



Ein cyf/Our ref

Peredur Owen Griffiths MS
Chair of Finance Committee
Senedd Cymru/ Welsh Parliament
Cardiff Bay
CF99 1NA
SeneddFinance@senedd.wales

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Thank you for your letter dated 24th June, which sets out the Committee's reflections on the timetable for the Draft and Final Budgets 2023-24. Following Committee scrutiny on the First Supplementary Budget on the 30th of June, I thought it might be helpful to set out my response to this letter, as well as to provide the Committee with more detail regarding the contribution the Welsh Government has made to the UK Government's military support package for Ukraine.

Budget Timetable

I am grateful to the Committee for confirmation that you would support a decision to defer publication of our Draft Budget until our Budget settlement has been confirmed. My Cabinet colleague, the Trefnydd, as the Minister with responsibility for Senedd business wrote to the Business Committee on 1st July, as required under Standing Order 20, to indicate our intention to publish the Draft Budget on 13th December and to table the Annual Budget Motion on 28th February. As you will see from the letter at annex A, the Trefnydd's letter seeks to provide guarantees that would mitigate the impact of a curtailed timetable on budget scrutiny in the Senedd which I hope provides the Committee with some reassurance.

Engagement

As part of our ongoing engagement regarding the scrutiny of future budgets, I have asked my officials to engage with the Committee Clerk to explore further how we can provide additional opportunities to engage during the period between the summer and publication of the Draft Budget. As part of this engagement, I would be keen to learn more about the evidence and ideas the Committee has received from its stakeholder engagement on the Budget, to explore where there are shared priorities. As previously discussed I will also arrange for the Welsh Government's Chief Economist to brief the Committee on how the economic and fiscal conditions are impacting on Welsh Government funding.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

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.

Review of the Budget Protocol

I accept the Committee's concerns regarding the Budget Protocol; the fact it is predicated on a substantive UK Government Spring Fiscal Event rather than the Autumn Fiscal event, and the complications this causes when the timings do not align does present some challenges. Whilst this does demonstrate how the Budget Protocol responds to exceptional circumstances, and how adaptable we are at responding to ever changing circumstances presented by the UK Government, I do, however, recognise the issue this presents the Committee. I am open to exploring this point further.

Military support package for Ukraine

During yesterday's session, you raised the UK Government's announcement of a further £1bn military support package for the Ukraine. In addition to my [Written Statement](#), I thought it would be helpful to the Committee to set out in greater detail the circumstances that gave rise to the Welsh Government's contribution to this package and the resulting implications.

On 21st June, the Chief Secretary to the Treasury (CST) informed me that HM Treasury had asked all Whitehall Departments to surrender 1.5% of their capital budgets 2022-23 in order to fund a military support package for Ukraine. I was asked whether the Welsh Government wished to contribute the equivalent Barnett share of £30m capital funding for this purpose, and if not, I was informed there would be a corresponding Barnett reduction in our capital budget at UK Supplementary Estimates.

Presented with this limited choice, I agreed to contribute £30m capital funding in light of the exceptional circumstances and the Welsh Government's steadfast commitment to support the people of Ukraine. However, in my response to the CST, I was clear that this must not set a precedent for future funding arrangements. In particular, the Welsh Government does not accept that it is a legitimate operation of the Barnett formula to reduce devolved government budgets if UK departments surrender funding as a result of underspends they have incurred or to fund reserved functions including military aid and defence.

Our published spending plans for 2022-23 fully commit our capital settlement and include borrowing the maximum £150m. This reflects that the UK Spending Review 2021 reduced our capital budget, so that it is less than 2021-22 in every year of the Spending Review period. Taken together with increasing inflationary pressures, we simply do not have underspends from which we can support this contribution.

As part of my response to the CST I requested that the Welsh Government's borrowing limit was uplifted this year by at least £30m to ensure that there is no detriment to our investment plans. This request has not been granted. It will therefore result in challenging decisions and is likely to necessitate some activity being delayed or stopped. I will provide the Committee with further detail on these decisions in due course.

I am copying this letter to the Chair of the Business Committee.

Yours sincerely,



Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government