



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE Financial reform: Update on the Silk 1 intergovernmental talks.
DATE 06 February 2013
BY Jane Hutt, Minister for Finance and Leader of the House

I am pleased to issue a Statement to update Members on the Silk 1 intergovernmental talks on financial reform.

The UK Government has committed to publishing a response to the Silk Commission's proposals on financial reform in the Spring. Ahead of that announcement, intergovernmental discussions involving the Welsh Government, HM Treasury and the Wales Office have made a good start.

The talks will consider all of the Silk Commission's proposals for devolving additional fiscal powers to Wales. The Welsh Government's priorities are:

- devolution of borrowing powers to finance capital investment and to manage short term budgetary fluctuations arising from any tax devolution;
- early access to borrowing powers, ahead of any tax devolution, to finance specific infrastructure projects, in line with the commitment in the joint statement on funding reform issued in October 2012;
- full devolution of a range of smaller taxes that could serve as policy levers in fields of devolved responsibility; and
- agreement to a clear timetable and legislative vehicle for implementing any agreed reforms.

I had a constructive meeting with the Chief Secretary to the Treasury in December, and we will continue to meet to discuss progress throughout this process. In taking forward this work, I will seek to maintain the broad consensus on the financial reform agenda that exists across the political spectrum in Wales.

Both Governments remain committed to constructive joint working on all matters relating to financial reform, so as to secure a better devolution settlement for Wales within a stronger United Kingdom.

The Silk Commission recommended that the Welsh Government should establish a new Welsh Treasury function to manage the new tax and borrowing powers for Wales. The design and scale of the function will depend on which of the Silk recommendations are implemented, and the impact of each requirement on the Treasury function will depend on the way and scale in which they are implemented.

I have already put in place some of the attributes of a Welsh Treasury function associated with the Wales Infrastructure Investment Plan, more strategic utilisation of capital, improved assessment processes and the development and implementation of innovative financial arrangements. Over the coming year, these functions will be enhanced in the light of experience and evolving requirements.

If the Silk recommendations are implemented in full, then I would expect the following further functions to be necessary:

- tax policy;
- tax administration, including compliance and enforcement work;
- receipts forecasting and cash management; and
- enhanced investment strategy.

I welcome the UK Government's commitment to respond to the Silk Commission's recommendations in the Spring which will clarify which fiscal powers will be devolved and the form that the devolution will take.

Further work on identifying the requirements and further developing an enhanced Welsh Treasury function will therefore be taken forward alongside the talks with the UK Government.

I remain committed to update Members on intergovernmental talks on the Silk report 'Empowerment and Responsibility: Financial Powers to Strengthen Wales' on a regular basis.