# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Welsh Government Response to the Chancellor of the Exchequer’s Spending Round 2019**  |
| **DATE**  | **04 September 2019** |
| **BY** | **Rebecca Evans AM, Minister for Finance and Trefnydd** |

The Chancellor of the Exchequer today presented the UK Government’s Spending Round setting out its spending plans for 2020-21 against the backdrop of escalating Brexit uncertainty and evidence of the UK entering another period of recession.

I published a written statement on 14 August setting out the Welsh Government’s response to the UK Government’s plans to conduct a one-year Spending Round.

Today’s announcement provides, for the first time, details of our revenue budget for 2020-21 which will increase by £593m above the 2019-20 baseline. This represents an increase of 2.3% in real terms. The Spending Round also includes an increase of £18m to our capital budget, which had already been set for 2020-21. Our capital budget will be 2.4% higher in real terms than in 2019-20.

On the basis of today’s announcement the Welsh Government’s budget in 2020-21 will still be 2% lower in real terms than in 2010-11. So today’s additional funding does not even return our spending power to the levels of a decade ago.

We have consistently called for the end of the UK Government’s austerity policy and for increased investment in our vital public services. While today’s announcement indicates some signs of loosening the purse strings in the short term, it does not make up for nearly a decade of cuts, neither does it come close to providing the sustainable, long-term basis on which to plan that our public services desperately need. We remain unclear about the UK Government’s plans for an Autumn Budget.

The UK Government is acting irresponsibly by publishing spending plans at this time based on forecasts from March and a previous Administration’s fiscal policy. The latest survey data suggests the UK economy could already be in recession.  A smaller economy means lower tax revenues and makes it likely that this UK Government will quickly revert to a policy of austerity.

Indeed, if the Office for Budget Responsibility had produced the timely economic and fiscal forecasts that normally underlie such a statement, the “headroom” that the Chancellor has exploited today may well have been shown to be illusory. Today’s spending announcements will add further to borrowing so that the Government’s fiscal rules may well actually have been breached, only adding to the high probability that another round of austerity will be likely in the near future.

We can have no confidence that today’s spending announcements will be sustainable. We certainly cannot rely on the claimed long-term settlements for NHS and schools, for which the funding implications beyond 2020-21 will actually be determined as part of the next Comprehensive Spending Review. The reality is today’s announcement is a pre-election distraction from the UK Government’s management of an increasingly chaotic Brexit.

The Chancellor announced today a further £2bn in 2020-21 for Brexit delivery. We have been clear that the support to address even a proportion of the impact of Brexit cannot be delivered without a much more significant increase in public spending. We will require substantial additional funding and flexibilities to be able to respond meaningfully to the challenge of Brexit. I pressed this point to the Chief Secretary of the Treasury at a meeting of the Finance Ministers’ Quadrilateral last week. The answers we have received from the UK Government to date provide no assurance that the funding we would require would be forthcoming.

It is clear that the Prime Minister is prepared to take the UK over the no deal cliff edge. This would have a catastrophic impact on Wales. All the evidence shows that leaving the UK without a deal will produce a severe economic slowdown in the UK and that a prolonged recession is likely. In those circumstance we know that the economy in Wales is likely to be around 10 per cent smaller in the long term. This would be reflected in real incomes that, in today’s terms, would be up to £2,000 lower per person than otherwise.

I am deeply concerned that with less than 60 days to go until exit day the Chancellor was silent on replacement EU funding to support our communities and business in Wales. He is unable to provide any kind of assurance that the UK Government will keep the promises of the Prime Minister that we will not receive a penny less than we would have expected within the EU and that in accordance with the long-standing devolution settlements, we must have autonomy to develop and deliver successor arrangements for EU funding programmes. These are principles which have the full backing of the Assembly.

Despite the unprecedented uncertainty, I am now preparing to bring forward our plans and publish the Welsh Government Budget earlier to provide as much certainty as possible to our partners and stakeholders. I will be liaising with the Business and Finance Committees at the earliest opportunity.

The Welsh Government Budget will be based on the needs of the people of Wales and we will aim to deliver the fairest possible settlement for Welsh public services. This consistent commitment is borne out by the fact that health and social services spending in Wales continues to be significantly higher than in England and cuts to local authorities in England have been twice as deep as in Wales.

I will provide an Oral Statement on 17 September on today’s Spending Round and the actions we as a government are taking to respond to the UK Government’s unpredictable approach to public finances.

This statement is being issued during recess in order to keep Assembly Members informed. Should Assembly Members wish me to make a further statement or to answer questions on this when the Assembly returns from recess I would be more than happy to do so.