

RT Hon Elizabeth Truss MP
Chief Secretary to the Treasury

8 July 2019

Dear Chief Secretary to the Treasury,

Funding of additional public sector pension costs

On 27 June 2019 the Welsh Government Minister for Finance and Trefnydd issued a written statement regarding the [Allocation of funding to meet additional public sector pension costs in Wales in 2019-20](#).

In her statement, the Minister explained that she believed that the additional costs associated with the changes announced by the UK government to public service pension schemes would be fully funded by the UK government in line with the [Statement of Funding Policy](#) (paragraph 1.17, item 10: “*where decisions taken by any of the devolved administrations or bodies under their jurisdiction have financial implications for departments or agencies of the UK government or, alternatively, decisions of UK government departments or agencies lead to additional costs for any of the devolved administrations, where other arrangements do not exist automatically to adjust for such extra costs, the body whose decision leads to the additional cost will meet that cost*”).

However, the Minister’s statement confirmed final allocations to the Welsh Government of these costs for 2019-20 is £219 million while the total cost of these changes for devolved and non-devolved public service pension schemes in Wales is £255 million, leaving a funding gap of £36 million.

The Minister’s statement also expressed her “deep concern” at the fact that the proposed funding does not fully meet the costs associated with the changes imposed by the UK government. The Finance Committee shares the Minister’s concerns and believes that this situation completely undermines the Statement of Funding and the principles for allocating funding with the UK.

The Finance Committee feels strongly that this is a fundamental issue for all devolved nations and that the UK government’s failure to meet its obligations as



set out in the Statement of Funding is totally unacceptable. The Committee wishes to seek assurances from the UK government that it will reconsider the funding allocation in this situation and fully fund the additional costs arising from the changes.

The Committee would also like an assurance that this situation will not happen again and suggests that the current funding structure arrangements for devolved nations need to be reviewed to ensure that they are robust and fit for purpose.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Llyr', is centered on a light yellow rectangular background.

Llyr Gruffydd AM
Chair of the Finance Committee

