



Our ref: RE/65/2023

Rt. Hon. Jeremy Hunt MP  
Chancellor of the Exchequer  
1 Horse Guards Road  
London  
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1 March 2023

Dear Jeremy,

As you prepare to publish your Spring Budget, the economic situation in the UK continues to be very challenging. Growth is stagnant and the inflation rate remains high, with the Bank of England raising interest rates in response, all of which continues to erode living standards for people across the United Kingdom. To help in your considerations ahead of your Spring Budget, I thought it would be useful to set out our priorities, which have been informed by the recommendations of an independent Expert Group, formed to support our Cabinet Sub-Committee on Cost of Living, which brings together academic experts and sector representatives.

### **Budget Pressures**

When I wrote to you ahead of your Autumn Statement last November, I outlined the severe impact inflation was having on our budgets. The additional funding you announced in the autumn is not sufficient to address this impact and meet the pressures we face, and the value of our 3-year settlement remains up to £3bn less in real terms, and up to £1bn less next year, than when the funding was announced in 2021.

I have taken some very difficult decisions during the 2023-24 budgetary process and Ministers have had to assess their priorities and scale back activity, to enable me to re-direct funding towards responding to the cost-of-living crisis, supporting frontline public services and helping our economy through recession. It is imperative the Spring Budget is used to increase funding for public services to ensure that the inflation shock does not do more damage. Extra funding is needed, in particular to ensure public sector workers are paid a fair wage for the essential work they do.

### **NHS and Social Care**

The NHS in Wales is under extreme pressure, and we are doing all we can to maintain an effective service for the millions who depend on it every day. In July, the NHS will mark 75 years of service. Coupled with the Prime Minister's priority to reduce waiting lists, this

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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.

presents a crucial opportunity for investment in health and social care, to ensure services can respond to the significant pressures following the COVID pandemic and cost of living crisis, and to deliver wider reform. This funding must be made available as soon as possible, to enable the NHS to plan ahead of next Winter.

## **Cost of Living**

The cost-of-living crisis continues to take its toll on households and businesses, and it is vital that further support is targeted on the most vulnerable. Pay is reducing in real terms and debt will continue to rise, resulting in sustained impacts on health and wellbeing. The Expert Group has noted that this impact will fall disproportionately on disabled people, Black, Asian and Minority Ethnic groups, women, carers, and those with young children. We have previously suggested some practical actions the UK Government could take to make a real difference to those hit hardest, including abolishing standing charges on pre-payment meters, increasing Local Housing Allowance rates and funding for Discretionary Housing Payments, and providing support for credit unions. The UK government should also consider implementing an additional one-off payment for people on all means tested benefits to provide relief against continued rising prices that prevent many achieving a basic standard of living.

I have repeatedly pressed for the abolition of the Benefit Cap and Two Child Limit which are key drivers of child poverty amongst larger families in Wales. In the absence of any progress in this area, and to ease the pressures on the most financially vulnerable households, the Chief Secretary has agreed to take advice on implementing changes to the Universal Credit deduction policy to reduce the maximum amount for automatic deductions for repayment of government debts to 5%, and to reduce the cumulative level of deductions taken from a Universal Credit award from the current 25% down to 15%.

Given the ability of energy production companies to retain so much of their bumper profits despite windfall taxes, it would be helpful to understand whether reliefs are achieving their intended purposes and if there is scope to close any loopholes, to help generate additional funding that could be used to support those struggling to meet energy costs. Alongside this, the cost of energy price support has been much less than envisaged when the schemes were introduced, and the UK Government should use these additional resources to maintain the Energy Price Guarantee at £2,500 from April. My Ministerial colleagues have written separately to the Secretary of State for Energy Security and Net Zero regarding energy support.

In addition, the UK Government should instigate a Competitions Market Authority (CMA) inquiry to investigate increases in prices when there is no corresponding increase in firm costs, such as for internet and mobile phone contracts.

## **Fair Funding and Investment**

We have been able to work together to establish a constructive relationship on Freeports and conversations on Investment Zones have begun, but there is a wealth of opportunity in Wales for UK Government investment to support enterprise and productivity, including rail, renewable energy and research and development. I am writing separately to the Chief Secretary to the Treasury to provide further detail on these.

As part of this, I would welcome your commitment to review the categorisation of the £100bn investment in HS2 by the UK Government as an England and Wales project, noting the recommendation by the Welsh Affairs Committee to re-classify HS2 as an England only project, and that it severely restricts our ability to invest in rail in Wales. This is an issue with strong cross-party support in the Senedd and the UK Parliament.

If the Prime Minister is committed to growing the economy, it is essential the UK Government drives lasting productivity growth by unlocking business investment and enabling opportunities for investment in green energy and decarbonisation, to improve our energy security for the future. The UK Government must take decisive action to secure the long-term future of the steel industry, which is a vital component for our economic security and skilled employment. Clean steelmaking is crucial in meeting our net zero targets.

The loss of EU funds has had a significant impact on businesses and the higher education and third sectors in Wales, all of which are reporting redundancies and the closure of vital programmes, resulting in the loss of essential talent and opportunities for growth. In Wales, the UK Government must further growth and prosperity through investment in a long-term semiconductor strategy, stronger collaboration on Wales employability programmes and the realisation of nuclear opportunities.

It is important that we work together across the UK to tackle the climate and nature emergency and its consequences, including those from the legacy of Britain's mining past. Our funding settlement does not reflect the disproportionate costs of dealing with the UK's coal-mining legacy, and Welsh communities should not be expected to meet these costs. I would welcome your commitment to provide specific funding to support longer-term costs of investment to address coal tip safety and reclamation.

This letter has been copied to the Chief Secretary to the Treasury and the Secretary of State for Wales.

Yours sincerely,

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

**Rebecca Evans AS/MS**

Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government