# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE** | **Consolidated Annual Accounts for 2020-21 – Budget implications** |
| **DATE** | **29 March 2023** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Local Government** |

There was a request during this week’s Business Statement for a statement from the Welsh Government on the Consolidated Annual Accounts for 2020-21 insofar as they relate to the Welsh Budget.

On 5th August 2022, I provided the Finance Committee with a written report on the 2020-21 final outturn for the Welsh Government, set against spending plans approved in the Third Supplementary Budget 2020-21, in line with my commitment to good practice and transparency.

I have also set out the facts in the Chamber on at least two occasions, and I have done so in Finance Committee scrutiny. However, I am pleased to set out the facts one more time today.

The pandemic and the funding made available for our response made 2020-21 an extraordinary year. Significant funding was provided to the Welsh Government by the UK Government **very late in the 2020-21 financial year**. To make the most effective use of this funding and secure best value for the taxpayer, we made decisions to maximise expenditure wherever possible, including bringing forward progress on our capital plans.

As a devolved government, **we operated within the overall DEL budgetary control set by HM Treasury** and should have been allowed a reasonable level of flexibility in respect of the individual revenue and capital controls. **Our decisions to maximise capital expenditure were made having regard for the rules within HM Treasury’s Consolidated Budgeting Guidance that revenue budgets can be switched to capital – a practice we have utilised in the past to manage the financial position.**

Following a protracted exchange with the then Chief Secretary to the Treasury and HM Treasury officials, we were denied the flexibility to switch revenue to capital. This is **despite being given to understand that the revenue and capital imbalance could be managed after the year-end via an outturn adjustment**. As a result, funding was reclaimed by Treasury due to a completely arbitrary application of the Consolidated Budgeting Guidance which did not fully recognise the arrangements agreed with devolved governments in their respective financial frameworks.

The situation should be seen in the wider UK context – a context which in my view goes some way to explaining Treasury’s approach:

* **The total underspend in 2020-21 by all UK government departments was £25bn.**
* **The Department for Health and Social Care alone underspent by over 9%, returning £18.6bn to the Treasury.**
* **Overall, UK departments returned almost 6% of their funding to the Treasury that year.**
* **In Wales, the figure returned represented only 1% of our available resources.**
* **A Barnett share of the funding returned to Treasury by UK departments would have been well in excess of £1bn, rather than the much lower £155m (which would have been nothing had the revenue to capital swich been agreed).**

The Welsh Government has a **long record of being amongst the best UK departments and devolved governments in terms of utilising our budget**. This remained the case in 2020-21. Our better management of public money meant that we were able to do more in Wales to support people and businesses through the pandemic – such as providing businesses here with a more generous package of support, and providing free school meals to families throughout the school breaks, for example.