

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

Simon Thomas AM  
Chair of Finance Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

[SeneddFinance@assembly.wales](mailto:SeneddFinance@assembly.wales)

7 June 2018

Dear Simon

In publishing the 2018-19 Budget last autumn we signalled the constraints and impact continued austerity and fiscal uncertainty has on our ability to provide longer-term financial certainty for our public services. Despite this we published revenue plans for two years (2018-19 and 2019-20), the period for which we have a firm revenue settlement. As we enter the detailed planning stage for the 2019-20 Budget, a key consideration is the period for which we publish revenue plans.

We currently have a revenue funding settlement for 2019-20 and a capital settlement to 2020-21. The UK Government announced in this year's Spring Statement the intention for a Spending Review in 2019, which will set out the spending envelope for 2020-21 and beyond. There has been no confirmation by the UK Government of the length or the timing of the Spending Review at this stage. It is, as you know, always our ambition to publish plans for longer than 12 months but this needs to be balanced with our ability to provide realistic and sensible planning assumptions. With the continued fiscal uncertainty, together with the further uncertainty associated with leaving the EU, we have taken the decision to publish revenue plans for 2019-20 only, in the autumn, with capital plans for the next two years, 2019-20 and 2020-21.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

[Gohebiaeth.Mark.Drakeford@llyw.cymru](mailto:Gohebiaeth.Mark.Drakeford@llyw.cymru)  
[Correspondence.Mark.Drakeford@gov.wales](mailto:Correspondence.Mark.Drakeford@gov.wales)

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.

We will include an analysis of longer-term fiscal projections to inform scenarios for the path of future resource and capital spending in Wales in the Chief Economist's report, which will be published alongside the draft Budget in 2018.

### UK Government Spending Review

The UK Government's 2019 Spending Review is also likely to have implications for the timing of the 2020-21 Budget. In a normal year, and when we have certainty on future funding settlements, we would look to publish the final Budget by the end of the autumn term, providing early certainty for our partners on future spending plans. Next year, we will not know our settlement for 2020-21 and beyond until the UK Government's Spending Review is completed and published.

In years where the UK Government has not announced the results of its Spending Review until late in the autumn, such as in 2010 and 2015, we have considered it appropriate to delay publication of our own plans. I would hope to follow an indicative timetable for the 2020-21 Budget similar to the one we followed in previous years, and publish the draft Budget within 4 weeks of the UK Government's announcement.

The probable effect on the Budget timetable is that the Welsh Government would be likely to propose a scrutiny timetable of less than 8 weeks as anticipated within the budget protocol we agreed last year. I would, of course, keep the Finance Committee informed as the timetable develops.

It will not be possible to make definitive plans until we have an indication of the timing of the UK Government Spending Review conclusions but I wanted to provide an early indication now that we are likely to need to work together, next year, to agree a revised approach to the budget process, given the exceptional circumstances.

Best wishes,

A handwritten signature in black ink that reads "Mark". The letters are cursive and slightly slanted to the right.

**Mark Drakeford AM/AC**

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Cabinet Secretary for Finance