

PUBLIC EXPENDITURE

**UPCOMING SPENDING REVIEW AND FISCAL
FLEXIBILITIES**

MINISTERIAL STATEMENT

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INTRODUCTION

Mr [deputy] Speaker, I wish to make a short statement concerning the upcoming Chancellor's Spending Review and the wider Westminster funding process.

Together with my counterparts in Scotland and Wales we are collectively making statements to our respective legislatures setting out our expectations for more fiscal flexibility to manage the implications of COVID-19, proper involvement in the Spending Review so we can plan for our Budgets and a fair deal on EU funding.

Members will be aware on 23 September the Chancellor Rishi Sunak announced the cancellation of the Autumn Budget.

This marks a departure from the normal convention of two fiscal statements a year which provided a degree of certainty to the financial process. While this move in itself was concerning, what is of greater concern to the Executive is the continued lack of clarity over the upcoming Spending Review.

Since the announcement of the Spending Review back on 21 July, I have been concerned about the omission of a date by which the process would be concluded. The chancellor spoke about "autumn" but going by previous Treasury Statements, autumn can mean anything up to the second week in December.

Mr Speaker, I want to briefly outline why the Spending Review outcome date is so important to the Executive and to this House. The Spending Review outcome is the first time that we will get an idea of what the overarching Budget envelope will be for the

Executive for coming years. Without that information it is impossible to plan effectively.

Mr Speaker, the delay in the Spending Review leads to delay in the local budget process, making it harder for Ministers to plan effectively for the years ahead. This is made all the more acute by the uncertainty around COVID-19.

Today we are collectively asking the British Government for urgent clarity around the timing and scope of the Spending Review.

In a period where the future implications of COVID-19 are uncertain, it is imperative that the British Government provide as much clarity on the Spending Review process, the outcome and the flexibility that will be afforded to us to respond to COVID-19 in the current year and within our future Budget envelope.

This is not a situation unique to the Executive. The Scottish and Welsh Governments are faced with similar problems in planning for the future.

Today we are collectively asking the British Government to provide the full suite of flexibilities we need to manage the unprecedented ongoing uncertainty we are facing.

I recognise for different Devolved Administrations this might mean different solutions.

For the Executive, if we are to be able to respond effectively to the impacts of COVID-19 in this year and in future years, it will be necessary for us to have flexibility to transfer Capital funding into Resource budgets. This will allow the Executive the agility

it needs to respond to changes that will materially impact public service provision.

In addition I am calling for the Treasury to loosen the restrictions around transferring funding from one year to the next. Under current rules any underspend over 0.6% of our Resource DEL budget or 1.5% of our Capital DEL budget is lost to the Executive.

This restriction does not encourage good financial management and risks year end surges of spend as departments seek to ensure budgets are maximised.

A relaxation of the rules around year end underspend would allow departments more flexibility to manage underspend. This is especially relevant in a period where the impact of COVID-19 can lead to disruption in projects, working practices, and supply chains.

These are limited and logical requests.

Mr Speaker, the concerns that I have outlined are further exacerbated by Brexit. Planning for 2021 will be challenging enough without the further uncertainty surrounding Brexit. Uncertainty that it is within the British Government's gift to clarify.

Some three months before the end of the transition period we do not have the clarity we need on key issues such as implementing the protocol and replacing EU funding.

I have written to Treasury outlining the costs of implementing the protocol and have yet to receive confirmation that those costs will be met by the British Government, as they promised to do.

I also await the detail on the Shared Prosperity Fund, the much vaunted replacement for certain EU funding.

The one significant piece of legislation that the British Government has produced recently, the internal markets bill, represents a power grab on areas of Devolved responsibility. Our devolution arrangements are underpinned by the Good Friday Agreement, an international treaty, so this is an extremely serious development.

Today we are collectively asking for assurances the British Government will provide full replacement funding of EU programmes without detriment to devolution.

The issues I have raised today are integral to the Executive's future Budget plans and are issues that need urgently resolved.

OUTCOME

Mr Speaker, I call on the Chancellor to provide the much needed certainty that this House requires and that our Scottish and Welsh counterparts need.

As Finance Ministers we represent over 10 million people and today we speak with one voice.

We are calling for more fiscal flexibility to manage the implications of COVID-19.

We are calling for proper involvement in the Spending Review so we can plan our Budgets.

And we are calling for lost EU funding to be replaced in full, and brought under local control.

In normal times this uncertainty would not be helpful but the lack of clarity is further compounded as we deal with COVID and Brexit.

The Treasury must urgently provide the clarity we need.

I commend this statement to the house.