# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

|  |  |
| --- | --- |
| **TITLE**  | **Welsh Government response to the UK Fiscal Statement** |
| **DATE**  | **23 September 2022** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Local Government** |

The UK Government has today published a Fiscal Statement against a backdrop of rising prices, energy costs and wage pressures that are severely impacting households, businesses and public services across the country.

The measures announced in the Chancellor’s Statement today are deeply unfair and fail to target meaningful support for the most vulnerable households. Wales Fiscal Analysis has noted that, in Wales, nearly 90% of the gains will go to households in the top 50% of the income distribution, with 40% going to households in the top 10%.

We have had no prior engagement from the UK Government on any of these changes, including to areas of taxation which are devolved in Wales. We will need to work through the implications of these.

At a time where the UK is on a brink of a recession, the new UK government should have focused on opportunities to invest in people and programmes that provide economic stability. Instead, with the pound declining against the US dollar to levels not seen in nearly 40 years, there is very little confidence in this new government’s management of the economy.

The UK Government holds the key financial levers to make a difference and it should have taken the opportunity to offer more targeted support. By removing the benefit cap and the two-child limit, families across the whole of the UK could have been better supported in this crisis, giving children the best start in life. Instead, the Chancellor has seen fit to threaten people with benefit sanctions for not doing a second part-time, minimum wage job. The UK Government should have also taken other key actions which would have had a positive impact, such as increasing Local Housing Allowance rates and increasing funding for Discretionary Housing Payments.

In his statement, the Chancellor has chosen to protect the excessive and unearned profits of big energy companies and cut taxes for those on the highest incomes at the expense of lower income households, who will now be left to shoulder the impact of higher government borrowing for years to come. This is deeply unfair.

Today was a missed opportunity by the UK Government to set out a comprehensive vision for investment to boost economic growth, improve our energy security for the future and address the climate emergency. The statement failed to provide the capital stimulus required to support investment in green energy and decarbonisation.

The Chancellor refused to let the Office for Budget Responsibility provide an economic forecast ahead of today’s statement. These forecasts are a vital indicator of the health of the UK’s finances, and it is irresponsible not to have allowed their publication. In the absence of that, based on work by the Institute for Fiscal Studies and new independent forecasts published by HM Treasury, the value of the Welsh Government’s budget over the current 3-year settlement is up to £4bn less in real terms than was expected when that settlement was reached.

This statement has done nothing to alleviate the pressures on our Budget, or to ease general inflationary and pay pressures on vital public services, and we are likely to face extremely difficult choices as we begin to formulate our upcoming budget.

I will be making an oral statement in the Senedd next week where I will set out in more detail the implications of today’s statement for Wales.