

Nadhim Zahawi MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

15 July 2022

Dear Nadhim,

As Finance Ministers for the three Devolved Governments, we collectively welcome you to your new appointment as Chancellor of the Exchequer.

As the current economic situation continues to be of considerable concern to all our Governments, we thought it would be helpful to set out some of the key areas which require attention as part of the preparations for the forthcoming UK Budget.

Cost of Living

Our Governments continue to do all we can to maximise the support for households with the cost of living crisis. However, many of the levers which can make the biggest difference sit with the UK Government. Whilst we recognise the measures taken by the UK Government to date have relieved some of the pressure on households, further action is required to address significant gaps in support for vulnerable households, families, businesses and the delivery of services. The prospect that the Autumn energy price cap increase will be more than anticipated will only add to the pressures they are facing. The UK Government must also take more concerted steps to ensure more sustainable energy prices in the longer-term.

The cost of living crisis is not evenly distributed, and the focus should be on providing targeted support to those most adversely impacted, rather than reducing broad-based taxes. Neither should tax cuts result in tighter controls on spending which will impact on delivery of public services which are already facing immense pressures.

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Public Sector Pay

We are all aware of the range of different sectoral discussions underway on public sector pay. We appreciate that this is a challenging area and maintaining a fiscally sustainable and prudent approach to public finances is in all of our interests. It is also essential to treat the public sector workforce fairly. As former Education Secretary, you recognised the risks of potentially significant real price pay cuts and placed importance on valuing our public sector workers who have played a vital role in delivery of our collective priorities and in responding to the pandemic. These will be important considerations as the UK Government develops its approach. We need a fair and appropriate response on public sector pay and urge you to give firmer assurances on sensible pay uplifts for our public sector workers.

Spending pressures

Due to inflationary pressures, our budgets for the next three years are now worth considerably less than when we formulated our spending plans last year. In addition to the public pay bill and the rising public energy costs, there are other significant emerging pressures for our services, including education and enabling NHS recovery and reform. Our Budgets should be uplifted in line with these pressures. The NHS turns 75 next year and this presents a much needed opportunity to boost funding for the service which so many of us rely on.

We would urge you to consider these issues and take the steps needed to address these significant concerns.

This letter has been copied to the Chief Secretary to the Treasury and the Secretaries of State for Scotland, Wales and Northern Ireland.

Yours sincerely

Kate Forbes
Rebecca Evans
Conor Murphy

Kate Forbes BPA/MSP

Rùnaire a' Chaibineit airson Ionmhas agus na h-Eaconamaidh, Riaghaltas na h-Alba
Cabinet Secretary for Finance and the Economy, Scottish Government

Rebecca Evans AS/MS

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

Conor Murphy MLA

Minister of Finance, Northern Ireland Executive

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