spending review and, if convergence is forecast to resume, to discuss options to address the issue in a fair and affordable manner. These robust arrangements provide a firm basis for the devolution of income tax (subject to a referendum).⁷⁷

71. The Exchequer Secretary to the Treasury said that the Government’s priority was the wider public finances:

We are not going to look at the Barnett formula until the public finances are sorted. The focus is on the public finances. They need to be stabilized, and being in a position where public finances are strong is a much better time to look at a funding formula of this sort.⁷⁸

The Secretary of State for Wales said:

I do not think that anyone is saying that Barnett has an indefinite life span, but this is not the time to address it, given the state of the public finances.⁷⁹

72. Although the issue of fair funding is outside the scope of this inquiry, we have sympathy with the argument that the issue should be resolved before income tax powers are devolved so that Wales is not unfairly disadvantaged by the proposals in the draft Bill. We believe that the issue of fair funding should be examined and do not see the need to postpone this until after the 2015 General Election.

Devolution of smaller taxes

73. The Silk Commission recommended the devolution of several smaller taxes to Wales. The draft Wales Bill implements the devolution of stamp duty land tax (SDLT) and landfill tax. Both these taxes were devolved to Scotland under the Scotland Act 2012. The Secretary of State said:

[The devolution of SDLT and landfill tax] will put new economic levers in the hands of the Assembly and the Welsh Government, while also providing

75 Q337

76 Secretary of State for Scotland, HC Deb, 18 December 2013, [col 728](#).

77 HM Treasury and The Wales Office, [Empowerment and responsibility: devolving financial powers to Wales](#), (November 2013), p15

78 Q398

79 Welsh Grand Committee Debate, 5 February 2013, [col.7](#).

the independent revenue streams to facilitate borrowing by the Welsh Government.⁸⁰

74. Clauses 13 and 14 of the draft Bill bring the collection of SDLT in Wales to an end and allow the Welsh Government to develop its own tax on transactions in land and property. SDLT is a tax with relatively volatile revenues since it is closely connected with housing markets. In 2012–13, revenue from the tax amounted to £105 million in Wales (see Table 2). In recent years the growth in SDLT revenue in Wales has been slower than in England due to the slower growth of the Welsh property market.

Table 2: Revenue from Smaller Taxes in Wales

Financial Year	SDLT Revenue in Wales	Landfill Tax Revenue in Wales
2007/08	£210m	£38m
2008/09	£115m	£43m
2009/10	£100m	£40m
2010/11	£115m	£48m
2011/12	£125m	£49m
2012/13	£105m	£50m

Source: Wales Office written evidence (DWB 20)

75. Clauses 15 and 16 disapply the UK landfill tax in Wales and give the Welsh Government the power to levy its own tax on the disposal of waste to landfill. In Wales, half of landfilled waste is from industrial or commercial sources while the other half comes from local authorities.⁸¹ The tax aims to discourage the use of landfill and so its taxable base is declining as landfill use declines. In 2012-13, landfill tax revenue in Wales amounted to £50m (see Table 2).

76. Under the provisions in the draft Bill, the Welsh Government will be able to change the rates of tax in these two areas as well as the structure and progressivity of these taxes, unlike with income tax.⁸² The Royal Institute of Chartered Surveyors Wales welcomed the opportunity provided to the Welsh Government to reform SDLT more substantially, particularly in respect of the large increases between the different bands, often referred to as the ‘slab’ structure.⁸³ Last year the Scottish Parliament passed the Land and Buildings Transaction Tax (Scotland) Act 2013 which included a proportionate tax on property transactions replacing the slab structure of SDLT.⁸⁴ The Welsh Government has announced it is watching events in Scotland closely to see if similar measures could be introduced in Wales.⁸⁵ The Welsh Conservatives have stated that, if elected in the next

80 Welsh Grand Committee Debate, 5 February 2013, [col 5](#).

81 The Commission on Devolution in Wales, *Empowerment and Responsibility: Financial Powers to Strengthen Wales*, (November 2012), p62

82 The Commission on Devolution in Wales, *Empowerment and Responsibility: Financial Powers to Strengthen Wales*, (November 2012), p61

83 Q116

84 *“Scotland’s Stamp Duty Plan is Approved by Holyrood”*, BBC News, 25 June 2013

85 *“Stamp Duty: Wales Watching Scotland Reforms”*, Wales Online, 13 February 2014

Assembly elections, they would aim to eliminate SDLT on houses worth less than £250,000.⁸⁶

77. The devolution of SDLT and landfill tax was broadly welcomed in evidence from the Welsh Government and the Welsh Liberal Democrats.⁸⁷ Some witnesses, however, stressed that since these taxes raised very little in revenue, devolving them was likely to have “relatively little” impact on financial accountability in Wales.⁸⁸ Taken together, the revenue from both taxes combined amounts to about 1% of public expenditure in Wales.⁸⁹ Nevertheless, Gerald Holtham said that the high visibility of SDLT may mean it has some impact on financial accountability:

Stamp duty is a visible tax. People do buy and sell houses and they are very aware of it at the time, so, if the Welsh Government do anything with it, it will attract attention. I would not say there was no gain in accountability, but it is limited, certainly.⁹⁰

78. The devolution of the two smaller taxes will require adjustments to the Welsh block grant to reflect the associated streams of revenue. The draft Bill does not specify the specific method of block grant adjustment to be used with respect to SDLT and landfill tax, unlike for income tax where the Government’s preferred method is known (see paragraph 27).

79. The Silk and Holtham Commissions both recommended a different method of adjusting the block grant for the smaller taxes compared to income tax: the fixed deduction method.⁹¹ The fixed deduction method is a simpler system where a set amount, based on the Welsh revenue from the devolved smaller taxes, is deducted from the block grant annually. This method may also be used in Scotland for the devolution of small taxes. For the relatively small amounts of revenue raised by the landfill tax and SDLT, the difference between the two methods is not likely to be very large.⁹² The Government said that the method of adjustment of the block grant in the case of these two taxes will be “agreed with the Welsh Government”.⁹³

80. The Chartered Institute of Public Finance and Accountancy gave evidence that the method of adjusting the block grant with respect to these two land taxes should be specified

86 “[Welsh Conservatives pledge stamp duty cut](#)”, BBC News, 6 February 2014

87 Welsh Government ([DWB 11](#)) p4, Welsh Liberal Democrats ([DWB 13](#)) p1

88 Q29 [Gerald Holtham]

89 Based on data from 2012/13. Public expenditure data is for Total Managed Expenditure (TME) cited in The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p158. Tax revenue data is from Table 2, above.

90 Q29

91 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p61, p64 and Independent Commission on Funding and Finance for Wales [Fairness and Accountability: A New Funding Settlement for Wales](#), (July 2010), p49 and p53

92 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p170

93 HM Treasury and The Wales Office, [Empowerment and responsibility: devolving financial powers to Wales](#), (November 2013), p11

explicitly in the Bill since lack of clarity on this point in Scotland had generated significant discussion:

We are concerned that the mechanisms planned to offset the block grant to account for tax revenues are not indicated, either on the face of the draft Bill, or in the accompanying documentation. Thus, not allowing for scrutiny of this important element of tax devolution. [...] Given that this has been the focus of much discussion during the scrutiny of the Scotland Act 2012 in the Scottish Parliament, we consider that the Wales Office could have learnt from this experience and provided an indication either on the face of the draft Bill, or in the accompanying documentation, as to how such deductions would be conducted to allow for scrutiny of this important element of tax devolution.⁹⁴

81. Should stamp duty land tax and landfill tax be devolved, the Welsh block grant will be adjusted downwards accordingly. The mechanism by which this adjustment is calculated is important but is not explicitly stated in the Bill.

82. *We recommend that, by the time of the introduction of the Bill, the Government sets out its preferred method to adjust the block grant in respect of stamp duty land tax and landfill tax.*

Business rates

83. The Silk Commission recommended that business rates should be fully devolved to Wales. In its Response to the Silk Commission report, the Government committed itself to “work with the Welsh Government to fully devolve non-domestic (business) rates”.⁹⁵ However, the devolution of business rates is not included in the draft Bill. The Wales Office provided the following explanation to us:

Legislative competence over business rates is already devolved to the National Assembly for Wales [...] and so no provision is made in the draft Bill in relation to business rates.

Changes are needed to the way in which business rates affect the Welsh Government’s budget in order to implement full devolution. At present, changes to the Welsh Government’s budget in relation to business rates are determined through the Barnett formula, following changes in spending funded by business rates in England, and so revenues generated by Welsh business rates have no direct effect on the Welsh Government’s budget.

Discussions are underway between HM Treasury and the Welsh Government so that changes in business rates revenues in Wales directly affect the funds available to the Welsh Government (as is already the case in Scotland and

94 Chartered Institute of Public Finance and Accountancy ([DWB 12](#)) para 1.4-2.1

95 HM Treasury and The Wales Office, [Empowerment and responsibility: devolving financial powers to Wales](#), (November 2013), p7

Northern Ireland). This will link the growth in the Welsh Government's budget more closely to the performance of the Welsh economy.⁹⁶

84. We have received evidence calling for more clarity on the arrangements that the UK and Welsh Governments are making for the full devolution of business rates. FSB Wales explained that currently "it is not clear which mechanism will enable the full devolution of business rates and whether this will be as the result of initiation from Welsh Government or the UK Government".⁹⁷

85. *We recommend that, by the time of the publication of the Bill, the Government has set out how it aims to take forward its policy fully to devolve business rates to Wales.*

Borrowing powers

Borrowing limits

86. The Welsh Government currently has a limited ability to borrow under powers inherited from the Welsh Development Agency and provisions in GOWA 2006. It can borrow up to £500 million in order to take account of temporary discrepancies between revenues and expenditure. To date, the Welsh Government has not used these powers. Until recently, Wales did not have the ability to borrow for capital projects.

87. The Scotland Act 2012 provides a range of new borrowing powers to the Scottish Government which will be able to borrow up to a stock of £2.2 billion for capital purposes, with an annual limit of 10 per cent of the Scottish annual capital DEL budget (approximately £230 million in 2014-15), and up to £500 million to manage any budget shortfalls including those as a result of volatility in tax receipts. The Act currently allows the Scottish Government to borrow by way of a loan from either the National Loans Fund (that is, from the UK Government) or from commercial banks.⁹⁸

88. The Silk Commission argued for increased borrowing limits in Wales based on two main arguments. First, since the Scotland Act 2012 provided new borrowing powers for Scotland, Wales' position of having no capital borrowing powers is now out of step with the position in Scotland. Second, the report argued that tax devolution, even on a limited scale, would introduce volatility into the Welsh budget and so additional borrowing was necessary to take account of this.⁹⁹

89. Wales currently carries a relatively small burden of public debt since it has comparatively low exposure to Public Finance Initiative (PFI) borrowing.¹⁰⁰ The Silk

96 Wales Office ([DWB 20](#)) p4

97 Federation of Small Businesses Wales ([DWB 08](#)) p1

98 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p112

99 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p114

100 The Silk Commission's report said on PFI debt in Wales: "we note the limited use of Private Finance Initiatives (PFI) in Wales compared with Scotland. The total capital value of the Welsh Government's projects is £544 million with annual unitary charge payments peaking at £110m in 2028-29. The total capital value of the Scottish Government's

Commission argued that this also ought to be taken into account in considerations of an appropriate debt limit for Wales.

90. Clause 17 of the draft Bill provides the Welsh Government with increased borrowing powers. This clause will enable Welsh Ministers to borrow for the following four main purposes:

- to manage within-year volatility in tax receipts where forecast monthly income and actual income diverge;
- to provide a working balance for the Welsh Consolidated Fund to manage variability in cash-flow;
- to cope with differences between the annual forecast and the actual tax take from devolved taxes; and
- to fund capital expenditure.

91. The provisions in the draft Bill set the borrowing limits for Wales to £500 million each for current and capital account borrowing, making a combined limit of £1 billion. The new borrowing limits are partly a reflection of the income streams coming to the Welsh budget under the proposed devolution of stamp duty land tax and the landfill tax. Welsh Government Ministers will be able to borrow from the National Loans Fund and from commercial banks but they will not be able to issue Welsh bonds.

92. Should income tax also be devolved, which would represent a much larger income stream for Wales, the capital borrowing amount would be further extended. The Government has not confirmed the exact capital borrowing limit in the event of income tax devolution and a figure is not stated on the face of the Bill. The Exchequer Secretary to the Treasury told us: “in the circumstances where there is devolution of income tax, as is proposed, then [...] the number would be around the £1 billion mark.”¹⁰¹

93. An issue related to the granting of capital borrowing powers to Wales is the upgrades of the M4 and A55. Prior to the new funding streams in the Bill being available, the Government has confirmed it will enable the Welsh Government to use its existing limited borrowing powers “to get the improvements to the M4 underway as soon as possible.”¹⁰² In our Third Report of Session 2010–12, we stated that the M4 had “suffered from under-investment and congestion for too long” and called on the UK and Welsh Governments to work together to improve the road, “in particular to identify attainable funding solutions

PFI projects is £5,700m with unitary charge payments peaking at £1,093m in 2025-26. The Welsh Government therefore has about 10 per cent of Scotland’s exposure (and around 1 per cent of the UK total). The Welsh Government therefore has a smaller PFI liability which should be fully taken into account when assessing borrowing limits”. The Commission on Devolution in Wales [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p115

101 Q404

102 Wales Office, [Written Statement: Wales \(Infrastructure and Finance\)](#), 1st November 2013

for the essential improvements required”.¹⁰³ The Government has since confirmed that the advance funds of £500 million could also be used to upgrade the A55 in North Wales.¹⁰⁴

94. Witnesses broadly welcomed the proposal to increase the Welsh borrowing limit. The Welsh Government said it “agree[s] that the Welsh Government should be able to borrow for cash management purposes following the devolution of taxes, and for capital investment.”¹⁰⁵ The leaders of the three opposition parties in the National Assembly supported the extension of capital borrowing powers to Wales but felt that the limit should be higher, as did the First Minister.¹⁰⁶

95. Witnesses including Jocelyn Davies AM, the Chair of the National Assembly for Wales’ Finance Committee, and Kirsty Williams AM, Leader of the Welsh Liberal Democrats, expressed a preference for a negotiated borrowing limit instead of a figure written on the face of the Bill. The Leader of the Welsh Liberal Democrats said:

One wonders whether you should be looking at a prudential-type borrowing system, rather than necessarily having a figure on the face of the Bill.¹⁰⁷

In 2012 the National Assembly for Wales’ Finance Committee published a report on borrowing powers in Wales.¹⁰⁸ The Chair of that Committee, Jocelyn Davies AM, described the report’s findings: “When we did our report [...] we envisaged that there would be negotiation between the two Governments in order to decide what that [borrowing] limit should be. That is why I am surprised to see it on the face of the Bill.”¹⁰⁹ The Silk Commission’s report also concluded that the limit on capital borrowing should be negotiated between the Welsh and UK Governments.¹¹⁰

96. Many witnesses argued that the borrowing limit as set out in the draft Bill is too low. Gerald Holtham said that the Welsh borrowing powers under the proposals were “fairly tight” and could be set at a higher level. The Silk Commission’s report said:

We do not believe that Wales should get a proportionally lower capital limit than is in place for Scotland. This would mean for Wales a limit of £130 million a year based on 2011-12 spending, around 10 per cent of the Welsh

103 House of Commons, Report of the Welsh Affairs Select Committee, Third Report of Session 2010-2012, [The Severn Crossings Toll](#), HC 506 P 21

104 Welsh Grand Committee Debate, 5 February 2013, [col 6](#).

105 Welsh Government ([DWB 11](#)) p4

106 [Leanne Wood] Q326,[Kirsty Williams] Q331, [Andrew RT Davies] Q336

107 Q331

108 National Assembly for Wales, Finance Committee, [Borrowing Powers and Innovative Approaches to Capital Funding](#), July 2012

109 Q198

110 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p115

Government's current annual capital DEL, and an overall capital stock limit of £1.3 billion.¹¹¹

97. The Welsh Government said "The Bill sets a borrowing ceiling of £500m for capital investment, which is a good start, however [...] this ceiling should be raised."¹¹² The Leader of the Welsh Liberal Democrats said "Previously, we would have looked for parity with Scotland, which would have meant that the borrowing figure would be higher than what is currently on the face of the Bill. [...] If you are to have a figure on the face of the Bill, I would suggest that it should be higher than it currently is".¹¹³

98. Other witnesses were less enthusiastic about the new powers. Dr Ball expressed reservations over the Welsh Government's ability to raise sufficient funds to pay back higher levels of debt.¹¹⁴ UKIP opposed increasing borrowing powers in Wales on the grounds that the UK already has high levels of debt.¹¹⁵

99. Defending the capital borrowing limit of £500 million as proposed in the draft Bill, the Exchequer Secretary to the Treasury argued that the Government was giving the Welsh Government more borrowing powers proportionately than had been given in Scotland:

First of all, it is worth looking at the amount of tax that is devolved and applying the same ratio that applies in Scotland where, of course, an element of income tax is devolved. That would give us a number in the region of round about £100 million. But we are very keen to proceed with the M4 improvements. That is the reason why we have a higher number, which is the £500 million.¹¹⁶

For this reason, the Secretary of State said the borrowing settlement was "extremely generous".¹¹⁷

100. On the extension of capital borrowing if partial devolution of income tax occurred, the Wales Office said: "The precise increase would be a matter for a future Government, but the limit could be increased to slightly more than £1bn using the borrowing/revenue ratios applied to Scotland."¹¹⁸

101. In response to criticisms that a numerical figure should not have been included on the face of the Bill, the Exchequer Secretary to the Treasury argued that stating the limit on the face of the Bill provided "a degree of certainty and reassurance."¹¹⁹

111 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p115

112 Welsh Government ([DWB 11](#)) p4

113 Q331

114 Q127

115 United Kingdom Independence Party ([DWB 15](#)) para 2.3.1

116 Q404

117 Welsh Grand Committee Debate, 5 February 2013, [col 6](#).

118 Wales Office ([DWB 20](#)) p5

119 Q406

102. It remains unclear how the Government came to the borrowing limit figures set out in the draft Bill. *We recommend that, by the time of the publication of the Bill, the Government has set out how it has decided the limits of £500 million for current account and £500 million for capital account borrowing.*

103. We note the arguments in favour of borrowing limits being set by negotiation between the UK and Welsh Governments rather than a figure being written on the face of the Bill.

Ability to issue bonds

104. The Silk Commission recommended that the Welsh Government be given the power to issue bonds.¹²⁰ The Commission recognised that bonds were likely to be a relatively expensive source of finance in Wales, at least in the short term, but stated:

There might be some benefits in exposing the Welsh Government to the bond market to allow it to gain valuable experience in its operation. Moreover, while bonds may be more expensive at present, a possible future scenario where they may be cheaper or more attractive to the Welsh Government cannot be ruled out. We therefore see no reason in principle for preventing the Welsh Government from being able to issue its own bonds.¹²¹

105. The draft Wales Bill, however, does not provide the Welsh Government with the power to issue bonds. However, as in Scotland under the Scotland Act 2012, subsection (5) of clause 17 of the draft Bill would allow the devolution of bond issuing powers to Wales without further primary legislation.¹²²

106. Several senior figures in the National Assembly and the Welsh Government expressed regret that the Silk Commission's recommendation on bonds was not included in the draft Bill. Jocelyn Davies AM, Chair of the National Assembly's Finance Committee, pointed out that some local authorities in the UK were able to issue bonds, although she acknowledged it was unlikely the Welsh Government would use the power.¹²³

107. Jane Hutt AM, the Welsh Government Finance Minister, said: "We would like to be able to issue our own bonds, as well. This is about growing in confidence and maturity in terms of progressing devolution and showing that we are responsible."¹²⁴ The Leader of Plaid Cymru also wanted the Welsh Government to have the power to issue its own bonds.¹²⁵

120 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p119

121 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p116

122 Wales Office (DWB 26) p2

123 Q195

124 Q219

125 Q330

108. Gerald Holtham outlined a different potential benefit of devolving bond issuing powers to Wales. He argued the ability to issue bonds could reduce the cost of borrowing from other sources, such as the UK Government’s Debt Management Office:

[...] having the ability to issue bonds has the wonderful effect on the rates that get quoted to you by the Debt Management Office. Only because local authorities could issue bonds if they wanted to, did the Debt Management Office suddenly find it could charge them 40 basis points over rather than 140 over, which it was trying to do. The Silk Commission did recommend that the Welsh Government should have the power to issue bonds, but this was another area where the Scots haven’t got it, so we can’t have it either.¹²⁶

109. On 19 February 2014 the UK Government confirmed that the Scottish Government would have the power to issue its own bonds. This followed a consultation held by the Treasury in 2012 on the potential benefits and disadvantages of bond issuance by the Scottish Government, to extend the financial powers already devolved by the Scotland Act 2012. Announcing the new powers, the Chief Secretary to the Treasury, the Rt Hon Danny Alexander MP, said it was “a historic announcement, demonstrating once again how Scotland can grow and prosper within the UK”. The Chancellor of the Exchequer, the Rt Hon George Osborne said, “being able to issue its own bonds gives Scotland new powers and new responsibility, within the security of the UK”.¹²⁷

110. In evidence to our inquiry, the UK Government explained that Welsh bonds were not included in the draft Bill because it would be a more expensive way for Wales to borrow. The Exchequer Secretary to the Treasury said “the reality is that the cheapest way of borrowing is through the NLF—the National Loans Fund.”¹²⁸ He also confirmed that, in the event that Wales was able to issue its own bonds, they would count towards the Welsh Government’s existing borrowing limit together with any loans from the National Loans Fund or commercial banks.¹²⁹

111. The Government’s position that Wales should not have the power to issue bonds because it may be a more expensive form of finance than the alternatives is an argument against exercising the power, not having the power. Provided that restrictions were in place to ensure the overall borrowing limit would remain unchanged and that bonds would count towards that limit, there are arguments in favour of providing the Welsh Government with the ability to issue bonds.

112. *We recommend that by the time of the publication of the Bill, the Government has clearly explained the full rationale for not granting the Welsh Government the power to issue bonds.*

126 Q39

127 “[Scottish government to receive powers to issue finance bonds](#)”, BBC News, 19 February 2014

128 Q407

129 Q409

National Assembly for Wales budget procedures

113. In order to make proper use of new financial powers, the Silk Commission recommended that “the National Assembly for Wales should have legislative control of its own budgetary procedures”.¹³⁰ The present National Assembly procedures for the consideration of the budget are set out in GOWA 2006 and cannot be altered by the Assembly. An annual Assembly budget motion authorises the resources given by HM Treasury. The Silk report concluded that these procedures were “no longer fit for purpose once the Assembly is given legislative responsibility for borrowing and tax raising”. Whereas the current Welsh budget processes simply involved authorising the allocation of spending to programmes, “if our recommendations are accepted, the Welsh Government would also need to propose tax rates and borrowing for the forthcoming year and these would therefore need to be considered and authorised by the Assembly”.¹³¹

114. The situation in Wales differs from Scotland, where the Scottish Parliament has, since its inception, had the power to develop its own financial and budgetary procedures.

115. The Silk Commission’s view was that transferring control of Welsh budgetary procedures to the National Assembly could be achieved by an Order in Council under section 109 of the Government of Wales Act (which would repeal or modify the parts of the GOWA 2006 that deal with budgetary procedures) although there would remain a need for Westminster legislation to make general provisions about the Welsh Consolidated Fund and some other basic financial safeguards.¹³²

116. The draft Wales Bill does not include provisions to devolve control of the Assembly’s budgetary procedures to the Assembly. However, in its response to the Silk Commission report, the Government agreed that “there may be a case for modifying the devolution boundary in respect of the Assembly’s budgetary procedures”. It noted that “the Silk Commission is currently examining the legislative powers of the National Assembly for Wales under the second part of its remit”.¹³³

117. In evidence, Dame Rosemary Butler AM, the Presiding Officer of the National Assembly for Wales, said that the Bill should include the devolution of the Assembly’s budgetary procedures to the Assembly:

If we are going to be responsible to the people of Wales and be able to call the Government to account, we need to be in total control of how we formulate our financial procedures. It seems a bit backward-looking if we are going to be given certain powers, but somebody else is going to be controlling them. This new Bill is an opportunity to put things right. [...]

130 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p136

131 The Commission on Devolution in Wales, [Empowerment and Responsibility: Financial Powers to Strengthen Wales](#), (November 2012), p 135

132 Ibid.

133 HM Treasury and The Wales Office, [Empowerment and responsibility: devolving financial powers to Wales](#), (November 2013), p18

It is absolutely essential, given that we are now a mature institution, that we are able to control our own financial regimes.¹³⁴

118. In supplementary evidence, she said the powers should be transferred urgently: “Awaiting the second report of the Silk Commission, the UK Government’s associated response, and the development of subsequent legislation, may not allow time for the development of an appropriately robust and transparent budget process for Wales, prior to the use of taxation and borrowing powers”.¹³⁵ Devolving legislative control, she said, would enable the Assembly to give appropriate consideration and approval to the spending plans of the Welsh Government, to Welsh tax rates for devolved taxes (and any corresponding adjustments to the block grant), and the application and sustainability of borrowing powers.¹³⁶

119. The Chartered Institute of Public Finance and Accountancy also considered it to be a “key omission” that the draft Bill did not transfer powers over the budget process to the National Assembly: “it runs the risk having powers over taxation and borrowing without the ability to operate an appropriate budget process through which to hold the Welsh Government to account for its financial plans.”¹³⁷

120. The Secretary of State for Wales confirmed that the devolution of legislative control of budgetary processes was “something that we are giving further consideration to”, and welcomed the Committee’s views on this matter.¹³⁸ He subsequently made a similar point in the Welsh Grand Committee on 5 February.¹³⁹

121. Should tax powers be devolved to the National Assembly, the Assembly’s existing budgetary procedures will not be fit for purpose. The Assembly will require legislative control of its own budgetary processes in order to consider and authorise Welsh taxation and borrowing plans. There is a case for the Bill to be the mechanism by which the Assembly gains control of the legislative competence to amend its own budgetary procedures.

122. We recommend the Government consider amending the draft Bill to give the National Assembly for Wales legislative control over its budgetary procedures.

Contextual information alongside the Bill

123. When introducing the Scotland Bill in November 2010, the Government published a Command Paper at the same time, *Strengthening Scotland’s Future*.¹⁴⁰ The Command Paper explained the Bill’s provisions but also covered broader related issues, for example

134 Q171

135 Presiding Officer ([DWB 23](#)) p8

136 Presiding Officer ([DWB 23](#)) p18

137 Chartered Institute of Public Finance and Accountancy ([DWB 12](#)) para 1.3

138 Q435

139 Welsh Grand Committee Debate, 5 February 2013, [col.14](#).

140 HM Government, *Strengthening Scotland’s Future*, [CM 7973](#), November 2010

detailed information on the impact of tax devolution on the block grant and the implications of a shared tax base.

124. The Government's Response to the Silk Commission, published by HM Treasury and the Wales Office in November 2013, was a 22-page policy paper which focussed narrowly on the Government's response to each of the Commission's 33 recommendations. Many of the Government's responses to the Silk recommendations consisted of one or two sentences, and several important related matters, such as how the block grant will be adjusted were not explained in any detail.

125. In this Report, we identify several areas where the Government ought to provide further information by the time the Bill is introduced, for instance relating to block grant adjustment mechanisms, how the proposed borrowing limits were calculated and the full devolution of business rates. These areas are crucial to the practical working of the scheme announced by the Government, due to the complex way the provisions of the Bill interact with non-statutory matters such as the calculation and operation of the block grant. Without such detail, it will be impossible to understand the overall impact of the Bill or for it to be properly scrutinised by Parliament.

126. We recommend that the Government produces a Command Paper alongside the Wales Bill, as it did with the Scotland Bill. This should be a comprehensive description of the Government's fiscal devolution plans, including detailed information on the areas we identify in this Report that require further explanation.

3 National Assembly for Wales electoral arrangements

127. In May 2012 the Government published a Green Paper on the future electoral arrangements for the National Assembly for Wales, which sought views on a number of proposed changes to how the Assembly is elected.¹⁴¹ Following public consultation, the Secretary of State for Wales announced in March 2013 that the Government would bring forward legislation to change the length of an Assembly term from four years to five years, to remove the prohibition on a candidate at an Assembly election standing in both a constituency and a region and to bring to an end the practice of AMs also sitting in the House of Commons. We cover each of these proposals in this chapter.

128. Some of the electoral proposals mirror those set out in the Northern Ireland (Miscellaneous Provisions) Bill, which is currently progressing through Parliament and was the subject of pre-legislative scrutiny by the Northern Ireland Affairs Committee.¹⁴²

Term length of the National Assembly

129. Clause 1 of the draft Bill amends section 3(1) of the GOWA Act 2006 to provide for ordinary general elections to the National Assembly to take place every five years, rather than every four years as present. The Government wants to lengthen the Assembly's term to five years to minimise the chance of National Assembly elections occurring in the same year as Westminster general elections. Without the changes, the two elections would coincide in 2020 and every twenty years thereafter.

130. The National Assembly passed a resolution on 16 March 2011 which called for its 2015 election to be delayed by one year to avoid a clash with the 2015 Westminster election. This proposal was given effect by section 5 of the Fixed-term Parliaments Act 2011 which moved the date of the next Assembly elections from 7 May 2015 to 5 May 2016. Similar resolutions were passed by the Scottish Parliament and the Northern Ireland Assembly. However, under the law as it stands, the National Assembly will revert to four year terms thereafter. The changes in the draft Bill would mean the next Assembly election after 2016 is in 2021 and every five years thereafter.

131. Most of our witnesses agreed it was desirable for Westminster and National Assembly elections to be held on separate days. Dame Rosemary Butler AM, Presiding Officer of the National Assembly, told us:

I think that it is very important that the parliamentary elections for Westminster should stand on their own. They are such vitally important elections. The same goes for the National Assembly for Wales. It allows

141 Wales Office, [A Green Paper on future electoral arrangements for the National Assembly for Wales](#), May 2012

142 Northern Ireland Affairs Committee, Second Report of Session 2012-13, [Draft Northern Ireland \(Miscellaneous Provisions\) Bill](#), HC1003

people to understand what the issues are and not to get them muddled. They get things muddled anyway, but, generally, I think it is better to try to separate them out. It has worked well since we have separated the elections. Of course, as Westminster now has five-year terms, it seems sensible that we should also have five-year terms, so that there is never a clash. I think that it helpful. It should be the Welsh general election and it should not be confused with other elections.¹⁴³

Other witnesses, such as Professor Wyn Jones, the Electoral Reform Society, the Association of Electoral Administrators, and the opposition party leaders in the National Assembly, shared the view that the two elections should be held on different days. The Electoral Commission did not have a specific view on whether the Assembly term should be four or five years but suggested that the potential combination of a UK General Election, National Assembly for Wales election and Police and Crime Commissioner election in 2020 would present “significant challenges for voters”:

It would mean each voter casting ballots in up to three differently-drawn constituencies and an electoral region; on four separate ballot papers and using three different electoral systems. It would also prove challenging for political parties and candidates, not least because of the risk of one campaign overshadowing another and the communication issues that campaigning across multiple elections presents. There would also be administrative challenges for Returning Officers. Overall, these issues would bring significant risks to ensuring well-run elections.¹⁴⁴

132. Some witnesses believed that four years was, ideally, a more appropriate length of term for an elected legislative body, although most of these also accepted the proposal for a five year Assembly term was necessary to avoid a clash with UK General Elections.¹⁴⁵ ERS Cymru believed five years felt “a little bit too long to have a programme of government and a fresh mandate from the people”. Professor Wyn Jones said the proposal in the draft Bill was not “particularly desirable” but “probably inevitable”.¹⁴⁶ He noted that the implications of extending the Assembly term were only beginning to be worked out: “for example, the affordability of the Welsh Government’s commitment around higher education for that extra year is going to be very difficult indeed”.¹⁴⁷

133. Delaying the term would mean the Assembly elections coincided with other types of elections. For instance, delaying the Assembly elections to 2021 would mean they coincided with local government elections. The Electoral Commission said that holding these two elections in 2021 would create “risks to address”, although lesser risks than three elections in 2020. ERS Cymru noted that it was “unavoidable” that some elections would be held on the same day given the amount of elections that were now held.

143 Q182

144 Electoral Commission ([DWB 09](#)) p5

145 Qq359-361, Q65. See also Andrew RT Davies AM, Leader of the Opposition.

146 Q62

147 Q62

134. Some witnesses, including the Welsh Government and Professor Scully, believed that the Assembly's term length should be a matter for the Assembly itself, rather than decided at Westminster.¹⁴⁸

135. Conducting pre-legislative scrutiny of the draft Northern Ireland (Miscellaneous Provisions) Bill, the Northern Ireland Affairs Committee raised concern at the proposal to lengthen the term length of the Northern Ireland Assembly permanently to five years:

We have not heard convincing arguments that a move to five year fixed terms on a permanent basis would be of benefit to the people of Northern Ireland. We recommend that, before making a decision on whether to permanently move to a five year fixed term, the Government should evaluate the impact this move would have on all those who are involved in the electoral process. After this study, we recommend that the Government reconsider whether a permanent move to five year fixed terms would be appropriate for the devolved legislatures in Northern Ireland and Scotland, as well as in Wales.¹⁴⁹

136. In evidence, the Secretary of State for Wales believed that holding the two elections at the same time would mean "Assembly issues would be overshadowed by national issues".¹⁵⁰ He accepted that deferring the Assembly elections to 2021 would still coincide with local government elections, but said this was less problematic than the clash in 2020 because the National Assembly for Wales and the House of Commons were "two bodies with primary powers": "it is essential that the elections to those two bodies should not become confused and that the important issues to be considered in an election for the Assembly should not be drowned out by the debate about general election issues".¹⁵¹

137. Some witnesses told us that four years is an appropriate term for an elected government or legislature, and that five years is too long. We accept that it is not ideal to hold National Assembly and UK General Elections on the same day. However, extending the term length of the Assembly to five years will result in clashes with other elections, such as European Parliament or local government elections. An early UK General Election in the same year as an Assembly election could also lock the two elections in the same five year cycle.

138. It is our view, however, that the term length of the National Assembly is a matter to be decided by the Assembly itself rather than at Westminster.

139. We recommend that clause 1 of the draft Bill, relating to the frequency of Assembly ordinary general elections, be removed from the Bill and replaced with provisions that give the National Assembly the powers to determine the length of its own electoral term.

148 Q54

149 Northern Ireland Affairs Committee, Second Report of Session 2012-13, [Draft Northern Ireland \(Miscellaneous Provisions\) Bill](#), HC1003, para 139

150 Qq 429-430

151 Qq 429-430

MPs to be disqualified for membership of Assembly

140. Clause 3 of the draft Bill inserts a new section 16(1) into GOWA 2006 to provide that members of the House of Commons are disqualified from being members of the National Assembly.

141. The practice of simultaneously being an AM and a member of the House of Commons (commonly known as “double jobbing”) has been the source of some criticism. In its 2009 report on ‘MPs’ expenses and allowances: Supporting Parliament, safeguarding the taxpayer’, the Committee on Standards in Public Life examined the issue and recommended that “the practice of holding dual mandates in both the House of Commons and the devolved legislatures should be brought to an end as soon as possible”. Ideally that would happen “by the time of the scheduled elections to the three devolved legislatures in May 2011 or failing that by 2015 as the latest”.¹⁵²

142. A new section 17A(1) in GOWA 2006 provides that when an MP is elected to the Assembly, they have eight days’ grace in which to vacate their seat in the House of Commons. If they do not do so, they become disqualified from being an AM. Given that technically an MP cannot resign, the Government says this grace period is to allow them time in which to ask to be appointed to an office such as the Steward or Bailiff of the Chiltern Hundreds in order to disqualify them from the House of Commons. This allows them to continue as an AM rather than an MP. No period of grace is given to an existing AM who is then elected to the House of Commons. Such a person will, on successful return to Westminster, automatically be disqualified for membership of the Assembly.

143. The draft Bill includes an exception to the disqualification, through subsection (2) of clause 3 which inserts a new section 17B into GOWA 2006. This applies where an AM is returned as an MP within six months before an expected Assembly general election. In this situation the AM does not have to resign as this provision allows a limited period of “double-jobbing” by permitting an AM to retain their seat in these circumstances so that the need for a by-election can be avoided a short time before a scheduled Assembly election.

144. The Northern Ireland Bill, which is currently at its second reading stage in the House of Lords, includes measures to outlaw double jobbing between MLAs and MPs in Northern Ireland by 2015. Double jobbing between MEPs and national legislatures was banned in Europe before the 2005 European elections. There is no plan in Scotland to introduce a ban on double jobbing in statute and it was not included in the Scotland Act 2012.

145. Table 3 shows that in Wales there have been a total of 10 ‘double-jobbing’ parliamentarians since the creation of the National Assembly for Wales in 1999. In the past six years, however, there has only been one person who has held both posts at the same time, Alun Cairns, for a period of one year.

¹⁵² Committee on Standards in Public Life, [MPs’ expenses and allowances: Supporting Parliament, safeguarding the taxpayer](#), Cm 7724, November 2009, p95

Table 3: People who have sat simultaneously in the House of Commons and the National Assembly for Wales

Name	Party	House of Commons seat	National Assembly seat	Period of dual mandate
Cynog Dafis	Plaid Cymru	Ceredigion	Mid and West Wales	06/05/1999–10/01/2000
Ron Davies	Labour	Caerphilly	Caerphilly	06/05/1999–07/06/2001
Ieuan Wyn Jones	Plaid Cymru	Ynys Mon	Ynys Mon	06/05/1999–07/06/2001
John Marek	Labour	Wrexham	Wrexham	06/05/1999–07/06/2001
Alun Michael	Labour	Cardiff South and Penarth	Mid and West Wales	06/05/1999–30/04/2000
Rhodri Morgan	Labour	Cardiff West	Cardiff West	06/05/1999–07/06/2001
Dafydd Wigley	Plaid Cymru	Caernarfon	Caernarfon	06/05/1999–07/06/2001
Peter Law	Independent	Blaenau Gwent	Blaenau Gwent	05/05/2005–25/04/2006
David TC Davies	Conservative	Monmouth	Monmouth	05/05/2005–03/05/2007
Alun Cairns	Conservative	Vale of Glamorgan	South West Wales	06/05/2010–05/05/2011

Source: House of Commons Library

146. The evidence we received on the proposed ban was mixed. Several witnesses believed AMs should not also be MPs. The Association of Electoral Administrators suggested that, as both were law-making bodies, there was “potential for conflict of interest” with the two roles, particularly if the MP /AM was representing different constituents.¹⁵³ The Electoral Reform Society Cymru said the problem would be one primarily of time: “The pattern of business in both institutions seems too similar. Given that the capacity of the National Assembly is small, in our view it just feels like there would be too much conflict of time for a Member who was permanently double-jobbing.”¹⁵⁴ The Welsh Liberal Democrats supported the ban saying that “being an AM, MP or MEP should be a full-time job and should not be undertaken alongside another comparable full-time role”.¹⁵⁵ This view was shared by the Presiding Officer of the National Assembly for Wales.¹⁵⁶

147. Although there was a general consensus that double jobbing was not ideal, many witnesses suggested it was unnecessary to legislate to ban it. Professor Wyn Jones, Professor Scully, Andrew Davies AM, Leader of the Opposition in the Assembly, and Leanne Wood AM, Leader of Plaid Cymru, all suggested that this issue was one that could be adequately decided by the electorate (through the ballot-box) or political parties (through selection).¹⁵⁷

148. Some witnesses were not clear why the ban did not extend to other offices or positions, such as councillors or members of the House of Lords.¹⁵⁸ Kirsty Williams AM, Leader of the Welsh Liberal Democrats, however, was relaxed about the prospect of

153 Q145

154 Q152

155 Welsh Liberal Democrats ([DWB 13](#)) p1

156 Q188

157 Qq59–60, Q350, Q353

158 Q189 [Presiding Officer], Q349 [Leanne Wood, Leader of Plaid Cymru]

councillors and members of the House of Lords sitting as Assembly Members due to the different nature of those roles compared to that of an MP.¹⁵⁹

149. The Welsh Government described the proposal as “unnecessary”.¹⁶⁰ In oral evidence the First Minister of Wales explained his opposition:

We see no need for change, but if there is to be change, it has to be consistent, and that would mean ending double jobbing, as you put it, not just AMs and MPs, but as AMs and other elected positions as well.

I do not see, for example, when it comes to dual mandates [...] in terms of being an AM and an MP at the same time, why that is different from being an AM and an MEP at the same time, an AM and a councillor at the same time, or an AM and a peer at the same time. If there is to be consistency, then all of those would need to be addressed as well.¹⁶¹

150. In evidence, the Secretary of State for Wales argued that both roles deserved full-time attention:

It is quite clear that the job of an Assembly Member is a significant one and has become more significant as a consequence of the devolution of primary powers after the 2011 referendum. We take the view that Assembly Members should concentrate on being Assembly Members, and Members of Parliament should concentrate on being Members of Parliament. It is a bit disrespectful to Assembly Members to suggest that they have the sort of job that they can fit in on a part-time basis—to sort of do a foreigner. I don’t think that is acceptable.¹⁶²

In respect of extending the ban to other offices, the Secretary of State Wales argued that the workload of councillor, while significant, was not as onerous as that of an MP or AM.¹⁶³

151. There was a general consensus amongst witnesses that double jobbing is not ideal. We believe it may be more practical to extend the exemption in the draft Bill from six to 12 months to prevent the need for frequent by-elections.

152. We recommend that the Government amend clause 3 of the draft Bill to extend the exception period where an AM can simultaneously sit as an MP from six months to twelve months.

Dual candidacy

153. Clause 2 of the draft Bill amends section 7 of GOWA 2006 to remove the restriction on standing as both a constituency and a regional candidate in an Assembly election.

159 Q350

160 Welsh Government ([DWB 11](#)) p2

161 Qq235, 243

162 Q420

163 Q422

Section 7 of GOWA 2006 prohibited this as it was thought that a member who had lost a constituency vote but was elected a regional member could cause dissatisfaction with the political process because they would have been explicitly rejected by the electorate as a constituency member. Controversy was caused in 2003 when three defeated candidates in Clywd West were elected as Assembly Members under the system. However, the Government believes that these concerns have been refuted in studies by the Electoral Commission and others which have demonstrated that the prohibition has a disproportionate impact on smaller parties who have a smaller pool of potential candidates to draw upon.¹⁶⁴

154. Several witnesses, such as the Electoral Commission and Professors Wyn Jones and Scully, supported the removal of the ban. Professor Scully argued that banning dual candidacy “represents a fundamental misunderstanding of the AMS [Additional Member System] electoral system”.¹⁶⁵ He also argued that the ban might inhibit the quality of representatives returned to the National Assembly for Wales.¹⁶⁶ The Electoral Reform Society Wales said that independent evidence “overwhelmingly supports the position that a ban on dual candidacy is anomalous”. It was concerned, however, that the political debate on this issue may appear partisan to voters: “the danger, in terms of public perception, is that parties that support the ban could arguably benefit from it; whilst parties that oppose the ban would benefit the greatest from its reversal”.¹⁶⁷ The Electoral Commission said its views had not changed on this issue since its opposition to the initial proposals to prohibit dual candidacy as part of the GOWA 2006. The Commission also pointed out that there was no similar prohibition in Scottish Parliament elections.

155. The First Minister of Wales, on the other hand, did not support the proposal in the draft Bill:

We do not support the removal of the ban on dual candidacy. We take the view that the public did not understand the system where somebody could stand in a constituency and then reappear elected from a list. That situation has not changed.¹⁶⁸

156. In evidence, the Secretary of State for Wales argued that the ban on dual candidacy was “unique to Wales under this particular system”:

I think that it was a straightforward, nakedly partisan introduction by the Labour party and I am very proud of the fact that we are overturning it.¹⁶⁹

157. We did not reach a conclusion on the merits of the proposal on dual candidacy in the draft Bill. However, as a point of principle, we consider it inadvisable for electoral

164 [Draft Wales Bill](#), Explanatory Notes, p 11

165 Electoral Reform Society Cymru [[DWB 06](#)], p1

166 Professor Scully ([DWB 04](#)), p 3

167 Electoral Reform Society Cymru ([DWB 06](#)), p 1

168 Q235

169 Q419

systems to be changed frequently. Successive changes to electoral systems risk being perceived as partisan by the public.

The National Assembly for Wales' processes and procedures

158. The Presiding Officer of the National Assembly for Wales provided us with a list of amendments to the Government of Wales Act 2006 which she believed should be included in the draft Bill. Many of these result from the fact that various relatively minor procedures and processes of the Assembly are set out in primary legislation and not in standing orders, unlike the UK or Scottish Parliaments. These include rules, for example, about how the Clerk notifies witnesses and the composition of Assembly committees. The Presiding Officer told us:

The present [GOW] Act gives us all sorts of anomalies, for example, I cannot make my own Standing Orders: the Government of Wales Act tells me how many people can be on which committees and who needs to be on a committee. It is absolute nonsense.¹⁷⁰

Due to the nature of pre-legislative scrutiny, we did not have time to examine each of these proposals in detail.

159. The draft Wales Bill provides an opportunity, through amending the Government of Wales Act 2006, to update some National Assembly processes and procedures to make the institution work better. *Prior to the introduction of the Bill, we call on the Wales Office and the National Assembly for Wales to work together to identify areas of common agreement and to include these in the Bill.*

¹⁷⁰ Q171

Conclusions

Increasing financial accountability

1. As a Committee, we have different views both about the principle of devolution in general and, more specifically, the devolution of financial powers. Our aim in conducting our pre-legislative scrutiny is to make specific improvements to the draft Wales Bill prior to its introduction as a Bill. (Paragraph 22)

The “lockstep”

2. As a Committee we have a diverse range of views about the merits of the “lockstep” provision which is part of the income tax model proposed under the Bill. (Paragraph 45)
3. Most witnesses to our inquiry preferred to remove the lockstep. We accept there is diminished value in devolving a power that will not be used. Nevertheless we recognise the advantage that devolving income tax will have in allowing further borrowing powers to the Welsh Government. (Paragraph 46)
4. Some of our other concerns include whether it is politically possible to provide Wales with greater income tax powers ahead of the Scottish independence referendum in September 2014, and we have sympathy with the argument that the issue of fair funding be resolved prior to any devolution of income tax. (Paragraph 47)

Referendum on income tax devolution

5. We agree with the provision in the draft Wales Bill to make the partial devolution of income tax to the Welsh Government contingent on a ‘yes’ vote by the people of Wales in a referendum. Tax devolution is an important constitutional change and one that requires a principle to be established by the electorate before commencement. Welsh voters should be afforded a similar opportunity to express their opinions on this issue as was given to Scottish voters. (Paragraph 64)
6. We recognise that there were differences of opinion on whether there should be a narrowly focused question on the current proposals or a more general question which would allow wider tax raising powers to be granted in future without a further referendum. We conclude that either approach would be reasonable provided that, if the wider question was posed, the Welsh public was aware that the consequences of a “yes” vote would be that further powers over income tax could be transferred in the future. (Paragraph 65)

Income tax devolution and fair funding

7. Although the issue of fair funding is outside the scope of this inquiry, we have sympathy with the argument that the issue should be resolved before income tax powers are devolved so that Wales is not unfairly disadvantaged by the proposals in the draft Bill. We believe that the issue of fair funding should be examined and do

not see the need to postpone this until after the 2015 General Election. (Paragraph 72)

Devolution of smaller taxes

8. Should stamp duty land tax and landfill tax be devolved, the Welsh block grant will be adjusted downwards accordingly. The mechanism by which this adjustment is calculated is important but is not explicitly stated in the Bill. (Paragraph 81)

Borrowing powers

9. It remains unclear how the Government came to the borrowing limit figures set out in the draft Bill. (Paragraph 102)
10. We note the arguments in favour of borrowing limits being set by negotiation between the UK and Welsh Governments rather than a figure being written on the face of the Bill. (Paragraph 103)
11. The Government's position that Wales should not have the power to issue bonds because it may be a more expensive form of finance than the alternatives is an argument against exercising the power, not having the power. Provided that restrictions were in place to ensure the overall borrowing limit would remain unchanged and that bonds would count towards that limit, there are arguments in favour of providing the Welsh Government with the ability to issue bonds. (Paragraph 111)

National Assembly for Wales budget procedures

12. Should tax powers be devolved to the National Assembly, the Assembly's existing budgetary procedures will not be fit for purpose. The Assembly will require legislative control of its own budgetary processes in order to consider and authorise Welsh taxation and borrowing plans. There is a case for the Bill to be the mechanism by which the Assembly gains control of the legislative competence to amend its own budgetary procedures. (Paragraph 121)

Contextual information alongside the Bill

13. In this Report, we identify several areas where the Government ought to provide further information by the time the Bill is introduced, for instance relating to block grant adjustment mechanisms, how the proposed borrowing limits were calculated and the full devolution of business rates. These areas are crucial to the practical working of the scheme announced by the Government, due to the complex way the provisions of the Bill interact with non-statutory matters such as the calculation and operation of the block grant. Without such detail, it will be impossible to understand the overall impact of the Bill or for it to be properly scrutinised by Parliament (Paragraph 125)

Term length of the National Assembly

14. Some witnesses told us that four years is an appropriate term for an elected government or legislature, and that five years is too long. We accept that it is not ideal to hold National Assembly and UK General Elections on the same day.

However, extending the term length of the Assembly to five years will result in clashes with other elections, such as European Parliament or local government elections. An early UK General Election in the same year as an Assembly election could also lock the two elections in the same five year cycle. (Paragraph 137)

15. It is our view, however, that the term length of the National Assembly is a matter to be decided by the Assembly itself rather than at Westminster. (Paragraph 138)

MPs to be disqualified for membership of Assembly

16. There was a general consensus amongst witnesses that double jobbing is not ideal. We believe it may be more practical to extend the exemption in the draft Bill from six to 12 months to prevent the need for frequent by-elections. (Paragraph 151)

Dual candidacy

17. We did not reach a conclusion on the merits of the proposal on dual candidacy in the draft Bill. However, as a point of principle, we consider it inadvisable for electoral systems to be changed frequently. Successive changes to electoral systems risk being perceived as partisan by the public. (Paragraph 157)

Recommendations

Partial devolution of income tax

18. We recommend that, by the time of the introduction of the Bill, the Government provides further information on the mechanism for adjusting the Welsh block grant to take account of income tax revenues, including an examination of the ‘no detriment’ principle as applied in Scotland (Paragraph 27)

The “lockstep”

19. Whichever model of income tax is devolved, it is important that the Government provides full information about the potential benefits and costs of devolving this power so that Parliament can properly assess the impact of the Bill. We recommend that, by the time of the introduction of the Bill, the Government has produced a much more detailed impact assessment of the effects of income tax devolution. (Paragraph 48)

Devolution of smaller taxes

20. We recommend that, by the time of the introduction of the Bill, the Government sets out its preferred method to adjust the block grant in respect of stamp duty land tax and landfill tax. (Paragraph 82)

Business rates

21. We recommend that, by the time of the publication of the Bill, the Government has set out how it aims to take forward its policy fully to devolve business rates to Wales. (Paragraph 85)

Borrowing powers

22. We recommend that, by the time of the publication of the Bill, the Government has set out how it has decided the limits of £500 million for current account and £500 million for capital account borrowing. (Paragraph 102)
23. We recommend that by the time of the publication of the Bill, the Government has clearly explained the full rationale for not granting the Welsh Government the power to issue bonds. (Paragraph 112)

National Assembly for Wales budget procedures

24. We recommend the Government consider amending the draft Bill to give the National Assembly for Wales legislative control over its budgetary procedures. (Paragraph 122)

Contextual information alongside the Bill

25. We recommend that the Government produces a Command Paper alongside the Wales Bill, as it did with the Scotland Bill. This should be a comprehensive description of the Government's fiscal devolution plans, including detailed information on the areas we identify in this Report that require further explanation. (Paragraph 126)

Term length of the National Assembly

26. We recommend that clause 1 of the draft Bill, relating to the frequency of Assembly ordinary general elections, be removed from the Bill and replaced with provisions that give the National Assembly the powers to determine the length of its own electoral term. (Paragraph 139)

MPs to be disqualified for membership of Assembly

27. We recommend that the Government amend clause 3 of the draft Bill to extend the exception period where an AM can simultaneously sit as an MP from six months to twelve months. (Paragraph 152)

National Assembly for Wales' processes and procedures

28. The draft Wales Bill provides an opportunity, through amending the Government of Wales Act 2006, to update some National Assembly processes and procedures to make the institution work better. Prior to the introduction of the Bill, we call on the Wales Office and the National Assembly for Wales to work together to identify areas of common agreement and to include these in the Bill. (Paragraph 159)

Formal Minutes

Wednesday 26 February 2014

Members present:

David T.C. Davies, in the Chair

Guto Bebb
Glyn Davies
Stephen Doughty
Nia Griffith

Simon Hart
Jessica Morden
Hywel Williams
Mr Mark Williams

Draft Report (*Pre-legislative scrutiny of the draft Wales Bill*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 45 read and agreed to.

Paragraph 46 read.

Amendment proposed, in line 4 after “**the Welsh Government**” insert “*We recommend that the Government removes the lockstep from the Bill*”. (*Hywel Williams*)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 2
Hywel Williams
Mr Mark Williams

Noes, 3
Guto Bebb
Glyn Davies
Simon Hart

Amendment accordingly negatived.

Paragraph agreed to.

Paragraphs 47 to 159 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 11 March at 9.15 am]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee's inquiry page at www.parliament.uk/welshcom.

Tuesday 14 January 2014

Question number

Gerald Holtham and **Professor Jim Gallagher**

Professor Richard Wyn Jones, Director, and **Professor Roger Scully**, Wales Governance Centre, Cardiff University

[Q1-75](#)

Thursday 16 January 2014

Huw Roberts, Chair, Institute of Directors Wales, **Iestyn Davies**, Head of External Affairs, Federation of Small Businesses, and **Professor Dylan Jones-Evans**, University of the West of England

Neil Brierley, Chair, Royal Institution of Chartered Surveyors Wales, and **Dr John Ball**, gave evidence

[Q76-163](#)

Monday 20 January 2014

Dame Rosemary Butler AM, Presiding Officer, National Assembly for Wales, **Adrian Crompton**, Director of Assembly Business, National Assembly for Wales, and **Elisabeth Jones**, Director of Legal Services, National Assembly for Wales

Jocelyn Davies AM, Chair, National Assembly for Wales Finance Committee, **Martin Jennings**, Researcher, and **Joanest Jackson**, Lawyer

Rt Hon Carwyn Jones AM, First Minister of Wales, **Jane Hutt**, Minister of Finance, Welsh Government, **Hugh Rawlings**, Director, Constitutional Affairs, and **Andrew Jeffreys**, Deputy Director, Strategic Capital Investment, Welsh Government

[Q164-245](#)

Tuesday 21 January 2014

Kay Jenkins, Head of Wales Office and English Regions, Electoral Commission

Mr Graham Allen MP, Chair, Political and Constitutional Reform Committee, House of Commons

[Q246-300](#)

Thursday 30 January 2014

Andrew R. T. Davies AM, Leader of the Opposition, **Kirsty Williams AM**, Leader, Welsh Liberal Democrats, and **Leanne Wood AM**, Leader, Plaid Cymru

[Q301-370](#)

Rt Hon David Jones MP, Secretary of State for Wales, **David Gauke MP**, Exchequer Secretary to the Treasury, and **Geth Williams**, Deputy Director, Constitution and Corporate Services, Wales Office, gave evidence.

[Q371-438](#)

Published written evidence

The following written evidence was received and can be viewed on the Committee's inquiry web page at www.parliament.uk/welshcom. INQ numbers are generated by the evidence processing system and so may not be complete.

1	Wales Office	DWB 0019 , DWB 0020 , DWB 0026
2	Institute of Directors Wales	DWB 0028
3	Dame Rosemary Butler AM	DWB 0023
4	Andrew R T Davies AM	DWB 0024
5	Professor Richard Wyn Jones	DWB 0025
6	Professor Jonathan Bradbury	DWB 0018
7	The Electoral Commission	DWB 0009 , DWB 0017
8	Chartered Institution of Taxation	DWB 0016
9	Welsh Liberal Democrats	DWB 0013
10	UKIP	DWB 0015
11	Professor Laura McAllister	DWB 0014
12	CIPFA	DWB 0012
13	Rt Hon Carwyn Jones AM	DWB 0011
14	Dr Thomas Carl Lundberg	DWB 0010
15	Dr John Ball	DWB 0005
16	Electoral Reform Society Cymru	DWB 0006
17	RICS Wales	DWB 0007
18	Federation of Small Businesses Wales	DWB 0008
19	Mr Graham Allen MP	DWB 0002
20	Gerald Holtham	DWB 0003
21	Professor Roger Scully	DWB 0004

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/welshcom.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2013–2014

First Report	The Voluntary Code of Practice in the dairy sector	HC 155
Second Report	The impact of changes to housing benefit in Wales	HC 159
Third Report	The Work Programme in Wales	HC 264
First Special Report	Crossing the border—road and rail links between England and Wales: Government Response to the Committee's Third Report of Session 2012–13	HC 158
Second Special Report	Support for Armed Forces Veterans in Wales: Government Response to the Committee's Second Report of Session 2012–13	HC 263
Third Special Report	The Voluntary Code of Practice in the dairy sector: Government Response to the Committee's First Report of Session 2013–14	HC 635

Session 2012–2013

First Report	Broadband Services in Wales	HC 580
Second Report	Support for Armed Forces Veterans in Wales	HC 131
Third Report	Crossing the border: road and rail links between England and Wales	HC 95
First Special Report	Representation of consumer interests in Wales: Government Response to the Committee's Seventh Report of Session 2010–12	HC 111
Second Special Report	Inward Investment in Wales: Government Response to the Committee's Eighth Report of Session 2010–12	HC 125
Third Special Report	Broadband Services in Wales: Ofcom Response to the Committee's First Report of Session 2012–13	HC 806

Session 2010–12

First Special Report	Welsh prisoners in the prison estate: follow up: Government Response to the Committee's Ninth Report of Session 2009–10	HC 398
Second Special Report	Wales and Whitehall: Government Response to the Committee's Eleventh Report of Session 2009–10	HC 399
Third Special Report	Cross-border provision of public services for Wales: follow up: Government Response to the Committee's Tenth Report of Session 2009–10	HC 419

First Report	The implications for Wales of the Government's proposals on constitutional reform	HC 495
Second Report	The proposed amendment of Schedule 7 to the Government of Wales Act 2006	HC 603
Third Report	The Severn Crossings Toll	HC 506
Fourth Special Report	The implications for Wales of the Government's proposals on constitutional reform - Government's Response to the Committee's First Report of Session 2010-11	HC 729
Fourth Report	The future of the Newport Passport Office	HC 590
Fifth Special Report	The Severn Crossings Toll: Government Response to the Committee's Third Report of Session 2010-11	HC 837
Sixth Special Report	Proposed Legislative Competence Orders relating to Organ Donation and Cycle Paths	HC 896-I
Seventh Special Report	The proposed amendment of Schedule 7 to the Government of Wales Act 2006: Government Response to the Committee's Second Report of Session 2010-11	HC 918
Fifth Report	S4C	HC 614
Sixth Report	Pre-appointment hearing with the Government's preferred candidate for the Chairman of the S4C Authority	HC 1061-I
Seventh Report	Representation of consumer interests in Wales	HC 1558-I
Eighth Report	Inward Investment in Wales	HC 854-I