



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Welsh Government response to the UK Budget**

DATE **11 March 2020**

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The Chancellor of the Exchequer today presented the long-awaited UK Budget setting out the economic and fiscal response to the challenging backdrop against which this Budget is presented. This Statement provides an update to Members on the immediate implications for Wales.

We are working closely with the UK Government and the other Devolved Administrations to prepare for and respond to Coronavirus. I welcome the Chancellor's commitment that the NHS will get all it needs and the other measures announced today to support businesses and individuals. Further clarity is still needed on how these measures will be funded in full. We are in ongoing discussions with the UK Government to ensure Wales gets the funding it needs to deal with the impact, especially in the context of the pressures our demographic makeup could present.

Following the UK Government's one-year Spending Round in September last year, today's Budget provides additional funding for Wales of £122m revenue, £239m capital and £3m Financial Transactions capital in 2020-21. On capital, this does not take into account the £100m capital cut the UK Government made to our budget at the end of the financial year. The result is that the amount of additional capital available to invest in infrastructure here in Wales in 2020-21 is reduced to £140m.

While I welcome these increases in funding, per head of the population our revenue budget in 2020-21 will still be down by nearly 4% or £200 per person, in real terms on a like for like basis since 2010-11. If our budget had grown in line with GDP since 2010-11 it would be £3.5bn higher and if it had grown in line with the long run growth in public spending it would be £6bn higher.

I have repeatedly called for the UK Government to take decisive action to end austerity. We welcome the additions to our Budget in 2020-21, but remain concerned about the longer-term trajectory over this Parliament term. Today's Budget implies continued spending constraints for public services in the next spending review period.

The Welsh Government's budget is dependent on the broader outlook for the economy. The Office for Budget Responsibility paints a gloomy picture of prospects, even before taking account of Coronavirus. Even with the boost in capital spending announced today, at no point during this Parliament does GDP growth reach two per cent. Indeed growth in GDP per head is expected to average just 1.1% over the next five years, less than half the rate achieved in the 10 years before the recession. It is deeply concerning that the long term prospects for productivity have been downgraded dramatically.

This is not surprising, given the UK Government's approach to trade negotiations with our largest and most important trading partner – the EU. All credible evidence has shown that a close relationship is in the UK's interests, but the UK Government appears to be disregarding this evidence. This is likely to have significant negative impacts for Wales.

Disappointingly, the Chancellor's Statement was silent on the steps being taken to ensure a smooth transition as the UK leaves the EU. The absence from the Chancellor's statement of the UK Government's plans for a Shared Prosperity Fund is also cause for deep concern. With less than 12 months until current EU funding ends, it is vital that the UK Government shares with us in detail its plans and makes good on its promise that Wales will not be a penny worse off.

Looking at the wider implications of the Chancellor's Budget, we have repeatedly called on the UK Government to provide the much needed boost for infrastructure investment. We have ambitious, Wales-wide investment plans over the coming years that, if funding were available, would deliver our ambitions of a more prosperous, equal and greener Wales across areas including decarbonisation, public transport, social housing, schools, health infrastructure and enhancing biodiversity.

Today's announcements are a step in the right direction but if the UK Government is serious about levelling up the UK then significant investment is needed in Wales in non-devolved areas to address regional inequality. I welcome the additional commitments on rail and research and development, but this must translate into real benefits for Wales.

Ahead of the Budget I called on the UK Government to take action to address the historic under-investment in Wales in rail and research and development including a commitment for support for an All Wales Artificial Intelligence (AI) Hwb, which are so important to supporting good jobs and the future of our economy in Wales.

The recent floods have had an unprecedented and devastating impact on Welsh communities and businesses. The Welsh Government has made available £10m for the initial response. In my discussions with the Chief Secretary to the Treasury over the last week, he has acknowledged the unforeseen and exceptional impacts we have faced in Wales. The extra funding for flood defences announced by the Chancellor today provides some immediate relief but I will be writing to the Chief Secretary this week to seek a firm commitment that additional funding will be available to Wales outside the normal Barnett process.

Ahead of the Budget, I pressed the UK Government to deploy the levers it has to support our collective ambitions to meet the challenge of the climate emergency. I welcome the measures in the Budget on green transport solutions, protecting woodland, and taxation measures including the announcement of a new plastic packaging tax from 2022. We will look closely at the detail of this and are keen to be engaged in this work with the UK Government. The scale and pace of change required means we need to work collaboratively to achieve our collective ambitions.

I will provide a further update to Members once further details on the full impact of the UK Budget for Wales are available.