



Our Ref: RE/284/20

Llŷr Gruffydd MS
Chair of Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

19 August 2020

Dear Llŷr,

As I committed in my response to your report on the first supplementary budget, I am writing to provide an update on the consequential Wales has received as result of COVID-19 spending measures in England, as well as key allocations the Government has made to respond to, and the mitigate the impact of, the crisis in Wales since I published the first supplementary budget.

In my letter of 24 April I set out the latest position regarding Barnett consequential following the UK Government's budget on 11 March. This confirmed consequential amounting to £1.856bn which were reflected in the UK Main Estimates and in the first supplementary budget. Since then, Wales has received consequential amounting to £0.9bn, which together with the additional £1.2bn for Wales guaranteed by the UK Government, brings the total amount received as a result of COVID-19 measures in England to more than £4bn. Some of this resource is in advance of announcements of funding in England which will generate Barnett consequential.

Turning to your letter of 22 July, Wales received £12.5m in new revenue consequential as a direct result of the measures announced in the Chancellor's Summer Economic Update. The figure of £500m included consequential we had previously been notified of and did not directly relate to measures announced in the economic update. In order to support transparency and openness, the table attached provides details of all consequential received since Main Estimates 2020.

In scrutiny of the first supplementary budget, the Committee raised the issue about whether consequential received through the Barnett formula are reflective of the needs of Wales, particularly in light of COVID-19. I referred to the additional 5 per cent that the Welsh Government receives on top of its population share of new

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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.

allocations which has, up until Main Estimates, resulted in £130m of extra funding in relation to the measures introduced in England to deal with the pandemic. Further detail on this can be found in the block grant transparency report recently published by the UK Government:

<https://www.gov.uk/government/publications/block-grant-transparency-july-2020>).

In terms of new allocations, since the first supplementary budget was published we have allocated additional funding of more than £1.2bn to support our response to the pandemic. These allocations, and any further decisions we take, will be captured when we publish the second supplementary budget early in 2021 but key allocations include:

- £800m for an NHS stabilisation package to prepare for the anticipated challenges that winter will bring – responding to a potential second wave of the virus, alongside normal winter pressures - whilst continuing to further increase access to essential services.
- Up to £264m for local authorities to support them for the remainder of this financial year for additional costs and loss of income as they continue to support our response to the pandemic
- £53m for the Cultural Recovery Fund, which includes £3m of capital, to help support and sustain the sector due to the ongoing challenges resulting from the pandemic;
- Up to £65m to ensure train services continue to operate on the Wales and Borders network for key workers and others that rely on the train to travel.
- £50m to support Welsh university, colleges and students - comprising £27m for higher education institutions and £23m to support students in FE colleges and sixth forms.
- £40m from the Economic Resilience Fund to ensure anyone over 16 in Wales can access advice and support to find work, pursue self-employment or find a place in education or training; and
- £22m to the adult social care sector to meet the additional costs adult social care providers are incurring as a result of the pandemic.

More generally, in responding to the Committee's report on the first supplementary budget, I committed to writing on the outcome of a number of issues, including discussions with HMT on budgetary flexibilities and on the exercise to switch capital to revenue.

On the former, it is disappointing that HMT have not yet agreed our requests but discussions are ongoing and I will keep the Committee informed of progress. In relation to the outcome of the exercise to switch capital to revenue, the need for a switch is less so given the UK Government's funding guarantee.

As a result, we are not setting as much aside for immediate redeployment, with £50m identified now for repurposing mainly related to likely slippage due to the pandemic or where the release of funding will not have a significant impact. However, given the uncertainty about the path of the pandemic, it may still be necessary to release further capital at a future point

Finally, I am considering how I can ensure transparency on our in year allocations in advance of the usual February supplementary budget. I am considering making a formal statement on the position and detailing our allocations from reserves early after summer recess. It would be beneficial if we could meet before that to discuss these arrangements and plans for the upcoming budget round.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive, flowing style.

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

Table 1. COVID-19 Barnett formula consequentials 2020-21 (resource unless otherwise stated)

	£m
<i>Main estimate (reflected in first supplementary budget)</i>	1,856.2
<i>Consequentials since Main Estimate:</i>	924.4
NHS Workforce	102.1
GP and Community Pharmacy Bank Holiday Opening	5.2
Emergency Management Agreement for Railway Services (19-20)	34.6
Advance Ticket Refund	1.8
Voucher scheme to replace Free School Meals	12.7
Shielding - food packages	3.4
Local Authority Support Package	94.2
Death in Service Payments	1.5
Support for Care Homes	35.3
Transport for London Funding Package	64.5
Charity Support - National Lottery Community Fund	18.3
Charity Support - Direct Grants	13.5
Grant funding for Mind	0.3
Fisheries support	0.3
GPs support in care homes	2.6
Flu vaccines	11.7
School Catch Up Package	29.4
Zoos	5.1
Local Authority Support	29.4
Arts and Culture	58.6
Historic Royal Palaces	1.5
Economically Vulnerable Food Support	3.7
Summer Food Fund	7.1
Community Pharmacy Support	7.1
PPE Procurement	282.6
Test and Trace	82.4
Fire Services	1.9
Homelessness	7.5
Homelessness (capital)	5.6
Rugby league support (capital - financial transactions)	0.7
<i>Summer Economic Update Consequentials:</i>	12.5
Traineeships	6.5
Sector Based Academies	1.0
18-19 Classroom offer	4.0
National Careers Service	1.0
<i>Post Summer Economic update Consequentials</i>	1,206.9
Health PPE	525.0
Consequentials in advance of UK announcements	681.9
Total	4,000.0