# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE** | **Welsh Government’s response to the UK Budget** |
| **DATE** | **3 March 2021** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Trefnydd** |

The Chancellor of the Exchequer today presented the much anticipated UK Budget at a critical juncture for the economy as we begin to take the first steps that are needed to begin recovery. This Statement provides an update to Members on the immediate implications for Wales.

Following the UK Government’s Spending Review in November, today’s Budget provides additional funding for Wales of £735m revenue, almost entirely as a result of covid measures in England. On a like for like basis, the Welsh Government’s core budget for day to day spending in 2021-22 is still 4% lower per head in real terms than it was in 2010-11. Despite the Chancellor’s intentions for an investment led recovery he failed to provide the additional capital stimulus needed to lay the foundations, with not a single extra penny for capital spend in Wales next year.

The outlook for the economy, while still hugely challenging, looks better than it did at the time of the Office for Budget Responsibility’s (OBR) last forecast in November. Even so, by 2026, the level of GDP is expected to be approximately 3.0% smaller than the level expected pre-pandemic reflecting the long term economic cost or scarring effect of the pandemic. This will particularly penalise disadvantaged groups and young people as they try and get a foothold in the labour market.

It is of great concern that the UK rate of unemployment is expected to increase from 5.1% to 6.5% this year. While I welcome the action taken by the Chancellor to respond to our calls to extend UK Support Schemes including the Coronavirus Job Retention Scheme and Self Employed Income Support Scheme, it is essential these are only removed in a phased manner once recovery is well underway in all parts of the United Kingdom.

While the announcement to incentivise businesses to bring investment forward from future years and to hire more apprentices is also welcome, I am concerned that not enough is being done to incentivise businesses more generally to increase their workforces. A temporary reduction in employer National Insurance Contribution’s would have provided such an incentive and today’s Budget is a missed an opportunity in this regard.

The OBR’s forecast shows that household disposable income, after taking inflation into account, will be lower this year than last year. The Institute for Fiscal Studies has noted freezing the personal allowance is one of the least progressive ways of raising income tax. It will drag many lower paid workers into the income tax system over the next few years and will have no impact on the highest earners.

The extension of the temporary uplift in Universal Credit is the very least that those struggling on low incomes needed from today’s Budget. But it is temporary and therefore creates enormous insecurity for affected households as to their prospects when the uplift is removed. Another key measure missing in today’s Budget was an increase in statutory sick pay to support controlling further virus outbreaks, particularly given the risk posed by new variants.

It is unfortunate the Chancellor has taken until now to confirm his plans for non-domestic rates which has left us uncertain about the level of funding that we can rely on. This measure has been crucial in protecting jobs and livelihoods and I do not believe the Chancellor has gone far enough. I can confirm I intend to extend the Retail, Leisure and Hospitality Rates Relief scheme for properties up to a rateable value of £500k in Wales for a period of 12 months. I will also be providing businesses in the leisure and hospitality sector with a rateable value of over £500k with 100% rates relief for 2021-22. This is on top of the £200m I have set aside in the reserve at Final Budget for additional business support next year, building on the over £2bn made available this year as part of the most generous business support package across the UK.

I recognise many homebuyers in Wales seeking to benefit from the temporary tax reduction period for Land Transaction Tax (LTT) have encountered delays with the purchase of their home. To provide homebuyers that extra time to complete transactions I am announcing I will be temporarily extending the LTT temporary tax reduction period in Wales until 30 June.

We are **willing to work with the UK Government to explore the introduction of freeports in Wales on the condition** they are consistent with our values and priorities and receive the same benefits and funding as those in England**.** The decision to announce the Freeports in England ahead of concluding arrangements with devolved nations means that there is a significant risk that Freeports could displace economic activity from Wales to England.

The UK Government’s aggressive approach to replacing EU Structural Funds by directly allocating funding in Wales on devolved matters via the UK Community Renewal Fund(the Shared Prosperity Fund pilot) and Levelling-up fund is completely unacceptable. It is forcibly taking decisions on devolved matters without being answerable to the Senedd on behalf of the people of Wales. It has not engaged with us on its prospectuses published only three weeks until these funds begin, and undermines years of work we have undertaken with stakeholders to develop new regional investment arrangements. Clearly, the people of Wales will also only benefit from a fraction of the funding Wales would have had from EU funding, demonstrating again the UK Government’s failure to invest adequately in Wales.

Whilst I welcome the support in the Budget for the Hydrogen Hub in Holyhead and the Global Centre for Rail Excellence on the border of Neath Port Talbot and Powys, today’s Budget doesn’t go far enough to recognise our priorities, including the long term remediation of coal tips and other industrial legacies and was silent on funding for the infrastructure and ongoing operations needed at the Welsh border following our exit from the EU.

The Chancellor did nothing today to ease my concerns in regards to his longer-term approach over this Parliament term to bring the economy back on a stable footing or to provide the necessary funding to support our public services to recover from the crisis. The UK Government must still do more to deliver a comprehensive package of active labour market measures including more ambitious investment in training and skills, to ensure tax measures are progressive supporting the most vulnerable in our society and to take advantage of low interest rates to be more ambitious on capital infrastructure spending to stimulate recovery. It will be by growing the economy that we will be best placed to bring the fiscal debt under control. I will continue to use the levers at my disposal to take this approach to deliver a more prosperous, greener and equal Wales.