# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Welsh Government Response to the Chancellor of the Exchequer's Spring Budget 2017** |
| **DATE**  | **8 March 2017** |
| **BY**  | **Mark Drakeford, Cabinet Secretary for Finance and Local Government** |

The Chancellor of the Exchequer has today presented his last Spring Budget, which included £200m of additional funding for Wales over a four year period.

Ahead of today’s Budget, I wrote to the Chief Secretary to the Treasury to set out my ongoing concern about the UK Government’s intention to press ahead with £3.5bn cuts to public spending in 2019-20.

While today’s Budget provides a modest respite from the successive cuts to our budget, which we have experienced in recent years, this could be cancelled out by the cuts-in-waiting, which could mean a further £175m reduction in the funding available for public services in Wales in a single year.

In these uncertain times, we have repeatedly called on the UK Government to provide the fiscal stimulus needed to support our public services and increase investment to provide a much-needed boost to economic confidence.

Today’s Spring Budget includes additional allocations for Wales of £149m in revenue funding between 2017-18 and 2019-20 and £52m of capital funding over the four years to 2020-21.

These additional allocations will help us meet our priorities however, they do little to alleviate the pressures on our budget in the long-term. The Welsh budget will be 8% lower in real terms in 2019-20 than it was in 2010. This is before the prospect of further cuts in 2019-20. The Chancellor today confirmed there will be no let-up in fiscal austerity in the foreseeable future.

Across the UK, and for the remainder of this parliament, spending on day-to-day public services per head of population, adjusted for inflation, is forecast to decline by approximately 4%. This is in addition to the 13% cut experienced since 2009-10.

The economic outlook remains challenging and means several more years of weak growth in earnings for most workers. GDP per head of population is expected to grow at an annual average rate of approximately 1% over the next few years, compared with a pre-crisis average of approximately 2.5%.

This continues a trend of exceptionally poor outcomes since the financial crisis and the introduction of fiscal austerity by the UK Government. GDP per head increased at an average annual rate of just 0.2% between 2007 and 2016.

The reduction in government borrowing forecast by the Office for Budget Responsibility (OBR), compared to that at the time of the Autumn Statement, does not reflect any material improvement in the UK’s economic outlook, rather it can be attributed to one-off factors and timing effects.

Overall the Spring Budget provides little for the people of Wales.

The disappointing growth figures reflect the UK Government’s continued adherence to austerity and its damaging impact on the economy. Today was the latest missed opportunity to change direction and inject some much-needed investment into the UK and Welsh economies. At a time of continued uncertainty, now is the time to invest in public services and our economy to provide economic resilience.

In Wales, we have sought to protect our vital public services from the impact of austerity as far as possible. We have taken a balanced approach to funding health and social care. Despite the cuts we have seen to our budget, spending in Wales on health and social care remains 6% higher than in England. I am pleased that the Chancellor is now following our lead and prioritising funding for social care.

We have listened to the concerns of small businesses and taken action to support those which have been affected by the independent Valuation Office Agency’s revaluation. We have put in place two bespoke schemes – the transitional rate relief scheme and high street rate relief scheme – to support ratepayers across Wales from April 1, 2017, in addition to our £100m small business rates relief scheme. As a result, three-quarters of small businesses will receive help paying their bills in 2017-18.

We have invested £20m in the transitional rate relief scheme and high street rate relief scheme; if we were to replicate the additional business rates support the Chancellor today announced for England, it would amount to just over £12m – that would be equivalent to a reduction of almost £8m for small businesses in Wales. We will however study the English plans when we see the detail.

On our wider ambitions for Wales, we have said for some time that the Swansea Bay Region city deal is ready to be signed. We welcome the statement in the Budget that good progress continues to be made but now is the time for the UK Government to make good its commitment and finalise the deal.

The UK Government must also confirm the Great Western mainline to Swansea will be delivered, as promised, following electrification to Cardiff.

The Welsh Government Cabinet will now consider the additional allocations outlined by the Chancellor, in the context of our priorities – set out in *Taking Wales Forward* – and alongside the full details of today’s Spring Budget.