



Welsh Affairs Committee

Oral evidence: Pre-legislative scrutiny of the draft Wales Bill, HC 962-iii Monday 20 January 2014

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Written evidence from witnesses:

– [Rt Hon Carwyn Jones AM](#)

Members present: David T. C. Davies (Chair); Guto Bebb; Glyn Davies; Geraint Davies; Stephen Doughty; Nia Griffith; Simon Hart; Mrs Siân C. James; Jessica Morden; Hywel Williams; Mr Mark Williams

Questions 164 - 245

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

Q164 Chair: May I begin by thanking Dame Rosemary Butler, Assembly Member and Presiding Officer of the Welsh Assembly, for coming along to give evidence? It is a great pleasure personally to see her again and to see her in this role, which I think she does extremely well.

I understand, Madam Presiding Officer—I hope that is the correct terminology—that you may want to make a short statement before we begin, which is fine. I wanted to ask you about the starting point for the financial proposals in the Bill being the principle of financial accountability, and how important you think it is that the National Assembly becomes financially accountable in some way to the public.

Dame Rosemary Butler: *[Translation.]* Good morning, Chair, and good morning everyone, and welcome to the National Assembly for Wales.

You are welcome here today. I am delighted that it is warm here and that you are not all complaining that you are cold. I am delighted to be here today and am very grateful for your invitation to provide evidence. With me this morning I have Adrian Crompton, who is my director of Assembly business; Elisabeth Jones, who is our director of legal services; Gareth Howells, who has helped to prepare the briefing; and my senior adviser, or my main adviser, Craig Stephenson. I am sure many of you will know them all.

I believe that there is much to welcome in this draft Bill, although I intend to make some recommendations for its improvement and extension. I hope to cover three themes in the course of my evidence this morning, Chair. First, I welcome a number of valuable provisions within the Bill relating to five-year terms for the Assembly, dual candidacy, double jobbing and the name of the Welsh Government. Names are important and I believe that the Bill represents a constitutionally timely opportunity to address other aspects of our nomenclature, such as the title of the National Assembly itself. Secondly, I welcome the Bill's extension of the Assembly's fiscal powers and the mechanism to trigger a referendum on income tax. These additional financial powers are a welcome addition to the Assembly's remit. However, it is vital that the Wales Bill also gives the Assembly the control and capacity that it needs to ensure these powers are used effectively for the people of Wales.

A critical missing element from the draft Bill is the power for the Assembly to amend Part 5 of the Government of Wales Act 2006, which sets out how the Assembly must handle expenditure out of the Welsh consolidated fund. As the Silk commission identified, the introduction of income tax, through taxation and borrowing, makes it imperative that the Assembly can design its own procedures.

Finally, I believe that this Bill represents an opportunity to affect a number of the legislative amendments that I recommended to the Silk commission, during evidence on part 2 of its remit. Such changes range from addressing the size and the name of the Assembly, through to alterations that are intended to reflect the changing constitutional settlement across the UK, and the maturity and independence of this particular institution. These are very important issues. We now have full legislative powers, but, of our 60 Members, only 42 undertake the detailed scrutiny work of the legislature, when the Cabinet and leading office holders are removed from the equation. The draft Wales Bill proposes greater powers, which we welcome, and, of course, we will deliver on, once it becomes law. However, despite the incremental additions to our

powers since 1999, we still remain the smallest UK legislature. When they are not in their constituencies, from Monday afternoon to Thursday evenings, the 42 Members are on a relentless cycle of committee meetings and Plenary meetings, which require full attendance, and full attendance is the norm.

The Government of Wales Act is overtly prescriptive in many respects. For example, it prescribes how our committees should be comprised, which I think is a nonsense. The people of Wales put their trust in us in the 2011 referendum on greater law-making powers, and we want to continue repaying them by making innovative Welsh legislation that reflects the needs of our country, and this Bill provides an opportunity to do that.

So, thank you again for the opportunity to speak to you. Perhaps, Chair, you can repeat your question, which I have forgotten.

Q165 Chair: My question was about financial accountability, and whether you feel that this Bill gives financial accountability to the Assembly, and, if so, whether that is a good or a bad thing.

Dame Rosemary Butler: I agree that it is vital and is very important that the Welsh Government and the National Assembly for Wales are financially and democratically accountable to the electorate. I concur with the principle behind the Bill, that a democratically elected government and parliamentary body are more accountable if they have some responsibility for raising income as well as for spending it.

Q166 Chair: Do you feel that this Bill will achieve this goal or that it is a step in the right direction?

Dame Rosemary Butler: I think that it will certainly be a step in the right direction. However, my concern is about the length of time that it will take to put the procedures in place once the powers are granted. I think that it is very important that we move on as quickly as possible, to make sure that we have the right procedures in place, but also that we are allowed to put procedures of our own in place. I think that that is an important aspect here.

Chair: Thank you very much. Geraint Davies has the next questions.

Q167 Geraint Davies: I was wondering, Rosemary, whether, in your opinion, you think that the tax powers that are contained in the Bill require integration with the revenue, borrowing and spending measures,

in one finance Bill. Do you think that this should all be put together as one?

Dame Rosemary Butler: Yes. That is the short, sharp answer, Geraint.

Q168 Geraint Davies: In terms of borrowing, do you feel that the borrowing powers could be taken separately from the income tax, in the sense that you already get a block grant, and the question is whether a bit of it is income taxed and a bit of it is block, or whether it is all block? You would get the same amount of money, so, presumably, you will have the same capacity to pay back borrowing. Therefore, do you feel that the Welsh Government should perhaps have the borrowing powers separated from income tax, or do you think that that is linked?

Dame Rosemary Butler: That is a good point. I have not really given that one that much thought. Perhaps one of my advisers might like to make a comment on that. No, they do not wish to comment.

Q169 Geraint Davies: We will come on to it later, perhaps.

Q170 Chair: If I may, Madam Presiding Officer—what shall I call you, Rosemary? Speaker? *[Laughter.]* I am trying to keep an air of formality to all this, but we know each other quite well.

Silk recommended that the Assembly should have legislative control of its budgetary procedure. I think that you have supported that, and have said that it should be included in the draft Bill.

Dame Rosemary Butler: Yes.

Q171 Chair: Why do you think that that is particularly important?

Dame Rosemary Butler: I think that it is essential. If we are going to be responsible to the people of Wales and be able to call the Government to account, we need to be in total control of how we formulate our financial procedures. It seems a bit backward-looking if we are going to be given certain powers, but somebody else is going to be controlling them. This new Bill is an opportunity to put things right. The present Act gives us all sorts of anomalies, for example, I cannot make my own Standing Orders: the Government of Wales Act tells me how many people can be on which committees and who needs to be on a committee. It is absolute nonsense. It is absolutely essential, given that we are now a mature institution, that we are able to control our own financial regimes.

Q172 Glyn Davies: I will now move on to the capacity of the National Assembly, which you referred to in your opening remarks. There are a couple of points here, and I will group them together. First, is it your view that the National Assembly really ought to have more Members now, or should there be more Members after financial powers are vested in the Assembly after a referendum, which would clearly require some expertise? There is a timing issue there. How many Members should there be? I have heard talk of 80, and I have heard talk of 100. What is your view on the number that would be suitable if income tax powers are transferred to the Assembly?

Dame Rosemary Butler: That is a very interesting point. Of course, the National Assembly is a very different place from when you were here, and it is certainly a very different place from when the Chair was here. I have said this, and I will continue to say it: we do not have enough Members. I would suggest that 80 Members would suffice. The reason that we do not have enough Members is that, as I said earlier on, only 42 of the Members scrutinise the Government. Everybody is on a committee, and some people are on two or three committees. As I said earlier, it is expected that people take a full part in the Plenary sessions.

The difference between here and a bigger legislature is that you are more likely to be asked here to call the Government to account more frequently, and you are more likely to be asked here to take part in Plenary meetings, than you are in a larger organisation. The opportunity for you to scrutinise the Government individually does not come up that often. However, for Members here, it could be every week.

You can go to Westminster and you will have the luxury of being able to specialise in something. Here, the Members do not necessarily have that opportunity because they have to do run-of-the-mill scrutiny and other jobs—for example, you might have some party responsibilities. There is a whole range of things that make it quite difficult for Members to get off that treadmill. We can manage, and we will manage. However, if we had more Members, we could manage in a much more sensible manner.

We are a unicameral organisation. We do not have a second House. So, if we scrutinise anything, we have to get it right the first time. With all due respect, if you make any mistakes, the House of Lords can send it back to you, whereas we do not have that kind of opportunity.

My concern is getting the best possible people to come here, as Members of the Assembly. If they think that they are going to be on a treadmill where they are not going to be able develop their own itineraries, it is going to be very difficult. The sheer strain means that you do not have time to think. That is the problem. We can manage, but in the future, with new legislative powers, I do not think that we will be delivering the best for the people of Wales.

Q173 Glyn Davies: I have hardly heard anyone who does not have a connection with the Assembly in some way who is in favour of this. Politicians, generally, do not have a particularly good connection with the public at the moment; it is a bit of a downer. How do you envisage persuading the public that this may be a sensible move? Most people want to see the number of politicians reduced. Do you see reductions elsewhere to balance it out? How would you sell the idea of more Assembly Members?

Dame Rosemary Butler: It is not for me to decide where the new Members should come from, and I am not going to sit in a room full of Members of Parliament and do so. I think that this is something on which we have to get the message across. People have to understand this. If we are going to deliver quality legislation—and we have delivered it up to now—we need to have the best possible people, and we need to be able to give them time to think and time to scope. It is a big public education project, not just for us, but for Members of Parliament and for local councils. People need to see that politicians are essential. People have agreed with us on the referendum, they want to give us more powers, and therefore we have to deliver the best possible laws that we can.

Chair: Quite a few people would like to ask a supplementary question on this.

Q174 Simon Hart: It is worth exploring this because we have had quite a lot of evidence given in other sessions on this particular point. You mention the pressure on Assembly Members in terms of the specialisation. I was just doing some mental arithmetic, and it is very rough, but, generally speaking, an Assembly Member represents, if you take it as a proportion of the population of Wales, something like 66,000 people on average, whereas for a Member of Parliament it would be about 92,000 on average, which is roughly the same resources available for the constituency side of the work. What I did not get from your response to Glyn's question was how, given those statistics, existing Assembly Members were precluded from advancing their expertise in the way that you suggest. Nor did I really understand your answer about the specialisation point. I just wonder whether you can help us a bit on that.

Dame Rosemary Butler: Yes, I can. I think the issue of constituencies, of course, is interesting, because constituents expect a lot, certainly of Assembly Members, and, I am sure, of Members of Parliament. As to developing their expertise, if you want to specialise in mental health, for example, if I was, I hesitate to say, in Westminster, I could really specialise in that and there would be enough other people to take up the slack of doing all the other scrutinising. Whereas here, we do not have that. Therefore, Members can specialise to a certain degree, but they cannot really develop because we do not have that number of people available.

Simon Hart: I have a very quick supplementary question on that, which is slightly separate.

Chair: Very quick then.

Q175 Simon Hart: People with responsibility for small and medium-sized enterprises in Wales from whom we have taken evidence were reluctant to answer the question, but those of us talking to constituents would give you a very plain answer: I have yet to come across any group or individual small business that said, 'Of course, Mr Hart, what we need are more Assembly Members to make us more sustainable, to make us more profitable to make us more competitive, and to make us more effective'. You have a big challenge ahead of you if you are going to convince small businesses in Wales that 60 is not enough and that 80 or might be. How are you going to go out to small businesses in my part of the world and say, 'What you are missing is another 40 Assembly Members'?

Dame Rosemary Butler: The same argument would go for whether they feel they need as many Members of Parliament. It is one of these difficult things. It is about what we deliver from here. My responsibility is to make sure that we deliver the best possible laws and scrutinise the Government to make sure that it is delivering and spending the money as it says it spends it. I think you will find that what we are beginning to deliver and what we are delivering for the people of Wales is being well accepted. My concern is that when we get these new fiscal powers and want to develop more and different laws, we will just not have the capacity to deal with them.

Chair: I am aware of your time constraints, and yet four people would like to ask very quick supplementary questions. Perhaps I could take two at a time. Would that be possible, just because we are a bit short of time?

Dame Rosemary Butler: Are you suggesting that I am talking too much, Chair?

Chair: No, not at all. It is just that there is a surprising amount of interest on this point. We will move on to Geraint and Nia, if I may?

Q176 Geraint Davies: I was going to say, if I may, that, obviously, there is more responsibility being devolved to the National Assembly, and there are certain things that are done just in Westminster, whether it is foreign affairs or issues relating to the judiciary or the Treasury et cetera. In terms of increasing capacity, as you have said, we can increase the number of AMs, but do you think that there is also a case for increasing the amount of work that regional AMs do because they do not have so much of a constituency postbag? I wonder whether you think the number of sitting days at the Assembly should be brought in line with Parliament.

Nia Griffith: With the Williams report being published today, do you think it is a good opportunity to open the discussion on the number of AMs?

Dame Rosemary Butler: It is always a good opportunity to open a discussion on Assembly Members, Nia, whenever that is. I do not know what they are going to say in the Williams report, but, certainly, I will look at it with real interest. I think it is something that political parties do not want to talk about, but, being the Presiding Officer, I can keep it at the top of the agenda. It is a serious issue and I think that we need to keep it in mind.

Turning to the number of days that we meet, you can extend it to seven days a week but you still have the same number of thinkers and the same amount of intellectual energy from the number of people that we have. People can do it, but the strain will eventually begin to tell and we will not be delivering legislation that is as good as we would like along with the kind of committees that we have at the moment. So, if we want to have stronger scrutiny of fiscal powers, for example, we are going to have to cut back on other things that we are doing. This is something that is difficult to convince people of, but people who come here for a week or a fortnight—I do have people shadowing me—are amazed at how much work there is. They think that when you go to London, you do not do anything, but when you show them, they really understand. If we want our democratic society to continue to be, then we have to be able to deliver the goods.

Chair: If I may, I will call Hywel and then Mark.

Hywel Williams: *[Translation.]* Good morning.

Dame Rosemary Butler: *[Translation.]* Good morning, Hywel.

Q177 Hywel Williams: *[Translation.]* For my own purposes, may I just ensure that we all have the opportunity to speak Welsh when we choose to do so? Thank you.

Mine is a very brief question. If we are to increase the number of Members to 80 or even to 100, is this Bill the appropriate means of doing so, or are you looking to have further legislation once this particular Wales Bill is passed?

Dame Rosemary Butler: It is debatable whether we should have 80 or 100. The Richard commission did a lot of work and came up with the figure of 80. I do not see any reason to dispute that. I genuinely think that with 80 Members we could be a truly democratic organisation that brings the Government of Wales to account. If it is agreed that there should be more Members, then obviously a lot more work will be need to be done to decide on the definitive number.

Q178 Hywel Williams: May I just press you on the point that I made? Is this particular Bill the way to do it or are we looking at further Welsh legislation in Westminster? How would you see that working?

Dame Rosemary Butler: I would like it to be included in this Bill, but I do not think that that is going to happen.

Q179 Mr Mark Williams: I have a very quick question. We are talking in terms of the context of this Bill and this legislation, but, of course, in March we will hear from Paul Silk again, in terms of, hopefully, as some of us believe, a greater transfer of powers to this place. So, that exemplifies the point, does it not, that it was a great lost opportunity at the time of Ivor Richard's report that we did not have 80 Members? Is it fair to say that, as Westminster is characterised by what people see on a Wednesday lunch time in Prime Minister's questions, and, to a lesser degree but very significantly, First Minister's questions, Joe Public out there does not see the extent of the committee work that goes on? Of course, what is being proposed, as you have said, will lead to a lot more committee work being required.

Dame Rosemary Butler: Yes, I agree, but I am often amazed how many people do see the committee work—whether it is watching at midnight or watching on a beach in Spain. *[Laughter.]* You would be surprised how many people comment on things. Of course, if you are not in your chair in the Chamber, they want to know where you are. So, it is amazing how much public scrutiny there is. So, it is about getting that message across. We will say, 'Yes, we have done this and this', and they say, 'Yes, we know that, but what do you

do?'. It is about trying to get that message across, both for you and for us, and you have been there a lot longer than we have.

Chair: Finally on this point, I call Guto Bebb.

Q180 Guto Bebb: *[Translation.]* I will ask my question in Welsh, if that is all right.

I have two points. If you are arguing for 80 Assembly Members, do you envisage having just 20 additional list Members. If that is the intention, or whether you believe that we should have a different system of voting, I would like to know. Secondly, if you do anticipate 40 Members on the list and 40 in the constituencies, do you think that we need to redefine the responsibilities of the list Members?

Dame Rosemary Butler: I am limited for time, Chair, am I not?

Chair: You are.

Dame Rosemary Butler: I think that my personal views on the list are not for this morning.

Guto Bebb: Oh—please. *[Laughter.]*

Dame Rosemary Butler: I think that it is something that we would need to look at very carefully. I am sure that proportional representation is here to stay in Wales. I do not think that you will ever remove it. Whether you would have the same system is something that is totally different. I am sure that I would like a long discussion with you on this, Guto, but I do not think that this morning's meeting is the place.

Chair: That is such a shame, but you are probably right. We will turn to Siân James, please.

Q181 Mrs Siân C. James: *[Translation.]* Good morning, Rosemary.

In your introduction, you mentioned two issues that I wanted to ask you further questions on. The first was the name of the Government or the Assembly. I know that that was not included in great detail in the changes to the Government of Wales Act. Is there anything else that you would have liked to have seen included in those changes?

Dame Rosemary Butler: Yes, There are a few things. There are some that I am very pleased with. One is in relation to the Secretary of State for Wales and his functions. At the moment, there is a chair in the Chamber for his use whenever he chooses to come to Wales and there is a duty to participate in some Assembly

proceedings due to UK Government legislation. I do not think that that is necessary. The composition of committees is also prescribed in the Act, and I think that we should be the same as Scotland in that we should be able to decide our own committees.

The Act, at the moment, requires the Assembly to meet and to elect a Presiding Officer within seven days of an election. The electoral maths in Wales is not straightforward, and I would suggest that that should be extended to 14 days, to give much more opportunity for serious consideration as to who that should be. I am happy to write to you with a long list of the things that I would like changed. Certainly, I think that the name should be changed. I also think that the Presiding Officer should become the Speaker. We have been here for 15 years now and I have been Deputy Presiding Officer or Presiding Officer for six and a half years but people still do not know what I do. As soon as I say, 'I'm the Speaker', they understand. I think that it should be the same, right across Britain—this is what that person is and that is what that person does. There is a range of other little technical things that I am sure we could let you have.

Q182 Mrs James: That would be great. The second thing you mentioned in your introduction was changing the term length of the Assembly from four to five years. What are your views on that proposed extension and how important is it that the Assembly elections do not take place on the same day as the Westminster elections? We have other elections that take place on the same day and there are economies of scale.

Dame Rosemary Butler: I think that it is very important that the parliamentary elections for Westminster should stand on their own. They are such vitally important elections. The same goes for the National Assembly for Wales. It allows people to understand what the issues are and to not get them muddled. They get things muddled anyway, but, generally, I think it is better to try to separate them out. It has worked well since we have separated the elections. Of course, as Westminster now has five-year terms, it seems sensible that we should also have five-year terms, so that there is never a clash. I think that is helpful. It should be the Welsh general election and it should not be confused with other elections.

Q183 Mrs James: What about the charge that it is not good use of public money and that we could save money by having polling stations open and by employing polling staff on the same days?

Dame Rosemary Butler: It is the price of democracy. It is something that we should value and fight for. If we can get the best

democratic result, then that is the way we should do it. Also, in my own personal view, we should move away from a Thursday for elections, because closing schools strikes me as a great source of angst for many parents.

Q184 Jessica Morden: What are your views on the proposed removal of the ban on dual candidacy?

Dame Rosemary Butler: I think it is generally welcome. What I want is to have the most capable individuals elected. If that is the way to do it, then that is what we should have.

Jessica Morden: So, you would welcome it.

Dame Rosemary Butler: It is generally welcomed, yes.

Q185 Jessica Morden: Do you think that there is a danger in this, though? When the Assembly was established, dual candidacy was allowed, then, in 2006, it was changed, and now we are proposing to change it back again. Do you have any concern about the frequency of electoral changes and that it looks partisan on either side to keep going back and forth?

Dame Rosemary Butler: We were a new institution and setting up a new institution is difficult. So, to get the best possible expertise, it was necessary. However, people stood down at the next sensible election, rather than costing political parties a lot of money by standing down at the beginning. So, we had a number of dual candidacies then. At the last election, when there was no dual candidacy, we lost quite interesting and experienced Members as a result. Again, it is about flexibility. We will see how it goes. It does get members of the public a little confused, but hopefully we will get it right this time.

Q186 Chair: What about candidates who are standing for a list and for a constituency? You are quite happy for people to do both and then accept whichever they win.

Dame Rosemary Butler: I think that it disbenefits the smaller parties more if that does not happen. I think that their range of choice is perhaps more limited and therefore they need to make sure that they take full advantage of the best possible candidates they have.

Q187 Nia Griffith: You mentioned costs to the public purse. One of the clauses in the Bill explains that you could be an MP and an AM for six months. That would mean causing a by-election if somebody who is

currently an AM, in 2015, became an MP, and it is a year until 2016 and the Assembly elections. Do you think that it is worth revisiting that clause and looking at what might be a more practical amount of time, so that you do not end up with a by-election very shortly before a main election, therefore incurring additional cost?

Dame Rosemary Butler: I think that anything that would avoid unnecessary by-elections would be welcome and very helpful. It is costly, again, to smaller parties, as well as bigger parties. It is very disruptive and takes your eye off the ball of what you are actually doing, because you are out canvassing, rather than being here or in Westminster delivering on what you are supposed to be delivering on. So, yes, anything that we can do to avoid that would be helpful.

Q188 Nia Griffith: In principle, you would prefer not to see someone trying to be an MP and an AM at the same time, because you do not think that it is workable.

Dame Rosemary Butler: Personally, yes. Mainly because they are both very big jobs and trying to do the two together, I think, is a disbenefit to the person and to both roles.

Q189 Nia Griffith: We do not seem to have any other legislation that bans it in any other way, for example with an MEP or a county councillor having a dual role. Do you think that there is a case for more legislation of that sort, or do you think that all of this can be resolved without any legislation at all?

Dame Rosemary Butler: Some of the parties have taken this on board, and I think that it could be resolved that way. There are some Members who are county councillors and Assembly Members. I admire them for doing it; I do not think that I could do that. There are big jobs, such as those of an MEP, MP and AM. If I remember, the House of Lords is slightly different because you do not have a constituency to deal with and you do not have to be there every day, so there is a slight difference there. However, I genuinely think that they are all very big jobs, and people need to think carefully about taking two of them on at one time.

Q190 Glyn Davies: That is quite an interesting point, the issue of double jobbing, and it is likely to be the subject of quite some debate. I think that nearly everybody would agree with your assessment of the size of the role; it is not a very sensible thing to see. The question, really, is whether a law needs to be passed to ban it. Clearly, every political party

and every elector can make a judgment on this matter. However, tell me—and this would help to persuade me, because I am not persuaded at all, personally—why we need a law to ban something that, actually, nobody wants to do.

Dame Rosemary Butler: I do not think that nobody wants to do it, Glyn; there are people who want to do it. It is a good question. Why have laws if they are not necessary? However, if you cannot get general consensus, I think that on the bigger jobs perhaps we need to look at that.

Q191 Glyn Davies: What is the difference between being—. David Cameron is a constituency MP and he is also Prime Minister. Should we ban people from having private sector jobs as well, because people cannot do those two jobs? It depends. Once you start introducing the law into this, how far are you going to extend it, or is it just the job of being an Assembly Member and a Members of Parliament that is so onerous that cannot be held by one person?

Dame Rosemary Butler: Yes. We can have a long debate on this, but when you become Prime Minister, you also get a huge backup that helps you to deliver that role. You also then have your constituency staff. So, yes, it is a very interesting argument, but I generally feel that you are within the same field, it is a continuation of what you are actually doing; it is not a totally different job.

Chair: I would have much to say if I were on the other side of the table at the moment, having done both jobs for a while, but I am afraid that we have to move on anyway.

Dame Rosemary Butler: Perhaps we could have a private discussion about it. *[Laughter.]*

Chair: Thank you very much, Presiding Officer. Rosemary, it has been very kind of you to give evidence. I believe that our next guest is outside at the moment.

Dame Rosemary Butler: Thank you very much, and welcome. If you would like to come to spend a week here, any of you, at any time, you are more than welcome and we could take the help.

[Translation.] Thank you very much.

Examination of Witnesses

Witnesses: **Jocelyn Davies AM**, Chair, National Assembly for Wales Finance Committee, **Martin Jennings**, Researcher, and **Joanest Jackson**, Lawyer, gave evidence.

Chair: Ms Davies—Jocelyn—thank you very much indeed for coming along today. I should call you ‘Madam Chair’, I suppose, given your current capacity. I understand that you want to just give us a very quick overview of how you see things. Is that correct?

Jocelyn Davies: I am quite happy to go straight into questions, if it suits you.

Chair: We can move straight to questions. That is fine. I am sure that you will find a way of getting in everything that you want to, with your experience. I will start with Mark Williams.

Q192 Mr Williams: I think that my two questions might help you to do that. I am going to ask about one of your committee’s reports in a moment, but before I do that, the UK Government’s stated aim with the draft Bill is to improve financial accountability in Wales. How important is it that the Welsh Government and the Assembly need to be accountable financially as well as through the ballot box?

Jocelyn Davies: I think that holding Governments to account for spending plans is central to democracy. Of course, the Welsh Government is accountable to the Assembly on behalf of the people of Wales, in between election times, if you get to vote just once every five years. You might want to keep an eye on things in the meantime and, of course, how we spend money is important. We have to remember that it is the public’s money; it is not just public money. I think that that is why, every year, we have a budget vote. As I say, the money is not the Government’s money, so it has to ask the legislature for permission to spend it. Transparency around that is vital, and we have been working with the Welsh Government to improve that. We are not there yet, but there have been significant improvements. We have been engaging with the public and stakeholders. The committees now have been trained; Assembly Members are offered training on a regular basis.

So, we are raising our game as far as that is concerned and trying to embed financial scrutiny in the work of the committees. Of course, in difficult times, the focus on finance is even more important. I think that, looking at the draft Bill with increased powers in terms of tax and borrowing powers, we need increased accountability, not just on the spending but on the collection. I

think that we will need to get to grips with that as Assembly Members.

Q193 Mr Williams: In that sense the Bill does represent an important step—not a stride—in the right direction?

Jocelyn Davies: Yes, I think so.

Q194 Mr Williams: Okay. Turning to borrowing powers and specifically to your committee and the report that you published in July 2012, prior to the publication of the Silk report—your report on borrowing powers in Wales—do the provisions in the draft Wales Bill meet the expectations of your committee and that report?

Jocelyn Davies: No, it does not, but we did do the work before the Bill was published. We had envisaged something slightly different, so it does not entirely meet our expectations. In fact, I was a little bit surprised to see that our current budget process is just preserved as it is. There is no mention of it in this Bill, so I am assuming that the budget process that we have at the moment will be the one that we will go forward with. That is what is contained in the previous legislation, and our Standing Orders have to fit with that. I am not sure that our current budget process will allow us to be as effective as we should be, going forward, with the new powers that is contained in this. I have doubts over the mechanism for reporting to the Assembly after the fact, in terms of how borrowing powers have been used. I think that after the event is not how it should be.

You made reference to our report. When we undertook our inquiry we fully recognised the Treasury's macro-economic responsibilities. We noted how important that was. So, we envisaged the Government negotiating the overall limits, but with the Assembly annually approving the borrowing limits of the Welsh Government as part of the annual budget process. For those who have been able to read the report, I am sure that you have had a lot of stuff sent to you, but what we looked at was local government's prudential borrowing framework. We liked that because of the emphasis on affordability and sustainability and, of course, any prudential borrowing by a local authority has to be approved by their full councils. So, we looked at that and we thought that we could use the best of that. We recognised the Treasury controls in terms of their macro-economic responsibility, negotiating on the limits because of that responsibility and, of course, controlling the interest rates at the Public Works Loan Board, but having discussions with the Welsh Government here perhaps enabling them to draw forward

from future budgets and, of course, having controls in relation to the budget exchange system. So, we were surprised to see the £500 million limit on the face of the Bill. That did not fit with what we had thought, and, during our inquiry, I have to say, nobody suggested in evidence to us that there should be a limit on the face of the Bill.

I suppose that the budget process is a concern for us. The Welsh Government must be accountable to the Assembly and must need the approval of the Assembly for its borrowing. We expected to see inter-governmental negotiations respecting both constitutional responsibilities in terms of the limits and we wanted to see the prudential framework for borrowing. Of course, we also made a recommendation that the Government here should be allowed to issue bonds.

Q195 Mr Williams: I was going to ask you very quickly about that. Paul Silk was quite clear that he also agreed with you on that—that the Welsh Government should be able to issue bonds. How significant is that omission from the Bill?

Jocelyn Davies: Well, we had evidence that a number of local authorities had got together at one time, because the interest rates at the Public Works Loan Board had risen—thus the UK Government being able to control the borrowing extent. However, because the interest rates had come down, they had not gone ahead with that, but they had that option that they could consider, and we thought, ‘Well, why would local authorities have a power that the Welsh Government here wouldn’t?’ However, I do agree with many who say that it is unlikely that the Welsh Government would issue bonds. However, sometimes, it is worth while considering something you can do so that you can see that something else is a better course of action—so it is worth while even if you choose not to do it.

Chair: Do you have a fear that, if and when the Assembly gets borrowing powers of any sort, the Government of the day may borrow to the limit and that that will basically be it—that, forever and a day, every other Government that follows will be servicing the debt, but will have no further powers to borrow further because the limit will have been reached?

Jocelyn Davies: Yes, I would, and that is why it is an important part of the budget process every year. That would have to be timely; we would have to have enough time to consider that.

Transparency is important there. After our budget last year, after the committee had looked at it, in the Government's narrative that it gives in relation to the tables, there was mention of innovative finance models, so we had asked for a note on the extent of that borrowing. I have got that letter of 6 November; I can leave it with you, Chair. We were surprised at the extent of the borrowing. Of course, this is using third-party borrowing powers where the Government has entered into agreements with third parties to enable it to borrow. It is like the local government borrowing initiative. Members will know that it enables them to do highway works. Housing is another one; they have been able to use housing associations' borrowing powers. So, currently, according to this note that we had on 6 November, since 2011, that comes to £958 million. However, you can see that the Government here has tried to find novel ways of using other people's borrowing powers. I have no idea how long these commitments are for. They might be spread over many, many, many years, but there is a need for the legislature to keep an eye on the extent of the borrowing, obviously, and I think that that should be contained in our budget process.

Q196 Chair: If I may, you appear to be making an argument that the borrowing powers—although you are obviously in favour of borrowing powers—are a bit restrictive as they are at the moment, if I understand you correctly—

Jocelyn Davies: Yes—based on the report that we agreed, yes.

Q197 Chair: So my question would be: theoretically, there is nothing that constrains the UK Government from borrowing but, in reality, it has to try to borrow less and the European Union would be surprised, shall we say, if it went over a certain limit, and the Bank of England obviously has an influence on it as well. So, although there is nothing that legally constrains it from borrowing what it wants, there are informal constraints. What would be the informal constraints, if any, were the Welsh Assembly to have unlimited borrowing powers? Would you like to see that, or would you like to see something put in place that would limit absolutely the amount of money that a future Assembly Government could borrow?

Jocelyn Davies: Yes, and, in fact, we say in our recommendations in our report that there must be a control framework negotiated between the Welsh Government and the Treasury, and that could be contained in the statement of funding policy. Obviously, the UK Government has macro-economic responsibilities, and it must be allowed to stay within those. I suppose that you could make a

comparison with the way in which the Welsh Government has an influence on prudential borrowing at local authority level. It never has to step in, but there is a possibility that it could.

Chair: Thank you. Geraint Davies is next.

Q198 Geraint Davies: From what you have said, I understand that you believe that the arbitrary, if you like, figures of £500 million for capital and £500 million for revenue in terms of borrowing are not enough for the flexible needs of Wales. Secondly, the Bill suggests that, if there is devolution of income tax, there will be more borrowing. Do you think that there is a direct link between the income—? First, can you confirm that you do not think that £500 million and £500 million are sufficient? I think that you said that. However, do you think that there is a link between income tax powers and borrowing? After all, capital and revenue now come out of the overall Welsh block grant, and, if income tax is devolved, there will be no extra money, so would your argument be that the borrowing proposition is separate, and how big do you think that the borrowing limit should be?

Jocelyn Davies: When we did our report—and I am here to represent the committee, which has not had a discussion over whether it should be £500 million or whatever—we envisaged that there would be negotiation between the two Governments in order to decide what that limit should be. That is why I am surprised to see it on the face of the Bill.

Q199 Geraint Davies: It is £500 million and £500 million here, and I think that Scotland has £2 billion, but it also has the 10p income tax. However, there is no ballpark figure that you have been thinking of in your committee.

Jocelyn Davies: No, we saw that as being negotiated and that perhaps it would change over time, and perhaps there would be factors to allow that to change over time, in order to futureproof—

Q200 Geraint Davies: Do you believe that you could have more borrowing, even if you did not have devolved income tax?

Jocelyn Davies: We took evidence from the Chief Secretary to the Treasury, and I have brought a note with me of what he said. He said that he definitely saw a link between borrowing powers and the ability to raise revenue independently to support borrowing. The Welsh Government took the view that a Government should decide for itself how it finances its debts. In Scotland, borrowing is not related to the varying of income tax, and Scotland will start borrowing from 2015 without raising taxes. To be honest, the

committee saw the value in both points of view; we thought that fair points were being made by both sides. The Government was saying, 'We should decide for ourselves how we repay our debts,' and the Chief Secretary was saying, 'Of course, if you have an independent revenue stream, it is easier to justify and to support your borrowing.'

So, we did not come to any firm conclusions. As I said, this report was done some time ago and we thought that it was a matter for the Commission to look at, but, on the whole, I think that the committee felt that it depended on the extent of the borrowing as to which of those viewpoints was more credible. However, we felt that both viewpoints were credible.

Chair: Thank you very much. Nia Griffith is next.

Q201 Nia Griffith: You are Chair of the Finance Committee, but you have been Deputy Minister for Housing and Regeneration. In the Bill, there is a power for the Treasury to set a cap on the total amount of debt that could be held by all the local authorities across Wales in respect of housing. What is your view about that cap?

Jocelyn Davies: I think that it is fair enough, because, generally, the debt is with the UK Treasury, because the local authorities have borrowed from the Public Works Loan Board. We have a new housing Bill that will put the Welsh housing quality standard on a statutory footing, if enacted. The Welsh Government will still have controls on individual local authorities, because that Bill will allow it to issue directions for each—because we have about 11 local authorities. I have to say that, when I was a Deputy Minister, this was one of the biggest headaches, because you are talking about large sums. The Welsh housing quality standard was created and set up a very long time ago, and all local authorities were supposed to reach that by 2012; 2012 has come and gone, and it has not happened. That standard has not been reached.

Only now are we seeing those 11 local authorities have viable business plans. We have had that confirmed—this is the first year, I think, that they have had viable business plans, and those last over many years. I think that the new date for meeting the Welsh housing quality standard is 2020. I cannot imagine that local authorities will be keen to be borrowing again, because they already have considerable debts, but I think they will take advantage of coming out of the housing revenue account subsidy system in order to achieve the Welsh housing quality standard. Looking at the housing Bill, I think that getting to that standard is going to have to

be their first priority. You have the Treasury with overall control of the overall debt, but the Welsh Government here able to decide how that debt is spread among those 11 authorities, and able, in the new Bill, to issue directions directly to individual councils. I think that all those added together give fairly good controls over that.

Q202 Nia Griffith: So, in respect of the Wales Bill, with reference to housing, is there any additional improvement that you wish to see, or do you think that it does the job?

Jocelyn Davies: With my old hat on, I think that it does the job. Obviously, my committee has not looked at it in detail. We probably will look at it in detail. Going on all the evidence that we have heard before, we were pleased to see local authorities coming out of the housing revenue account subsidy system, but obviously we would recognise that there need to be safeguards there, and I think that the Bill probably does reflect that.

Chair: Very briefly, Geraint Davies.

Q203 Geraint Davies: Obviously, there are significant constraints on local authorities in terms of housing and, as you have mentioned, the quality standard. There is also an urgent need for new houses. Would you, in principle, be in favour of schemes whereby, if local authorities have empty land, a developer would come along and build the houses at their cost and then have a shared equity, which would provide both social housing and a share of the income stream from the private sector part of the development? With that sort of thing, there would not have to be any extra public sector borrowing, be it from the Welsh Assembly, the UK or the local authority, but there would be some sort of partnership.

Jocelyn Davies: When I was Deputy Minister, I did see some very good examples. You will always find good practice, but it is usually quite patchy. It is about trying to spread good practice, where local authorities perhaps gave land over to developers and in return had an equity share of a number of those properties. That did seem a very good way of the local authority getting value for money in terms of parting with the land and still ensuring, in perpetuity, that those properties were affordable.

Chair: Thank you very much indeed. Glyn Davies is next.

Q204 Glyn Davies: Devolving financial accountability to the National Assembly, particularly in tax-raising powers, makes a big difference to the Assembly. I would have thought it is the biggest change in the Assembly since it has been created. What I wanted to ask you about is the capacity of the Assembly to cope with that. I suppose, on the official side, that

there will be a demand for expertise, but specifically on the Members' side, we have heard that there would need to be 80 Assembly Members to provide proper scrutiny. What is your view on the number of Assembly Members needed to provide an adequate level of scrutiny if income tax powers are devolved to the Assembly?

Jocelyn Davies: My committee did not take a view on that. We did not take any evidence on it, and we did not take a view, so I would not like to express one here. I think there was a big change when we ended the corporate body and became a legislature and a Government. That was a big change, and a step change. What we would like to see, from my committee's point of view, is a budget process that is transparent, robust and gives enough time for Assembly Members to consider everything that they will need to consider in this new world that we are about to enter. So, it has to be able to be modified over time, I think. Obviously, it will be a step change, but Assembly Members will have to be trained up. I have an excellent committee. It used to be, in days gone by, that we had just one or two Assembly Members who were really interested in finance, but I think that is changing now. With training, it is possible, and we will have to do it, and we will have to do it well.

Q205 Glyn Davies: You have talked about budget processes, and I think that, again, it was the Presiding Officer who talked about legislative control over budget processes. You have talked about the continuation of budget processes from where they are now. Do you have a view at all about greater legislative control over budget processes being vested in the Assembly?

Jocelyn Davies: My committee did not take a view on it, and we did not take evidence on it. It was not something that we looked at, because, I think, we just assumed that there would be a budget process that was suitable and effective, following any changes. So, that is what we would call for: something that was transparent, that gave us enough time and that allowed us to make changes if we needed to, over time. You have to have a process that will be futureproof. For once, we will have to think about how money is raised and not just how money is managed, and that will have implications for the budget process. So, I would go for a robust, transparent system. As I have said, there have been improvements, but we are not quite there yet. However, for it to be effective—and everybody wants to come to work and do an effective job—it has to be.

Chair: Thank you very much. Very quickly, Simon Hart.

Q206 Simon Hart: I just want to try, I hope, to draw you out a little bit on the initial part of Glyn's question about the capacity that you have here. Other witnesses have very clearly stated, whether they are Members of this institution or just observers, that the existing number of backbenchers in particular is insufficient to provide the scrutiny that you referred to. In a way, I am really just asking you whether you think you can proceed much further from where you are at the moment as a committee and as an individual without having to address this particular issue. Is the existing number sufficient? If it is not, what you would move to, and how would you justify that and value it in terms of individual voters and small businesses?

Jocelyn Davies: We have to be able to come here and do the job that we are supposed to do. I know that some Members are at full stretch. I chair the Finance Committee, and I also sit on the Public Accounts Committee and on a subject committee. If your subject committee is dealing with legislation, it can take up a lot of your time. The budget process, of course, is normally confined to a specific part of the year when we approve the budget. Since I have been the Chair, I have had good attendance and a good committee, and the committee members are all interested in doing their jobs. We are now embedding the finance work into the other committees' work. So, if we have to do it, we have to do it. Obviously, having more Members means that people have fewer other things to focus on. However, if that is not possible, it is not possible.

Chair: Thank you very much. Siân James is next.

Q207 Mrs James: I would like to continue this discussion. In the Finance Committee's report on borrowing powers, you talk about having the right skills and the capacity in place to manage this and to undertake the work. Are you happy that those skills are there, and could you tell us a little more about that? Also, are Welsh institutions ready for this?

Jocelyn Davies: Many Welsh institutions, when we took our evidence, were very keen on it and saw it as an exciting step forward. I do not think that we came across anybody who was negative about it. We made a recommendation in the report about skills, which was specifically about the Government having skills and expertise, because mistakes can be very expensive, although you can learn a lot from mistakes. That recommendation was accepted in full by the Government. In fact, it told us that it now has a dedicated team working on the innovative finance models that I mentioned earlier. Obviously, that has been very successful, because it has brought forward finance at a time when investment

is needed. So, it was not in the least bit defensive about this, and I know that it has external expert advice as well. So, it seems to me that this was something that the Minister was keen on.

With regard to local government and others, you can tell from the partnerships that they have entered into that they are also keen on this and are trying to find new ways. So, there is definitely an appetite for it. We just need to step up to the plate and invite people in, without being defensive about what expertise we need. If we do not have it ourselves, we need to look at whether we can develop it; otherwise, let us find others who have this expertise, and not jump in the deep end without even having armbands on, as it were. I think that Assembly Members will also step up to the plate. They have taken very well to the new financial training that we have had. So, we have new principles attached to our financial scrutiny—affordability, prioritisation, value for money and process. Each of the committees has to focus on that.

Q208 Mrs James: Very quickly, because I think that it is quite important in light of what you said, Silk found that sufficiently detailed Welsh economic statistics were not available. Statistics, and that information, are going to be key to future planning and everything that we do financially in Wales. How confident are you?

Jocelyn Davies: There is an issue about data, I think, because very often what we do is just extrapolate from data on an England and Wales basis, and they might not be wholly reliable. So, we need better data. Martin might have a better view on this, because he does the research for this. Sometimes, if you just extrapolate data, expect them to be accurate and then base decisions on them, you could be in for misconceptions and perhaps a surprise later down the line. That is something that will need to be addressed; I agree wholeheartedly with that. I do not know if you have anything else to add, Martin.

Martin Jennings: The GVA figures are out very late—the 2012 Wales GVA figures came out in December 2013. It is clear that, in the public domain, there is very little. It comes late and it is not always that robust.

Chair: Thank you very much once again, Madam Chair, Jocelyn.

The sitting was suspended.

On resuming—

Examination of Witnesses

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

Chair: May I begin by welcoming the First Minister and the Minister for Finance to our session on the new Wales Bill? I will call Mark in a moment, but I understand, First Minister, that you or the Minister of Finance—or both of you—would like to have a couple of minutes to give an overview of where you stand on this.

Carwyn Jones: Thank you, Chair.

By way of a general introduction, I understand that you have received a paper from us—a summary table—giving the Welsh Government’s responses to each of the Bill’s clauses. Some are more technical than others; there are some issues of legal competence that will need to be resolved as the Bill goes through Parliament. In terms of the Bill itself, we broadly welcome its thrust, although there are areas where we would have some disagreement. For example, the maximum borrowing limit for capital is set at £500 million, which compares unfavourably with Northern Ireland, at £2.2 billion, and Scotland, which is at the same amount. Northern Ireland, of course, has no power to raise revenue. We made the case to the Silk commission that we wished to see the devolution of air passenger duty. The Silk commission accepted that submission in part, but only insofar as long-haul flights were concerned.

An issue over which there has been much debate is the issue of the lockstep approach to income tax devolution. That is something that we do not believe will provide us with enough flexibility in the future. No doubt, members of the committee will have heard me say publicly on several occasions that I would not be supportive of income tax devolution without the issue of fair funding being addressed first. The base has to be firm before we build upon it.

There are other issues that we are happy to agree with, such as the change of name to ‘Welsh Government’; that makes it clear and is the title that we have been using since 2011. In terms of the issue of dual candidacy, I would have to say that I would not support that. If that is the view of the UK Government, then I would ask: if it is the case that MPs should not be allowed to be AMs at the same time, and vice versa, why does that not also apply to MEPs, peers and councillors? If the issue is that of a dual mandate, in terms of

being an elected member, I would submit that it must apply across the board. We welcome the full devolution of non-domestic business rates, and we also welcome the reforms to the housing revenue account subsidy.

I think that that outlines it very briefly, building on the written submissions that we have already provided to the committee on where the Government stands at the moment. Jane, do you want to add to that?

Jane Hutt: I was the Minister leading the discussions with the Treasury on the Silk proposals. I want to say that it is important that, throughout this process, we have enjoyed very broad cross-party consensus in Wales and, obviously, that was clearly reflected in Silk. All parties have played a very important role in getting us to this position. I am seeking, in terms of taking my discussions forward here in the Assembly and inter-governmentally as well, to secure the best possible deal through ensuring that we maintain that goodwill across parties.

This goes beyond party politics. There is a great deal of support from the business community, particularly, as you will recall, from the Confederation of British Industry on our discussions about stamp duty land tax, and also, in terms of construction, from the Federation of Master Builders. So, there has been a great deal of impetus behind this, in terms of our partners and the wider society—business and civic society.

I will just add one point to what the First Minister said. In terms of those issues that we feel can be improved upon in the Bill, in terms of borrowing limits, APD and the lockstep, these are areas on which I am having discussions with the Chief Secretary to the Treasury, Danny Alexander. I hope that you, through your evidence taking, will be able to see the case for arguing for improvements to the draft Bill in due course. However, overall, it is an important step forward for the funding of devolution in Wales.

Chair: Thank you very much indeed, First Minister and Minister. I turn to Mark.

Q209 Mr Williams: Thank you and good morning.

The UK Government's stated aim of the draft Bill is to improve financial accountability in Wales. How important is it that the Welsh Government and National Assembly are financially accountable as well as accountable through the ballot box? The second question, following on from that, is

how far along the road do we go with these proposals as presented in the draft Bill to achieve financial accountability and empowerment?

Carwyn Jones: First of all, I would argue that accountability is already there, through the election process. Secondly, we are accountable for the money that is spent in Wales, and that is something of which the Welsh public and media take close notice. From our point of view, we are happy to accept new responsibilities where it can be shown that those responsibilities would benefit the people of Wales. With stamp duty, I believe that that is the case. With landfill tax, and the aggregates levy, I believe that that is the case, as indeed with APD generally.

The issue with income tax is that it is difficult to demonstrate, given the plan that is before us at the moment, how that would benefit the people of Wales. We know, through the work of the Holtham commission, that Wales is underfunded to the tune of £300 million. The report itself has never been in dispute, and the basis of the report has never been questioned. So, it remains that case that that underfunding is there. Until that underfunding is addressed, I would certainly be most reluctant to look at income tax devolution, because it would simply lock in that underfunding. Why? I suspect that, with the devolution of some income tax powers, whenever the issue of fair funding would be raised in the future, the answer would simply be 'You've got powers to raise money yourselves; get on and do it'.

Bearing in mind that roughly three-quarters of the funding for Wales would still come via the consolidated fund, via the block grant, that issue would remain unresolved. To my mind, the immediate issue to be addressed is the issue of fair funding. Once that is addressed, of course, it might be possible to look at how fiscal devolution works in the future.

Q210 Mr Williams: So that is why, without the resolution of that issue, Gerry Holtham last week, in his evidence, described the proposals as they stand now, without the settlement of fair funding, as a gesture. Would you agree with that?

Carwyn Jones: I do. It is not the view expressly of the Silk commission; the Silk Commission expressed a different view, in terms of how income tax devolution might work. We do find ourselves—I noticed the comments last week—in a position where, if Scotland does not have it, Wales cannot have it. That much is absolutely true, and that is unfortunate. The problem with a lockstep approach is that, if income tax is to be used as a fiscal tool,

it is an immense straightjacket on the ability to exercise powers flexibly. I just do not believe that it would be the sort of power in its present form that would do any good, as far as the people of Wales are concerned. If there were to be more flexibility, and if the issue of fair funding were to be addressed, the debate changes, but we are not at that stage yet.

Chair: First Minister, you are cleverly anticipating some of the questions that we are about to put to you. May I just go back to Nia, who may want to bring something else up?

Q211 Nia Griffith: First Minister, you have already confirmed that you would not want to see income tax devolved until this issue of fair funding is sorted out. Is there anything further that you want to mention on that? Do you think that the Silk commission's suggestion that 2017 might be a possible date for a referendum is realistic, and do you think that fair funding can be sorted by that time?

Carwyn Jones: The issue of fair funding, of course, is a matter for the UK Government, and not for us. It is a matter that does not just affect Wales—we all understand that. I think that 2017 is an ambitious target; it is difficult at this stage to see that being possible, in terms of there being a referendum in 2017. There are matters in Scotland that need to be resolved first, I suspect, before the issue of fair funding is addressed once more. However, that will need to be addressed, as will the issue of the straightjacket of the lockstep, before there can be a rational debate, I believe, on income tax devolution.

The difficulty is that this will be a matter for a referendum. I suspect that I am someone who is regarded as fairly strong in terms of seeing the further devolution of powers. However, on this issue, I cannot see how I could make a case to the people of Wales that would illustrate that devolution of this particular model of income-tax-varying powers—without there being a reform of the funding system—would be to their benefit.

Jane Hutt: I wonder whether I could come in on that, as the Minister for Finance. I will briefly go back to Mark's point about financial accountability. As the Minister for Finance, I am held to account, quite rightly. I am sure that the Chair of the Finance Committee talked to you about the ways in which we are held to account, and are held to account, I believe, in a very transparent way—and moving towards a deepening transparent way—in terms of our budget. However, clearly, we have moved on to the constraints, in terms of the lockstep, but we are constrained hugely

because we cannot borrow. I look forward to the time when I can be held to account for the borrowing power that we seek through the draft Wales Bill. However, as we move on to the issue of fair funding, it is absolutely clear in that recommendation of Silk that it is conditional that there is fair funding before we move to the devolution of tax-varying powers. Again, I think that that point of the cross-party commission is very important. In terms of the lockstep, where is this accountability and responsibility when we are being constrained in this way?

Chair: May I bring in Hywel on this? I think that you had a few questions on the lockstep, Hywel.

Hywel Williams: *[Translation.]* Yes. Good morning, First Minister; good morning, Minister.

I would just like to ask more questions about taxation. First, I take the point that you make about accountability through elections, and I think that that is a very strong point. However, in terms of being able to share 10p of income taxes, does that, in your opinion, give any kind of accountability, in a financial sense, in this context?

Carwyn Jones: *[Translation.]* In terms of accountability, it is extremely important that the responsibility that is devolved is sufficiently broad to ensure that any Government can demonstrate accountability, and can demonstrate that it is possible to use new powers for the benefit of the people of Wales. I do not think that this model is going to actually achieve that. Accountability, yes, of course, but what we have here is a debate on accountability on a very narrow issue, in terms of how it might work.

Q212 Hywel Williams: *[Translation.]* I will move on now. You have voiced opposition to the lockstep, and I share that view, as do other Members on this committee. Do you think that the Welsh Government would be willing to move forward with varying income tax rates if that lockstep continued after this Bill is passed, or would you want to use it under those conditions?

Carwyn Jones: *[Translation.]* I do not see how we can actually use this model in relation to taxation. I do not see that it would be broad enough in terms of its impact upon the public in Wales. However, in saying that, I have to return to this point: it is extremely important that the situation in terms of funding, and fair funding, is considered first, before we consider anything on the devolution of income tax.

Q213 Hywel Williams: *[Translation.]* I was going to ask you a question about that later on, if that is acceptable, Chair. We had evidence last week from a number of people, including Gerry Holtham, who used a very striking term when he talked about taxation powers, namely 'unusable'. Would you agree with that term?

Carwyn Jones: *[Translation.]* I believe, generally speaking, that that is correct. If you are saying that the Government should be accountable then it is important to provide that Government with the powers to demonstrate that accountability. I do not think that this is the case in terms of this model. It is true to say that accountability on raising up to £2 billion would be in place, but what would not be there would be any sensible system of implementing or using this power as a fiscal tool. That is not what this model provides for. What this does, to all intents and purposes, is to allow a Government to raise funds without doing much else.

Q214 Hywel Williams: *[Translation.]* Thank you. I will move on now to the lockstep idea. The UK Government has put a lot of emphasis on making the debate the same throughout the UK, particularly in reference to Scotland. Do you agree with that, or would you like to see some variation within the UK, specifically in terms of Wales?

Carwyn Jones: *[Translation.]* This is not something that other nations see as a problem, such as the United States of America and other parts of Europe, where there are variations in terms of taxation, particularly income tax. We would not want to see any sort of competition within the United Kingdom in terms of taxation rates, but, in saying that, we have to bear in mind that council tax varies from one county to another. It is lower in Wales, for example, than it is England.

There are divergences and there will be when land tax is devolved, but that is part of the devolution process, of course. On the one hand, the UK Government is saying, 'You will have certain powers over income tax, but your powers on a practical level will be very restricted indeed'. It is not possible to put forward the same argument and say, 'On the one hand we want to devolve income tax, but we don't want you to use that power in any way that is going to be innovative or different to the rest of the UK'. So, why have that power in the first place?

Q215 Hywel Williams: *[Translation.]* On the point about Scotland, they have put a specific emphasis on keeping the situation in Wales the same as Scotland. Do you see the power of that debate? Do you agree with that argument?

Carwyn Jones: *[Translation.]* No, I do not see that there is any force in the argument that says that if Scotland does not have it, Wales should not have it. My personal opinion is that the mechanism for devolution should be the same across the UK, namely the way that powers are devolved, and also the model of devolution. I am not saying that the powers should be the same in the constituent parts of the UK, but in terms of the way that devolution actually happens, that should be considered.

Chair: May I just turn to Stephen Doughty for a moment, and then we will go back to Guto and Geraint if we have time?

Q216 Stephen Doughty: Turning to the borrowing powers for a moment, First Minister, you made it quite clear that you do not feel that the £500 million limit that is set out is adequate. What view do you have as to what would be adequate, and would that change if, at some future, point income tax was devolved?

Carwyn Jones: I think that there is a reasonable argument to say that if income tax powers were devolved, there should be an increase in the limit. Our estimates are that it could potentially go up to £1.3 billion. However, that is still not enough. If we look at Northern Ireland, where the limit is £2.2 billion, Northern Ireland has no revenue-raising powers. It is true to say that, historically, councils in Northern Ireland have not borrowed, so that is reflected in the overall capital limit for Northern Ireland. However, Scotland has a £2.2 billion level, and Scotland is not even twice the size of Wales. While we welcome the £500 million limit in terms of capital borrowing and also the £500 million limit in terms of dealing with variations in tax take, it still seems too little to us. I think that we should be looking at closer to £1 billion.

Q217 Stephen Doughty: At the moment, before income tax is devolved?

Jane Hutt: This is about powers for a purpose, is it not? We need borrowing powers in order to develop and invest in our infrastructure. Clearly, we have a capital departmental expenditure limit of £1.23 billion. If we look at the equivalency with Scotland, we should be able to borrow up to that limit, as the First Minister has said. Looking at our Wales infrastructure investment plan, we have projects in the pipeline of up to £5 billion. We need to have the ability and to be empowered to borrow. Of course, this is a point that we are already making in terms of our response to the draft Bill; that that limit should be increased.

The other important point, which was reflected in the Silk evidence, is that we have very low repayment on PFI, for example. It is very low. We have the capacity. Clearly, we have to be prudent—‘prudent’ is the new word—in terms of the risk, so that we can be clear about our repayment ability within the overall fiscal envelope of the UK Treasury.

Q218 Stephen Doughty: I would share your view on the need for the Welsh Government to be able to borrow to invest in the way that you described, and I am also pleased to hear what you said about the prudential framework that would surround that. Some evidence should quite rightly ask the question about whether there is a danger that the first Welsh Government to have borrowing powers would simply borrow right up to the limit, constraining the ability of future Governments to borrow. How do you see that working? How do you see the relationships with the UK Government overall and other devolved administrations, regardless of the political affiliation of those Governments, working in order to maintain an overall prudential approach to the UK finances and those of the devolved administrations?

Jane Hutt: We have got to this point not just through a great deal of cross-party consensus and engagement of business and partners, but through very close and constructive inter-governmental engagement. It led to our inter-governmental statement on fair funding and borrowing powers back in October 2012. We have continued in that engagement.

Clearly, we are accountable. We are part of the UK fiscal Treasury arrangements, and I think that there is respect for the way that we are handling our reducing budget—a reducing budget in terms of capital and revenue. We would expect that to continue in terms of that prudential approach. However, we are already taking responsibility, and not just in terms of the reducing capital budget, by being innovative and assisting local authorities, for example, in their borrowing with our local government borrowing initiative, which is helping with extensive highways improvements and moving that into twenty-first century schools. We are also working with our registered social landlords in terms of developing Welsh housing finance. Therefore, we can be held to account as a Welsh Government, in terms of the way that we are working within the constraints and recognising that we have responsibilities in terms of the UK Treasury.

Q219 Stephen Doughty: That is very helpful. I have one small question. Do you think that the Welsh Government should be able to issue its own

bonds, rather than simply borrowing from the Secretary of State, or, indeed, borrowing from commercial banks, which has been suggested?

Jane Hutt: Clearly, borrowing from the national loans fund is the best way forward, and we have the ability to borrow from other sources—from banks. We would like to be able to issue our own bonds, as well. This is about growing in confidence and maturity in terms of progressing devolution and showing that we are responsible. Indeed, I have given you examples of how we are doing that with partners, because we are constrained by not having borrowing powers. But, it would certainly be helpful if that was added into the Bill.

Chair: Thank you very much. Stephen, I understand that you have an important meeting in a few minutes. I will go back to Guto and then bring in Geraint, who will ask the next series of questions.

Q220 Guto Bebb: *[Translation.]* Thank you, David. I have two or three questions to ask later on, but I want to bring you back, First Minister, to a response that you gave to Hywel Williams. You were arguing very strongly on the issue of the lockstep that you did not think that the lockstep provided the flexibility to use income tax powers, but in the same answer, you said that you did not want to see competition in terms of income tax within the UK. I cannot see the consistency in those two answers.

Carwyn Jones: *[Translation.]* First, my opinion is that I am not in favour of devolving income tax powers at the moment without a resolution of the funding situation. However, I do not see the point of devolving a system that is so narrow that it does not allow for any kind of flexibility for a Government to do things. I am not saying that there should not be any barriers at all. If you are talking about competition between the different parts of the UK, you could have a system that would have no barriers at all. I am not saying that that would be the correct way to go about things, but in terms of the fact that it may not be possible, for example, to change the bands independently, I think that that is too limited in terms of powers.

Q221 Guto Bebb: *[Translation.]* Just to confirm, therefore, you are in favour of a certain amount of income tax competition, but not too much.

Carwyn Jones: *[Translation.]* That happens now. It happens with the council tax. It happens with—

Guto Bebb: *[Translation.]* No; I am talking specifically about income tax.

Carwyn Jones: *[Translation.]* There is a model already.

Guto Bebb: *[Translation.]* No. I just wanted to confirm, in a way, that the argument that you are making, therefore, is that you are in favour of having some sort of competition in terms of income tax. That is just to confirm.

Carwyn Jones: *[Translation.]* That is reasonable, just as there is competition at present with council tax. However, in terms of whether we should have a situation where there are no barriers at all, the answer is 'no'. I think that that would be excessive.

Chair: *[Translation.]* May I just confirm something? If we were to resolve the funding issue throughout the UK, you would then support the devolution of taxation powers to Wales.

Carwyn Jones: *[Translation.]* I think that that would help. First, it would mean that the foundation for devolving income tax would be set, but then we would have to consider the model. I do not think that the model that we have at present, which is in the Bill, is sufficient.

Chair: *[Translation.]* I call on Hywel Williams, very briefly.

Q222 Hywel Williams: Yes, very briefly. This is a draft Bill, of course. If the Bill is introduced and ultimately passed, and still insists on retaining this lockstep, will the Welsh Government support it?

Carwyn Jones: *[Translation.]* Not without consideration of the funding system. That is critically important in terms of ensuring that Wales is funded fairly.

Q223 Hywel Williams: *[Translation.]* Wearing your party hat, therefore, can I tempt you to give us the view of the Labour Party and to give us some sort of timetable on Barnett reform?

Carwyn Jones: *[Translation.]* I am, of course, leader of the Labour Party in Wales, and I have given my opinion.

Chair: I call on Geraint to speak.

Q224 Geraint Davies: First Minister, you mentioned how fair funding had to be established before we move ahead on tax. Is there a similar case to be made on borrowing, namely that Wales does not get its fair share of capital investment across the UK? Should we not try to sort that out, to avoid the Government saying, 'If you want some more capital spend, raise your own borrowing'?

Carwyn Jones: In terms of capital investment, there are few areas where the UK Government has responsibility for capital investment. One area, for example, is the railways. We very much welcome what the Prime Minister has said: that the UK Government will fund the electrification of the main line to Swansea and the Valley Lines network. That is to be welcomed. When it comes to other infrastructure, such as health, education and the road system, that is devolved anyway. There would not be any capital investment by UK Government—

Q225 Geraint Davies: In the case of HS2, there are those who have said that Wales should get £2 billion, because it is a north-south, not east-west, bit of infrastructure. There are those who say that we should get more of a share. Would you sympathise with that?

Carwyn Jones: I am not going to argue against Wales getting a higher share of capital investment. That much I have to say.

Q226 Geraint Davies: Okay. That is very helpful. An argument has been put that the borrowing limits for Wales—and I agree with more borrowing for Wales because, obviously, you can spread capital projects across a number of years; they do not tend to occur in one year—should be linked to income tax devolution. Would you not agree that the overall amount of money that is servicing that debt will not change, whether or not there is income tax devolution? There will either be the whole block, or the block less the income tax. So, in other words, you could argue that you should have more borrowing in any case, irrespective of this income tax argument.

Carwyn Jones: We have to understand, of course, as the Minister for Finance has said, that prudence is essential. This is not Christmas. We have to ensure that what is borrowed can be financed through revenue streams. We understand that very well indeed, of course. A link has been made by UK Government, not by us, between revenue raising and tax varying. That is not a link that exists in Northern Ireland. It is a link that exists to an extent in Scotland. The £500 million limit is not a limit that we could see any rationale for, especially when it compares so unfavourably with Scotland and Northern Ireland.

Q227 Geraint Davies: Indeed, Scotland has not used its income tax powers to service debt. It has not changed the tax at all, yet it has over £2 billion, as you have pointed out, and Wales is being offered £500 million. Do you not think that there is a case for Wales to be offered more borrowing powers irrespective of this conversation about income tax?

Carwyn Jones: We do think that the overall borrowing limit should be increased, that is right.

Jane Hutt: Perhaps I could just add that, of course, one of the areas that we negotiated, alongside the Silk commission, was to have early access to borrowing. Given that we already have the WDA powers, we anticipate that we are going to be able to access borrowing—albeit that we want to lift the £500 million limit—to enable us to get on with the infrastructure projects that, obviously, are so important to the Welsh economy.

Q228 Geraint Davies: May I ask, finally, whether, if you had early borrowing and greater borrowing powers, that would help you to lever in conversion funding in terms of match funding through borrowing?

Jane Hutt: Not necessarily. Clearly, on our budgetary arrangements for EU match funding—not just us, but our partners as well—we have to do that within our fiscal envelope in terms of our budget. Certainly, it is not a relevant point as far as the borrowing is concerned.

Chair: Thank you very much, Minister. Simon Hart is next.

Q229 Simon Hart: I hope that we can move on to the capacity of this institution to deal with all of this. It has been put to us in previous evidence here and in Westminster that, for you to be able to take on what these additional powers may require you to take on, the result may be a different size in terms of the numbers of Assembly Members. My first question is whether you agree with the other evidence that has been given that you cannot cope with 42 backbenchers—that you would need more. If you do need more, how many do you need? Would you go from 60 to 80? Would you go, as some people have suggested, to 100? If you do do that, how do you justify that in the eyes of taxpayers and small businesses in Wales?

Carwyn Jones: In answer to the first question of whether the institution, with the current number of Members, can cope with these new powers, the answer is, undoubtedly, 'yes'. The same argument was raised in 2011 at the time of the referendum on primary powers and we have managed very well. In terms of the workload on Members, it is extremely difficult, that is true, because, for a backbencher here, it is nothing to be on three committees a week—that is normal, because of the size of the institution. So, the workload is enormous. That said, in an ideal world, I think that 80 Members would be the right number. However, I am realistic enough to understand that, proposing to the public that there should be more politicians is not an attractive argument.

[Laughter.] So, yes, we can manage with 60; ideally, we would have 80, but 60 is—we can do it.

Q230 Simon Hart: May I just make a suggestion, or put an idea to you? In order not to cause total confusion with the boundary changes that would result as a consequence of your getting your 80 Members, some have suggested that it would be best to have a 40/40 split to coincide with the Westminster constituency boundaries. What would you say to this argument: for the 40 elected Members, the situation would remain the same but, for those who are regional Members, who would constitute the other 40, is there justification for the level of expenses and resource that they currently receive given that the constituency casework is largely absorbed by the sitting Member of Parliament or the sitting first-past-the-post AM? Do the regional 40 need the resource that they currently have? Could you sell your argument to the public on the basis that you need more people but that you could actually reduce the overall cost?

Carwyn Jones: I suspect that that argument would not find favour with at least three parties in this Chamber. In my own party, of course, I have two regional Members. I do not see that there is a case for Members to be treated differently. I would not support the idea of there being 40 directly elected Members and 40 regional Members. We all have our reasons for that, of course, but, from my point of view, the people of Wales voted for a particular system in 1997 and there would need to be further consultation with them if there were to be changes, in my view. However, I see no reason why Members should be treated differently. I think that it is right to say that Members who are elected to constituencies have a higher case load—that is probably correct—but, on the other hand, the burden in terms of committee work is the same. Indeed, many regional Members are able to devote themselves to committee work and to scrutiny because of the different nature of their duties. So, I do not believe that there is less of a workload, but it may well be different.

Q231 Simon Hart: I would like to ask one last question, if I may. Back in the days of the devolution settlement being agreed in Scotland, Donald Dewar was on the record in those days as saying that that would bring an end to the argument about devolution versus separatism—a sentiment supported by Tony Blair at the time. However, not many years on, we are in a year where there is going to be a referendum on an independent Scotland. Do you believe that all of this has an inevitable consequence for Wales? Does it take us a step closer, even by accident, to a long-lasting and potentially economically damaging debate about an independent Wales?

Carwyn Jones: You should be careful about using the phrase, 'For Wales, see Scotland'. We wait to see what the result will be in Scotland this year, but the reality is that, in Wales, support for independence has not really changed.

Simon Hart: Those were Tony Blair's words, rather than mine.

Carwyn Jones: As far as Wales is concerned, there has been no increase in support for independence in the polls since devolution. That is because devolution has grown organically here and has been supported by the people—in one referendum, narrowly, of course, but in the second referendum, clearly.

Q232 Chair: First Minister, just before I turn to Siân James, if I may, I will slip something in. I seem to recall that, after the last referendum, you said that Wales now had all of the tools in the box—I believe that was the phrase you used—to get on and do the job. So, is any of this necessary?

Carwyn Jones: I believe that I said 'more tools in the box', rather than all of them. It depends how big the box is and how many tools you want. From my point of view, I approach devolution on the basis of what is best delivered in Wales and what is not best delivered in Wales. I do not believe, for example, in the devolution of social security, nor in the devolution of defence, obviously. There are some issues, overall fiscal policy, for example, that are best dealt with at a UK level. However, if we look at borrowing, the difficulty that we have at the moment, until this Bill is passed, is that there are capital projects that could go ahead in England, Scotland or Northern Ireland, but could not go ahead in Wales because they are in Wales. That is a competitive disadvantage that we need to remove.

Q233 Mrs James: The Bill allows for Wales to establish its own tax-collection agency, if it wishes to do so. Would you take this approach, or is it an approach that you would like to take in the future?

Jane Hutt: This is where we are looking very closely at all the options. It is very helpful the way in which the Bill gives us that flexibility. I am in discussions with HMRC, because it is a clear opportunity for us to look at the ways in which we could engage with it to deliver on our taxation powers. Clearly, there is the option of setting up our own body, as they have done in Scotland. However, once again, it has to be about what is most appropriate for us, and we are continuing those discussions.

Q234 Mrs James: Where does that leave a constituency like mine, which has the Driver and Vehicle Licensing Authority based within it, which is a big tax-raising organisation, as you can imagine. It is not strictly income tax, but certainly you can understand the concerns in a constituency such as mine about how that might have a long-term effect.

Carwyn Jones: Of course, none of the powers proposed in the draft Wales Bill affect the DVLA in any way; they are taxes that will remain non-devolved. We are not looking for the devolution of vehicle excise duty, or indeed any of the taxes that affect motoring.

Mrs James: Okay, thank you.

Q235 Jessica Morden: The Welsh Government, in its written evidence, does not support the removal of the ban on dual candidacy. Would you like to elaborate on your earlier comments regarding the Government's view on that?

Carwyn Jones: We do not support the removal of the ban on dual candidacy. We take the view that the public did not understand the system where somebody could stand in a constituency and then reappear elected from a list. That situation has not changed. However, I reiterate the point that I made earlier: I do not see, for example, when it comes to dual mandates, which is a different issue in terms of being an AM and an MP at the same time, why that is different from being an AM and an MEP at the same time, an AM and a councillor at the same time, or an AM and a peer at the same time. If there is to be consistency, then all of those would need to be addressed as well.

Q236 Jessica Morden: When the Assembly was set up, there was one system in terms of dual candidacy, then in 2006 there was a ban, and now we are looking at it again; do you believe that there is a danger that all of these electoral changes just confuse people more?

Carwyn Jones: I have not had many representations from members of the public demanding an end to the ban on dual candidacy. *[Laughter.]*

Q237 Jessica Morden: In your written evidence, you also say that you consider changes to the Assembly's electoral arrangements to be a matter for the Assembly. Do you want to elaborate on that?

Carwyn Jones: Yes, I do. I think that this institution should control its elections. I am not saying that that should extend as far as the franchise necessarily, but in terms of the issue of the Assembly's term, for example, this was a debate that we had some years ago

now, namely whether the Assembly should sit for four or five years, and also the effect of what were then proposed changes to parliamentary constituency boundaries on the way in which Assembly Members were elected. The position that I have always taken is that it would be wholly wrong for the UK Government to change the method of election to the Assembly, or indeed to change the number of Assembly Members without any consultation with the Assembly itself, and that remains the case today.

Q238 Chair: Would you also agree, First Minister, that any Government here or in Westminster making changes to the way in which an election is carried out should be very careful to ensure that they are not doing so in a way that might give them an advantage, even if that is not the motive behind the change that they are trying to implement?

Carwyn Jones: I entirely agree with that. That is why, when this was debated in the Assembly, we were happy to agree to a system where, if there were to be changes, those changes would need to be endorsed by two-thirds of Assembly Members.

Q239 Chair: Would you agree, though, that the ban on candidates standing in first-past-the-post seats and also on regional lists was something that benefited one party—the larger party—more than the three smaller parties represented in the Assembly?

Carwyn Jones: No, I do not—it does not affect the arithmetic at all. The reality is that the same number of Members would have been elected for each party in any event, although there may have been an effect on individuals.

Chair: Okay, thank you very much. We seem to have scooted through most of our set questions, but I see that there are one or two points—*[Interruption.]* Guto caught my eye first, but I am sure that the First Minister will not mind us going back to some things.

Q240 Guto Bebb: *[Translation.]* Just a few questions on the issue of a referendum more broadly. First of all, we accept that your view as First Minister, and therefore as a Welsh Government, is that you do not want to call a referendum on income tax powers because you want to settle the issue of fair funding for Wales first, and that is fair enough. However, if there were to be a fair funding settlement for Wales, do you think that there would be a need for a referendum before transferring responsibility for income tax, or would a manifesto pledge be adequate?

Carwyn Jones: *[Translation.]* No, I do not think so. In terms of income tax, it is different because there has been a referendum in Scotland. I know that I have said that the situation in Wales should

not be read through the prism of Scotland, but I think that that is an important principle. I have said that Scotland is going to have powers for income tax that are much broader than those that were on the table when the referendum came. I think that it is important that with something so fundamental we have a referendum, as happened with the further legislative powers for the Assembly.

Q241 Guto Bebb: *[Translation.]* My second question follows on from that. If you believe that a referendum is necessary for income tax—and your answer suggests that you do—another complaint that has been made by witnesses appearing before this committee is that we are in danger in Wales of having a referendum on every single issue out there. Do you think that a question on income tax could be framed in a broad enough way to enable the situation to be changed moving to the future, or do you think that the question would have to be very restrictive to secure the confidence of the people of Wales in terms of any change?

Carwyn Jones: *[Translation.]* Wales has had more referenda in its history than any other country in Europe—nearly every seven years. It is important to have referenda only on the fundamental things, but I think that income tax is a very fundamental thing, and I think that we should have a referendum. There is a template on principles in terms of what happened in Scotland, so I think that that is important to have in the future. In terms of the question, that is something for the Electoral Commission. The question in 2012 was a very complex one. It was a question that lasted three paragraphs, nearly. At the end of the day, what I asked the people of Wales was, 'Do you want to ensure that the laws that affect Wales alone are made in Wales?' That was the question, although that was not the question on the paper. However, I think that it is important that, where there is legislation, the question is tied into that legislation and is not too broad; people have to be able to understand what they are voting for in a referendum. *[Translation.]* However, in terms of income tax, once people have agreed the principle that the Assembly and the Government should have powers over income tax, namely once that is allowed by the people of Wales, I do not think that we have to have a referendum every time in order to change the powers.

Q242 Guto Bebb: *[Translation.]* This is my very last question. Taking you back to your response to Simon Hart on the possibility of having 40 first-past-the-post Members and 40 list Members, you stated that the Assembly was created as the result of a vote of the people of Wales and that there would be a need to confer with the people of Wales before changing the balance of the system to 40 first-past-the-post Members

and 40 list Members. Does that suggest a referendum or do you have another way of seeking public opinion in mind?

Carwyn Jones: *[Translation.]* I think that it would be possible for the parties to put something in their manifestoes and then, if there is any change, it is important that it has been agreed across the parties. If I were in a situation, for example, where I had a majority as a First Minister, I would not be in favour of changing the system because of the fact that I had a majority of one or two. It is very important to have cross-party agreement, and that is why I wanted to see that 66% of Members here supported any change before it happened.

Q243 Glyn Davies: I wanted to ask a question that you have covered pretty well, I think, on the issue of double jobbing. The Presiding Officer of the Assembly has told us how the Assembly seems to be in favour of the proposal to ban anybody serving as an AM and as an MP. You seem to be against it, describing it as unnecessary, and you are speaking on behalf of the Government. Is there is a divergence of views in what the Welsh Government is saying on that issue and what the Presiding Officer has said?

I will take the two points that I have together. The second point is that you have, quite rightly, I think, raised the issue of people serving at other institutions that takes up their time—you can extend that to the private sector as well, if it is a commitment issue, because if it applies to one double job, why should it not apply to every double job? That is perfectly logical. Discounting that and taking that side of the argument out of it altogether, as the Bill seems to do, are you opposed to the ban on people being AMs and MPs?

Carwyn Jones: On the first point, to make it absolutely clear, we as a Government would favour maintaining the ban on dual candidacy. The Presiding Officer—

Glyn Davies: I meant double jobbing, not dual candidacy.

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

Q244 Glyn Davies: The point that interested me is that the Presiding Officer, speaking on behalf of the Assembly, made a clear case that she supported the proposal in the draft Wales Bill for the ban, and that you, speaking on behalf of the Government, are saying the opposite. Is that a fair reflection of the evidence that we are receiving today?

Carwyn Jones: I would not expect the evidence that the Presiding Officer has given and the evidence that I give to be identical. We have different roles. However, we have not, as a Government, made any submissions suggesting that there should be an end to double jobbing, and that remains the position.

Q245 Geraint Davies: To come to income tax for a moment, you have made a compelling case for borrowing powers in terms of infrastructure and the like, but do you think that devolving income tax might generate a certain amount of uncertainty for inward investors? They might think that, over time, the rate of income tax might be different in England and Wales and that that might be unhelpful to Wales in terms of inward investment.

Carwyn Jones: No, I do not think that that is an issue. There are other issues that investors look at, one of which is corporation tax, and we have not advocated the devolution of corporation tax. They will look at business rates and the level of support that is available as well. One issue—and I hope that I am not going to start hares running in saying this—that we are now getting is the uncertainty over the UK's membership of the EU. So many investors come to the UK because we are EU members, and because of the access to that large market. That has certainly created a level of uncertainty, as I have heard from potential investors. I do not think that income tax would be a factor in their considerations.

Chair: Thank you very much indeed, First Minister and Minister for Finance, for answering our questions and being here today. We are grateful for your hospitality in the Assembly.

Carwyn Jones: Those comments, of course, should be directed to the Presiding Officer. The Government offers no hospitality, Chair. *[Laughter.]*

Chair: I am sure that that will be passed on.