



Wales Office
Swyddfa Cymru

Baroness Randerson

Parliamentary Under Secretary of State for Wales

Gwydyr House
London, SW1A 2NP

Tŷ Gwydyr
Llundain, SW1A 2NP

1 Caspian Point
Cardiff Bay, CF10 4DQ

1 Pwynt Caspian
Bae Caerdydd, CF10 4DQ

www.walesoffice.gov.uk

Baroness Morgan of Ely

House of Lords
London
SW1A 0WP

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20th November 2014

Dear Baroness Morgan,

Following the Wales Bill Report stage debate on 12 November, I committed to report back to you on Wales' relative funding compared to England.

The Holtham commission, after taking into account a wide range of factors, concluded that Wales' relative needs were between 114% and 117% of English needs.

We have been consistently clear that this Government recognises the convergence between the levels of funding in Wales and England since devolution, and as a result set up a joint process with the Welsh Government in 2012 to review the levels of funding in Wales and England. The outcome of this analysis was published alongside a statement by both Governments, which committed to further joint assessments in advance of each spending review. The most recent assessment of convergence was therefore undertaken prior to SR13. I have attached the technical annex agreed jointly by the UK Government and Welsh Government in the 2012 intergovernmental talks on funding reform.

As you will see from the note, relative Welsh funding is currently at nearly 116% of English funding and expected to increase in 2015/16. Therefore, this shows that funding for Wales is currently towards the top of Holtham's recommended range.

Further, it should be noted that Barnett applies to changes in Whitehall departmental spending on areas that are devolved to Wales, so does not apply to changes in local authority spending in England. The rationale for this is that the Barnett Formula applies to changes in spending funded by centrally collected taxes, whereas local authorities (in England and Wales) keep all the proceeds from council tax. Therefore any policy changes by English local authorities on council tax does not have any impact on the funding that Wales receives via the Barnett formula.

I will place a copy of this letter in the Library of the House.

Baroness Randerson
Parliamentary Under-Secretary for Wales