

## **FINANCE MINISTERS' QUADRILATERAL – 10/3/20**

**CST** began the meeting by saying he is very keen on sharing information and building trust between Governments, both at Ministerial and official levels. He referred to his previous role in relation to Brexit and likened this to the current situation with COVID-19 – a shared 'operational' challenge where Governments need to work as closely together as possible. CST mentioned data sharing on several occasions, particularly in respect of the economy, and the importance of standardising to make data comparable.

### **1. Budget and economic outlook**

**CST** said that the OBR economic and fiscal outlook will make clear that the economy has strong foundations which will provide the opportunity for a big boost in investment in infrastructure in pursuit of the UK Government's 'levelling up' agenda. There will be a focus in the Budget on closing the productivity gap and speeding up the delivery of infrastructure. It will make good on manifesto commitments to boost spending on R&D, transport, NHS and police. There will also be clear commitments to providing funding needed to tackle COVID-19. He mentioned plans to review the Green Book and would like input into this from the Devolved Administrations (DAs) – are there cases where the prevailing approach is leading to certain areas repeatedly losing out? He also referred to the Chancellor's particular interest in progressing Free Ports.

**Scottish Minister for Finance** asked about the intended role for DAs in decisions about how infrastructure investment will be distributed and emphasised the vital importance of good communication on fiscal matters (in advance). She explained that the Scottish budget was now finalised with minimal tax changes. Brexit risk loomed over everything, particularly in relation to migration policy and trade

**MFT** emphasised the importance of agreeing terms of reference (ToR) for the Quad and ensuring it meets regularly, and the need to motor ahead with revising the Statement of Funding Policy (SoFP) – particularly clarifying the dispute resolution process. She said it was important to see the UK's infrastructure strategy (now due in the 'Spring') and we had made clear our priorities in relation to rail and R&D investment by the UK Government in Wales

**CST** said officials need to get on with Quad ToR and SoFP as soon as possible after the Budget. He said he was happy for the venue for Quads to rotate.

**Northern Ireland Minister for Finance** mentioned the importance of investment in skills and education, roads and broadband to boost productivity. He echoed the general concern about Brexit impact. He said he would be bringing forward the NI budget as soon as possible after Wednesday.

### **2. COVID-19**

**Scottish Minister for Finance** praised the good joint working on operational aspects but said there needed to be the same on fiscal aspects. She made clear there was little headroom in the Scottish budget to respond at the moment and we need confidence that funding will be available to plan. She mentioned the importance of the

consultant pensions issue. She asked what the kind of close working the CST was talking about would look like in relation to fiscal matters?

**MFT** made clear that funding should be based on need – the demographics and economy of Wales are likely to mean our need to spend is higher than a population share of spending in England.

**Northern Ireland Minister for Finance** said the combination of health impacts and economic impacts will be very challenging. He said that NI's peripherality in the UK context was a particular issue, making a link to the importance of air travel and APD.

**CST** did not give any specifics on the COVID-19 measures that would be in the Budget ('officials will provide more detail after the Budget'), but referred to the recent announcement on SSP as a sign of the UK Government's commitment to act and said there would be a comprehensive package. He said Barnett would be the starting point for distributing funding but HMT officials said the principle should be that Governments should have the funding needed to be able to deliver equivalent outcomes. .

### 3. Spending Review

**CST** said the Spending Review (SR) will be in July (COVID-19 allowing) and will provide a 3 year view of RDEL and 4 years of CDEL – SR envelope to be set in the Budget. He was keen to engage with DAs on the SR – including but not limited to revising the SoFP. On Brexit-related matters he said:

- only interested in continuing to participate in Horizon, Erasmus and Peace. Domestic replacements for other programmes would be considered as part of the SR; and
- there needs to be engagement on the Shared Prosperity Fund. Aim is to improve value for money and reduce bureaucracy.

**MFT** reiterated the Welsh Government position that we should not receive a penny less and we should deliver any replacement programme in Wales. She raised farm funding, including the pillar transfer issue, funding for new responsibilities and the future relationship with the EIB (**CST's** brother works for them ...).

**Scottish Minister for Finance** said she wanted to help shape the SPF. **CST** was non-committal, suggesting that others are in the lead on this but HMT will press for proper engagement with the DAs.

### 4. Budget management

**MFT** made clear that late changes to budgets, particularly negative changes, were deeply problematic. **Scottish Minister for Finance** said there was a clear need for greater flexibility to manage budgets better. **CST** said he wanted to improve the system and make it work as fairly as possible.

### 5. Climate change emergency

**MFT** said she saw reaching Net Zero as a collective endeavour which could not be achieved unless all Governments do their bit. She emphasised carbon pricing and

regulatory changes as particularly important. She mentioned the very significant impacts of recent flood events.

**Northern Ireland Minister for Finance** focussed in particular on the need for the UK Government to do more to support renewables.

**Scottish Minister for Finance** agreed that collaboration was key.

**CST** said we need to take advantage of the broad consensus that now exists to develop a long term programme – one that successive Governments will have to buy into if it is to succeed. He said there would be important measures in the Budget (e.g. on LEVs and more funding for flood prevention).

## **6. AOB**

**CST** was asked about action on consultant pensions – he was non-committal.

**Northern Ireland Minister for Finance** mentioned the collapse of Flybe and the impact on Belfast City Airport (75% of flights are Flybe) and reiterated the importance of APD.

**MFT** raised the impact of high UK energy prices on energy intensive industries, particular steel. **CST** was interested to know more about what exactly our ask was on this.