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Llywodraeth Cymru  
Welsh Government

**Rebecca Evans AC/AM**  
**Y Gweinidog Cyllid a'r Trefnydd**  
**Minister for Finance and Trefnydd**

Rt. Hon Elizabeth Truss MP  
Chief Secretary to the Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

27 June 2019

Dear Liz,

Thank you for your letter in May 2019, which confirmed the funding for the increase in employer pension contributions. We remain concerned about the whole process in respect of the valuation of public service pension schemes.

We would like to begin by making clear that we fundamentally disagree with the way in which additional funding for the devolved administrations has been allocated. The key issue is the level of funding does not fully fund the costs associated with the changes. This is unacceptable and inconsistent with the Statement of Funding Policy and the principles for allocating funding within the UK. Paragraph 1.17 of the Statement of Funding Policy is very clear:

*“where decisions taken by any of the devolved administrations or bodies under their jurisdiction have financial implications for departments or agencies of the UK government or, alternatively, decisions of UK government departments or agencies lead to additional costs for any of the devolved administrations, where other arrangements do not exist automatically to adjust for such extra costs, the body whose decision leads to the additional cost will meet that cost”.*

We are also deeply concerned at the lack of transparency and engagement in relation to changes with significant public spending implications, which undermines and discredits the established UK public spending framework.

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We had hoped we could have discussed this at a Finance Ministers' Quadrilateral prior to the summer recess. While we welcome the work at official level to clarify the Statement of Funding Policy and to regularise and formalise the Finance Ministers' Quadrilateral, this will not address the specific and immediate issues we have regarding public sector pension costs.

As we have consistently stated, we are particularly concerned about the impact on front line services delivered by public sector bodies. We have each taken steps to provide additional funding to assist with the burden of these unexpected costs. This has reduced the funding available to invest in our own priorities and limited our flexibility to deal with in-year pressures, including Brexit preparedness. In essence, the UK Government's actions have disadvantaged the devolved administrations.

Public Sector bodies are also seeking early certainty about funding for future years to assist with their planning considerations. You indicated funding for future years would be considered as part of the Comprehensive Spending Review, and we have asked you for clarity on these plans.

Given the significant importance of this issue to all three devolved administrations, we request that an urgent meeting is arranged to allow us to meet with you to discuss the full implications of the public sector pension funding allocations. This is in full accordance with the procedures set out in the current intergovernmental Memorandum of Understanding (paragraph A3.8) in relation to financial disputes.

It is our hope that we can find a satisfactory resolution to this situation through constructive engagement. This should result in equitable funding across the UK and greater transparency and certainty going forward in regards to funding issues.

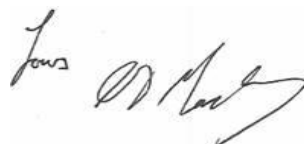
If timely progress on resolving this issue is not made, we will pursue a more formal mechanism to resolve the situation by invoking the formal dispute resolution mechanism through the Joint Ministerial Committee (paragraph A3.9 of the Memorandum of Understanding).

This letter is copied to the First Minister for Wales, the First Minister for Scotland and the Secretaries of State for Wales, Scotland and Northern Ireland.

Yours sincerely,



**Rebecca Evans AC/AM**  
Y Gweinidog Cyllid a'r Trefnydd  
Minister for Finance and  
Trefnydd



**Derek Mackay MSP**  
Cabinet Secretary for  
Finance, Economy and Fair  
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**Sue Gray**  
Permanent Secretary  
Department of Finance  
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