



Llywodraeth Cymru  
Welsh Government

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## **WRITTEN STATEMENT BY THE WELSH GOVERNMENT**

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**TITLE**            **Welsh Government response to the UK Spring Statement 2022**

**DATE**            **23 March 2022**

**BY**                **Rebecca Evans MS, Minister for Finance and Local Government**

The Chancellor of the Exchequer has today published his Spring Statement against the backdrop of an escalating cost of living crisis that is severely impacting households, businesses and public services.

Alongside the Spring Statement, the Office for Budget Responsibility (OBR) confirmed it was revising down its forecasts for economic growth and revising up the forecast for inflation. The outlook for productivity remains poor and consumer prices are expected to increase further.

The surge in inflation combined with higher taxes will result in real living standards decreasing and put significant, further pressure on household budgets. The OBR has stated 2022-23 will see the biggest fall in living standards since records began.

Despite the gravity of this crisis, there is an increase of just £27m in the Welsh Government's resource funding for 2022-23 as a result of the Chancellor's announcements today. With prices expected to be higher now than when we received our settlement last October, our funding will not go as far. Overall the Welsh Government's budget will be worth around £600m less over the next 3 years than previously thought – effectively a cut to our budget.

To date the Welsh Government has invested more than double it has received in consequential funding from the UK Government to support households with the cost of living crisis. The UK Government holds the primary levers through the tax and benefit system to offer protection to those struggling. Today was a chance for the UK Government to join us in providing a full crisis response to support individuals that need help the most – and it failed to deliver.

Despite the deteriorating economic outlook, the Chancellor had the room in the UK public finances to act more decisively due to higher forecast tax revenues and lower borrowing than previously expected. It is therefore inexplicable that the Chancellor has not used the

spending power available to him to invest in substantive measures to support people when they need it most.

I am pleased that the Chancellor revised his position to adjust the National Insurance Contribution threshold to mirror the higher income tax threshold in response to calls from the Welsh Government and others, benefitting those workers with lower incomes. However, it is deeply disappointing that the Chancellor's statement does little to alleviate the enormous squeeze on the poorest and most vulnerable households who rely on benefits, or take further action to reduce energy bills. With OBR's forecasted inflation rate now at 7.4% in 2022, and benefits only uplifted by 3.1%, the implications for poverty and social justice are stark.

Other measures announced by the Chancellor today include a cut in fuel duty and measures to remove VAT from energy efficiency investments by households. These will have minimal impact, especially on our poorest households, compared to other measures that could have been targeted to ease energy costs.

As analysis by the Resolution Foundation has shown, households with the lowest incomes spend less on fuel and have more limited means to take advantage of new energy saving incentives. The UK Government is taking insufficient steps to incentivise renewable energy generation and build resilience in our energy supply to ensure continuity and stable prices for consumers and ensure our energy security.

What was needed today was a significant infrastructure stimulus package to boost the economy and increase business confidence. Such measures could have included supporting renewable energy projects, redressing historical rail infrastructure underfunding by the UK Government and tackling the disproportionate legacy of the coal industry on Wales.

The Chancellor did nothing to raise confidence in his longer-term approach over this Parliamentary term to bring the economy back on a stable footing or to provide the necessary funding to navigate through the cost of living crisis and invest in Covid recovery.

The rollercoaster of tax increases and tax decreases from the UK Government shows the lack of a coherent approach. The announcement made today means the tax changes seem to cancel each other out from one statement to another. The choice to reduce income tax in the future whilst raising National Insurance rates does not make sense, providing relief to those with unearned income such as those living off rents, and increasing the burden on workers.

Ultimately, the Chancellor's statement fails to meet the scale of the challenge and shield households from the cost of living crisis. There was a fairness gap at the heart of the Chancellor's statement today, with little real support for those struggling to put food on the table and heat their homes. Our priority as a Welsh Government remains to protect the people of Wales and to help them through the cost of living crisis, while striving to secure a stronger, fairer and greener Wales.