# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Welsh Government response to the UK Budget 2023** |
| **DATE**  | **16 March 2023** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Local Government** |

The Chancellor of the Exchequer presented his Budget yesterday. This was an opportunity to address the worsening impacts of the cost-of-living crisis and to drive economic growth.

A Budget is also a statement of priorities. It was clear from the lack of extra funding for health, social services and local government – as well as the bare minimum of additional support for people and businesses who need help now – that the UK Government does not have a grip on the bigger picture and is content to tinker around the edges.

Alone among the G7, the UK’s economic output has yet to recover to pre-pandemic levels. The Office for Budget Responsibility (OBR) expects the UK economy to shrink further this year – in contrast, the International Monetary Fund forecasts that every other G7 economy will grow. Unemployment in the UK is expected to increase and real disposable household incomes will fall by 6% between 2021-22 and 2023-24 – the largest decline in living standards since records began.

The Chancellor announced yesterday that we will receive an additional £178m over the next two years (2023-24 and 2024-25) as a result of spending decisions made in England but our settlement in 2023-24 is still up to £900m lower in real terms than expected at the time of the 2021 spending review.

This was meant to be a Budget for growth. But while the London School of Economics’ Growth Commission, the OECD and others have highlighted the vital importance of additional public investment in infrastructure to improve productivity and growth, this Budget contains a derisory £1m extra in capital funding in 2024-25 for Wales.

The Senedd passed the Welsh Government’s Budget 2023-24 – which provides significant additional investment for the NHS, social care and schools – last week. We will, of course, be considering how best to use the small amount of additional funding announced by the Chancellor, to meet the needs of Welsh people and priorities.

Ahead of the Budget, I pressed the Chancellor to provide support for households; to increase funding for public services and to invest to grow the economy. I am pleased he listened to the many calls to maintain the energy price guarantee at £2,500 from April. However, it is disappointing that he refused to take the other practical actions we called for, and which have been endorsed by the independent expert group, which supports our Cabinet cost-of-living committee. Taken together, these could have made a real difference to those most exposed to the cost-of-living crisis.

We have consistently pressed the Chancellor to recognise the people in our society who need the most support, such as disabled people, people on benefits and those with caring responsibilities. While the Chancellor has announced further support to help people into work, we will not and cannot support any action which will make it difficult for people to access benefits or place conditions and sanction those currently receiving benefits.

The support announced for the over-50s is likely to have minimal impact unless the UK Government takes steps to improve flexible working practices – the OBR has estimated that the increase in labour supply as a result of the policies announced in this Budget could be as low as 55,000. The removal of the pension cap is a regressive policy that benefits the most affluent in our society – this should have been targeted where help was most needed.

The NHS and other public services are under extreme pressure. We are doing all we can to maintain effective and responsive services in Wales. The Chancellor has chosen to hold back funding at a time when extra investment is desperately needed to ensure our hard-pressed public services can respond to the significant pressures following the pandemic and cost-of-living crisis and to ensure public sector workers are paid a fair wage. With the greater fiscal headroom the Chancellor has, this funding should have been made available now.

The Chancellor maintains that his priority is to grow the UK economy. While he announced £20m for work needed to the breakwater at the Port of Holyhead, there was a notable lack of other capital investment. There is a wealth of opportunities for investment to support economic growth, including rail, renewable energy and research and development in Wales. The Chancellor failed, once again, to recognise these.

**The UK Government holds the main levers related to energy costs and there must be greater** support for businesses, particularly energy-intensive industries and charities.

While the Chancellor continues to take a sticking plaster approach to the economy, we will continue to focus on protecting frontline public services, helping those most affected by the cost-of-living crisis and supporting our economy in Wales.