

Jane Hutt AC/AM
Y Gweinidog dros Fusnes a'r Gyllideb
Minister for Business and Budget



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Eich cyf/Your ref
Ein cyf/Our ref: SF/JH/02/11

Angela Burns
Chair, Finance Committee,
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

13 January 2010

Dear Angela,

In my letter of 17 December, I agreed to make available to the Committee, as soon as one was received, a copy of the Chief Secretary to the Treasury's response to my recent correspondence.

In that respect, I received a response from the Chief Secretary on 22nd December. However, at this stage, the Chief Secretary is not content for me to share the letter more widely. I have since written to the Chief Secretary stating that it would be helpful if the letter could be shared with the Finance Committee and Assembly Members more generally. I have asked him to reconsider his position on that basis.

In the meantime, I have issued a Written Statement summarising the key elements of the letter and I attach a copy for ease of reference. I hope you will find this helpful.

I will write to you again as soon as I have any further information on this matter.

Yours ever,

Jane



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

WRITTEN STATEMENT BY THE WELSH ASSEMBLY GOVERNMENT

Title: An update on recent discussions between the Welsh Assembly Government and HM Treasury

Date: 11 January 2010

By: Jane Hutt, Minister for Business and Budget

The Welsh Assembly Government has demonstrated its commitment to working constructively with the new UK Government. This is particularly critical at these times of financial pressure, where we are facing difficult budgets at the same time as trying to protect our fragile economic recovery within Wales. We have been clear about where we differ, but have continued to have constructive discussions to take forward matters of mutual interest. Over the last nine months I have had a number of meetings with the Chief Secretary to the Treasury to discuss issues of interest to Wales, including on a bilateral basis and as part of the Finance Minister Quadrilateral meetings.

I was pleased that the Chief Secretary to the Treasury accepted the Finance Committee's invitation to provide evidence in November last year, and met with him immediately after that session. We had a constructive discussion across a range of current issues, and I have now received a response from the Chief Secretary to my letter following up these discussions.

In our meeting, the Chief Secretary and I focused on the Holtham Commission proposals, and in particular the need for immediate implementation of a funding floor to help address our current underfunding. Further to our Plenary debate on the second report on 12 October 2010, I clarified and confirmed for the Chief Secretary that the National Assembly for Wales had unanimously endorsed the immediate implementation of a funding floor by the UK Government, but had agreed that tax-varying powers would be a future matter for the people of Wales.

The Chief Secretary has confirmed that the UK Government will consider the Holtham Commission's proposals with us after the referendum. Importantly, the Chief Secretary has agreed that these discussions should include the proposal for a floor and he has agreed that our officials should meet in the New Year to discuss this aspect of the Holtham Commission's report.

I confirmed to the Chief Secretary that their decision to write off our stocks of End Year Flexibility will take away nearly £400m which is due to Wales, voted to us by Parliament. This is extremely disappointing, particularly in the light of what we know about our budget over coming years. The Chief Secretary noted my concerns and has confirmed that planned underspends will be able to be carried forward on an annual basis from 2011/12 onwards. I look forward to seeing the full guidance on the new system for our comment.

The Deputy Minister for Housing and I have regularly discussed the anomalous funding situation in Wales with regard to the Housing Revenue Account Subsidy, and the Chief Secretary has confirmed that officials should discuss the possible application of the England reforms to Welsh Assembly Government, which would address our concerns about surrendering surpluses.

I emphasised to the Chief Secretary the importance of EU Structural Funds within Wales, particularly in the context of EU budget discussions. He confirmed that the UK Government would bear our interests in mind in future EU negotiations. Equally, I was able to press on him that the decision not to

recycle the proceeds from the Carbon Reduction Commitment would create significant financial pressures on organisations within Wales.

I will place a copy of the letter from the Chief Secretary to the Treasury in the National Assembly Library subject to his agreement and will send a copy to the Chair of the Finance Committee. I look forward to ongoing engagement with the Chief Secretary on issues for Wales, and to continuing my regular discussions with the Assembly, its Committees and members, on key financial and funding matters.