House of Commons

Welsh Affairs Committee

Oral evidence: Welsh Fiscal Framework, HC 1565

Wednesday 5 July 2023

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Watch the meeting

Members present: Stephen Crabb (Chair); Virginia Crosbie; Ben Lake, Mr Rob Roberts; Beth Winter, Wayne David.

Questions 1 to 75

Witnesses

I: Rt Hon John Glen MP, Chief Secretary to the Treasury, HM Treasury; and Ben Parker, Deputy Director, Devolution Team, Public Services Group, HM Treasury.

Examination of witnesses

Witnesses: Rt Hon John Glen MP and Ben Parker.

Q1 **Chair:** Good morning and welcome to this session of the Welsh Affairs Committee. We are joined this morning by the Right Honourable John Glen, who is the Chief Secretary to the Treasury. Alongside the Chief Secretary, we have Ben Parker, who is the Deputy Director of the devolution in HM Treasury.

Minister, first of all, thank you so much for giving up part of your day today to be with us. We are not the usual parliamentary Committee that you would find yourself in front of; normally, you would be sitting in front of the Treasury Select Committee. We thank you for the courtesy of your appearing in front of this Committee today to take questions on funding for Wales and funding in the devolution context more generally.

Perhaps I could start the discussion, Minister, by asking you whether you think, you believe, that Wales receives a fair allocation of funding resources.

John Glen: Probably unsurprisingly, I do think Wales receives a fair allocation of funding resources. I have looked at the allocation in some detail during the eight and a half months since I have been in this job and have had a number of meetings with Rebecca Evans, who typically does not agree with me about that. However, looking at the context—the Barnett formula, the Holtham Commission's review and the additional 5% that we put on top of the Barnett contribution, which for Wales is 120% of the spending for the rest of the UK—the share for Wales is significant.

However, of course, I am sure that we will explore in this session all the different aspects of the funding and some of the reasons why there is a degree of contentiousness around it. The core block grant plus the annual adjustment for population is generous—higher than for other devolved Administrations. The analysis underpinning the allocation, how it started and how it was reviewed, recognises that it is a significant additional amount. On top of that, there is an ongoing discussion about using the reserve, borrowing powers and trying to give you as much predictability as possible, which is something that I have discussed with Rebecca Evans, the Minister for Finance and Local Government. We have tried to move on that during my tenure.

Q2 **Chair:** Okay. That is helpful. Thank you.

We often hear it being said in the House of Commons Chamber and in the Senedd too, by party colleagues of mine, that Wales receives £1.20 for every £1 spent in England on public services. In what sense is that true?

John Glen: When money is Barnettised, when we spend the money, we give the consequentials to Wales and Scotland—not to Northern Ireland Executive, of course, which is being run by civil servants at the moment. The formula underpinning the Barnettisation is a block grant plus an additional amount adjusted each year for population and the amount for Wales comes to £1.20 for every £1 spent in England.

Q3 **Chair:** Does the Welsh Government not dispute that figure? The figure is objective—that is agreed?

John Glen: That is right. The Welsh Government would say that there are different elements within the total, that needs are different in Wales and a needs-based assessment would—according to some ways of looking at it; which is where the disputes would come in—call for more. In my experience of my job, however, virtually everybody who comes into my offices says they want more and when we get into it, there are different interpretations.

Think about the UK Shared Prosperity Fund, which you may come on to ask me about. There are different interpretations of what the funding bought previously and how the EU tail was computed. Similarly, there will be other interpretations of how Home Office monies are spent differently on policing in different contexts. That is where disputes come in. I guess it would be expected that devolved Administrations would generally take adopt that demeanour in their conversations with Treasury.

Q4 **Chair:** Aside from a general aspiration for more resources—as you say, every Minister who comes through your door will want more funding for their projects or their Departments—does the Welsh Minister ever give you a sense of the quantum that the Welsh Government would be looking for? What are they looking for if it is not £1.20 for every £1 spent on equivalent services?

John Glen: There is usually a global conversation around inflationary pressures, which are tough on everyone at the moment and that is why the Government's top objective is to halve inflation. That is the first conversation. Typically, then there are specifics around dealing with coal tips or something that will have come up and which is a devolved responsibility but will be presented as a distinctly and disproportionately Welsh challenge requiring additional funding.

Occasionally there will be references to a particular infrastructure project and of course that is difficult because some of the decisions are made in the round by different spending Departments. I may have data on the spend per head or the rationale for allocating to different projects, but some of the decisions about those things may be made by some of my colleagues in Cabinet or elsewhere in government.

Discussions may also cover the reserve, the mechanisms for borrowing and the flexibilities therein and then certainty or otherwise. Around the end of the year, we have a process by which we reconcile, with reality, where things are in the budget—the supps process—which often also attracts comments on whether there could be more predictability. I have tried to address that with Rebecca Evans in the course of the last year.

Q5 **Chair:** I think you were in Cardiff a fortnight ago.

John Glen: Yes, on 22 June. I was there for the second Interministerial Standing Committee, the FISC, which we held in Cardiff. We met in Edinburgh in February. The Finance Ministers and I all met.

Q6 **Chair:** We have seen the communiqué that was published on the back of the meeting. You have just alluded to some of the pressures and the questions that come up. Was there general agreement and consensus on working together? Or did you just have to sit there and take it from the devolved Administrations, their asks for more funding and more flexibility?

John Glen: I would say that it was a cordial and constructive conversation. I am speaking to the Government's problems across the UK, the macro-economic challenges and the Government's position on those sorts of matters. The Finance Ministers will then come in with their particular challenges.

However, there always is a lot of interministerial dialogue with the devolved Administrations. I think there have been 227 meetings and Treasury has had 26, obviously supported by officials. There are lots of ongoing conversations but after we have had the formal meeting of all the Ministers, we would have bilaterals with Rebecca Evans and her team and with Shona Robison, the Deputy First Minister of Scotland and Cabinet Secretary for Finance. They will have slightly different takes and we will be having conversations on future funding, frameworks and agreements. Different issues come up in different conversations.

Q7 **Chair:** You said a few moments ago that various ministerial colleagues will come through your door, always asking for more funding. You used the phrase yourself: "spending Departments". Of course, the devolved Governments are not just spending Departments, are they? They are the Governments of nations within the United Kingdom. What shift in mindset do you, as Chief Secretary, have to make when it comes to these meetings with the devolved Finance Ministers? They are not part of the UK Government per se. They are part of the UK family but they are distinct national Governments within that framework, right?

John Glen: They are and I think my responsibility as Chief Secretary is to administer and oversee the execution of the funding formula that has been agreed through the different framework agreements at different points in time and refreshed by different reviews at different points in time, and to ensure that the execution is running as smoothly as possible.

Where you have a significant amount of money that is essentially ported through the Barnett formula to the devolved Administrations, it is not my prerogative to second guess what those Administrations would do or even to comment. There are consequences and, say, if the Scottish Government have a different income tax rate, that enters the political realm. If the Welsh Government do or do not do something different on landfill tax or stamp duty or whatever, that has consequences too.

However, I do not get into conversations about those things. I see my primary role is to ask where we can get better execution of planning, reserve and capital spending and clarification on matters unforeseen, unmanageable things that might pertain to access to the reserve.

Q8 **Chair:** But you do not challenge devolved Ministers on things such as value for money in the way that you would challenge your internal Whitehall colleagues.

John Glen: No. I might have views but I do not see myself as the arbiter of appropriateness. The devolved Ministers have a democratic mandate on a separate prospectus, and I respect that. We do not get into conflicts.

On the coal-tip issues, for instance, Rebecca Evans might say, "This is where we are" and I might say, "There is no particular special case for that". We have shown that we have given money—I think over £30 million a year or so ago—when the situation met the criteria for accessing the reserve. Occasionally something will come up on a particular infrastructure project but there is an understanding in that conversation with Rebecca Evans that how to implement, say, Great British Nuclear's process for SMR, would not be my decision. I might be familiar with it, as I try to be familiar with all Government Departments' spending profiles and prerogatives but I do not use a meeting with Rebecca Evans to get into that sort of discussion.

Chair: I think we will be getting into a bit more detail on some of these issues.

Q9 **Beth Winter:** I have a couple of supplementaries on what you have just said about the current allocation of funding. To what extent do elements such as the ageing population, the increasing incidence of ill health in Wales, and the needs of the population of Wales factor into your considerations?

John Glen: It is quite difficult to answer that. Some universal factors across the population of the UK— for instance, what we spend on the NHS, for example, and additional sums that we put in to deal with waiting lists, backlogs and so on—will be ported to Wales. What you are talking about is essentially a refresh of the premium that already exists.

Q10 **Beth Winter:** When was the premium established? Was it in 2010?

John Glen: The Holtham Commission—the latest iteration came live in 2018. The argument is about when that premium gets to a level that is less than the previous assessment. We are not there. We are not at that point so we are not going to be reviewing it now. We agreed that in 2015-16 and it came in in 2018.

In three of the four last years, there has been no capital borrowing by the Welsh Government. In the last two years, there have been underspends in the Welsh Government's day-to-day expenditure, their RDEL. They borrowed the full amount in 2022-23. There are mechanisms to provide additional funding for particular things that the Welsh Government could decide were a special need in that interim.

Q11 **Beth Winter:** We will come on to that shortly.

Looking at inflation, the Welsh Government say this: "The failure to mitigate the impact of inflation on departmental budgets has left the Welsh Government's budget severely under-resourced …"—£3 billion less in 2023-24 compared to the three years previous. What do you say? That is the figure, £3 billion, used by Rebecca Evans and the Welsh Government consistently. What is your response to that?

John Glen: My response has to be the same as I give to everyone who speaks to me about the budget pressures they face. Whether we are talking about a devolved Administration or a Government Department, the universal challenge of inflation imposes pressure. We have given an extra £1.4 billion over the next two years in consequentials decisions that we made in the Autumn Statement and the Spring Budget but there is no inflationary uplift mechanism because we set out our spending profile in the three years of the Spending Review and what that means is Departments and all people responsible for spending anywhere will have to reprioritise decisions within capital and RDEL to make those numbers match.

Q12 **Beth Winter:** You do not dispute that the settlement could be worth up to £3 billion less in real terms over the three years covered by the Spending Review.

John Glen: No, I would not commit to recognising that figure. I commit to recognising that inflationary pressures are universally challenging for any spending Minister or Administration.

Q13 **Beth Winter:** Okay. I know others will have other questions about that.

Moving on to borrowing there are limits, which you have alluded to already. What is your assessment of the borrowing limits that are set for Wales, both in times of normality and emergency?

John Glen: What we have gone through with Covid has involved quite significant additional money and assurances. That aside, there is £350 million in the Welsh reserve. That is clear in the fiscal framework. It is made up of £125 million for resource spending, and £50 million for capital. Then there is the capital borrowing—I think the Welsh Government can borrow up to £1 billion—and that has not been used in three of the four last years. There is a lot of capacity there and there is discretion. It is not for me to tell the Welsh Government how to use those reserves and borrowing powers. That is a function of the Welsh Government's autonomy as a devolved Administration.

Q14 **Beth Winter:** The Institute for Welsh Affairs report, which again you will be familiar with, I am sure, supports the Welsh Government's case for prudential borrowing powers by the National Loans Fund. What is your view about that?

John Glen: The Welsh Government do have access to National Loans Fund, which gives them a lower rate than Public Works Loan Board, recognising that is different from a local authority. In a situation where in three of the last four years the Welsh Government have done no capital borrowing, mechanisms exist within the fiscal framework that are not being fully used.

Q15 **Beth Winter:** Why are the Welsh Government pushing for prudential borrowing powers? Is it so they can develop more transformative policies?

John Glen: With the greatest respect, I think that is a matter for them. All I am telling you is that from the UK Government's perspective, there is unharnessed capacity within the existing fiscal framework.

We tried to give the Welsh Government guarantees around the additional funding sequentially as we went through the Covid period. We ported over £660 million underspend in 2021-22. As per the statement of funding policy, they returned £155 million. There is an ongoing dialogue about where the Welsh Government are with their budgets, but the principle of being able to borrow more for capital expenditure and the use of the reserve is something that they have a capacity for in the existing frameworks. I am not sure why that is not being used. The Welsh Government do have it available to them.

Q16 **Beth Winter:** The Welsh Government obviously have a different opinion and the IWA report supports their position.

You mentioned the pandemic. Do you think that the higher levels of borrowing that were allowed during the pandemic should be retained for the longer term?

John Glen: In 2021-22, Covid was not in the budget. It was an exceptional period in our history for exceptional activities of government and pressures on our public services. I recognise the resulting legacies and they are reflected in the additional money in the Spring Budget and the Autumn Statement that I mentioned earlier, which has come as a consequential of what was spent in the UK overall on the NHS.

Covid changed a lot of things in the amount of money we spent and borrowed. I do not think that it is desirable to re-set on that level because it was for something that, hopefully, we will not experience again.

Q17 **Beth Winter:** What is the distribution of fiscal risk between the UK and Welsh Governments under current arrangements?

John Glen: The fiscal framework gives certain discretion to the Welsh Government on stamp duty, land tax, the landfill tax and the banding of income tax. They have not used their discretion on the banding of income tax but they could choose to do so. They can enhance capital investment through the mechanism of their borrowing powers and can also borrow for tax and welfare forecast errors where they are not receiving what they anticipated. There are quite a lot of mechanisms available to the Welsh Government to deal with what they might decide would be different priorities within their framework.

Q18 **Beth Winter:** Returning to the use of reserves, how will the limits on the use of reserves provide a reasonable balance between the ability to draw down additional finance and fiscal sustainability?

John Glen: We had a dialogue about the Welsh reserves and my predecessors would have one too. Limits were agreed in the fiscal framework and were allocated between capital and resources. We will continue to look at what was agreed. The Welsh Government reserve is part of the UK reserve and the more that is put against it for Wales results in opportunity costs elsewhere. It comes down to what more they need to spend and why and what other mechanisms exist for them.

I have mentioned tax choices and borrowing to deal with short-term gaps between the forecast error on tax and welfare. If we make changes to business rates relief, they are also ported over to the Welsh Government through the Barnett formula.

Q19 **Beth Winter:** You mentioned the £155 million, which has been in the news in recent months. The Welsh Government did push back very strongly on that—

John Glen: I am sorry; I missed what you said.

Beth Winter: The £155 million that was taken back. Rebecca Evans called the decision completely arbitrary and the Government said that it was wholly unacceptable and exposed fundamental flaws in the devolution settlement. What is your response to that?

John Glen: Very respectfully, I disagree. The statement of funding policy states what happens when money is not used. It returns to the Treasury. It is frustrating for departmental Ministers, though I accept they are very different, but the same principle applies. We did agree to push over £660 million unspent from 2020-21 to 2021-22. Ben Parker has helpfully reminded me that I did also double the reserve draw-down this year.

My job is generally known for saying no to more spending but I cannot just liberate additional money without the frameworks that we have agreed. I understand why at the political level it is necessary to say those things but it was part of the statement of funding policy that that money, if unused, would be returned.

Q20 **Beth Winter:** A final point. I am going to quote Rebecca Evans. "Our decisions to maximise capital expenditure were made having regard to the rules within HM Treasury's consolidated budgeting guidance. Revenue budgets can be switched to capital, a practice we have utilised in the past to manage the financial position."

Why was that flexibility not allowed on this occasion? Did the Treasury consult with the Wales Office on the decision?

John Glen: We would always look at requests to do RDEL/CDEL switches. They come up quite often. In the context of the Welsh Government's unused borrowing powers, underspends and unused capacities, I would have to make a judgment. The judgment was consistent with our funding policy. It was an underspend, not a switch, of something that was programmed but not spent.

Q21 **Chair:** I will follow up on that briefly. The Welsh Government had not spent £150 million. Why is that?

John Glen: It happens all the time. In every Government Department—

Q22 **Chair:** This was during Covid, was it not?

John Glen: Yes.

Q23 **Chair:** Was it also the case that you were giving the Welsh Government more money than it could physically spend at one time? There was a push to get money out of the door, was there not?

John Glen: There was a relationship between what we were spending at scale and at pace and the accelerated Barnettisation of that money. You are quite right, Chair. That was the challenge. Government Departments and the devolved Administrations would sometimes not be able to spend that money. It happens with everyday expenditure—RDEL—and capital expenditure.

Q24 **Chair:** Does it not reflect somewhat poorly on both parties here? On the one hand, the Welsh Government, for whatever reason—competence issues or whatever—was not spending that money but on the other hand, the UK Government spraying around more money than government bodies could spend.

John Glen: I was not close to that specific decision at the time but my understanding of how these things work is that in times of distress, getting an accurate assessment of need and matching the money to spending capacity on the ground is pretty complicated. If we had not allocated the money, we would have been accused by the devolved Administrations of not giving enough but it not having been spent implies that the need was not there.

Q25 **Chair:** We heard a continuous refrain from the Welsh Government and the other devolved bodies that the UK Government were not giving them enough money to handle the pandemic.

John Glen: As Chief Secretary, I recognise that continuous refrain from all spending entities. I have to draw it back to what the money was there for, what was the basis for it and what additional frameworks and flexibilities existed to supplement it. In managing public money in aggregate, I have to have a mechanism to claw money back. People would always love to hold on to money they have not spent and port it over and indeed, knowing that there would be ongoing pressures, we allowed the £660 million that I referred to be ported over. It was not always possible to do that and there was a good rationale for not doing it in that case.

Q26 **Ben Lake:** Mr Glen, you are probably aware of concerns expressed from time to time by devolved Finance Ministers about how certain funding decisions are communicated. They sometimes complain about in-year changes and decisions that might have Barnett consequentials; they find they lack clarity at times and that it takes time for them to understand what they mean for their own budgets.

Could you outline how those sorts of decisions are currently communicated to the devolved Finance Ministers? What mechanism do you use to communicate that sort of information?

John Glen: My principal formal mechanism is the Finance Interministerial Standing Committee, the FISC, which meets, I think quarterly. We met twice this year. That is where I would set out what we are spending money on, what our pressures are and the Westminster Government's policy.

I also speak to Rebecca Evans before fiscal events so that I can tell her the headlines of what we are spending in the Budget or the Autumn Statement. We also exchange letters in which, for instance, she asks me about access to the reserve or greater flexibility. Obviously changes happen all the time, where there is a degree of uncertainty over how something will be funded.

Take pay. To what extent will pay be absorbed or paid for and how will it be paid for? That is the principal live issue that she would probably want more clarity about. I said that that was not resolved in our meeting in June. I will seek to bring more clarity to the matter when we meet next, in September. I also try to be pragmatic. If I cannot give certainty on the full 100% of the money I we say, "Well, what portion can we give a level of assurance about?" so that as early as possible some assumptions are made and then if there is an indication of what margin there might be then some of that will be at risk, but we try to bring clarity.

There is no attempt to be obstructive and Ben and his excellent team of officials do a great job of trying at official level to furnish Rebecca Evans's and her colleagues with as much information as possible to make that as straightforward as possible. It is not a perfect system but where we have flexible, ongoing decisions in-year, how to vary expenditure, which is bound to happen with multibillion programming of Government Departments where there are Barnett consequentials, we try to be as responsible as we can.

Q27 **Ben Lake:** Would I be correct to understand that where there are in-year decisions that would trigger a Barnett consequential that information will or can be communicated to the Minister for Finance and Local Government or her officials outside of the quarterly FISC meetings or the formal discussions prior to a fiscal event in Westminster?

John Glen: Yes. Ben has just confirmed to me that he communicates with officials and that there is an ongoing dialogue. I think that is quite developed and when we went to the Interministerial Standing Committee as a team just a couple of weeks ago it was quite clear there were very strong relationships between officials, who go there all the time. In preparing for today's meeting, it was quite clear that there are conversations almost every day between the team here and officials in Cardiff.

Q28 **Ben Lake:** To put it into a real-life context, the Department of Health and Social Care announced last week the long-term workforce plans for the NHS, and suggested that there would be some £2.4 billion of additional funding phased in over the next five years. I would imagine that triggers a Barnett consequential, if it is indeed new money as the Department of Health suggests. Has that consequential data information been communicated to the Welsh Government yet?

John Glen: I am not sure exactly what has been communicated. The main headline announcement was on Friday. This is a 14 or 15-year plan related to the overall programme of resources, and some assumptions made about productivity, which will require quite a lot of explanation and translating into that reality. Those conversations will no doubt happen, and we welcome them. We want to establish what the thinking is and what the drivers are for what I think is important for the whole of the United Kingdom, which is greater productivity and confidence in the resourcing of NHS personnel and medical specialists going forward.

Q29 **Ben Lake:** I do appreciate that. The Public Accounts Committee was informed in no uncertain terms by the Chief Executive of the NHS in England and the Permanent Secretary of the Department of Health and Social Care that the £2.4 billion specifically referred to training places. My understanding is that whether it was for training places in education or the health aspect, since they are both devolved we can be pretty confident that there would be a consequential trigger from that money.

John Glen: Yes. As I say, I am just not familiar enough with the detail to give you more than what I have said. If I can do anything more to set it out more clearly, I will reflect and write to the Committee with more information. When we make quite complicated interventions such as that we will not send out an immediate letter because it needs more of a dialogue to explain it but it will become clear as quickly as possible. From my point of view, there is no decision to restrain any dialogue with the Welsh Government on these matters.

Q30 **Ben Lake:** On this interesting and exciting topic of the Statement of Funding Policy, and in particular the comparability factors that are included, I am quite interested to understand a bit better how the different percentages are calculated. I appreciate that there is a consideration for what sort of expenditure might fall in devolved areas of responsibility. I note here that in the departmental percentages for transport, for example, Scotland has a score of 91.7%, Wales 36.6%, Northern Ireland 95.4%. It seems quite precise. Is there a specific method by which these figures are calculated?

John Glen: I always say when I come to Select Committees that if I refer to my senior official, I have failed, but I am quite tempted to bring Ben in here. I think what I would say just before I decide whether to, or you can ask him directly if you like, is that there are different ways of looking at this in the transport area—for instance passenger per kilometre in England or Wales, of which there is a significant premium in Wales. I understand why that might be.

There are decisions that you will be familiar with—we might come on to heavy rail infrastructure—and how they are collated and treated. On the mechanics of different percentages, it would be easier if you write to me to say what the specific questions are and how we do this, because I am just not doing those calculations. Ben, is there anything you would like to add?

Ben Parker: I could speak for a long time on this subject. The one thing I probably can say that is quite helpful is that I know the Committee has received evidence from the guys at Cardiff University in your rail inquiry. I will not say anything about the objectives and the findings but their description of the facts of how the comparability factors process works is fairly robust. That is probably the quickest way of saying it. We can send whatever information is useful.

Q31 **Ben Lake:** The reason why I am interested to learn and better understand the way the comparability factors are calculated—I am one of these people who likes reading these documents—is that if, for instance, you were to assume rail infrastructure is a reserved matter for Wales, not for Scotland and not for Northern Ireland, it would make sense that HS2 for example has a comparability factor for Scotland of 100%, Wales 0%, Northern Ireland 100%.

What I do not understand is why Crossrail, which is a rail project, has a comparability factor of 100% across the board as has Thameslink, which is another rail project. That is why I am interested to understand how these factors and percentages are calculated and then applied. It does not seem to me that they are being applied consistently, if the fundamental assumption is that this is an area of spending that is reserved for the UK Government as it applies to Wales.

John Glen: I do think you are dragging me into quite complex technical details. I am not trying to be difficult, but this is quite a difficult, technical financial calculation and I am not full of that information in my head at the moment. As Ben said, we will look at it together and work out what more we can do to assist. Is that okay?

Ben Lake: Yes.

Q32 **Chair:** It is but although I completely understand why you do not want to get drawn into the technical details and so are taking a step back from them, if you take a broad view, the truth is that rail infrastructure in Wales is awful, and it needs improvement. As a Committee, we are interested in how we secure more resource to improve rail in Wales. Are there any lumpy rail projects currently on your desk that need progress? Do you get involved in looking at particular projects that Network Rail might be taking forward in Wales?

John Glen: I personally as Chief Secretary do not make decisions for the Department for Transport. I am aware of everything that we have put in, in the last two years of different programmes but I am not going to rehearse them all because you know them better than I do.

We have set our envelopes for all the different Departments. They will then be responsible for deciding which ones are their priorities and, where they are reserved, they have a responsibility to spend the envelopes across the United Kingdom. I do not want to trespass in the territory of other Ministers. You should get the Minister for Transport here to explain the thinking on that. I manage his overall budget, capital and RDEL and we will look at it from a value for money point of view, project by project, and look at what the BCR is, whatever is compared to other projects when they have constraints around envelope size and capital budgets. However, as Chief Secretary I do not say yes to this and no to that. I try to assert logic to the programming overall and the coherence to assist Secretaries of State and Ministers as they make those decisions.

Q33 **Mr Rob Roberts:** Good morning, Minister—I will use "Minister" rather than "Chief Secretary", if you do not mind; it is less of a mouthful each time.

I am interested to know—you have mentioned it a little bit, but I would like to go into a little bit more detail—what the Treasury does in considering the views of Wales when preparing for fiscal events such as the Spring Budget or the Autumn Statement? What is your specific process to consider the needs of Wales when those events are coming up?

John Glen: The Secretary of State would make representations, and does, on various aspects all the time at Cabinet and in other ways through conversations I have with them individually. We have an ongoing dialogue with the Welsh Minister for Finance, as I have described, and representations are received by letter in regular conversations and from official to official, which inform overall where we are.

Of course, the principle of this in many respects is that there is a formula to allocate money and then discretion is given to the Welsh Government. I have mentioned the coal tip issue. In those FISC conversations issues will be raised around what is happening with the semiconductor strategy and what those implications could be for the world-leading cluster in South Wales, or whatever. Again, at my level, I would not be making binding assertions on that, because those are the decisions for the respective Secretaries of State. I would say that I am well appraised of where the pinch points and challenges are. I try to address them with the mechanisms I am responsible for, but I do not think I am there to second-guess the decisions of my colleagues.

Q34 **Mr Rob Roberts:** As you mentioned the Secretary of State, let us talk about him just for a moment, the Secretary of State for Wales. You had Cabinet yesterday morning?

John Glen: Yes, every Tuesday morning.

Q35 **Mr Rob Roberts:** What role does he have in working between the Welsh Government and the Treasury? When you sit around the Treasury table, how often do you hear the melodious tones of Monmouthshire ringing out across the room?

John Glen: He is a very active advocate for Wales in all fora that I have seen him in, often lobbying me hard on specific transport proposals or other things. I feed that back to my officials, and it informs the dialogue I then have with Secretaries of State. I take his views very seriously, of course.

Q36 **Mr Rob Roberts:** So his role is almost like a conduit; the voice of Wales in the Cabinet Room would be his broad remit?

John Glen: I think he would probably characterise it as that. In any conversation about infrastructure or issues to do with devolution in the United Kingdom, he is, as we all know, very forthright in the way he expresses himself.

Q37 **Mr Rob Roberts:** You used the term "RDEL" a couple of times. For the benefit of the millions of people across Wales who are tuning in live and watching this, RDEL being resource departmental expenditure limit, day-to-day spending.

John Glen: Day-to-day spending. I think I said that too.

Q38 **Mr Rob Roberts:** Everyone will understand that. Day-to-day spending in Wales is 3% down in real terms since 2010 and all other Departments are broadly at parity of where they were in 2010. Why is that?

John Glen: I cannot tell you the specifics. If you are talking about real terms, it is the effects of inflation over expenditure. I cannot give you an answer about the difference. I suspect that is one characterisation of the application of inflation to different Departments and the devolved Administrations. I am happy to look into where those figures have come from and what they refer to, but I cannot explain it in quick-fire here.

Q39 **Mr Rob Roberts:** It is comparative that capital investment spending has been the same. It is 35% higher than it was in 2010, but the resource seems to have fallen away, which is unusual. They are Treasury numbers. We can come back to that.

John Glen: I understand you want to make a point, but it is not reasonable for you to mention a figure and not explain the full context for me so I can give you a proper answer. I am very happy to answer, Mr Roberts. I will be happy to receive a letter from you, and I will give you a response, but I did not receive any indication of the questions you were going to ask me, so I cannot hope to deal with specific numbers here.

Q40 **Mr Rob Roberts:** No problem at all.

Earlier on, you mentioned to my colleague, Beth Winter, that the Welsh Government have powers available to them in order to do things and you seemed to intimate that they are not using all the fiscal options that are available to them. What kind of things do you think that they might be able to do specifically to improve their lot? Whenever there are First Minister's Questions down in the Senedd, the First Minister inevitably several times per session says, "We do not get enough money. We do not get enough money." What do you think they could do to pull different levers that they already have?

John Glen: As I say, I do not think it is my responsibility to say how much they should or should not spend. I am telling you how the block grant in the formula in the Barnett system works, what the premium is and what the state of play is with respect to capital borrowing, the Government's access to the reserve and how they use the fiscal framework.

In three of the last four years, they have not borrowed for capital expenditure. That is the fact. How this Committee processes that fact and what recommendations they make with respect to some of the infrastructure needs that may or may not exist in Wales is a matter for the Committee. All I can do is say that when they say they want more money, my natural response is to say, "Well, what mechanisms do you have at the moment? There they are. You are at liberty to use them" in the same way I described the opportunities in terms of tax and the discretion over income tax, stamp duty and landfill tax. Those are areas that have been agreed through the fiscal framework that the Government have liberty to flex, if they wanted to. I do not get into conversations. I think that would be inappropriate and against the whole principle of devolution.

Q41 **Mr Rob Roberts:** You mentioned earlier that you have regular meetings with Rebecca Evans. Are they regularly scheduled? Are they in the diary all the time, or are they when something comes up that needs to be discussed?

John Glen: No. I respect her as the Minister for Finance for the Welsh Government. We move the meetings around, so it is not all coming to London. We have been to Cardiff. We went to Edinburgh in February. I treat her with all the respect that she deserves, and I listen very carefully to what she says. If she wants to have a meeting with me, then as long as we can agree an agenda then I try to fix that up. If I think it is just an ongoing something that can be dealt with between officials, then I will defer to my officials to deal with it. I do not think she would say I do not meet her, or anything like that.

Q42 **Mr Rob Roberts:** We certainly have not had any suggestion that is the case. There always seems to be some kind of disconnect, though, if you do watch First Minister's Questions, which I am sure you regularly tune into. That is always the issue, "We need more money." Is there anything that you feel that the Welsh Government could do to improve their engagement with the Treasury, especially when it comes to fiscal events, when the Autumn Statement comes, or the Budget comes? Could they do more to work together to improve their position?

John Glen: The challenge with all government spending is value-for-money and what the opportunity costs are. We have limited money. We have a certain number of budgets, and we also have the borrowing option. The question is, is it a project that makes for exciting headlines or is it something that is going to materially shift the dial in terms of the productivity of the economy, creation of jobs or growth in the economy as a whole?

National infrastructure projects can have a massive impact, and if you think about the area of energy, for example, where we have an energy security imperative, we have a net zero imperative and a green growth imperative running through the document that we published on 30 March, there are conversations to be had within that framework.

As for what the Welsh Government can do to make that case more strongly, that is not for me to advise. In every area of government expenditure, I am keen to see value for money, a clear narrative on why it is being spent. Obviously, I would look at international comparisons, best practice and evolving certainty over the use of technology or the use of new ways of doing things. The challenge when people come to get money from the Treasury in any respect is always, "This will transform X or Y or reduce pressure in years 2, 3 4, 5 or 10." Often there are some heroic assumptions that go into that—I am not saying this with respect to Welsh Government. My job is to respectfully challenge that and get back to reality as much as we can.

Q43 **Mr Rob Roberts:** My colleague, Ben Lake, touched on this earlier briefly, but it would be interesting to know whether the Welsh Government have come to you and had some kind of desire to seek any permanent changes in the architecture of the fiscal framework. Have they made any requests to make any significant changes? If they have, what kind of areas and why?

John Glen: I mentioned the doubling of the Wales Reserve, which was an explicit ask. They have also asked for greater clarity around the supps process, which is the end of year reconciliation of budgets with expenditure. We have agreed to be more forward-leaning on that process, to show them as much information as we can.

Beyond what I said around the challenge on the amount of money with inflationary pressures not being enough, there were conversations with the Financial Secretary a couple of years ago about more devolution of fiscal discretion, but we invited Rebecca Evans to respond on that, and that was not followed up. I am not trying to make a political point, but it did not prove to be something that the Welsh Government wanted to do. We have tried to be open about anything they want to do within the constraints of this reset in 2018 following the review in the middle of the last decade.

Mr Rob Roberts: I want to turn to a couple of specific areas, but before I do—

Q44 **Chair:** Yes, I will come in with a supplementary, if I may. If you go back eight years or so the vision of devolution that the then Government under David Cameron was largely operating to, and it formed the basis for a lot of the discussions that we were having with the Welsh Government at the time, was around if we give more financial freedoms and powers to the Welsh Government then they have more tools available to be able to grow the economy, grow their tax base, have more flexibility and opportunity arising from that.

George Osborne when he was Chancellor of the Exchequer was very much a proponent of that view, with ideas that he had for not just devolution of Scotland and Wales but within England as well, the Northern Powerhouse was a great theme at the time. Listening to the evidence that you have given us today, several times you have talked about the Welsh Government not using powers and flexibilities that are available to them, so has that agenda basically become stuck? Are we no further forward than we were eight years ago?

Is it the case that the Welsh Government have not grasped the opportunity of new financial powers, or were the powers not quite the right tools that they needed? It is not evident to me that the Welsh economy is growing in the way that it should, or that the Welsh tax base is growing. We are not seeing a flowering of prosperity in Wales. Okay, we have been through some extraordinary challenges, but—

John Glen: In preparing for this, I looked across lots of UK Government expenditure, including the Shared Prosperity Fund and the levelling up amounts per capita and they all look pretty favourable in terms of the amount being given, or typically they look pretty favourable to what is received in Wales.

To your question about the expectation of using devolution to drive investment to transform economies, as you can see in other parts of the United Kingdom where we have worked on a bespoke basis, Michael Gove has worked to create city deals and the transformation of transport infrastructure spending through the West Midlands or Manchester in particular. I am surprised that capital borrowing, which I would have thought could be seen as a mechanism to do the sort of transformation infrastructure, has not been used in Wales. Again, I fall short of criticising, because if I am respectful of the devolution agreement and what we have done, it is for people who are elected to run the Welsh Government to account for the decisions that they have made. What I am saying is that the fiscal framework that you alluded to does give a lot more discretion than appears to be fully used at this point.

Q45 **Chair:** Do you have discussions with the Mayor of Greater Manchester?

John Glen: Not personally, no. The Secretary of State, Michael Gove, would, I think, principally manage that relationship, because it would primarily fall to him to agree some of those settlements. Where I would get involved would be with the configuration of the settlement overall within the envelope based on Michael Gove's budgets and what creative things that he is typically keen to do to make them work across the United Kingdom.

Q46 **Chair:** Purely in terms of financial arrangements, do you get the sense that devolution in places like Greater Manchester is starting to move ahead at a faster pace than perhaps currently in Wales?

John Glen: I do not have a scientific answer to that. I would say that the imperative around a tighter, defined geography and set of projects around health or social care or transport or skills in a tighter area probably means that is more visible and discernible. I am certainly not an expert on the Welsh economy as a whole, but I instinctively understand the different legacies historically in South Wales and North Wales, the different configurations of the economy and the obvious geographic barriers to economic growth and so on.

It is very difficult to make comparisons but I think that as a Government, we have moved quite a lot forward in some urban areas. From my own background as the constituency MP in Salisbury and South Wiltshire, it is quite challenging to find a symmetrical set of solutions for rural areas of our country, where often the affinity is much tighter and much more local than if you live within a wider, larger city.

Q47 **Mr Rob Roberts:** As you mentioned Secretary Gove, and going back to what I mentioned previously about the work of the Secretary of State for Wales, Secretary Gove is also the Minister for Intergovernmental Relations, as part of his portfolio. Does he ever get involved in these kinds of things where the Secretary of State will fight the corner for Wales? Does Minister Gove ever facilitate things in his intergovernmental role?

John Glen: Michael Gove is generally one of the most energetic Cabinet Ministers in terms of finding new ideas and solutions and has very creative ways of wanting to spend his underspends. I respect him greatly. He is one of our most experienced Ministers over the last 13 years and although there is always a creative tension between Cabinet Ministers and the Treasury, we work well together. I think there is an understanding that we are coming from different points of view.

With respect to his footprint across government on Wales, I cannot think of anything off the top of my head where he has had a specific intervention. I do not know what to say other than he seems to fill a lot of my time as a very energetic Cabinet Minister trying to use his money creatively.

Q48 **Mr Rob Roberts:** I want to move on to talk about a couple of specific areas of spending. Do you think there is anything that the Treasury can do to assist Welsh Government to increase real term spend per learner in Welsh schools?

John Glen: I do not know how to answer that. When something is devolved, there is discretion. We have seen a number of consistent principles and policies in the UK school environment that I think have borne fruit, for instance where we are now evaluated on reading. There are also initiatives such as Multiply, which you might come on to ask me about. There were challenges getting that money out in year one, so we gave more flexibility in year two and more latitude over how that money could be spent. That was a pragmatic solution where something in-year was happening, and we needed to recognise that there might be a different application in a devolved responsibility.

Q49 **Mr Rob Roberts:** Is anything different about the funding in Scotland and Wales? In 2019-20 spending per pupil was 18% lower in Wales than it was in Scotland. In 2020-21 it was 15% lower in Wales than it was in Scotland. Is it the same formula? Is there any reason why that might be from a fiscal framework point of view?

John Glen: Again, please forgive me. When we are talking about small differences that might vary year-on-year there will be particular factors around particular budget settlements and CDEL/RDEL splits and so on, that would make it difficult for me to give an accurate and informed answer on that. It is something to add to your list and I will write to you as quickly as I can.

Q50 **Mr Rob Roberts:** No problem. An independent review on funding was commissioned and an in-depth analysis of school funding in Wales. They found that spending per learner has fallen by 6% in real terms. The review said that there is room and evidence for higher levels of deprivation funding. Would the framework get involved in that point of view? Do you believe that there is any more room for higher levels of deprivation funding where it is shown to be necessary?

John Glen: We must go back to the overall formula and where we start in this conversation. The Welsh Government get the extra 5% that the Scottish Government do not. We have quarterly meetings; we have fiscal events where we update all of that. In the end, this is a matter for the Welsh Government to be accountable for the money that they have. Using the formula that we give them, they have that additional money per head, which is quite significant. I have the figure of £4,000 difference compared with the UK average. That is a significant amount of money, but I am not accountable for the way that they spend that money in schools.

Q51 **Mr Rob Roberts:** You will be delighted to hear that my final little bit is about transport and rail infrastructure. Cardiff University sent us a submission that said that if fully devolved, Wales would have received an additional £514 million in investment in rail infrastructure in the last decade. What is the Treasury's position on devolution for rail infrastructure?

John Glen: I think I have already said that the heavy rail infrastructure is a reserved matter. From 2019 to 2024 there was £2 billion, record levels of expenditure in operating, maintaining and renewing the infrastructure. For clarity, that is £1.27 per passenger kilometre in England and £2.39 per passenger kilometre in Wales. There are vast numbers of different schemes as well. Following the union connectivity review we have also put money into different development funding to relieve M4 congestion, for example, to create bolder connectivity in Chester and Shotton. I do not think we would recognise that number from Cardiff University but I have seen so many different numbers.

If I look at the UK Shared Prosperity Fund as another example, assumptions are made over the profile of the EU tail money, which is totally unrealistic given the typical profile of EU money, which ramps up after a few years. If you are motivated to always make a political point using statistics you will be able to find a way of doing it.

There are parts that are reserved and there are parts that are not. From the £1.27 and £2.39 per passenger kilometre in England and Wales I recognise that there are good reasons to do with the geography of Wales for that. What I am saying is I do not recognise your figure as being correct, and I can write to you if you want me to explain in detail why we would rebut it. I am sure I have a few officials behind me who would relish that opportunity.

Q52 **Mr Rob Roberts:** My final question. Historical funding between 2011 to 2016 was disproportionately lower. I think Professor Barry in Cardiff University said that the Wales route, which covers 11% of the UK network, received just over 1% of the enhancement budget for that period. Has anything changed? Has it improved since the Wales Act 2017 and are you familiar with what proportion of the enhancement budget Wales currently receives?

John Glen: I do not know the precise number. I cannot make a comparison between now and 10 years ago. The budget in that very difficult time when one of my predecessors famously said that there was no money left was a very challenging time, when the Chair was in government. I would struggle to compare the two periods. We are in a different post-Covid situation with new sets of pressures around government borrowing and interest payments. I can give you lots of data points around where we are investing in transport infrastructure in Wales and the Welsh Government would typically say there is more to be done, but so would everyone. The challenge is what are the priorities, what can we afford within the envelope? The formulas we have already give us significant additional sums in many areas of expenditure.

Q53 **Mr Rob Roberts:** Super quickly, before the Chair shouts at me, about HS2. The people on the streets of Delyn as I walk down the street do not understand about HS2. Let us assume it will eventually get to Crewe, and then trains will come through via Chester into North Wales. This Committee has recommended that it should be reclassified as an England-only project, because trains go on that line up to Scotland as well, and therefore Scotland gets as much benefit out of it as we do, but Scotland is getting consequential money out of it, but Wales is not. Why should Wales not get this, and why should it not be reclassified as an England-only project?

John Glen: Because heavy rail infrastructure is reserved. There are issues around the improvements to reliability, connectivity and capacity that come from High Speed 2. You mentioned the Crewe interchange. You also would recognise that the purpose and one of the key drivers of investing in infrastructure that is so expensive and takes a long time to deliver is the overall value to the UK economy, driving tax receipts and driving overall prosperity, which will be good for the whole of the United Kingdom. That classification is not going to change.

Q54 **Ben Lake:** Following on from that and I do take your point that heavy rail infrastructure is a reserved matter, and at the risk of repeating myself, that is why—

John Glen: You want to get it on the record as well, Ben.

Ben Lake: No, it has been on the record so many times before. I think that is why it would be very useful perhaps after the session if it were possible to have a greater understanding of the rationale behind the categorisation because Crossrail and Thameslink are also rail projects but the Barnett consequential was received for those. It would be useful to have a better understanding on that.

My very brief question is more a general one. As a Chief Secretary with escalating costs of infrastructure projects quite well known, are you concerned that HS2 and the way that the costs are increasing or supposed to be increasing might limit the ability of Network Rail and the Department for Transport to spend in other areas of rail?

John Glen: My job in all areas is to seek to find efficient expenditure. That is for HS2 as well, and we are looking very carefully at that, there is a lot going on in that space, to make sure that not only are we seeking to adhere to the broad timetables that we have agreed, but also that the expenditure is managed tightly.

In a complex infrastructure project of that scale and complexity there are enormous risks, particularly in an inflationary environment. That is why the imperative around getting inflation down is so strong. Yes, there are choices to be made in this context. We have a record £600 billion of capital infrastructure across the UK. Managing that and managing the most productive use of that capital in all parts of infrastructure in the United Kingdom is a major driver for me at every fiscal event. As we start thinking about the Autumn Statement it involves intense, complex conversations leading up to that.

Q55 **Virginia Crosbie:** Thank you for coming to give evidence at the Welsh Affairs Select Committee. What is your role as Chief Secretary to the Treasury in the allocation of the UK Government's levelling up funding?

John Glen: Primarily it is a matter for the Levelling Up Secretary, but there are conversations across Whitehall leading up to those events. I think that £330 million has been given around the first two rounds, £121 million to 10 Welsh projects in round one, £208 million in round two, which was 10% of that round's funding. There will be a third round as well. We have not set out the timetable or process for that, and that is £104 per person in Wales against £53 per capita elsewhere in the United Kingdom.

My role is to sign off and agree the overall budget, but the mechanisms for evaluation and prioritisation fundamentally sit within levelling up, but there is across Whitehall interest in how those are distributed. Obviously, you have the situation where you have dispassionate criteria. You then have a system where you must arbitrate on fairness across the UK, across different counties, metropolitan areas and districts, and look at the overall balance. Different criteria will be applied to ensure that we get to a fair overall outcome.

Q56 **Virginia Crosbie:** The former Secretary of State for DLUHC has stated that only 15% of round one funding has been allocated. What are your comments on that?

John Glen: How much money has been allocated and where it has been spent is to do with the efficiency of the different spending authorities and how quickly they can get it out the door. Certainly, I see frustration from some colleagues who say, "We have been allocated £X million for this project in X town" and I had better keep it a secret—

Virginia Crosbie: Holyhead.

John Glen: Then they find that it has not gone out the door. That might be related to planning or the availability of different resources on the ground but fundamentally I cannot be responsible for the day-to-day delivery. Our job is to sign off on the numbers and we do that in good faith based on an assumption around the profile of spending being realisable.

Q57 **Virginia Crosbie:** For the bids that have been submitted and approved in these quite challenging market times and thinking about the increased costs due to inflation, does the Treasury have any mechanisms in place to ensure that these projects are sustainable?

John Glen: I cannot remember the details and it is not in this brief, but we did at one point have a mechanism to deal with inflationary pressure or pressures that existed as a consequence of some of the delays that came about possibly through the legacy of Covid. I cannot upgrade and uplift all those budgets.

I see in my own constituency where we have been given something for High Streets Fund expenditure or whatever that where costs have grown from the announcement to the point of delivery, projects sometimes need to be reprofiled or rescaled. That is frustrating, but it is a function of those delays. Take for example hospitals where we have the absorption of the RAC hospitals into the New Hospital Programme. My job now is to sit on a board with the Secretary of State for Health or one of his Ministers to work out how to make sure that is all delivered quickly so that the cost pressures and risks that exist in that do not realise. The same is true here.

Q58 **Virginia Crosbie:** My last question is about levelling up. One of the best ways that we can level up Wales is by having good quality jobs and this Committee has spent many months looking at a report for nuclear in Wales. A couple of things came out of that report. One was about getting access to the site in Wylfa which is in my constituency of Ynys Môn and the second was funding—funding for large-scale but also small modular reactors. I know the Chancellor mentioned the small-modular reactor and the competition in the Budget recently. What is the Treasury's appetite for new nuclear, particularly during these challenging times?

John Glen: Again, you are tempting me to stray into territory that is best left with Grant Shapps and his Department. I think we have moved quite a long way in terms of GB Nuclear, the competition for SMRs and obviously the scaling to the gigawatt options is something that is an active consideration based on advice and conversations between the Treasury and Grant Shapps and his Department.

The challenge with all of this is the size of the envelope, when can we realise the benefits of it, and part of that is also about the economic effects of those investments in different parts of the United Kingdom. I cannot tell you anything about that today, other than I think you will acknowledge we have moved forward significantly with the SMR competition. A lot of work goes into that, as it does on tidal stream, the work that has been done in terms of the carbon capture usage and storage, what we have done with Track-1 and what we will do subsequently. The same goes for investment floating offshore wind manufacturing and the work at Pembroke Dock Marine project. All these things take a while to be fully realised, but what they are based on is a coherent plan over the overall energy needs and security needs of the country and the capacity that we need to be sure of having.

Q59 **Chair:** On the levelling up projects, on the face of it Wales seemed to do pretty well out of the round one bids. My understanding is that due to cost pressures quite a number of them have had to do that reprofiling or reassessment of the scope of the project. What with the twin pressures of trying to get the money out of the door plus the spike in inflation, which is causing some councils to have some difficulty with being able to deliver their projects, overlay on that the situation in Wales where we have a relatively large number of quite small local authorities, not all of whom in my view have particularly strong development or regeneration departments, is there a danger that we end up with a string of levelling up projects in Wales that do not do anything to move the dial in terms of economic development and social outcomes?

John Glen: There is always a danger in unrealised planned expenditure that expectations are not met. When you are dealing with levelling up across a range of products such as that, you want in aggregate for them to make a massive impact across the board. Absolutely there is always a risk of that.

What we have tried to do with the Celtic Freeport, the Anglesey Freeport is to put a range of interventions in that create hospitable environments for investment. Some of them are of larger scale with more UK Government involvement and some will be more devolved. That is definitely a risk. I totally accept that. If you spend money in small pots like that across a wide geography there are delivery risks, particularly at the current time. We try to manage those.

Chair: I do not necessarily see the freeports in that same basket.

John Glen: Good. I hope not. I do not think so.

Q60 **Chair:** We have lots of aspirations and optimism around the Celtic Freeport where I have a constituency interest. On the freeport issue, one thing I have picked up from people involved in it is around the timescale for delivering investment. Forgive me—if you do not have the detail, I can write to you about this—but have you have heard any representations about the need to stretch that timeframe out to enable a greater volume of investment to be delivered?

John Glen: When you are talking about tax relief, streamline planning, simplified Customs procedures and wider government support, you are talking about trying to induce investment for more than a couple of years. I would always look sympathetically and pragmatically at what we can do within the fiscal constraints that I must live within. It seems to me to be very challenging to put a tight envelope on that if the consequences are that you will not have the investment. These are tough, difficult decisions. We also have cycles of expenditure, scorecard periods and so on and respectfully I cannot predict the future or bind any future Government, mine or another, to commitments that I cannot make.

Q61 **Chair:** With something like a freeport you are looking at a 10- or 15-year horizon potentially.

John Glen: Freeports are a transformational intervention. They suck in investment where we have key clusters and opportunities, and they work closely with local authorities and devolved Governments to make those as effective as they can as constructs. Absolutely we need to bring as much certainty and consensus across the political divide to give businesses and external investment the best prospect of going big on what they are going to put in.

Q62 **Beth Winter:** Thank you. This is an interesting and informative session. In relation to post-Brexit funding, the UK Government made a very bold statement that Wales would not have a penny less nor lose any powers. Why has that not happened? Why has that commitment not been kept?

John Glen: I would contest that. If you did not want Brexit to happen and you want to characterise everything that has happened subsequently as not good, then I can understand why that case is made. What I am talking about here as somebody who was not an advocate of Brexit is a situation where a Government are trying to execute, manage and ensure that we get the best possible outcomes from what the country as a whole decided to do.

Thinking about the UK Shared Prosperity Fund, which I think is what could be or is one issue that comes up in the context of this, it depends how you look at and treat a very uncertain and unreliable set of figures across the tail of EU funding, how you characterise and aggregate them and then what you compare them with over what timeframe. My view of the UK Shared Prosperity Fund, which took over from the European Social Fund and the Regional Development Fund receipts, is if you look at it across 2014-15 to 2020 it does match ER funding, but the profile will be different. We can have a debate about it, but what we have tried to do is match that in the round, based on averages over several years, rather than adding loads of tails together and putting them on top.

Q63 **Beth Winter:** The Welsh Government are very clear in their belief that Wales is being significantly shortchanged and their interpretation of how the allocation of funding should be calculated is very different.

John Glen: Their critique is that there is a £772 million shortfall, but that ignores the existing EU tail of receipts. The Welsh EU tail remains, and it is higher than the historic average. What we must look at is where we are with the UK Shared Prosperity Fund for 2022-23 and 2023-24, which will be more than the historic average in every year of that previous period.

There will always be a different way of looking at it, I accept that, but what I am trying to do—I can add this to the written response I make to the Committee—is to explain how we characterise it, why we characterise it like that and why we respectfully disagree with the Welsh Government.

Q64 **Beth Winter:** It would be useful. We have had representations from the Welsh Government, Welsh local authority leaders, who are all very clear that Wales has been significantly shortchanged.

John Glen: I do not accept that.

Beth Winter: If you can include in terms of—

John Glen: I will do it as plainly and as cleanly as I can. What I would say is that I think what underlies that is a discomfort with the change. I do not think it is true to say that it is about a different amount of money, but we will not resolve this here.

Q65 **Beth Winter:** What about the role of the Welsh Government, who are seen to only have consultative at best in terms of decision-making powers? The Shared Prosperity Fund goes straight to local authorities, and you are overriding the democratic, elected Government of Wales. The powers are being lost; their powers to administer these funds have gone.

John Glen: I think we have given quite a lot of freedom in the same way that we have across the United Kingdom for local authorities. We have people skills, unemployment support and training, town centre improvements, sports and arts facilities, R&D, export grants, quite a lot of discretion there, small business support as well, which will vary in different jurisdictions based on the different industries that exist. There is a balance to be had there. It is going to be different. It was never going to replicate exactly. It could not do, and nor, over different periods of time in different cycles as a developed country within the EU framework, were we going to see a consistent profile under any future EU settlement if we remained in the EU.

Q66 **Beth Winter:** But the Senedd have been completely cut out of the process. It is indisputable.

John Glen: At the end of the day, I can explain to you the logic that we have used. I have explained the level of engagement that we have with the Welsh Government, and I can explain the intentions and use behind the fund. I am sure we will have an ongoing conversation about the appropriateness of that.

Q67 **Beth Winter:** Indeed. Two other quick areas, because I am conscious that people want to go. Welsh universities have expressed concerns about the loss of jobs because of the shortfall in funding and we did have the Secretary of State last week saying he is in conversations with universities, but he did refer to this session this morning.

John Glen: What did he say?

Beth Winter: He did not go into any detail. He said "positive" discussions. He did use that phrase. What funds are being made available, if any, to cover the shortfall?

John Glen: Historically different universities would attract different funding from different European schemes and so on. We know where we are with respect to Horizon. There is an aspiration intention to secure associate membership of that, but we have also agreed to put certain guarantees in place, and we have an alternative should that not prove to be realisable.

Funding for research, and collaborative research across one programme in one cycle of funding as compared to a future one, is never going to be identical since there will be a different profile of research imperatives and strengths in different institutions.

Q68 **Beth Winter:** Shall I cut to the chase, then? Are you going to plug the £71 million bridging gap in funding in the short term that is required to save in excess of the 1,000 jobs that are at risk in Wales?

John Glen: I do not immediately recognise those figures. We have made a commitment to match the provisions of Horizon and we have an alternative, should we not become an associate member of that scheme as we intend to. Again, I think that is something that I would be happy to write to you on in the detail, but I do not recognise that number as being a shortfall at this point.

Q69 **Beth Winter:** Okay. Maybe we can write, and you can respond. Finally, it would be remiss of me not to raise this, because Cynon Valley, the area that I represent, was at the heart of the coalmining industry and the whole of the UK, indeed the whole of the world, benefited from the money that was extracted from our communities, and you have touched on the coal tips a couple of times briefly.

The Coalfields Communities APPG has made a very strong recommendation that the UK Government does need to step up and cover the cost of coal tip safety and remediation work. Given that was not part of the original devolution settlement back in 1998-99 in terms of the funding that Wales would receive surely with all the risks and serious risks, we have had one incident in Rhondda where there was a landslide and we have in excess of 300 tips that are at risk in Wales, the UK Government must accept that there is a responsibility at a UK level to cover that cost?

John Glen: What I would say, and this is something that Rebecca Evans has raised with me, is that it is fundamentally a devolved matter, but in 2020-21 we found access to the reserve acceptable. Some £31 million was provided for floods around coal tips. What we must do is recognise that if things are unforeseen and unmanageable then those are the key criteria for access to the reserve, but at this point this is a reserved matter and although I recognise, of course, the deep and tragic history on this one, and the disproportionate number in Wales, that is why going back to where I started there is a significant additional sum in Wales and there are devolved responsibilities. I remain open to an ongoing conversation as I do on all matters with the Welsh Government.

Q70 **Beth Winter:** Have you had conversations with the Minister?

John Glen: Rebecca Evans raised it with me on 22 June in Cardiff and I gave her the same answer that I have given you.

Q71 **Beth Winter:** Okay, because I understand the Minister for Climate Change in Wales is going to be making an announcement regarding the location of the 340 tips in Wales.

John Glen: I also advised her that it would be appropriate for her to have a conversation with the Cabinet Minister responsible and so that is something that I am sure she will do.

Q72 **Beth Winter:** Are you open to further discussions?

John Glen: I am always open to discuss anything.

Q73 **Chair:** Just to be clear, Chief Secretary, what you are saying is that the primary responsibility today for the situation that Beth Winter described in her constituency and elsewhere in the valleys is fundamentally a Welsh Government responsibility, but the door is open for a discussion with yourselves about particular problems that may arise?

John Glen: We do not allow access to the reserve, that is, additional funding outside of the envelope. We do that for things that are unforeseen and unmanageable. We used that as the criteria for the previous support back in 2020-21 but fundamentally this is a responsibility of the devolved Administration, but as with all matters that evolve over time, I will continue to have a conversation.

Beth Winter: People are scared.

John Glen: I understand that.

Q74 **Beth Winter:** The communities are absolutely petrified. I take some comfort from what you say about unforeseen events in the future. Now, there is evidence, there are taskforces in Wales that are looking at the projection and the risks associated with these, and I think based on the evidence that I have already read that unless something significant changes we are at serious risk of further incidents.

On that basis, would you then consider and look into, once our evidence is presented and discussed—and the other point just to make, can you also, because you have been very kind in your offer of putting things in writing, send a letter explaining exactly how and why you think it is up to the Welsh Government to cover the cost? There is a dispute over this as well when you look at the history of the communities.

John Glen: Yes, I will set that out.

Q75 **Beth Winter:** If you can set that out specifically because I know that is in dispute, but also if we are looking at the future, we are facing a climate crisis. In terms of cost-benefits for me it would just make sense if you were going to pay the money now because if a catastrophe happens you could end up paying a lot more in the long term.

John Glen: As I have been very clear, I recognise the tragic history here and the particular issue in Wales and the history is important for me to be aware of. I am not waiting for something, a crisis, to happen, but I must take a view based on the balance of risks and prioritisation across a vast number of pots of money. I also do not seek to find additional calls on taxpayers' money when something is squarely, in my view, a devolved responsibility. However, I recognise there is a mechanism for unforeseen and unmanageable expenditures for the reserve to be used. I am not inviting that, nor saying that it is a guarantee. The relevant Secretary of State and the Coal Authority will obviously give advice and input on this, and I do not make these decisions in an individual way. I work collaboratively with all the people, as you would expect.

Chair: Sorry, Beth, we are going to bring the session to a close because some of us need to go.

John Glen: What about the Welsh National Opera?

Chair: We can talk about that again, if you would like to come back to the Committee, but Chief Secretary, you have been extremely generous with your time this morning. It is worth reiterating that you are under no obligation to this Committee. We are not your home Select Committee, but we are very pleased and grateful that you have given us some time to explore in a bit more detail this morning issues to do with the financing of Welsh Government and the funding of Wales more generally. It has been extremely useful, and my thanks to Ben Parker as well from your team.

John Glen: Bonds of respect to distinguished colleagues go deep and it is a great pleasure to be here today.