# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE** | **Welsh Government response to the Chancellor of the Exchequer's Spring Statement** |
| **DATE** | **13 March 2019** |
| **BY** | **Rebecca Evans AM, Minister for Finance and Trefnydd** |

The Chancellor of the Exchequer today delivered his Spring Statement against the backdrop of unprecedented uncertainty following yesterday’s defeat of the Prime Minister’s Brexit deal.

Today was yet another missed opportunity for the Chancellor to make significant investments in our vital public services and to boost the economy. Such an investment would have helped to increase confidence in the UK and help to protect the country against some of the shocks of what is becoming an increasingly chaotic exit from the EU.

There is more than £26bn in the Treasury coffers, £10bn more than at the autumn Budget. This is the Chancellor’s ‘deal dividend’ – which is lying untouched as our hard-pressed public services continue to work under the pressure of nine long years of austerity and businesses need support to flourish in competitive global markets. Apart from the NHS, the figures currently suggest no growth in day to day spending on public services after 2019-20. The Chancellor must invest in the future of the UK now.

Despite the Chancellor’s optimistic claims about the strength of the UK economy, the reality is that the medium-term outlook remains disappointing. The Office for Budget Responsibility (OBR) has sharply reduced its forecast for GDP growth in 2019, to 1.2%. The longer-run forecast – that annual growth in GDP per head will reach 1.1% in the early 2020s – also represents a very lacklustre performance by historical standards.

And yet, this is the best we can hope for, given that the forecast is founded on an orderly exit from the EU – this, however, looks increasingly beyond the UK Government’s grasp, following the events in the House of Commons last night.

It is also disconcerting that with a similar set of relatively favourable base case assumptions on Brexit as the OBR, the Bank of England says there is a one in four chance of recession unfolding later this year.

As a result of the Spring Statement, on a like-for-like basis, the Welsh Government’s budget will be 5% lower in real terms in 2019-20 than it was in 2010-11 – equivalent to £800m less to spend on public services. Our revenue budget will be 7% lower per person than in 2010-11, that’s £350 less to spend on front-line services for each person in Wales.

Looking at the wider implications of the Spring Statement for Wales, after a successful bid by the North Wales region, £8m worth of funding has been allocated as part of the Full Fibre Networks challenge fund. This will be used to upgrade remote public sector buildings to full fibre connectivity helping to extend fibre through the region using the Welsh Government PSBA contract.

The Chancellor also announced a review of what mechanisms the government could use to bring in private sector funding to build new energy and transport projects in the future. The Welsh Government is keen to be involved in this process and looks forward to working constructively with the UK Government on this.

Ultimately, this was a ‘do nothing’ budget where the promise of investment tomorrow is predicated on a Brexit deal today. While it was welcome that the Chancellor flagged up the need for the Government to change course and work cross-party to achieve such a deal, in practice the risk of no deal as a result of the same Government’s incompetence is greater than ever. While the Chancellor offered to commit to using fiscal and monetary policy to mitigate the impact of a no deal Brexit, this came with an acknowledgement that there can be no way of preventing damage to the economy from such an outcome. I will continue to press the UK Government for clarity and reassurance to ensure the interests of Wales are very much at the forefront of discussions.

It was helpful to have confirmation to support planning for future years that the comprehensive spending review will commence before summer recess and will conclude at the autumn Budget. But once again, this was predicated on a Brexit deal being agreed. The UK Government cannot allow its spending plans to be paralysed by Brexit and cannot continue to run this country on ifs, buts and maybes. It is time we had the certainty and clarity our public sector and businesses desperately need.