

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT GOVERNMENT OF WALES ACT 2006  
(VARIATION OF BORROWING POWER)  
ORDER 2018

*Tuesday 27 November 2018*

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**not later than**

**Saturday 1 December 2018**

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**The Committee consisted of the following Members:**

*Chair:* MR VIRENDRA SHARMA

- |  |   |
|--|---|
| † Adams, Nigel ( <i>Parliamentary Under-Secretary of State for Wales</i> ) | † Kerr, Stephen ( <i>Stirling</i> ) (Con)             |
| † Bebb, Guto ( <i>Aberconwy</i> ) (Con)                                    | † Kinnock, Stephen ( <i>Aberavon</i> ) (Lab)          |
| † Bruce, Fiona ( <i>Congleton</i> ) (Con)                                  | † Moon, Mrs Madeleine ( <i>Bridgend</i> ) (Lab)       |
| † Davies, Glyn ( <i>Montgomeryshire</i> ) (Con)                            | † Morden, Jessica ( <i>Newport East</i> ) (Lab)       |
| † Double, Steve ( <i>St Austell and Newquay</i> ) (Con)                    | Murray, Ian ( <i>Edinburgh South</i> ) (Lab)          |
| Doughty, Stephen ( <i>Cardiff South and Penarth</i> ) (Lab/Co-op)          | † Owen, Albert ( <i>Ynys Môn</i> ) (Lab)              |
| † Edwards, Jonathan ( <i>Carmarthen East and Dinefwr</i> ) (PC)            | † Ruane, Chris ( <i>Vale of Clwyd</i> ) (Lab)         |
| Freeman, George ( <i>Mid Norfolk</i> ) (Con)                               | † Stevenson, John ( <i>Carlisle</i> ) (Con)           |
| † Johnson, Gareth ( <i>Dartford</i> ) (Con)                                | Laura-Jane Tiley, Ben Street, <i>Committee Clerks</i> |
|  | † <b>attended the Committee</b>                       |

## Third Delegated Legislation Committee

Tuesday 27 November 2018

[MR VIRENDRA SHARMA *in the Chair*]

### Draft Government of Wales Act 2006 (Variation of Borrowing Power) Order 2018

2.30 pm

**The Parliamentary Under-Secretary of State for Wales (Nigel Adams):** I beg to move,

That the Committee has considered the draft Government of Wales Act 2006 (Variation of Borrowing Power) Order 2018.

As always, Mr Sharma, it is a pleasure to serve under your chairmanship. The draft order will deliver on the commitment that the Government made in the St David's Day agreement to extend the Welsh Government's borrowing powers to enable Welsh Ministers to issue bonds to borrow for capital expenditure.

The Welsh Government already have extensive capital borrowing powers. The Wales Act 2014 provided that Welsh Ministers may borrow up to £500 million to fund capital investment. Those powers went hand in hand with the tax powers in the Act, which the Assembly has used to establish the land transaction tax and the landfill disposal tax. They placed fiscal responsibility and greater accountability at the heart of the Welsh devolution settlement. Following the historic agreement with the Welsh Government on the fiscal framework for Wales in December 2016, the Wales Act 2017 doubled the borrowing limit to £1 billion, with an annual limit of £150 million, in anticipation of Welsh rates of income tax coming on stream from April next year.

**Jonathan Edwards** (Carmarthen East and Dinefwr) (PC): I am most grateful to the Minister for giving way so early in his speech. Will he give a categorical assurance that the extended powers under our consideration have nothing to do with the Budget announcement on page 66 of the Red Book that tied extra borrowing powers to a specific project in Wales? Will he reassure me that the Welsh Government will be able to utilise the borrowing capacity that comes with those powers as they so wish?

**Nigel Adams:** I can certainly give the hon. Gentleman those assurances. The draft order is about adapting the means by which the Welsh Government can borrow, whereas what was announced in the Budget was about the additional amount that will be considered during the spending review.

As the hon. Gentleman rightly says, my right hon. Friend the Chancellor announced in the Budget that at the spending review we will undertake a review of the Welsh Government's capital borrowing powers and consider whether the borrowing cap should be increased by up to £300 million to support the delivery of a new M4 relief road. I know that many people and businesses have called for improvements to that vital artery of Wales; no doubt they welcomed that announcement.

The draft order is not about changing the amount that Welsh Ministers can borrow, but about providing greater flexibility and choice for the Welsh Government over the sources of borrowing that they wish to pursue. To date, Welsh Ministers have been limited to borrowing either from the national loans fund, which is part of the UK Government, or from commercial banks. The draft order, which is made under section 121(4) of the Wales Act 2014, will extend the means by which Ministers in Wales can borrow, to include bond issuance. It is, of course, a matter for Welsh Ministers to decide which source of borrowing provides the best value for money for Welsh taxpayers at any given time.

I am pleased to note that the Cabinet Secretary for Finance and the Chief Secretary to the Treasury have both approved the draft order. I commend it to the Committee.

2.33 pm

**Chris Ruane** (Vale of Clwyd) (Lab): It is a pleasure to serve under your chairmanship, Mr Sharma. I welcome the Minister again; this is the second time in two weeks that we have met in a Committee on a statutory instrument that devolves additional powers to Wales, and long may that continue. Once again I welcome the devolution of additional powers, but once again—with your permission, Mr Sharma—I must issue my own warnings and express my own concerns about power going the other way, should Brexit go forward, with respect to additional finance to Wales from Europe and the additional powers that we had under the previous system.

These powers for Welsh Government were set out as part of the St David's Day agreement and the Wales Act 2017. Unfortunately I was not here then, because I was on an enforced two-year sabbatical—the public had spoken—but I was here last year when the amounts for borrowing were increased from £500 million to £1 billion, which I welcome.

The order will enable Welsh Ministers to issue bonds for capital investment infrastructure, and it will come into force on 1 December, subject to its approval today. It is good to see that the relevant Treasury Ministers have already given that approval. For the first time, the Welsh Government will have the full suite of borrowing options at their disposal, which is an extremely important step towards ensuring that ambitious infrastructure plans can continue to be invested in and delivered on, even as capital budgets in Wales decline—they have declined massively since 2010. At a time of historically low interest rates, these additional borrowing powers are very timely.

As with all forms of borrowing, bonds must naturally be repaid, and will ultimately have an impact on the revenue available to the Welsh Government to fund day-to-day services. It is important to note that the Cabinet Secretary for Finance, Mark Drakeford, has already stated in the Assembly that, in line with the Welsh Government's approach to capital, they will always exhaust the least expensive forms of capital before using other sources of repayable capital.

The Welsh Government's capital spending plans, as set out in their draft Budget 2019-20, which was published in October, are based on £250 million of capital borrowing over the next two years, so plans are already afoot, showing that the Welsh Government have been proactive and visionary in knowing that they would get the additional

funding. That level of borrowing will help Welsh Labour to deliver the priorities set out in the Wales infrastructure investment plan midpoint review. I therefore welcome these measures.

2.36 pm

**Nigel Adams:** I thank all hon. Members for their contributions to the debate. The order delivers the commitment we made in the St David's Day agreement, to enable the Welsh Government to issue bonds to borrow for capital expenditure. It ensures that the Welsh Government's borrowing is flexible and sustainable. I am very pleased that we have the support of Her Majesty's Opposition, and I hope I have answered the point raised by the hon. Member for Carmarthen East and Dinefwr.

In assuming tax and borrowing powers, devolution in Wales has truly come of age, as the devolved institutions become responsible not only for how money is spent in Wales, but for how it is raised. Taken together, these fiscal powers provided by the Wales Act 2014 and the further powers devolved through the Wales Act 2017 place responsibility and accountability at the heart of the Welsh devolution settlement, and pave the way for the Assembly to become a fully-fledged Welsh Parliament. The order provides yet another tool to allow the Welsh Government to support the economy and the people in Wales, and I commend it to the Committee.

*Question put and agreed to.*

2.38 pm

*Committee rose.*





