



Llywodraeth Cymru
Welsh Government

MEETING

Cabinet meeting: 18 November 2022

Minutes of a meeting of the Cabinet on 18 November 2022.

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UK Government Autumn Statement

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Present

- Rt. Hon. Mark Drakeford MS
 - Rebecca Evans MS
 - Vaughan Gething MS
 - Lesley Griffiths MS
 - Jane Hutt MS
 - Julie James MS
 - Jeremy Miles MS
 - Eluned Morgan MS
 - Mick Antoniw MS
-
- Hannah Blythyn MS
 - Dawn Bowden MS
 - Julie Morgan MS
 - Lynne Neagle MS
 - Lee Waters MS

Officials

- Andrew Goodall, Permanent Secretary
- Des Clifford, Director Office of the First Minister
- Will Whiteley, Head of Cabinet Division
- Toby Mason, Head of Strategic Communications
- Jane Runeckles, Special Adviser
- Madeleine Brindley, Special Adviser
- Alex Bevan, Special Adviser
- Daniel Butler, Special Adviser
- Ian Butler, Special Adviser
- David Davies, Special Adviser
- Kate Edmunds, Special Adviser

- Sara Faye, Special Adviser
- Sam Hadley, Special Adviser
- Clare Jenkins, Special Adviser
- Owen John, Special Adviser
- Mitch Theaker, Special Adviser
- Tom Woodward, Special Adviser
- Christopher W Morgan, Head of Cabinet Secretariat (minutes)
- Damian Roche, Cabinet Secretariat
- Catrin Sully, Cabinet Office
- Tracey Burke, Director General Climate Change & Rural Affairs
- Jo-Anne Daniels, Director General Education, Social Justice and Welsh Language
- Reg Kilpatrick, Director General, COVID-19 recovery and Local Government
- Tim Moss, Chief Operating Officer
- Judith Paget, Director General Health and Social Services
- Andrew Slade, Director General, Economy, Treasury and Constitution
- Andrew Jeffreys, Director Welsh Treasury
- Emma Watkins, Deputy Director Budget and Government Business
- Jonathan Price, Chief Economist

Item 1: Impact of the UK Government Autumn Statement

1.1 The Minister for Finance and Local Government introduced the paper, which set out the implications of the Chancellor of the Exchequer's Autumn Statement.

1.2 Alongside this, the Office for Budget Responsibility had presented a bleak outlook for the economy and confirmed the UK was in the early phase of a recession. The reality would be higher bills, rising unemployment and the biggest fall in living standards since records began. Inflation was already running

at a 40-year high.

1.3 The Chancellor had not allocated any additional funding in relation to the current financial year, but there was a slight reduction in the settlement due to the Block Grant adjustment arising from revised tax forecasts.

1.4 Whilst the Statement had contained an additional £1.2 billion over the next 2 years for the Welsh Government, the sum that had been allocated failed to meet inflationary and other pressures including pay, and a significant funding gap remained.

1.5 The inflation shock since last October varied between different measures, but the settlement could be up to £3bn lower in real terms and up to £1 billion lower in 2023-24 alone. Over the 3-year Spending Review period it was still worth less in real terms than it had been when the outcome of the review had been announced. The overall budget in 2024-25 would be no higher in real terms than in the current year and the capital budget would be 8.1% lower.

1.6 The additional £1.2 billion funding was partly a result of additional spending in England on health, which equated to £365 million, £235 million for school funding and £150 million for Social Care, some of which had been included in the health settlement. This would be spread over 2 years. Almost half, 44%, of the increase in funding in 2023-24, was a result of non-domestic rates measures, which would cost more to replicate in Wales. There was also a negative consequential of £70 million arising from changes to employers National Insurance contributions.

1.7 Whilst the Chancellor had taken steps to tighten universal support measures, through the energy price guarantee, and better target support to the most vulnerable, with additional support to those on benefits, the cost of living would remain extremely difficult for most and calls for further government assistance would grow.

1.8 However, as there was no additional funding for public sector pay awards the Government would need to manage claims as best it could, while working with social partners. Ministers were reminded that every 1% on pay across the whole devolved public sector cost around £100 million. Therefore, any commitments on pay would need to be met by discontinuing activity.

1.9 There had been no substantive effort from the Chancellor to invest in infrastructure and the related skills to boost economic growth and invest in green energy. Given that the capital budget would be severely reduced by 2024-25, there would be a need to look seriously at scaling back, pausing and stopping some of the government's plans.

1.10 The UK government had decided not to proceed with Investment Zones. Instead, the Chancellor announced plans to catalyse a limited number of the highest potential knowledge-intensive growth clusters centred around universities in left behind areas, with the aim of promoting sustainable growth and regeneration. The Secretary of State for Levelling Up, Housing and Communities had indicated that he wanted to develop a genuinely UK-wide offer.

1.11 The First Minister put on record his thanks to all those involved in preparing the budget material.

1.12 Cabinet noted the paper.

Cabinet Secretariat
November 2022

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