



Rt Hon Stephen Barclay MP
Chief Secretary to the Treasury
1 Horse Guards Road
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13 March 2020

Dear Chief Secretary,

Ahead of this week's UK Budget, I wrote to the Chancellor setting out our immediate priorities for Wales, including current spending pressures relating to flooding and coronavirus. In this regard, I welcome the announcements made by the Chancellor in respect of these exceptional challenges.

Coronavirus

At the Finance Ministers' Quadrilateral earlier this week we discussed how a UK wide response will be necessary to prepare for and respond to coronavirus. Alongside a UK wide policy response we need a UK wide fiscal response. While I recognise the circumstances in which the temporary coronavirus measures were developed, and the reasons why they do not score in the Budget in the normal way, it is essential we are able to provide certainty, stability and security for businesses and individuals in Wales. The Treasury is in a unique position to enable or prevent the devolved governments from taking timely decisions to respond to this crisis. Any delay which prevents our ability to take the decisive action needed presents unacceptable additional uncertainty.

We want to take decisions now to provide confidence to our public services to do what is necessary to respond to coronavirus, firm up the support we are able to offer to individuals and roll-out a support package as quickly as possible to help Welsh businesses. To do this we need urgent clarity on the funding that will be made available to Wales as a result of the package of coronavirus measures announced in the Budget.

For our own planning purposes, and in order to make early announcements in Wales, our interpretation of the announcements made yesterday is that we will receive the following consequentials (totalling an additional £225m in Barnett funding for Wales).

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Coronavirus response measure	£m
LA hardship fund	30
Extended business rates reliefs	65
Business support grants	130
Total	225

We are also working on the basis of receiving a Barnett share of at least £290m of the coronavirus response fund initially set at £5bn to support the NHS, local authorities and public services. Combined, these assumptions will underpin the measures we plan to announce in the coming days.

As conveyed at the Quadrilateral, it is essential Wales gets the funding necessary to deal with the impact based on need, especially in the context of the pressures our demographic makeup could present resulting in a disproportionate impact in Wales. We are also concerned that the structure of our business sector presents particular difficulties. According to our initial assessment, applying the same temporary business measures as in England would cost considerably more in Wales – as much as 50 per cent more than a population based consequential. As such, we reserve the right to request additional funding as the full impacts crystallise to ensure we are not constrained in our ability to protect the health of the people and economy in Wales.

Flooding

While the extra funding for flood defences announced by the Chancellor on Wednesday provides some welcome resources next year, it does not even begin to approach the funding we will need to respond to the damage in Wales as a result of the recent storms. You acknowledged in our discussion last week that Wales was particularly hard hit by the recent storm damage and agreed this was an exceptional and unforeseen event and we should discuss how this relates to a claim on the reserve.

In order to provide some immediate support, we made available £10m for an emergency flood relief scheme. The immediate priority has been getting financial help to individuals and businesses as quickly as possible, as well as providing local authorities with the support they need to deal with the clean-up costs and undertaking urgent infrastructure repairs. Under the Emergency Financial Assistance Scheme, local authorities have until 20 March to submit their initial claims, but as of the end of this week, we estimate the combined costs of the support provided to date will be £10-£15m.

These figures do not include the cost of putting right the damage done. There are reports that this could cost £200m or more. Work is underway to assess the overall damage and we will seek to firm up the costs in parallel as our understanding of the repairs needed develops over the coming months.

In addition, we discussed the work needed to secure coal tips. Following the coal spoil heap landslide at Tylorstown during Storm Dennis, the Welsh Government has been working with the Wales Office and the Coal Authority (TCA) to urgently assess the safety and management controls for Wales' 1200 coal tips. We are grateful for the swift technical support provided by the TCA in undertaking immediate risk assessments and inspections in

recent weeks. The safety of our communities living in the vicinity of mining spoil heaps remains our priority. A programme of inspections is continuing as is work to provide clearer and more accessible information for the public. We anticipate some remediation work will be needed to minimise risks of further landslips including at the Tylorstown tip itself. We would expect the UK Government to accommodate all the associated costs incurred by TCA as well as the relevant remediation requirements to ensure high risks tips are being managed effectively.

We are working with all relevant stakeholders in Wales to get a clear picture of the damage and the works needed to determine the total amount of additional funding which will be required. My officials will ensure your officials are kept fully informed as the picture develops over the next few months. In the meantime, I am seeking a clear and explicit firm commitment now from you that Treasury will cover these exceptional costs - outside the normal Barnett process - in full, based on our best assessment of what they will be.

The Welsh Government's Cabinet is meeting on Monday afternoon to consider these matters so I would welcome a response by midday on Monday. I would be pleased to discuss if that would be helpful.

I am copying this letter to the Secretary of State for Wales.

Yours sincerely,

Personal Data

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd