

**Rebecca Evans AC/AM**  
**Y Gweinidog Cyllid a'r Trefnydd**  
**Minister for Finance and Trefnydd**



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref: MA-P-RE-2280-19

Llŷr Gruffydd AM  
Chair of Finance Committee  
National Assembly for Wales  
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19 July 2019

Dear Llŷr,

In respect of the new Statement of Principles agreed between the Finance Committee and the directly funded bodies, I agreed to write you before the summer recess with various factors to aid forward financial planning.

In conjunction, and in order to provide as much transparency to our stakeholders about the economic and fiscal prospects for Wales, we had the opportunity in the chamber this week to consider the 'Future Public Spending Outlook for Wales'. In my statement, I provided our best possible assessment of the overall level of funding available in future years, together with other factors such as the likely impact on the pay bill and forecasts of devolved taxes. I attach a copy of the statement should you wish to forward a copy to the directly funded bodies.

In providing this information I would highlight two aspects of the statement which are of particular relevance in shaping future budgets plans - the prospects for our resource budget in 2020-21, and the public sector pay bill.

On the former, the OBR published figures for UK Resource DEL (excluding depreciation) alongside the Spring Statement in March this year. This shows for 2020-21 the figure is 3.1% higher than the total for 2019-20 included with the UK Government Main Estimates published in May. However, after taking account of the increase in the England NHS budget announced last year, the rest of the UK DEL will only grow by around 1.8%.

It is important to note that this lower growth figure would still have to accommodate any increases to devolved NHS budgets. If the Wales resource budget also increases by 3.1% in 2020-21 and NHS growth in England is matched in Wales, then the rest of the Wales budget would fall by around 1% in real terms between 2019-20 and 2020-21.

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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.

Looking further ahead, the Chief Economist's report published last October highlights that analysis undertaken by the OBR implies that the assumption of a prolonged period of fiscal restraint should remain at the core of the central scenario. Under the lower scenario included in the Chief Economist's report the Welsh Government budget would only recover to its 2010-11 level by the end of the next decade.

Turning to public sector pay, with public sector pay comprising around 50% of Welsh Government spending, developments which impact on the public sector pay bill are key when developing spending plans. While pay deals for 2020-21 are still to be determined for a significant proportion of public sector workers, and without wanting to prejudge any future negotiations, most recent pay awards would suggest it would be prudent for all public bodies to be planning on the basis of a pay uplift circa 2% when considering their future plans.

I hope this information is helpful.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

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