

WELSH PARLIAMENT FINANCE COMMITTEE SUBMISSION

Dr Steve Aiken OBE MLA
Chairperson
Committee for Finance
Northern Ireland Assembly

12 January 2021

Dear Steve

Role and Remits of Independent Fiscal Institutions

Thank you for your letter dated 18 November 2020, which seeks information regarding Independent Fiscal Institutions.

As you are aware, the Wales Act 2014 (the Act) devolved certain tax and borrowing powers to Wales.

In its 2015 report on 'Best Practice Budget Process Part 2 - Planning and implementing new budget procedures' the (then) Finance Committee recommended that:

'...the Welsh Government considers further the advantages and disadvantages of establishing a fiscal commission for Wales having regard to the arrangements in place for Scotland and The Netherlands and share its analysis with the Committee.' (Recommendation 7)

In its response to that recommendation, the Welsh Government said it would:

'...consider all options for validating and scrutinising the tax forecasts that contribute to the budget plans, including the possible establishment of a fiscal commission for Wales.'

Proposed as an interim measure, Bangor University was given a one-year contract to independently scrutinise the tax forecasting models used by the Welsh Government. The then Cabinet Secretary for Finance, in his letter to the Finance Committee on 21 September 2017, outlined his preference for the Office for Budget Responsibility (OBR) to undertake the independent forecasting responsibilities for Wales in the longer term.

During a Finance Committee session in December 2017, the then Chairman of the OBR expressed the view that it would be challenging to provide a comprehensive analysis of Welsh tax forecasts given the timings of both Welsh and UK Government budgets.

In its March 2018 report, '[The implementation of fiscal devolution in Wales](#)' the Committee stated that it:

'... welcomes the work which has been undertaken by Bangor University in considering the models and forecasting used by the Welsh Government.'

The Committee went on to say that it:

'.... questions the Welsh Government's proposal to use the OBR for future forecasting and, whilst appreciating the benefits of this approach, the Committee is not reassured by the OBR's views regarding its ability to deliver comprehensive forecasts alongside the Welsh Government's draft budget.'

The Committee concluded that it would welcome regular updates from the Welsh Government on its plans for independent tax forecasting.

In July 2018, the then Cabinet Secretary for Finance issued a [written statement](#) announcing that the Welsh Government would enter into an arrangement with the OBR for the provision of Welsh tax forecasts for Welsh Government Budgets from 2020-21 onwards.

In its November 2018 report, '[Scrutiny of the Welsh Government Draft Budget 2019-2020](#)', the Committee again expressed its concern regarding the OBR's comment on the challenges to provide a comprehensive analysis of Welsh tax forecasts.

In April 2019, the OBR formally commenced its role in providing Welsh Tax Forecasts, publishing its first report in December 2019. As the arrangement with the OBR is still in its early stages, and due to the unusual fiscal arrangements over the past two years, the Committee has yet to take a firm view on how effectively the current working arrangements will be in the longer term. However, the two reports produced to date have been informative and the Committee has always appreciated the attendance and evidence of the previous Chairman, Sir Robert Chote – Robert always provided honest, open and informative evidence. We will shortly have our first session with the newly appointed OBR Chairman, Richard Hughes, to consider OBR's most recent publication on Welsh taxes.

As we approach the end of this Senedd term I do not anticipate there being any additional information to inform the Committee on the best approach. However, I am sure that the role of the OBR and the arrangements for independent forecasting in Wales will be of interest to our successor Committee, and it may be useful for further collaboration between our two Committees in the future.

Yours sincerely,



Llyr Gruffydd MS
Chair of the Finance Committee