

The Rt Hon Simon Hart MP  
Secretary of State for Wales

22 July 2020

Dear Secretary of State,

### **Financial response to Covid-19**

Thank you for attending the Finance Committee on 13 July 2020 to discuss the UK Government's financial response to the COVID-19 pandemic. Unfortunately, during the session we didn't have time to cover all of the Members' questions and therefore, I would be grateful for your response to the matters set out below. In addition, there are a number of other issues we seek clarification on.

- *How is the UK Government planning to change overall debt targets and how is it assessing and managing fiscal risks in response to COVID-19. How significant a fiscal risk is controlling sub-national debt as a part of this.*
- *What are the UK Government's main concerns regarding fiscal risk and debt in Wales. How does it take into consideration the aggregate picture of public debt exposure, including overall debt, contingent liabilities and loan guarantees, for wider public sector organisations such as local government.*
- *How does the UK Government consider the impact on devolved nations when decision making, particularly regarding policies to relaxing lockdown and the financial impact on other UK nations of those decisions.*

### **Chancellor's Summer Economic Update**

During the evidence session, Members sought clarification on the calculations in relation to the announcement made by the Chancellor that the Summer Economic Update provided an additional £500 million of COVID-19 funding for the Welsh Government through the Barnett formula. The UK Government said it is now providing £2.8 billion to help the Welsh Government support individuals, businesses and public services through COVID-19. However, the Minister for Finance and Trefnydd has said publicly that the Welsh Government is only receiving £12.5 million in consequentials as a result of the Summer Economic Update.

The Committee is concerned about the differing views between the two governments on the calculation of the settlement to Wales. You stood by the figures announced by the Chancellor and agreed to ask HM Treasury if its calculations could be shared with the Committee. I have also



written to the Minister for Finance and Trefnydd to ask her to share the Welsh Government's calculations.

### **UK Shared Prosperity Fund**

There is considerable uncertainty regarding the position after the end of the EU transition period and the Welsh Government will have to plan for a number of possible scenarios. The UK Government has an important role to ensure that the Welsh Government has sufficient resource through the UK Shared Prosperity Fund (the Fund).

This has been of interest to the Finance Committee for some time. In September 2018, we published our [report into preparations for replacing EU funding for Wales](#). At that time very little information was available from the UK Government on the detail and allocation of the Fund. We recommended that the Welsh Government should manage and administer Wales' share. It is disappointing that almost two years later we still do not have a clear idea of how this Fund will be allocated or administered.

We would be grateful if you could provide the timescale and intentions for informing the Welsh and other devolved Governments of the details of the Fund.

### **Fiscal Devolution**

As you'll be aware, we are currently undertaking an inquiry into the [implementation of the Wales Act 2014 and operation of the Fiscal Framework](#). The inquiry will consider public awareness of fiscal devolution and taxation in Wales. In addition, it will consider the Fiscal Framework and how intergovernmental relations work between the UK Government and the Welsh Government. I wrote to you on 1 July 2020 to invite you to provide written evidence and to provide oral evidence in the autumn term. We look forward to hearing from you on this matter.

Yours sincerely,



Llyr Gruffydd MS  
Chair of the Finance Committee

