# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Welsh Government response to the Chancellor of the Exchequer’s Statement on the UK Government’s spending inheritance** |
| **DATE**  | **29 July 2024** |
| **BY** | **Rebecca Evans MS, Cabinet Secretary for Finance, Constitution & Cabinet Office** |

Today the Chancellor of the Exchequer presented to Parliament an assessment by HM Treasury of the state of the public finances inherited by the new UK Labour Government. We have been under no illusion as to how challenging the economic and fiscal situation is, and today’s assessment provides further shocking evidence of the position.

14 years of economic mismanagement by successive Conservative UK governments resulted in more than a decade of austerity, the disastrous mini-budget, a cost-of-living crisis and double-digit inflation. Their decisions have left the public finances in a perilous state.

For over a decade, the UK economy has experienced poor economic growth, caused by low productivity in relative terms. Slow economic growth is directly impacting living standards in Wales and across the UK. It has also severely limited the investment available to support vital public services.

The Welsh Government’s budget settlement has been squeezed hard over the past 14 years, and we have had to make very tough choices, including reprioritising spending. Our settlement for 2024-25 is up to £700m lower in real terms than expected at the time of the 2021 Spending Review, and our Budget in 2024-25 £3bn lower than if it had grown in line with GDP since 2010. Our general capital budget in 2024-25 is worth up to 8% less in real terms than expected at the time of the Spending Review in 2021. We have been clear that 2024-25 will be a difficult year because our funding settlement is not sufficient to respond to all the pressures that public services are facing.

I welcome the urgent action the new UK Government is taking to return economic stability and to take seriously the stewardship of the public finances entrusted to it. Over the last two years, there have been disputes and strikes over pay across the public sector as a result of the previous UK Government’s failure to invest in public services. This has been at a cost to the economy and to the day to day lives of people who rely on these services.

Today, the Chancellor confirmed the steps the UK Government is taking to recognise the value of those working across the public sector. We are committed to working in social partnership with trade unions to achieve fair pay settlements in Wales which are affordable within our budget and respects the independent pay review body process.

The Chancellor’s Statement has illustrated the gravity of the challenges the Welsh Government faces as we begin preparations for our next budget. It is helpful that the Chancellor has provided early clarity about the timing and scope of the forthcoming UK Budget and confirmed a return to multi-year spending settlements which provides much needed certainty for our public and third sector partners in Wales.

We recognise the position the new UK Government has inherited cannot be turned around immediately and it will take time for the public finances to recover. There are significant funding deficits and pressures for key public services and difficult choices and decisions will need to be made. The Welsh Government will continue to prioritise the public services that matter most to people in Wales.

Despite the challenges ahead, I am confident that, in the new Labour UK Government, we have a committed partner who will work with us on a shared vision for Wales’ future. We will work closely with the new UK Government to lay the groundwork to secure sustained economic growth, renew our public services and accelerate to Net Zero, through a new approach that backs our green growth potential here in Wales. With a joint focus, we will work together in partnership to remove barriers and unlock more ambitious opportunities for a stronger Wales in a fairer United Kingdom.

This statement is being issued during recess to keep members informed. Should members wish me to make a further statement or to answer questions on this when the Senedd returns I would be happy to do so.