



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Cyllid
The Finance Committee**

**Dydd Iau, 30 Medi 2010
Thursday, 30 September 2010**

Cynnwys
Contents

- 3 Ymddiheuriadau a Dirprwyon
Apologies and Substitutions
- 4 Adroddiad y Comisiwn Annibynnol ar Ariannu a Chyllid i Gymru—Brîff gan Gerry Holtham
Report of the Independent Commission on Funding and Finance for Wales—Briefing by Gerry Holtham
- 16 Goblygiadau Ariannol y Mesur Arfaethedig ynghylch Hawliau Plant a Phobl Ifanc (Cymru)—Tystiolaeth gan Swyddogion Llywodraeth Cynulliad Cymru
Financial Implications of the Proposed Rights of Children and Young People (Wales) Measure—Evidence from Welsh Assembly Government Officials
- 31 Cynnig Trefniadol
Procedural Motion

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau pwyllgor yn bresennol
Committee members in attendance

Angela Burns	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Andrew Davies	Llafur Labour
Chris Franks	Plaid Cymru The Party of Wales
Brian Gibbons	Llafur Labour
Irene James	Llafur Labour
Ann Jones	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Janet Ryder	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Suzanne Chisholm	Pennaeth yr Is-Adran Hawliau Plant a Phobl Ifanc, Llywodraeth Cynulliad Cymru Head of Children and Young People's Rights Division, Welsh Assembly Government
Marcus Hill	Ymgynhorydd Polisi Arbennigol, Llywodraeth Cynulliad Cymru Special Policy Adviser, Welsh Assembly Government
Gerald Holtham	Cadeirydd y Comisiwn Chair of the Commission
Chris Tweedale	Cyfarwyddwr yr Adran Plant, Pobl Ifanc ac Effeithiolrwydd Ysgolion, Llywodraeth Cynulliad Cymru Director of Children, Young People and Schools Effectiveness Department, Welsh Assembly Government

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

John Grimes	Clerc Clerk
Catherine Hunt	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 1.39 p.m.
The meeting began at 1.39 p.m.

Ymddiheuriadau a Dirprwyon
Apologies and Substitutions

[1] **Angela Burns:** Good afternoon, and welcome to the Finance Committee. I welcome

Members back after what I know, for most of them, has been an incredibly busy recess period. Before I bring in our key witness— welcome, Gerry—I will go through some standard housekeeping procedures. I remind you that you are welcome to speak in either Welsh or English and that translation facilities are available. I ask you to switch off your mobile phones and all other devices. If the fire alarms sound, the ushers will tell you what to do. Please follow all of their instructions. I welcome Irene, who I understand is permanently substituting for Lorraine.

[2] **Irene James:** I thought that it was just for a couple of weeks.

[3] **Angela Burns:** It says here ‘for the foreseeable future’.

[4] **Irene James:** You know more than I do, it seems. [*Laughter.*]

[5] **Angela Burns:** Lorraine has a clash with a legislation committee. Both Peter Black, Chris Franks and Ann Jones will have to leave towards the end because of other engagements.

1.40 p.m.

**Adroddiad y Comisiwn Annibynnol ar Ariannu a Chyllid i Gymru—Briff gan
Gerry Holtham
Report of the Independent Commission on Funding and Finance for Wales—
Briefing by Gerry Holtham**

[6] **Angela Burns:** This is the second meeting that we have had with Gerry Holtham. Gerry, I welcome you to committee; you must feel almost a permanent member of this committee.

[7] **Mr Holtham:** Thank you, Chair.

[8] **Angela Burns:** The last session that we had with you was very interesting. We only got through about half of our questions, so you agreed to come back to talk about taxation and various other matters. We have some new members since the last session, and I know that they are keen to touch on a couple of items that you discussed in depth last time, so if you could indulge us in that, we would be grateful. It is hard for people to plough back through the Record of Proceedings, and this is a critical moment in our history and you are a very key figure.

[9] **Mr Holtham:** I am entirely in your hands, Chair.

[10] **Angela Burns:** Unless you have something that you wish to say, I will go straight into questions.

[11] **Mr Holtham:** No, I have nothing in particular.

[12] **Angela Burns:** You state in your report that the commission considered only options for funding that were consistent with the current devolution settlement. Of course, there is a possibility that that will change. You also recommended the devolution of certain taxes, which would be combined with a reduction in the block grant. Could you explain why tax assignment was not considered as a potential funding mechanism rather than tax devolution?

[13] **Mr Holtham:** Yes, indeed. ‘Tax assignment’ is a term that is somewhat ambiguous in the literature. We took it to mean where certain taxes that are collected in Wales are assigned to the Assembly Government without the Government having any power to alter

those taxes in any way. In a sense, what it means is that, instead of taxes going up to London, being put in a centralised pot and then handed out in a series of grants, some of them would be earmarked to stay in Wales. The difficulty with that is that, if the tax receipts are volatile, it will introduce volatility into the Assembly Government's budget. Taxes go up and down with the business cycle, so you will find a fluctuation in your budget that is probably smoothed out by the operation of the block grant formula.

[14] If you are getting additional control over those taxes, that may well make it worthwhile undergoing the volatility. However, if you are not getting any control over the tax, the volatility is just a dead loss by comparison with the block grant. For that reason, we could not see the advantage of assignment as opposed to the present situation.

[15] **Angela Burns:** You also talk about tax devolution creating laboratory conditions for a kind of pilot study. What do you mean by that? What would it be measured against? What might be an outcome there?

[16] **Mr Holtham:** One example that came to mind was that we looked at the devolution of stamp duty on property transactions. That is a tax that was recommended for devolution to Scotland by the report of the Calman commission. The professional view of that tax by people like the Institute of Chartered Surveyors is that it is a pretty crummy tax, not to mince words. It is what they call a slab-sided tax, in that it has one rate up to a certain threshold and then jumps to a different rate. It is not a smoothly proportionate tax and there has been quite a lot of discussion about reforming it. We could not see any counter-arguments to reform. We listened to what the chartered surveyors had to say, and to other people in the property market, and it seemed to us that there was a good case for reform. So, if it were decided to devolve that tax, for example, and then it was decided to reform it, the reform's operation would be of interest to the national Government in the UK—if it worked, it might adopt it. If, however, it were to throw up unforeseen problems, the Government would say that it would not adopt it. In that sense, devolution can provide the possibility of limited tax experimentation, which might be of use to central Government.

[17] **Angela Burns:** Andrew, you wanted to come in.

[18] **Andrew Davies:** Briefly. In discussions with the Treasury, what is its general view of Wales as an area in which pilot initiatives or similar proposals could be tested?

[19] **Mr Holtham:** I have to say that we did not really discuss that aspect of it very much with the Treasury. Obviously, we talked about various proposals for tax devolution. Clearly, these were not public conversations, but given that it has to undertake tax devolution for Scotland, as this UK Government and the previous one made a commitment to legislate on the Calman proposals, the Treasury's general attitude, if I can paraphrase, is that it is resigned to working out how to implement the devolution. Its attitude is that, if Wales is ever to do it, it might as well do it now so that it can all be rolled up into one. The additional problems caused by tax devolution to Wales, once you have decided to do it for Scotland, are relatively minor. That seems to be the official attitude, although politicians may have a different view.

[20] **Irene James:** You have answered part of my question. The current UK coalition Government has stated that it will implement the Calman proposals, and following the referendum on legislative powers, it would establish a process similar to the Calman commission for Wales. Do you have any indication of the extent to which the UK Government intends to implement the process of the Calman commission relating to funding for Scotland?

[21] **Mr Holtham:** I have spoken to the Chief Secretary to the Treasury on this, and I have also spoken to Sir Kenneth Calman himself. Sir Kenneth Calman is very confident that they

are going to legislate on the commission and, indeed, to adopt the great bulk of its report. He seems to think that that would be quite soon, possibly even beginning this year. Nothing I heard from the Chief Secretary went against that. He affirmed that there would be legislation on Calman, albeit without going into detail on the specifics. So, I think that that is very much on the cards.

[22] The linkage of the Calman process to Wales and the referendum is regarded by many people as unfortunate, because the referendum is not about tax-raising powers at all; it is about a fairly closely defined and limited extension of legislative powers. The link that the coalition's agreement made, which was repeated recently by the Deputy Prime Minister, Mr Clegg, is slightly baffling to a lot of people, including me—but there we are. In the report, we strongly make the case that there is no connection between legislative powers and taxation powers. Cardiff Council can levy council tax, but nobody is suggesting that it have primary legislative powers. In principle, taxation powers go along with expenditure, and not with legislation. So, you can have legislation and not have tax powers, although that is rather odd, or you can have tax powers without legislation, and that is very common.

[23] **Angela Burns:** Brian, did you want to come in?

[24] **Brian Gibbons:** Looking at what the UK Government actually said on this, it is fairly ambiguous. It says that, depending on the outcome of the first referendum, we will establish a process similar to the Calman commission for the Assembly. It could mean that we will establish a Calman inquiry or it could mean that we will implement the Calman proposals. What is your reading or understanding of that?

1.50 p.m.

[25] **Mr Holtham:** From my conversations with one or two members of the Government, the part that has not been done in Wales that the Calman commission did in Scotland was to establish a political consensus. People have said to me, 'Your report has done the analysis'; in fact, we have done more analysis than Calman did. It is possible that the Treasury will use some of our work in order to implement Calman legislation because we went into much more detail than Calman in certain respects. So, I do not think that it thinks that there is a need for a lot more analysis, but, of course, we are not a representative body, as the Calman commission was. We did not have representatives from political parties or civil society representatives; we were basically a few technocrats. So, in that sense, the same political consensus has not been developed in Wales as it has in Scotland. So, I suspect that if they wanted to do anything, it would be to have some process to determine the political consensus in Wales.

[26] **Brian Gibbons:** So, your reading of it would be that there should be an inquiry wing of Calman rather than implementing Calman's proposals. That is what you seem to be suggesting—that because the technocrats that produced your report did not have a democratic mandate, if you like, and Calman did have one, you feel that the thinking is towards some sort of review stage.

[27] **Mr Holtham:** Yes, I think, to be honest, that they are fairly vague themselves. If, after all, the National Assembly were to say, 'We reject entirely this report', or 'We accept absolutely this report', or 'We like this bit, but we do not like that bit', that might well constitute a second political part of the process. Speaking entirely hypothetically, if the National Assembly said, 'Okay, we adopt this report; we are done and there is nothing else to talk about', then the UK Government would have to take it or leave it; they would have to implement it if that is what the promise was. I think that there is a political step to be taken, but the question is whether it requires a commission or whether it just requires the National Assembly to take a view. I think that it just requires the National Assembly to take a view.

[28] **Brian Gibbons:** In your report, you issued a strong caution about going down the Calman route because it is based on the proportional deduction approach to this. Some of your report is very technical, so I struggled to understand all of it, but you seem to be providing a health warning about going down the proportionate deduction route as a global approach.

[29] **Mr Holtham:** Yes.

[30] **Brian Gibbons:** Therefore, on that basis, would you be concerned if the proposal from Westminster was to implement the Calman proposals rather than the inquiry?

[31] **Mr Holtham:** Yes. Of course, Calman has come in for severe criticism in Scotland on the same grounds. When I met the Chief Secretary to the Treasury, what he wanted to talk about most was where our recommendations differed from those of Calman. The Treasury officials told me in private—and I hope that I am not out of line in repeating this—that they had to analyse who was bearing which risks when you had devolution and that they were finding our report very useful because it had specifically tackled that and had made proposals for who bears what risks and how to do that. So, I would not assume that, if there is legislation on Calman, it would take the form of the initial Calman proposals. In fact, I spoke to Sir Kenneth Calman, and he said, ‘I think that you have probably solved that problem; we should do what you suggest.’ So, I think that it is quite likely that the Calman proposals will be altered to meet those criticisms; in which case, it would not be so bad for Wales.

[32] **Mr Holtham:** If I may, Chair, I will explain what the issue is here. In the first draft, Calman proposed that if you had the devolution of a tax to Scotland, let us say income tax, the expected revenue from that tax in the first year might be £5 billion. You would then look at £5 billion over what the block grant is, which is roughly 20 per cent, and you would cut the block grant by 20 per cent. So, going forward, the block grant would be reduced by 20 per cent and you would get that tax base. The problem with that is that you are sharing the tax base with the UK, which can change it. So, for example, if the Liberal Democrat proposal to increase the personal allowance to £10,000 were to come in, the tax that you could collect, for a given rate, would not be £5 billion any more—it would be less because they had upped the personal allowance. So, if you are taking a percentage cut in a block grant that normally grows, in exchange for a tax base that they can mess around with without your being able to do anything about it, it is not necessarily a good deal. That was one of the criticisms of Calman’s proposals. Our proposal to get around that was to take the initial cut of £5 billion without regarding it as a percentage of the block grant, and then index the growth of that £5 billion to the growth of the UK tax base. If the UK Government messed with that tax base, you would be compensated in the deduction from the block grant. It is a bit technical, but that was essentially our proposal and I would not be at all surprised if that were included in Calman legislation.

[33] **Angela Burns:** Irene, do you have any further points?

[34] **Irene James:** No, they have all been covered.

[35] **Angela Burns:** Nick, I think that you had some questions on tax devolution.

[36] **Nick Ramsay:** Yes; we have veered into that interesting area. Gerry, have you conducted any estimates on the likely requirement for additional resources by the Welsh Government in the event of tax devolution with regard to specialist support, even if your suggestion of good relations with Her Majesty’s Revenue and Customs to minimise the requirement for additional capacity is taken on board?

[37] **Mr Holtham:** We did consider that. A key proposal in the report is not to have a

different tax base in Wales from the rest of the UK. In other words, in the case of income tax, the Assembly would not have the power to change personal allowances, deductions and things of that sort. So, Her Majesty's Revenue and Customs would simply be dealing with exactly the same tax base, but, at the end, it would apply a different rate for Welsh residents. We received advice that it can do that reasonably easily and that it would not be very expensive. However, if you start messing with the tax base and have a different tax base in Wales from the rest of the UK, the expense starts to increase. So, the form of devolution that we propose means that you would have to pay a little bit of money to HMRC, but it has said that, as long as we confine the change to rates, it would be minor.

[38] Therefore, as far as the Assembly Government is concerned, it does not have to employ anyone in the tax supervision area to carry out a function that remains a function of HMRC, and the only requirements for the Assembly Government would be any additional staff that it wishes to have in order to develop policy. So, it is policy staff not implementation staff that would be required. That, in a sense, is as long as a piece of string, but the general feeling of the people we spoke to was that one small unit would be required to analyse tax rates and the effect on the budget and on the economy of changing them—a handful of people, and certainly not more than two handfuls of people.

[39] **Nick Ramsay:** I was going to ask a question on the additional burden on HMRC, but you have been quite clear in your response that, as long as it is just a change in the tax rate, that is not too much of a problem. On a separate issue to do with tax, you suggested that there may be a requirement for a referendum on devolution of income tax in whatever form that may be.

2.00 p.m.

[40] Given the forthcoming referendum on legislative powers for Wales and political reform in the UK do you think that it is prudent at this time to consider a further referendum on tax devolution? With the associated costs, will we be referendomed out over the next year or so?

[41] **Mr Holtham:** I think that there is a very tricky issue for Welsh politicians here. Given the link that the coalition Government has made between proceeding along Calman lines—whatever that means—and the referendum, there is a lot of scope, particularly for opponents of the 'Yes' vote, to argue that if you vote 'Yes' in this referendum you will get tax powers whether you like it or not. It will not be very easy to clarify the situation and emphasise that this referendum is only about these particular legislative powers unless you are completely forthright and say that taxation is something entirely separate and that it is nothing to do with legislation; moreover there will be a separate referendum on tax. If you do not say that, people will assume that the vote on legislation might imply something about taxation. It needs to be clear that the two things are nothing to do with each other and that we would have a referendum on taxation however people vote in this coming one. They can vote 'No' or 'Yes', and we would still have a referendum on taxation. It is a totally separate issue. That way, you can insulate this referendum from tax issues—or, at least, it is one possible way of doing so. If you are not explicit about a third referendum, it will be very difficult to avoid people assuming that this forthcoming referendum is also about taxation. It is a difficult issue. However, I do not know that it helps to duck it at this point.

[42] **Angela Burns:** That was a very interesting and well-made observation. We do have an issue here. Does anyone else wish to touch upon this at all? Otherwise I will see whether Ann has anything further to raise on income tax.

[43] **Ann Jones:** It has already been covered.

[44] **Angela Burns:** Most of it has been discussed. I now call on Brian.

[45] **Brian Gibbons:** As we are moving on to income tax and so on, perhaps it would be an appropriate time to ask my next question because it is a generic question.

[46] **Angela Burns:** Yes. I know that Peter and Janet also wish to discuss this subject.

[47] **Brian Gibbons:** One of the big things that struck me in your section about taxation was the international evidence of people moving in response to the level of income tax. To summarise, you seemed to say that the evidence was slightly ambiguous, and that some people did so, but that the evidence, overall, was not conclusive and did not have enough punch. However, I did not see much evidence of what people do in relation to the differential in services. It is fairly anecdotal, and it is always in the Sunday papers about people moving houses, for example, for educational purposes. There is no doubt that, in some areas, people do move for services as opposed to the tax burden. I wonder whether you could say a few words on that mobility in response to—

[48] **Angela Burns:** Because we are talking about the mobility of the individual who, perhaps, will not move for a small increment in tax difference, perhaps you could also comment on the mobility of businesses on issues such as corporation tax, which has a completely different reflection.

[49] **Mr Holtham:** There are a number of separate issues; let me try to address them. On the question of people moving for the quality of services, of course there is evidence for that, particularly the quality of educational services. There is a literature in economics where some people do not mind paying high tax and have a good service and others want to have low tax and they do not care about the services. Therefore, people will move and select where they live, in which case some areas will be high tax and high service areas, and others will be low tax and low service areas. People will tend to cluster in these areas. That was an economic theory. The evidence does not really support that because the problem is that the income in the area tends to dominate the preference. So, if you have an area with lots of wealthy people, the tax rate can be quite low and they will have a lot of money and be able to afford good services. If you have a very poor area, you can whack the tax rate up, and you still do not get the receipts and the services are not so good. Therefore, it is very difficult to identify the extent to which people move for services because the effect tends to be overwhelmed by relative income.

[50] With regard to how much people move in response to different tax rates, you are entirely right that the international evidence is very mixed. In Switzerland, we found that there was quite a lot of movement, while in Denmark there did not seem to be much at all. It is quite odd. To take a step back, a whole host of things determine how mobile people are, so you need to look at whether other aspects of those societies are similar in different areas, whether the language is the same and so on. So, mobility tends to be quite specific to a particular jurisdiction, depending on all of these other factors.

[51] As we do not have any direct evidence, in the Welsh case, we did a sort of thought experiment. We asked what it would be worth to individuals if taxes moved by X and how that compared with the costs and upheaval of moving. You need only think like that and you immediately realise that it is higher rate taxes that are most likely to lead to people moving about. If I am at the top of the basic income tax schedule—around £30,000 a year—and you put a penny on income tax, it is going to cost me £300 a year. I will grumble like hell, but I am not going anywhere for £300 a year. However, if I am making £500,000 a year—at the last count, there were about 700 people in Wales making that or more—and you put a penny on income tax, it will cost me £5,000 a year. I can work out that, in 10 years, I would have paid you £50,000 in income tax, so perhaps I will move for that. The point is that sensitivity

to differential tax rates will go up as you go up the income schedule. So, changes to the higher rates are more likely to induce movement than changes to the basic rate.

[52] As far as corporation tax is concerned, what I would like to say is that, yes, of course, a change in corporation tax can induce businesses to move, but the rule is not quite as hard and fast as people think. It is not as though income tax is here and corporation tax is over there, as two unrelated factors. If I am a small businessman, quite a lot of the tax I pay will be income tax. In fact, if it is a partnership, all of the tax I pay will be income tax. If I am a company and I want to employ a large number of extremely senior managers or very senior researchers who get paid a lot of money and I put the business somewhere where their personal tax is lower, it is likely that my costs will be lower too. I can get them the same post-tax income by taking advantage of the income tax regime. So, I do not think that there is such a hard and fast distinction as people think between a reduction in income tax and a reduction in corporation tax. Of course, there is a difference; I am not saying that there is none, but there is something of an overlap.

[53] **Brian Gibbons:** I have another question about the tax. You wrote a great deal about the elasticity of the tax base in relation to income tax. I am not able to comment on the conclusions you came to. First, is there the same elasticity in those other taxes that you looked at? One of the implications of elasticity is uncertainty. Sometimes it is uncertainty for bad, particularly if there is a recession, but, equally, there are opportunities for good, if you can expand the tax base. How much elasticity is there in taxes outside income tax? Is it quite considerable? Where would the balance of risk lie generally, without you having to go through them all?

2.10 p.m.

[54] **Mr Holtham:** That is a key question. That is why we thought that the Calman approach of saying, 'Any tax you get, take a percentage cut in the block grant', did not entirely make sense. If you think about it, a tax where the tax base is growing, and which is very stable from year to year, is a great tax to have, whereas a tax where the receipts are very volatile from year to year and where the base is shrinking is not such a good tax to have. They may both yield the same amount this year but, looking forward, you would want one more than the other, and you would be prepared to pay more for one than you would pay for the other. That is why we said that you have to look at each tax individually and work out whether it is worth having. If the Treasury says, 'We will give you this tax for a percentage cut in your block grant', some of those taxes are just not worth having on that basis. If you cannot negotiate something better, you would just say, 'Sorry; keep it'.

[55] Among the smaller taxes that Calman talked about, for example, were the landfill tax and the aggregates tax. The tax bases for both of those are either static or falling. The UK has raised the rates continually, so the revenue has been pretty stable, but that is because the rates have been going up; the base has been declining. As for whether those are great taxes to have, they are okay, but the message of our report was, 'Watch what you pay for them'. If you want these taxes because you want to influence quarrying or waste disposal, that is fine, but do not pay too much for them. They are probably not worth the percentage cut in the block grant. You need to negotiate a different offset, which is what we talked about in the report.

[56] Those taxes in particular are seen to have low elasticity. There are taxes related to property, which vary very much with the property market. If the property market is doing well, they will look pretty elastic, whereas if the property market is in the doldrums they will not look so good. Capital gains tax on secondary residences and stamp duty, for example, are cases in point. They can rise quite fast when the property market is rising, but at other times they do not. There is nothing that has the steadiness and tax elasticity of income tax, which is about 1.2. So, if gross domestic product grows at a rate of 10 per cent, income tax receipts

tend to grow at a rate of 12 per cent. The levy on air traffic has quite a high elasticity, but the UK Government has already said that it does not want to devolve that. That is one thing that Calman asked for, but the UK Government said, 'no'; that is one of the taxes that it did not want to devolve. That would have a fairly high elasticity.

[57] **Angela Burns:** I know that Chris was going to talk to you about some of these taxes, but as we are on the subject, I will just ask this question—I do not want to swipe your question, Chris. You said, for example, that the devolution of capital gains tax could have a significant cost. Do you have a feel for the actual number? I know that that is a really difficult question to answer.

[58] **Mr Holtham:** Yes, it is difficult. The problem is that capital gains are not necessarily realised by people in Wales. If someone who lives in Leicester has a second home in Gwynedd and sells it, HM Revenue and Customs has to pick up the fact that this chap in Leicester has made a capital gain in Wales, and I do not suppose that the chap in Leicester would be falling over himself to announce that. So, how would the inland revenue police that and how would it be able to collect the revenue? If you are not careful, it would simply become a tax on people who are resident in Wales who are also selling property in Wales, and it might be very difficult to enforce on a UK-wide basis. That would require some pretty strong conversations with HMRC.

[59] If I may say so, HMRC is obviously best-informed on what the costs would be. You would probably have to lean a little against the wind because, like most bodies, it does not necessarily want to make trouble for itself. So, if it looks as if things will be difficult, it will certainly emphasise the difficulties. You would just have to push and form a judgment as to whether it is really as difficult as it says. However, in the case of capital gains, it may very well be.

[60] **Angela Burns:** Andrew, did you want to come in on the smaller taxes, because Chris can perhaps pick up any of the ones that we have not touched on?

[61] **Andrew Davies:** My question was on corporation tax, and you recommend that discussions should be sought about devolving it. You go on to talk about compatibility with European law and the Azores judgment, for example. It strikes me that a lot of what we are looking at in terms of alternative revenue sources has a very small base, including corporation tax. I think that 1.8 per cent of all the companies in Wales produce 70 per cent of the turnover, which equates to about 3,500 companies—very few of which have headquarters in Wales. So, there are two areas for questions: the first is how that is compatible with the Azores judgment in European law, and the second is how vulnerable that tax base is, bearing in mind that a large proportion of those 3,500 companies would be in the manufacturing sector.

[62] **Mr Holtham:** I will deal with your questions the other way around. The first thing that you would have to do—there is plenty of precedent for this, so you would not have to reinvent the wheel—is levy the tax on companies depending on where they locate their economic activity. For example, if corporation tax was devolved to Wales and you reduced it, you would not be allowed to get away with Tesco announcing that its registered office was now in Pontsticill and putting a brass plaque up on a barn. It would have to show that its payroll was being paid in a particular location, for example. We suggested that in order not to have huge costs for the Government, you would have a formula that said, 'You will pay corporation tax depending on your location, but your location for these purposes is defined as the proportion of your payroll in a particular area'. The United States has a more complicated formula that takes capital investment into account as well, and you could go down that route to have a more complicated formula on the American pattern, but you must have some rule. It would then be up to the company to establish that it is the case that it is paying half its payroll

in Wales, and therefore it can pay lower corporation tax on half of its profit. So, it would have to locate activity in the lower tax area to get the tax break—it could not simply put a brass plaque there. It is not that difficult to do; it is done in many administrations.

[63] On whether any of this is compatible with European law, the Calman report said that it would not bother with corporation tax for Scotland, and that it would not do it. Therefore, we were inclined to be a bit defeatist about the chances of anyone letting Wales have it, and then, lo and behold, the new coalition Government announced that it would reconsider the case for Northern Ireland to have lower corporation tax than the rest of the UK.

[64] **Andrew Davies:** Is that because of its proximity to the Republic of Ireland?

[65] **Mr Holtham:** That was the original argument—its proximity to the republic where the tax rate is a lot lower. We then thought that if the coalition Government was going to think about it, we should also think about it. The proposal in our report was that it was not fair to just say, ‘You can have it and you cannot’, and that there ought to be a specific rule. The rule we proposed was to take GVA per head, and if it is more than 10 per cent below the UK average, you can discount corporation tax. The amount you can discount depends on how far your GVA per head falls below that 90 per cent, because if you are very poor you can discount more than if you were only just below the threshold. The beauty of that, from the Treasury’s point of view, is that if you start to become better off, your discount automatically abolishes itself. The Chief Secretary to the Treasury thought that that was an ingenious idea, although he did not say that he was going to do it. Having a rule like that would mean that Northern Ireland, which is a poor part of the UK, could discount by 25 per cent, 50 per cent, or whatever factor was decided upon, but Wales could also do the same because it would fall under the same rule. It was a way to try to introduce an element of horizontal equity and fairness to the situation, so that if the UK Government starts giving corporation tax breaks to one region, it has to do so on the basis of some sort of rule of even-handedness.

2.20 p.m.

[66] On the question of compatibility with the EU, I have spoken to half a dozen lawyers, and I think that I am up to about nine opinions. The WAG’s own lawyers are extremely conservative on this. Had I listened to them, we would have concluded that nothing could have been done. A bit more investigation suggests, however, that, in the first place, if you are a devolved authority—this is the Azores agreement—it would mean that in the UK, Northern Ireland could do it, Wales could do it, Scotland could possibly do it, although it is probably too rich, but that no one else could do it. According to the Azores agreement, as it is generally interpreted—there are counter interpretations even to this—as long as you take the fiscal consequences yourself, you can do it. In other words, the tax would have to be devolved, Wales would have to cut it, and it would have to accept the lower revenue that would then follow from the cut until lots of people had flooded in and so on. However, while you are down, you are down, and you have to take your lumps. Having the UK Government compensate you would be a no-no according to European law, which means that Wales could possibly do this, but the north-east could not because it has no devolved Government to take the budgetary consequences.

[67] There was then an argument that went, okay, that may be the case, but if you have this schedule that says that you can cut by x if you are this poor and by y if you are that poor, you are not autonomous. However, there is another judgment by the European Court—the Rioja judgment—which says quite explicitly that, simply because there are limits on what you can do, it does not mean that you are not autonomous if you have complete freedom of choice within those limits. It is your choice, you have an independent process, and you bear the consequences in your own budget. So, as far as we can see, what we suggest is consistent with European law—probably.

[68] **Andrew Davies:** Just do not ask an Assembly Government lawyer. [*Laughter.*]

[69] **Mr Holtham:** I could not possibly comment on that.

[70] We did not make a strong proposal that you should do this because we think that it is a risky course of action, and it really is a political decision: it is one for you, and not for me, as to whether you want to do it, assuming that the UK Government agrees. The receipts from corporation tax are about £1 billion a year in Wales, so if you cut them by about 25 or 50 per cent, that is £250 million or £500 million out of the budget, just like that. As it is a business tax, it is volatile—if you have a recession, you can lose £300 million or more very easily. So, the devolution would entail accepting an extremely volatile tax. You would have to be very careful that the offset did not compensate you, because that would then get you into trouble with the Azores agreement, and if you cut it, you would have to take the consequences on your own budget. It is a tool, but it is not a free tool, so it is really a political decision as to whether the UK Government would agree to this. If it does it for Northern Ireland, I think that you have a very strong case. If it does not do it for Northern Ireland, it certainly would not do it for Wales.

[71] **Andrew Davies:** It is the sort of thing that you might do at a time of significant increases in public expenditure, but perhaps not something that you would consider when things are not too rosy.

[72] **Mr Holtham:** Yes. If you are already strapped, those cuts will appear very costly. We have made a proposal that we think is consistent with European law. We think that the UK Government should accept it, if it is going to do something for Northern Ireland—although I have no idea whether it really will. Whether you then want to take advantage of it is a political decision.

[73] **Brian Gibbons:** With regard to Northern Ireland, the attraction of control over the corporation tax is because of what has happened in the Irish Republic. As I understand it, the way it works in the Irish Republic is that it really only makes sense for multinational corporations to locate there and then to get involved in cost transfers into the Irish Republic and, if you like, accumulate their profits on their books there so that they will benefit from the low corporation tax. There are a number of consequences. For this to make sense in the Welsh context, we would have to significantly target foreign direct investment to Wales so that international business would be incentivised to maximise the opportunities of corporation tax in Wales. That would possibly require a completely different focus to economic development in Wales, certainly, if we were to try to replicate the Irish situation. These transfers are quite considerable. I am sure that you know that the difference between GDP and GNP in the Irish Republic is massive, because of the distorting effects of these floors in the economy created by the incentives of corporation tax.

[74] **Mr Holtham:** If the UK Treasury thought that the only movement into Wales would be by international companies, they would be perfectly happy. What would be more of a concern to them is that you would get people moving in from England and that is why they will be thinking carefully about whether they want to do this in Northern Ireland. I do not think that it is in any sense a done deal in Northern Ireland. That would be their concern—movement within the UK. If it all came from abroad, they would not care.

[75] **Brian Gibbons:** It might be part of a political deal in Northern Ireland. This might be on the table for other reasons.

[76] **Mr Holtham:** Wales could make a strong case for this, if it wanted to. There are risks anyway, but if it wanted to, Wales could make a strong case that it would be inequitable to do

it for Northern Ireland without doing it for Wales.

[77] **Angela Burns:** I would like to let Chris ask a supplementary question and then use a few minutes of your time to answer a couple of quick questions from Peter and Janet on the Barnett floor.

[78] **Chris Franks:** You have clearly explained the need to avoid tax dodges whereby companies set up artificial headquarters. However, I have been reminded this afternoon that a major plumbing supplies company recently relocated from the UK to Switzerland in order to save millions of pounds in tax. I cannot imagine that it sells a lot of u-bends in Geneva. It has managed to overcome that problem and save a substantial amount of money. Are you familiar with this?

[79] **Mr Holtham:** I am not familiar with the particular case, I am afraid.

[80] **Chris Franks:** The line that was taken was that this would create a level playing field across Europe for the company, and Switzerland was the country of choice.

[81] **Andrew Davies:** It would have saved a lot of money in tax.

[82] **Chris Franks:** Yes, millions of pounds.

[83] **Mr Holtham:** It depends on the specifics of the tax regime. Switzerland has lower corporation tax, so simply being in Switzerland means that you can avoid tax. However, if it has operations in the UK and is making profits in the UK, it is still liable for taxation, so it has to be doing some transfer pricing or something to ensure that profits accrue under the lower tax regime. That is always possible.

[84] **Angela Burns:** That is fair to say, Gerry. Thank you; you are a great expert on Welsh and English taxation but it is unfair to throw you a left-fielder on Switzerland. [*Laughter.*]

[85] **Peter Black:** I have some questions on the comprehensive spending review, which of course is coming up next month. A number of Ministers have suggested that it is crucial to protect Wales because we are looking at £2.8 billion or £3 billion of cuts over the next three years, according to the projections of both the present and the previous Government. Therefore, it is argued that we need the Barnett floor in place to protect us from those cuts. Is that an argument that you would support?

[86] **Mr Holtham:** That we need the Barnett formula in place to protect us from the cuts?

[87] **Peter Black:** No, the Barnett floor. This has been said on a number of occasions by Government Ministers.

2.30 p.m.

[88] **Mr Holtham:** The answer on the Barnett floor is 'no', in a word. You must make a distinction between relative expenditures and absolute expenditures. The point is that if public expenditure is growing, the Barnett formula ensures that Welsh public expenditure grows at a lower percentage rate than UK public spending. That is the so-called Barnett squeeze. You probably do not even notice it, because if public expenditure is growing, you are getting more every year, which is nice, but you are not getting quite as much more in percentage terms. Once there are cuts, you get less and it feels horrible, but there is no squeeze then. In fact, your percentage cut is also slightly smaller. So, the Barnett formula forces convergence on the English expenditure per head when public spending is growing. If public expenditure is falling, there will be a small divergence. So, if Wales is getting a bit more per head than

England on average, that bit more will go up a little. The floor, as we conceived it, was an attempt, if they could not get rid of the Barnett formula, to remove its worst effect, which is that, as time goes by and public expenditure, normally, grows, the Welsh relative share goes down. The floor would stop that. I do not think that the floor would make a big contribution in a situation in which public expenditure is falling.

[89] **Peter Black:** Following on from that, you estimated in the second report that, if we were aiming for 115 per cent of English spending in Wales, we would have a spending gap of around £400 million. If expenditure is falling and we were having cuts at that sort of scale, would that gap also narrow?

[90] **Mr Holtham:** Yes, but by very little. The projections in the report show that we never looked likely to get anywhere near 115 per cent—

[91] **Peter Black:** In a situation in which, for example, health was ring-fenced and additional money was going to education, would it be possible that that gap would narrow because of the way that the Barnett formula operates?

[92] **Mr Holtham:** No, you cannot have it both ways. The reason that you are diverging and going up relative to the English average is that expenditure is being cut. If expenditure is being ring-fenced and not going down, you will not get any diversions. The argument that could be made is that, on a needs basis, which does not even require a new formula, but requires applying English expenditure formulae to Wales, namely if Wales were part of England and treated as such, it would get £300 million or £400 million more than it does. You could argue that having £300 million or £400 million as a rectification would be nice at a time when we would be taking some big cuts. You could make the case that it was not equitable for us to get that much less just because we were devolved.

[93] That is a perfectly sustainable argument, but it has nothing to do with the floor. The floor is an argument that says 'If you refuse to sort this out, at least we should not get into a worsening position over the next decade or two'. It will not—

[94] **Peter Black:** If expenditure starts to rise.

[95] **Mr Holtham:** It will not make much difference over the next three or four years.

[96] **Andrew Davies:** The Barnett squeeze has not applied in Scotland, has it, despite growing expenditure?

[97] **Mr Holtham:** It has a little, but to nothing like the same extent. That is absolutely right. The reason for that, as far as we can tell, is population. If the population declines—I do not know how far you want to go into this—you have a block grant and all that Barnett does is decide how much it changes from year to year. That original block just sits there. If your population is going down, that block means more money per head, which overcomes the Barnett squeeze on the increment each year. That is what has been going on in Scotland.

[98] **Brian Gibbons:** To be clear on the 114 per cent that you apply to growth, unless there was a specific exemption, if there were a decline in public expenditure, would that 114 per cent also apply to a decline in public expenditure? Would the effect of that 114 per cent accelerate the absolute? It might improve the relative position, but it might accelerate the absolute reduction in public expenditure in Wales. That 1.14 per cent to prevent a convergence cuts both ways.

[99] **Mr Holtham:** Of course, but then in the first report we were very clear that because Wales gets slightly less than it would under a needs-based grant—around £300 million or

£400 million less—the floor should be applied asymmetrically. We were very clear about that. If you get a growth in public expenditure, then it should be multiplied by 1.14 per cent in the case of Wales. Do not multiply a cut by 1.14 per cent, because we are already below where we would be if we were on a needs-based formula. So we made it clear that the floor should be applied asymmetrically.

[100] **Angela Burns:** Thank you, Gerry. Unless people have any further questions, I will draw the session to a close. Thank you very much for your indulgence, Gerry, because you have attended the Finance Committee on a number of occasions to talk about this. We find it an endlessly fascinating subject and I hope that one day we might be able to have a conversation with you when we actually have some of these powers—when we will be able to talk things through with you in a different light. Thank you for your time; I really do appreciate it.

[101] **Mr Holtham:** Thank you very much, Chair; it is always a pleasure and, having done this work, I quite like talking about it as well.

[102] **Angela Burns:** I suspect that we are a very small minority. [*Laughter.*] I propose a short coffee or tea respite before our next evidence session.

*Gohiriwyd y cyfarfod rhwng 2.36 p.m. a 2.43 p.m.
The meeting adjourned between 2.36 p.m. and 2.43 p.m.*

**Goblygiadau Ariannol y Mesur Arfaethedig ynghylch Hawliau Plant a Phobl Ifanc (Cymru)—Tystiolaeth gan Swyddogion Llywodraeth Cynulliad Cymru
Financial Implications of the Proposed Rights of Children and Young People (Wales) Measure—Evidence from Welsh Assembly Government Officials**

[103] **Angela Burns:** We will now take evidence from the Welsh Assembly Government on the financial implications of the Proposed Rights of Children and Young People (Wales) Measure. I ask the officials from the Welsh Assembly Government to introduce themselves for the record.

[104] **Mr Tweedale:** I am Chris Tweedale, director of the children, young people and schools effectiveness group within the Department for Children, Education, Lifelong Learning and Skills.

[105] **Ms Chisholm:** I am Suzanne Chisholm, head of the children and young people's rights team.

[106] **Mr Hill:** I am Marcus Hill, the policy lead for implementation of the proposed Measure.

[107] **Angela Burns:** Thank you all for coming. I wish to put on record that the Minister extends his apologies for being unable to be here today due to ill health. We are obviously quite concerned to not have the Deputy Minister here, simply because we understand that you might not be able to answer some of our questions on policies; however, the committee has decided to go ahead and ask some questions. If you feel unable to answer them, that is fine, because we will still be asking the Deputy Minister to come before us again, perhaps for a slightly shorter session. However, we feel that it is important, given this proposed Measure, to have the chance to explore this. Therefore, you will have to tell us when you do not feel confident or able, because of your remit, to answer a question that we ask.

[108] To start, what work have you undertaken to identify whether public bodies other than

the Welsh Government will be affected by the proposed Measure and the potential cost implications for those bodies?

[109] **Mr Tweedale:** First, I think that we must go back one stage and say that the whole principle of the proposed Measure is to embed the balanced consideration of the United Nations Convention on the Rights of the Child in the policy of the Welsh Assembly Government, the Ministers and the First Minister. We anticipate that ministerial strategic decision making is the point at which the proposed Measure will impact. By looking at the strategic decisions from submissions to Ministers, we have estimated that around 3,500 to 4,000 strategic decisions are taken by the Welsh Assembly Government annually. Therefore, the intention is that, within the two to three years of the Measure's establishing itself, officials will be looking at the strategic decisions to be made by Ministers and making them aware of any impact that there will be on public bodies other than the Welsh Assembly Government. Therefore, the first thing that we would say is that the Ministers will be made aware of the likely or possible impact on other public bodies at that strategic decision-making stage.

[110] We also believe that Ministers will be given information at that stage as to what the options are and how much those options are likely to cost, so that Ministers will be able to make decision with a view to the cost implications that there might be for other public bodies.

[111] However, we acknowledge that there may well be, or there could be, cost implications for public bodies outside of the Welsh Assembly Government. We have used the information that we have got from the scrutiny stage to look at that. For instance, I know that you will be aware of the Welsh Local Government Association's response to the consultation, in which it said that it did not feel that the implications for it and its members would be felt at that level most of the time. The reason for that is because, since 2004, it has been using the seven core aims that summarise the UNCRC in its policy making and its partnership work at local level. Therefore, we have used the scrutiny stage to look at the impact on other public bodies, and we would give advice to Ministers in the exercise of their duty in the proposed Measure at the strategic stage, information about the impact on other public bodies.

[112] **Angela Burns:** Andrew had a question. I will then call on Brian.

[113] **Andrew Davies:** I declare an interest. I am a member of Legislative Committee No. 5, which is scrutinising this piece of legislation at present. Also, as a former Minister, I am very aware that the thrust of this legislation has changed substantially from the time when the First Minister proposed it, and that it is now focusing on decisions of a strategic nature, which will be determined by Ministers. I will just press you a little further about how you arrived at the costings in the paper. Having been Minister for finance, I am aware that the civil service is very opaque about how costs are often allocated.

[114] **Mr Tweedale:** We have made decisions about central costs and the team that would be involved in DCELLS in putting that forward. We have also done estimates of the opportunity cost of the work across the Welsh Assembly Government to give that advice to Ministers. On the way in which we have a view to recommend that this be taken forward, you will remember that, on all of the submissions that you received as a Minister, there was a paragraph on financial implications. Therefore, all Ministers would be aware of the financial implications of any of the decisions that they were taking. We have put in place processes and ideas for determining those financial implications, so we would envisage there being implications of the proposed Measure in every submission folder.

[115] **Andrew Davies:** I well remember Denis Healey, the former Chancellor of the Exchequer, saying that, having been in Government and seen how official statistics are compiled, he never trusted them again. All submissions say 'financial implications', but that would often translate to how much it would cost to take forward the legislation rather than

being the cost of the actual implementation. Just to be clear, are we talking about implementation, as we?

[116] **Mr Tweedale:** Yes, we are talking about implementation.

2.50 p.m.

[117] **Andrew Davies:** Have you read the monitoring committee's submission to Legislation Committee No. 5, which was presented last week? Suzanne may be aware of it; I do not know whether you have read it, Chris.

[118] **Mr Tweedale:** I have not read that submission, no.

[119] **Andrew Davies:** Its analysis is that the civil service has misunderstood the intention. It says that it is seen very much as a tick-box, process-oriented approach. Therefore, I assume that that is how your costs have been arrived at. Legislation Committee No. 5 was very taken with the view on the legislation promoted by the monitoring committee because I think that it would probably say that officials have misunderstood the intention of the legislation and interpreted its implementation in a very restrictive way. I expect that that is how the costs have been arrived at.

[120] **Angela Burns:** Do you wish to answer that? If you do not feel able to answer that, that is fine.

[121] **Mr Tweedale:** I think that I should answer that. The team will probably be able to give you more detail, but we believe that we have gone into this in a great deal of detail. We have thought about the training that will be necessary, and I think that we are looking at more than a tick-box approach. We are looking at embedding the knowledge and understanding of the proposed Measure across the Welsh Assembly Government. We have plans in place to deal with that at a training level. We believe that we have thought very carefully about this. We are very conscious of the implementation of the proposed Measure and the knock-on impact outside the Welsh Assembly Government. We feel that we have addressed that effectively in the way that we have set about designing the training and materials as well as the way that we have developed the costings for those.

[122] **Andrew Davies:** So, how much did it cost the Assembly Government to fulfil its equal opportunity commitment and its sustainable development commitment, which were both cross-cutting?

[123] **Mr Hill:** I think that you are trying to compare some very different duties with those that we are talking about in this particular proposed Measure. Although I appreciate that they are both cross-cutting, the design of the duties and what they are there to do are very different. The duties under the Government of Wales Act 2006 are significantly different to those in the proposed Measure, although I agree that they are all cross-cutting in nature. The way in which they are then considered and applied in Government is also different. For example, the equality duty—and I am not a lawyer—talks about the principle of equality and then defines that. In this case, we are talking about having due regard to the 58 substantive rights and obligations contained in the United Nations convention and the two optional protocols. So, this is quite a different duty in how it is applied and the way in which rigour is applied in strategic decision-making.

[124] **Andrew Davies:** Chair, my point is that if we are looking at trying to establish some comparative benchmarks, the work does not seem to have been done.

[125] **Angela Burns:** Thank you.

[126] **Brian Gibbons:** To go back to the matter of the 4,000 strategic decisions, as I think you said it was, I do not know what you call it, but, on the Assembly Government website, it is called the decision log. I do not know how many decisions it contains; there are lots and lots anyway. Would you say that the decision log would be a good start for what constitutes a strategic decision, or would you expect that the decision log would either be dramatically increased to incorporate such decisions, or dramatically reduced? Indeed, is there a case for having a separate list of strategic decisions, if the decision log did not largely correspond to the list of strategic decisions?

[127] **Mr Tweedale:** We think that the decisions log would be a good place to start. As we go forward with this work, we will be monitoring it and evaluating how we get on with this to see whether it is doing the job that it is meant to do. However, that is the sort of level at which we would be expecting to start.

[128] **Ms Chisholm:** I just wish to add that it was from the decisions log that we identified the numbers of decisions taken by Ministers in a 12-month period.

[129] **Brian Gibbons:** You may not know the answer, but, roughly speaking, would you say that 90 per cent of the decisions in the log are strategic decisions?

[130] **Mr Tweedale:** Yes, virtually all the decisions in the log are defined as being strategic decisions. We have also looked at the fact that, in relation to the paragraph on financial implications, for example—and we may or may not agree on the value of that—some submissions to Ministers say that there are no financial implications to the decision. We would expect officials to advise Ministers on the implications of the proposed Measure in that way. So, there would be some, for example if we were looking at schools policy or the way in which the curriculum is being delivered or whatever, where there would be a key mention as to whether it matched the proposed Measure and embraced it. There may be other decisions that Ministers would take that would not have an implication for the proposed Measure.

[131] **Angela Burns:** Janet, would you like to talk about applying the proposed Measure to young persons between the ages of 18 and 24?

[132] **Janet Ryder:** I just wanted to jump ahead a little. One of the main things that stands out about the proposed Measure is that it will extend the application from the age of 18 to 24. What is your estimate of the costs of consulting and publishing the findings of extending the proposed Measure to those aged between 18 and 24?

[133] **Mr Tweedale:** So, the costs of extending it to 18 to 24-year olds.

[134] **Janet Ryder:** Yes.

[135] **Mr Tweedale:** We have not done that calculation.

[136] **Janet Ryder:** We are talking about a proposed Measure that will extend the right to young people up to the age of 24. Do we know how many people might fall into that category or what areas of their lives might be affected?

[137] **Mr Tweedale:** The proposed Measure as it is currently drafted will have an impact only on Welsh Ministers' decisions on 0 to 19-year-olds. When we went out to consultation, there were a variety of responses on whether it should go beyond the age of 19 to the 18-to-24 age range, because all Welsh Ministers' policy has, since devolution, looked at defining young people as being those between the ages of 0 and 25. The view was taken that we should take this in stages and look only at the 0-to-19 stage in the proposed Measure.

[138] **Janet Ryder:** So, you are categorically stating that the proposed Measure does not and will not in any way include any provision to extend it from 18-year-olds to 24-year-olds.

[139] **Ms Chisholm:** It includes the provision to consult on extension to those aged 18 to 24.

[140] **Janet Ryder:** However, you have decided not to bother costing it.

[141] **Mr Tweedale:** We have not costed it in the detail that we have costed in relation to the 0-to-19 age range.

[142] **Ms Chisholm:** We would do any costing in relation to 18 to 24-year-olds at a future point.

[143] **Janet Ryder:** Let us all step back from this, because we have not all had the advantage of sitting the other side of a ministerial desk. Looking at this as a backbencher, and if I step even further out and look at it from the point of view of one of my constituents, I am looking at a proposed Measure that will extend the duty so that the Minister should consider those between the ages 18 and 24 when making decisions, but now you are telling me that you will not bother costing it because you will not use that bit yet. If you are not going to use that bit yet, why is it in the proposed Measure?

[144] **Mr Hill:** To be clear, the provision in the proposed Measure is for the Ministers to consult openly. Given what Chris has said about the feedback that we received in the original consultation, the provision in the proposed Measure is to consult on the potential application of the UNCRC, or any other way of taking forward the rights relating to those aged 18 to 24, before any decision is made on how to take that forward. The point that Chris was making is that we cannot really cost up those options until we have undertaken the consultation exercise and have drafted the options in conjunction with the Ministers and others.

[145] **Janet Ryder:** So, that will not be going forward as part of the original proposed Measure.

[146] **Mr Tweedale:** The provision to consult in order to gain views on the 18-to-24 age range, and then potentially to extend, depending on the outcomes of that consultation, is what is included in the proposed Measure. That is the provision that is being put forward.

[147] **Janet Ryder:** So, the power to extend it will be given to the Minister when the proposed Measure is passed.

3.00 p.m.

[148] **Mr Tweedale:** Part of this proposed Measure, when it is passed, would require a consultation in respect of 18 to 24-year-olds. The results of that consultation would then be evaluated. Should Welsh Ministers decide that they wished to extend it to 18 to 24-year-olds in one form or another—in the short, medium or long term—we, as officials, would do the cost analysis.

[149] **Janet Ryder:** Would that require another Measure?

[150] **Ms Chisholm:** I understand that that would be one of the options.

[151] **Janet Ryder:** Therefore, this is not really part of the proposed Measure, if it is going to require a further Measure to enable it. Alternatively, with the passing of this proposed

Measure, would the power be granted to the Minister, allowing him to enable it as and when he sees fit after consultation?

[152] **Angela Burns:** This is a very important turning point for this proposed Measure. One thing that has exercised the Finance Committee over the past year has been its inability to comment on the financial implications of proposed Measures. The powers relating to whether there will be further regulatory assessments seem to be drawn with a broad brush. So, what Janet is really asking is: if you wish to extend this to 18 to 24-year-olds, do you first have to bring it back to the Assembly for a further vote? Also, would it come back before the Finance Committee, for it to conduct further evaluation of the costs that you have included for that particular part?

[153] **Janet Ryder:** The critical issue is the kind of vote that it would come back for.

[154] **Angela Burns:** Yes, and in reading the proposed Measure, we do not pick that up. We need some clarification.

[155] **Mr Tweedale:** I can clarify that. Extending the duty to the further age range would require subordinate legislation and, as such, would require a supporting regulatory impact assessment.

[156] **Janet Ryder:** So, it would not require another Measure.

[157] **Mr Tweedale:** It would require subordinate legislation.

[158] **Mr Hill:** I think that it depends on whether or not a Measure is deemed to be required as a result of the consultation exercise, or whether it is possible to extend the number of rights contained in Schedule 1 to the proposed Measure and to apply them to the 18 to 24 age range.

[159] **Janet Ryder:** At this point, it would perhaps be useful to refer this matter to the Constitutional Affairs Committee. I declare an interest as Chair of that committee. This is a sticking point, and we have had less-than-clear communications on it.

[160] **Angela Burns:** We will formally do that. Nick, did you want to come in on this question?

[161] **Nick Ramsay:** I was listening to the exchange between Janet Ryder and the officials. In a nutshell, this committee's concern, I believe, is that we could potentially approve the financial implications of this proposed Measure, but the witnesses are not stating categorically that, if the coverage of this proposed Measure was to be extended in future, that development would necessarily come back through the process that we are undertaking now. The witnesses cannot tell us that. They have talked about regulatory impact assessments, but not about the definite need for a separate Measure, or the need for the Finance Committee, at a future point, to reconsider this issue. That puts us in a very difficult position.

[162] **Mr Tweedale:** I am not a lawyer, but my understanding is that there would be no extension of this to 18 to 24-year-olds without going through due process and without bringing it back to your committee.

[163] **Angela Burns:** Unfortunately, it does not say that in the proposed Measure, which is why we are struggling a bit. Brian, could you shed some light on this?

[164] **Brian Gibbons:** There is no standard process by which regulations come back before the Finance Committee. If regulations were to be used to extend this to 18 to 24-year-olds, it would be in the lap of the gods, really.

[165] **Andrew Davies:** Or Ministers.

[166] **Angela Burns:** Definitely the gods, then. [*Laughter.*]

[167] **Brian Gibbons:** They are easily confused.

[168] The point is that, while a Measure would absolutely have to come before this committee with a regulatory impact assessment, there is no certainty that a regulation would.

[169] **Janet Ryder:** This is such a complex issue that we need to take it out of our debate, and leave it for when we invite the Minister back for further discussion on the matter.

[170] **Angela Burns:** I am very happy to do that.

[171] **Mr Tweedale:** We have now taken on board exactly what the key issue is for you regarding this particular section of the proposed Measure. We will go back and talk to the lawyers, and ensure that when you next speak to the Minister, there will be an answer.

[172] **Angela Burns:** You may wish to point the lawyers in the direction of the record in relation to the Proposed Welsh Language (Wales) Measure, the Proposed Waste (Wales) Measure and John Griffiths's Measure, which was the Learning and Skills (Wales) Measure 2009. On all of those, the Finance Committee was asked to pass judgment on financial matters that either were not clear enough, or were unable to be brought forward at that particular point because they were to be subject to legislation further on in the process. We simply need to tighten up on this area if we are to undertake proper scrutiny. Peter, I think that you had some questions that you were intending to ask.

[173] **Peter Black:** My questions are far more prosaic and relate mostly to the staff costs that you have quoted in the regulatory impact assessment. Do the staff costs outlined in the regulatory impact assessment include on-costs as well as the costs of salaries?

[174] **Mr Tweedale:** Yes.

[175] **Peter Black:** How do you estimate the staffing levels and grade required for the central team?

[176] **Mr Tweedale:** With the central team, we have gone to our human resources department, identified what the task of the core team would be and put together a team with the right grade mix and costing. We have looked at the costing to ensure that we have enough resources within the team so that it will be able to do what it needs to do.

[177] **Peter Black:** Will the team be staffed by current Welsh Government employees and, if so, do your estimates take into account the cost of backfilling their current posts?

[178] **Mr Tweedale:** We currently have Suzanne's team, which is the children and young people's rights team, and Marcus is heading up the implementation team, on a temporary basis, until the new team is put in place. The costs that you have in front of you are the worst case scenario, if you like, of additional costs. However, we anticipate that there will be some savings in Suzanne's team because the two teams will be doing some similar work, to a certain extent, so there may be ways of making savings there. In the costing that we have put forward, we have noted what the maximum would be and, clearly, in the current financial climate in which we find ourselves, we are conscious of the fact that savings may need to be made, so we will cut the cloth accordingly.

[179] **Peter Black:** Therefore, the costing works on the assumption that you may have to employ additional staff or take them from the pool, and mitigating against that is the fact that you may reduce the size of some teams to cover any duplication.

[180] **Mr Tweedale:** We certainly would not want to make new appointments from outside, unless there were savings elsewhere in the department. One of the things that we may wish to consider is bringing in experts in this area to help us, on a secondment basis, but not adding to the administration costs of the department.

[181] **Peter Black:** In the regulatory impact assessment, you said that the team would be 'established in July 2010'. You just said that you have just two people at the moment. Is that right?

[182] **Ms Chisholm:** We have just one person at the moment, who started in July 2010.

[183] **Peter Black:** Is that it at the moment? Therefore, you cannot measure the actual cost against the estimate at this stage.

[184] **Ms Chisholm:** We are down in the current financial year because we had been hoping to have more people in the team from 1 July, but we are a little behind on that. Therefore, there will be a saving in the current financial year.

[185] **Mr Tweedale:** The work is being done that needs to be done, but, at the moment, it is being undertaken by the people who are working there already—either by Marcus or by people in Suzanne's team.

[186] **Peter Black:** Is that not sustainable in the long term?

[187] **Mr Tweedale:** In the long term, it is not sustainable, and we will ensure that we have the team in place.

[188] **Peter Black:** I was just checking. Finally, between 2011-12 and 2012-13, the estimates of staff costs are reduced by £7,000. When do you envisage that costs will reach a steady state, and what do you estimate those costs to be?

[189] **Mr Tweedale:** It will reach a steady state once we have the full central team in place. In the early years of the implementation of the proposed Measure, part of the team's work will be to put the training materials together and to help implement some of that training. So, we are thinking in terms of two to three years before we get to a steady state.

3.10 p.m.

[190] **Nick Ramsay:** To continue along the line of staff costs and specifically training, for 2012-13 onwards there are no costs associated with training. Will there be a cost associated with training new staff and, if so, where in the regulatory impact assessment is this cost included?

[191] **Mr Tweedale:** The costs that you have currently seen in the regulatory impact assessment are associated with the development and the piloting of the training packages that we are beginning to put together now to support officials in complying with the proposed Measure. The initial outlay represents the cost of that development and therefore we anticipate that, given the statutory duty, the future delivery of training courses should be completed by April 2012. We will need to ensure that we have different stages of training. Some training will be necessary—not just tick-box training—for all officials who will be putting together submissions for Ministers. There will then be specialist training for certain

grades of officials who would need to have a full understanding of the proposed Measure. We would then anticipate that, hopefully by April 2012, we will reach a stage where there will be an ongoing need for some training as new staff come into the Welsh Assembly Government and so on. As with other civil service training, central training courses are delivered and we would expect that to be taken up from there.

[192] **Nick Ramsay:** Therefore, are you saying that there will be costs beyond that, but you do not think that that is necessarily a part of the financial implication of this proposed Measure? Are you saying that you think that it would come out of a different pot, so to speak?

[193] **Mr Tweedale:** We have been very conscious of the fact that we should be absolutely transparent in the costs for training because we think that it is such an important aspect of this work. We have been very careful to ensure that we have specific training costs associated with the implementation of the proposed Measure up until 2012, and we are confident, having taken advice from specialists in this area, that beyond that it can be put into the central training that would normally take place on an annual basis in the civil service.

[194] **Nick Ramsay:** In terms of the budget, will you be making additional financial resources available to meet the costs outlined in the regulatory impact assessment, or will they be met from existing budgets?

[195] **Mr Tweedale:** We have identified the costs of the training. Perhaps Suzanne could answer that question.

[196] **Ms Chisholm:** The costs of the central team and training development for the proposed Measure will be contained within whatever the DCELLS main expenditure group is at the time. We obviously do not know what that will be for future years, but we are very mindful of the need for us to be extremely cautious in how we spend, or plan to spend, any future money. Therefore, we have given assurances that whatever expenditure is required to take forward this proposed Measure in terms of a central team, we will meet as a DCELLS responsibility, within the DCELLS MEG.

[197] **Mr Tweedale:** We felt that that was the best approach because although the proposed Measure has an impact across the Welsh Assembly Government, we felt that, as the proposed Measure is being led by DCELLS, the cost should be absorbed within the DCELLS MEG.

[198] **Angela Burns:** Usually, if a cost is absorbed it means that something else gets chopped.

[199] **Mr Tweedale:** Clearly, Ministers set priorities. If there are priorities—and this proposed Measure is a priority—the resource will be made available.

[200] **Angela Burns:** I absolutely accept that fact. I now call on Andrew.

[201] **Andrew Davies:** To follow on from that, although Chris went some way towards answering my question, this is a cross-cutting proposed Measure that will impact on all Ministers, but knowing how Assembly Government budgets are set, how will you ensure that when DCELLS is under financial pressure, as it and all other departments will be in future years, that this will not be seen as DCELLS's responsibility so that all other departments and Ministers dump it on your doorstep?

[202] **Mr Tweedale:** We have made financial estimates of the cost to DCELLS, which you have seen, and we have asked all other departments to do an assessment. We have also done some piloting work on decision-making processes in different departments, and have asked how many decisions they think that this will have an impact on. So, what we have done is to

make an estimate of the opportunity costs. We believe that it will be opportunity costs. Costs will be associated with the proposed Measure, but those costs will be undertaken by the people in those departments, who will be advised, guided and trained by people from DCELLS.

[203] **Andrew Davies:** So, those opportunity costs relate to other departments and not just to DCELLS?

[204] **Mr Tweedale:** Yes. The opportunity costs that we put into the statement that we sent on to you include the opportunity costs that we have calculated for other departments as well as those for DCELLS.

[205] **Nick Ramsay:** The explanatory memorandum states that the costs associated with the proposed Measure will be met by the Welsh Government, which you were just asked about. It also states that, from 2012-13, when the due regard duty goes live, there will be a cost to departmental business units, which you have again just been explaining. What work have you done to establish that no extra staff resources will be required to discharge the additional duties associated with the due regard duty and that the cost to departments is an opportunity cost?

[206] **Mr Tweedale:** I have already explained that we have worked with people in other departments to give an assessment of the cost and the time that would be involved in exercising the due regard duty. So, that is one thing that we have done. We have also worked with other colleagues to look at the way in which this proposed Measure will be implemented. One thing to bear in mind is that, since 2004, the Welsh Assembly Government has had an explicit commitment to the principles of the UNCRC. So, we hope that in many cases the implementation of it is already under way. That is not to say that we are just assuming that everything is done and that we do not need to do anything. We have been considering a policy gateway and, in the longer term, we are looking at this becoming part and parcel of the work of all the different departments. We have been doing some work on this and have been looking at what has already been going on. Marcus, do you want to explain that?

[207] **Mr Hill:** There are a number of systems for developing policy and legislation. The policy system is obviously developed prior to the legislation system. Chris referred to the policy gateway and there is also inclusive policy making. That requires the application of a number of tools when developing any policy and considering the relevant issues. Once this duty has been clarified and the training developed and delivered, it will form an intrinsic part of our considerations, so that when a policy department is developing policy or legislation in future, it will become one of the things that must be considered, in the same way as other human rights or equalities issues, which you referred to earlier.

[208] **Nick Ramsay:** That would not require additional staff, as far as you can see, because it would be—

[209] **Mr Hill:** It would not because it would be part of the policy-making process.

[210] **Nick Ramsay:** Is that not being over hopeful?

3.20 p.m.

[211] **Mr Tweedale:** To refer back to the financial implications, it is part and parcel of every official's work, when making a submission to a Minister, to say whether or not there are any financial implications to that decision. We expect and anticipate that, in time, given all the training and the emphasis that we have put on this, this paragraph or more will form part of the normal way that civil servants do things, for example, in the way that we currently

deal with financial implications. Clearly, the former Minister for finance suggested that perhaps some of those assessments are not always accurate—

[212] **Andrew Davies:** Surely not. [*Laughter.*]

[213] **Mr Tweedale:** It is our intention to ensure that we have the training and procedures in place to ensure that we have a good estimate of those costs—the best estimate that we could possibly have.

[214] **Angela Burns:** I suggest that a conversation with Helen Mary Jones, who is the Chair of the Children and Young People Committee, would be of great benefit because that committee would be able to give you a degree of unbiased advice as to how well embedded the United Nation's Convention on the Rights of the Child is in the work of the Assembly Government because it has been looking at it on and off for the last three years. Its view would be extremely pragmatic and perhaps not quite as optimistic as yours. That would help with the costs.

[215] Irene, your question is next.

[216] **Irene James:** I would like to ask questions about costs not explicitly outlined in the RIA. The explanatory memorandum states that the draft children's scheme must be published and consulted upon publicly prior to being laid before the National Assembly. No costs relating to this are explicitly stated in the RIA. The explanatory memorandum also states that the proposed Measure contains provision for the children's scheme to be changed to reflect recommendations and other documents that emanate from the United Nations committee. So, what estimate have you made of the cost of publishing and publicly consulting on the draft children's scheme?

[217] **Mr Tweedale:** We certainly recognise the concerns. For example, they were expressed by Funky Dragon in the consultation. We have been co-ordinating our work around this. Clearly, children and young people are key stakeholders in this proposed Measure and will need to be consulted. Suzanne will just go through a few of the things that we were talking about in terms of ongoing policy programmes that will help with this particular point.

[218] **Ms Chisholm:** We have a range of arrangements currently in place in the Welsh Assembly Government for involving children and young people and seeking their views. We have our own participation project, which has been in place now for around six years and that is one of the better examples of how we comply with the UNCRC. This project has involved working with external partners and with civil servants to help children and young people to develop skills in order to get involved in things like consultations, but also to help Welsh Assembly Government officials to become more expert at knowing how to involve children and young people in consultations, because we are talking about two-way traffic.

[219] We would expect to use some of those existing mechanisms to help us to develop child and young person friendly approaches, including the provision of suitable materials for getting children and young people involved in this whole project. Obviously, quite a substantial amount of work is involved in that. The costings for that are included in the implementation team, so part of the work of the implementation team would be to work with colleagues across the Welsh Assembly Government, who have skills and experience in doing this, and to facilitate that process and indeed to work with people outside in some of our local areas and with the groups of children with whom we work. So that would be taken forward in that way. I think that I will stop there.

[220] **Mr Tweedale:** The point that I would add to that is that we have the 'Getting it Right 2009' UNCRC action plan for Wales. That programme of work is ongoing, and it is about a

year into a three-year programme. It will be aimed specifically at getting the information into the system and across the country. We believe that the action plan for that work, which has already been costed in our programme costings, will help and, significantly, do the job on getting that message across. We do not underestimate the work that we still have to do to spread the children's rights message across Wales, but through the work that we are doing with youth fora, youth councils and school and college councils, we feel that we have a credible action plan in place that will work.

[221] **Irene James:** Are you saying that there is no extra cost?

[222] **Mr Tweedale:** We have not planned for any extra cost over and above what we already have in the DCELLS programme.

[223] **Irene James:** Is that where those regulatory costs are placed?

[224] **Mr Tweedale:** They are currently within existing programmes in the DCELLS budget.

[225] **Irene James:** So, you do not foresee any extra cost for publishing and publicly consulting, other than what is in the DCELLS budget?

[226] **Mr Tweedale:** That is our current position.

[227] **Andrew Davies:** There is a lot of activity, but how will you measure its effectiveness?

[228] **Mr Tweedale:** We have an evaluation programme.

[229] **Mr Hill:** To try to pin down that question, as it is quite a big one, are you talking specifically about the duty to promote knowledge and awareness?

[230] **Andrew Davies:** You mentioned lots of things, such as consultation and engagement. You must have assessed and evaluated the performance criteria by which you can measure the effectiveness of all the things that you are doing as a result of this piece of legislation.

[231] **Mr Hill:** A whole range of different things are going on at the moment. I think that you asked a similar question in the legislation committee. National surveys are going on that relate specifically to the duty to which I referred. So, we will know by the end of the year how many adults know anything about the United Nation Convention on the Rights of the Child, because article 42 relates back to that.

[232] We have a series of activity in relation to the work that Chris talked about with regard to 'Getting it Right 2009'. Section 7 spells out how we intend to look across the whole of the action plan to develop a framework for evaluation. Bearing in mind that 'Getting it Right 2009' has 16 priorities and approximately 90 fairly high-level actions, we are drawing together an implementation group, which will include, for example, non-governmental organisations. That will help us to draw together not only monitoring work around that action plan and the actions within it, but also how we formally evaluate it, with a particular focus on the outcomes.

[233] **Andrew Davies:** What will be the cost of all that?

[234] **Mr Hill:** The cost of that is contained in the programme budget of DCELLS—it is not additional to what we are looking at here.

[235] **Angela Burns:** Irene, did you want to ask anything else?

[236] **Irene James:** Only to ask how frequently the children's scheme will be amended, and whether any work has been done to find out how many times or when, if necessary, it will be amended, and what the financial implication would be for amending the scheme?

[237] **Mr Tweedale:** Are you talking about the reporting mechanism?

[238] **Irene James:** Yes.

[239] **Mr Tweedale:** There is currently a reporting mechanism within the proposed Measure so that a report will be drawn up for scrutiny by the Assembly and Welsh Assembly Government Ministers on a five-year programme, so there would be a full report every five years. The reason for monitoring that on a five-year cycle is that the UNCRC committee meets on a five-yearly cycle.

3.30 p.m.

[240] So, we have drawn our programme together with the UNCRC report so that we can use the report within the Assembly and also use it as the Welsh Ministers' report to the United Nations Committee on the Rights of the Child. The putting together of that report and the monitoring of that work will be part and parcel of the core team for which we have costed.

[241] **Angela Burns:** Brian, do you want to ask any further questions?

[242] **Brian Gibbons:** If I may, Chair. The regulatory impact assessment makes reference to the £300,000 that is spent on promoting awareness of the convention and so on. Is that the same as the action plan?

[243] **Ms Chisholm:** Yes.

[244] **Brian Gibbons:** Okay, because I have to admit that I was not particularly aware of the programme. How long has the action plan been up and running?

[245] **Ms Chisholm:** Since November last year.

[246] **Brian Gibbons:** So, that is 11 months.

[247] **Ms Chisholm:** If I may respond to that, Chair, I would not expect people across Wales, or indeed Assembly Members, to be particularly aware of the awareness-raising work, because we have been going for only 12 months or so, most of which time has been spent developing appropriate materials to roll out for awareness raising. The next phase of the programme is to start rolling out the materials, which are for children and young people, families, parents, and people who work with children and young people—a range of groups of people across Wales. That will be rolled out over the next two years, and I expect levels of awareness to be raised considerably as that happens. We will keep an eye on it and ensure that it is happening. If it is not, we will adjust things accordingly.

[248] **Brian Gibbons:** Thank you very much; that explains that. To go back to Andrew's question, I know that evaluating sometimes incurs a cost, and you can think, 'Bloody hell, why are we spending money evaluating as opposed to doing the job?', but I think that we have to do both. Will the evaluation, as Marcus was suggesting, be based just on public awareness of the convention, or will there be other parameters for measuring the effectiveness of the spend of this £300,000?

[249] **Mr Hill:** May I go back to the issue of the wider evaluation that we are talking about? I believe that the Deputy Minister has already written back to Legislation Committee No. 5 outlining what he saw as being the key strands of an evaluation.

[250] **Brian Gibbons:** I know that we have had some stuff from him, but I do not remember that.

[251] **Mr Hill:** I believe that that has been set out, relating more to the proposed Measure than just the sum of £300,000. Part of the issue, if you consider that any Government policy or legislation is developed with the idea of improving something for someone along the line, is that a great deal of what has been undertaken in Wales, particularly since the explicit commitment in 2004—which has been praised by the UN committee—has gone a long way towards realising for children and young people the rights contained in the UNCRC. Part of what we have to do is think about what information is being collected elsewhere, whether through school surveys or any evaluation relating to children and young people, and use that information not just once, but to map out a picture of the rights that are being delivered. What we are talking about here, and what I was referring to in answer to Andrew's question, is that that is what we are going to be looking at—how we use that information—rather than inventing another wheel when there are already several in existence that we can use.

[252] **Brian Gibbons:** So, you will be using things such as—

[253] **Mr Hill:** The wellbeing monitor—

[254] **Brian Gibbons:** Yes, exactly, the children's wellbeing monitor. I think that you implied that you will have a strand on public awareness. There probably is not already a public awareness wheel, so you will have to put that in place.

[255] **Mr Tweedale:** We have tried to look at what evaluation processes we already have in place, and to adjust them to ensure that they evaluate the specific implementation of the proposed Measure. We have then looked at what we need to do in addition to that, and we believe that we have that in the programme.

[256] **Brian Gibbons:** That is commendable. I suppose that the only challenge that you have is that there will be so many things that impinge on better outcomes for children that it will probably be difficult to disentangle which inputs affect which outcomes. Have you given any thought to that? It must be very difficult.

[257] **Mr Hill:** There is a compounding effect in many cases, but there is emerging evidence from international and UK studies of specific initiatives and the benefits that can be achieved by this approach. I believe that there is a forthcoming report, for example, on the Rights Respecting Schools award that will give you a flavour of what is coming.

[258] **Brian Gibbons:** I have another question, Chair, but if Andrew wants to come in, then that is fine.

[259] **Andrew Davies:** Just for information, I have a copy of the letter from the Deputy Minister to the Chair of the legislation committee, and, to the best of my knowledge—I am re-reading it now—it does not refer to costs or evaluation.

[260] **Angela Burns:** That brings me on nicely to something that is troubling me. I appreciate the evidence that you have given us today. However, I feel that we should probably draw this session to a close and seek to have the Deputy Minister in. My concern is that we have a proposed Measure before us and we are not entirely clear about how far it can and will go. I have been looking through my papers and trying to find the letter from the Deputy

Minister, and it states clearly that the purpose of the proposed Measure is

[261] ‘to impose a duty upon Welsh Ministers and the First Minister to have due regard to the rights and obligations in the United Nations Convention on the Rights of the Child and optional protocols’.

[262] It then goes on to talk about the preparation of a children’s scheme, reports about compliance, promoting knowledge and understanding, amending legislation to further and better effect, and consultation on the possible application of the proposed Measure for those who are over 18 but not yet 25. In fact, I have looked in the text of the legislation as well, and it says that the Minister can consult with whomsoever he or she chooses. That could be nobody, or just one person, or a whole raft of organisations, and then they can simply lay an Order for affirmative resolution. There is nothing on the financial implications.

[263] Our job as the Finance Committee is to look at the financial implications of proposed Measures, and we have to have regard to unintended consequences. When we have asked specific questions such as, ‘How much might it cost to train people?’, apart from the £300,000 that you mentioned, your answers have always come back to this being within the departmental budget, and you say that you will make it a priority within that. That is fine, except that one of the first questions that we asked you was what effect this might have on other bodies. There is an argument that you may choose to change something within the departmental budget in order to further this aim—which is a very noble aim; there is no doubt about that—but an unintended consequence might be that there is a cut elsewhere that affects another body. We are struggling in a bit of a grey area in trying to understand the real costs that might arise. If you were to say to me that it would cost £1 million, but that you would use departmental money and would not ask for any more, then I would have a little more confidence. However, we do not even have that kind of feeling for how much money it would cost. If we did, and you were planning to shuffle money around the department—and that would be up to the Minister—that would start to give us a feeling for the impact that it might have on other programmes. We do not have that kind of detail, and that is what we need.

[264] I therefore propose writing to the Deputy Minister asking for that kind of information. As a Finance Committee, we need to get the message across that just because we say a proposed Measure is a good idea it does not mean that no-one needs to look at the financial consequences thereafter. This is what we are trying to work our way around, because if we say, ‘This is absolutely fine; off you go’, that is what will happen in the long term. People will say, ‘It’s been signed off by the Finance Committee’, and it will go merrily on its way no matter what costs come out of the woodwork and no matter what the unintended consequences might be. I do not want to put you on the spot any further, however. The information that you have given us has been fair as far as what you can give us, but we need to go and get further information on this. Do any other members of the committee want to add anything?

3.40 p.m.

[265] **Brian Gibbons:** There is just one outstanding question, which is probably more for the Deputy Minister, in fairness. It is clearly stated that there will be no cost to providers, because they will not be bound by the duty. If you look at the RIA, you will see that there is no cost to providers and, in the letter that you referred to, the WLGA also seemed to take that view. I can see that this process will improve the quality of decision making at an Assembly Government level, but I am not too about clear how that will filter down to improved outcomes for children without costs being incurred. I accept fully that money is probably being spent on children in Wales in a way that is not effective, that there are probably children’s programmes that could be culled without doing any great harm to children, and that if that money were retargeted it could produce better outcomes. The Cymorth evaluation

suggested that, for example. When the Deputy Minister comes to committee, I would be interested in exploring how this will, ultimately, deliver better outcomes for children, bearing in mind that the RIA states that this will not mean additional costs for providers.

[266] **Angela Burns:** Is there anything further that any of you want to add?

[267] **Mr Tweedale:** I would just like to thank you for this opportunity. I had a telephone call yesterday afternoon to say, 'There's good news and bad news'—[*Laughter.*]

[268] **Angela Burns:** You have now realised that it was just bad news.

[269] **Mr Tweedale:** The bad news was that the Deputy Minister was not well, but the good news was that we were invited to talk to you. This has given us an opportunity to try to explain to you how we are developing the policy on behalf of Ministers and to show you how we are doing everything that we can as civil servants to undertake the work to the best of our ability. I want to assure you that we are doing that. That is our intention; we are doing it to the best of our ability and we are trying very hard.

[270] **Angela Burns:** We accept that absolutely. Thank you very much for your time here today.

3.43 p.m.

Cynnig Trefniadol Procedural Motion

[271] **Angela Burns:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37.

[272] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 3.43 p.m.
The public part of the meeting ended at 3.43 p.m.*