

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

David Rees AM
Chair of the External Affairs and Additional Legislation Committee
National Assembly for Wales
Cardiff Bay
Cardiff
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Eich cyf/Your ref
Ein cyf/Our ref

19 December 2017

Dear David,

Thank you for your letter of 29 November about the Inquiry into resilience and preparedness questions not reached during the session on 20 November 2017. You raise the following points:

What conversations has the Welsh Government had with the UK Government about how the Block Grant will change after Brexit;

We continue to highlight to the UK Government that Wales is a significant beneficiary of EU funding, at some £680m a year. EU funding is vital for agriculture, businesses, higher education and the regeneration of disadvantaged communities across Wales. It is crucial the UK Government recognise that the financial implications of Brexit for Wales are starker than for any other part of the UK.

We have made the case to the UK Government that we need certainty that the Welsh Government will continue to have at least the same level of funding as currently and that this funding is not subject to any new UK Government constraints or top-slicing. Our view is this could be achieved through a straightforward addition to the Welsh Government's baseline, increasing our block grant accordingly.

We believe the rules and processes that determine the block grant need to be clearer and developed by agreement with the devolved administrations post Brexit. It is not acceptable

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

for the UK Government to be both judge and jury. Proceeding by negotiation and agreement will bring much needed clarity and certainty in the process to help our budget planning, our delivery partners and the companies, businesses, farms, charities and other enterprises across Wales plan better for the future.

How will the new Welsh reserve be used to protect public services from any potential negative impacts of Brexit and to elaborate on how the £75 million draw down from the Reserve earmarked for 2019/20 might be spent;

We are using a prudent approach to reserves during this Assembly term to ensure that we maximise the flexibility afforded through the new Welsh reserve agreed through the fiscal framework. However we are mindful that reserves are a finite resource and they cannot be used for day to day expenditure year after year. Given the uncertainty we face with continued austerity measures from the UK Government and the impact of Brexit, the Welsh reserve will provide us with the capacity to protect public services from the worst of the cuts. The planned drawdown of £75m in 2019-20 does just that. It reduces the level of reductions we would have otherwise had to make across portfolios and means that we can support key public services, for example by maintaining the Welsh Government share of core spending on schools and social care at 2017-18 levels over the budget period.

Whether the Welsh Government has secured a Barnett consequential as a result of the £250 million earmarked by the Treasury to prepare for the UK's exit from the EU (and referred to in paragraph 20 of your paper);

The Chief Secretary to the Treasury has confirmed we will receive a Barnett share of the £250m being allocated from reserves in 2017-18 as set out in the Written Statement from the Chief Secretary to the Treasury on 12 October. The level of funding will be confirmed at UK Supplementary Estimates. In addition, we will also receive a Barnett share of the £3bn allocated in the UK Budget. The level of consequential funding will be known early in the New Year once allocations to UK departments have been made.

Whether the Welsh Government has undertaken any detailed economic assessment of the impact on the Welsh economy of different forms of leaving the EU (in addition to the Chief Economist's report referred to in evidence.)

We have commissioned research from Cardiff Business School to understand the way in which larger companies are preparing for Brexit. We intend to publish this research in early 2018.

I hope this is of use. You will have seen in the Final Budget for 2018/19 published on Tuesday 19 December we have announced an EU transition fund to help businesses and public and third sector organisations plan and prepare for Brexit.

*Best wishes,
Mark.*

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