# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

|  |  |
| --- | --- |
| **TITLE** | **Welsh Government response to the UK Autumn Statement 2023** |
| **DATE** | **22 November 2023** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Local Government** |

The Chancellor of the Exchequer today presented his Autumn Statement alongside the Office of Budget Responsibility’s (OBR) economic forecast.

The Chancellor claims that action taken by the UK Government has helped the economy to turn a corner. But the reality is that forecasts show the UK is on course to be one of the worst-performing advanced economies this year and next – both in terms of high inflation and weak growth. The OBR’s forecast shows the economy growing by just 0.2% on average each quarter through to the end of next year compared with an average quarterly growth rate of 0.5% achieved between 1997 and 2010.

While the Prime Minister’s target to halve inflation has been met, this is almost entirely down to a combination of global factors driving down energy and food prices and the Bank of England’s programme of increasing interest rates. The Institute for Fiscal Studies notes that the public finances have not meaningfully improved, the growth outlook has weakened, and inflation is expected to stay higher for longer. The OBR forecasts that living standards will be 3.5% lower next year than before the pandemic – the largest fall in living standards since records began in the 1950s.

The Welsh Government will receive an additional £305m across 2023-24 and 2024-25. This includes an additional £133m in resource budget in 2023-24, and an additional £167m in resource and £5.8m in capital in 2024-25. Following today’s Autumn Statement, the Welsh Government’s resource settlement will reduce by 0.1% in 2024-25 in real terms and our capital budget is down by 6% in real terms. Overall, that is a 1% year-on-year real terms reduction in our settlement.

If our budget had kept pace with the growth in the economy since 2010, we would have an additional £3bn to spend on public services and businesses in Wales in 2024-25. Instead, we are facing a return to austerity. Our settlement for 2024-25 is worth up to £1.3bn less in real terms than expected at the time of the 2021 Spending Review.

Public services in Wales are already having to make incredibly difficult decisions – the NHS and local authorities are reporting acute challenges, with significant service pressures in health, social care, education, and homelessness. The Chancellor’s failure to recognise these pressures means schools, hospitals and vital public services are facing real terms cuts, impacting severely on the future sustainability of those services.

The Welsh Government has made a significant investment in coal tip safety, making available over £50m since 2020. Ahead of the Autumn Statement, I pressed the Chancellor to support this programme of work with a contribution to coal tip remediation. I also asked that he re-classify what remains of the HS2 rail project as an England-only project and provide Wales with the £270m of consequential funding we have missed out on to date. Today’s Autumn Statement was another missed opportunity for the Chancellor to invest in Wales and provide fair funding in these areas.

The cost-of-living crisis is not over – energy prices are expected to rise again in January and inflation is still well above the Bank of England’s 2% target. I am pleased the Chancellor has finally listened to our repeated calls to uplift Local Housing Allowance, which has remained frozen since 2020. However, it is unfortunate his announcement will not see this increased money in the pockets of low-income tenants until next April, offering little comfort over the winter. It is also concerning that the UK Government remains focused on using punitive methods, such as withdrawing benefits, to force disabled people into potentially unsuitable jobs, rather than providing support to those who need it most.

The announcements today for businesses in Wales are tokenistic and a distraction from the wider and much larger issues the UK Government has presided over. It has failed to provide the conditions for economic growth and has created a poor environment for investment, harming living standards and public services.

While the Chancellor’s announcement to cut the rates of National Insurance contributions provides some relief for working people, it falls well short of compensating for the stealth increases in income tax resulting from freezes to thresholds. Some of the £17bn a year resources the Chancellor has used to fund the measures in the Autumn Statement could have been used to support public services.

This Autumn Statement contains no targeted support for the most vulnerable, nothing new or meaningful for Wales, and was a disaster for public services across the UK, which are being starved of necessary funding. Once again, the UK Government continues to focus on short-term policies, pilot schemes and pet projects rather than longer-term plans, storing up problems for a future government to solve.

We will carefully consider the detail of today’s statement as we continue our preparations for the publication of the draft Budget 2024-25 next month. The choices made by the Chancellor in this Autumn Statement do not make our choices any easier. Our funding position remains incredibly difficult, and the decisions Welsh Ministers face are stark. But, unlike the UK Government, we will do all we can to put our public services, people, businesses and communities first.