



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 Government March 2014 Budget**

**DATE**        **19 March 2014**

**BY**            **Jane Hutt Minister for Finance**

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The UK Government has published its March Budget today reflecting its tax and spending plans and the UK economic outlook. This Written Statement sets out the implications for Wales.

I welcome the announcement that the Wales Bill will be published tomorrow. This is an important step forward and will take us closer to gaining the vital borrowing powers we need to invest in Wales' infrastructure. In these difficult financial times it is crucial that we have a full range of tools to allow us to foster economic growth and I welcome the ability we will have to use our borrowing powers.

Elsewhere, the additional allocations from the Chancellor's statement are minimal. The Budget sees an additional £36.4 million for the Welsh Government over the next two years. The revenue increase is £18.7m in total, £7m in 2014-15 and £11.7m in 2015-16. The total capital increase is £17.7m comprising traditional capital of £13.7m in 2014-15 and £2m in 2015-16, and repayable financial transactions of £0.2m in 2014-15 and £1.7m in 2015-16.

However, these small increases have not changed the fact that overall, the Welsh budget will be 10% lower in 2015-16 than it was when the current UK Government came into office in 2010, and that there has been a 31% cut in real terms to our capital budget between 2009-10 and 15-16. Furthermore, the UK Government has announced changes to the employer contributions for public sector pensions, which will impact across the whole Welsh Public Sector putting additional pressure on public services forcing us to bear additional costs of at least £70m over two years. This essentially means that the net impact of this Budget for Wales is further cuts.

We have repeatedly called on the UK Government to increase infrastructure investment in order to boost growth and protect jobs. This is another missed opportunity. Although the economy is at last growing, this remains the most sluggish recovery in living memory. The Office for Budget Responsibility has itself said that today's Budget announcements will have a negligible effect on annual GDP growth. While the Budget shows that the economy and public finances have improved, the economy is much weaker than the UK Government expected when it launched its fiscal austerity plan in June 2010. This Budget provided an opportunity to boost capital investment to support continued investment to boost jobs and growth. The UK Government has not taken this opportunity today.

It has announced some UK-wide measures which will benefit businesses and families. The energy package announced should be good news for steelmakers and Welsh households who will see welcome reductions in energy bills. The First Minister has been calling for this support for some time. The support for childcare for working families would be positive but I am urging the Government to bring these plans forward as soon as possible. However, these proposals do nothing to lessen the impact of the changes made to tax credits at the 2010 Spending Review which reduced the number of families benefiting. Looking further ahead, the proposed cap on welfare spending promises yet further hardship for the most disadvantaged members of society.

Last December, I published the Welsh Government's Final Budget proposals for 2014-15. These were shaped by our Government's priorities and reflected the tough decisions that we had to make. This included a new capital investment package of £657.5m over three years, providing a significant boost for jobs and growth in Wales. We will continue to focus on these priorities and use all the tools at our disposal, despite the continuing cuts and austerity.