

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
Cabinet Secretary for Finance and Local Government



Llywodraeth Cymru
Welsh Government

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

19 July 2017

We are writing following our exchange of correspondence and subsequent telephone calls to discuss the UK Government's decision to allocate an additional £1 billion of public spending for devolved functions directly to Northern Ireland as part of the confidence and supply agreement reached with the Democratic Unionist Party.

It is unacceptable for the UK Government to fund mainstream devolved services in Northern Ireland without applying the Barnett formula. Your decision to "bypass" the Barnett formula undermines and discredits the existing funding framework. Applying the formula in the usual way would have resulted in an additional £1.67 billion for Wales and an additional £2.9 billion to Scotland. There is no justification for ignoring the needs of Wales, Scotland and England.

We do not accept your argument that this additional allocation is comparable to the funding of city deals. City deals require match funding, are based on detailed bids and are on a much smaller scale than the £910 million for the first two years rising to £1 billion over five years provided for Northern Ireland. In addition, you have committed to "a comprehensive and ambitious set of city deals for Northern Ireland" on top of the £1 billion for mainstream devolved services. Nor do we accept your argument that this funding is for unique circumstances in Northern Ireland. Health, education, infrastructure and tackling deprivation are core areas of devolved responsibility where Wales and Scotland can both point to a need for additional resources.

As we failed to make satisfactory progress during our respective phone conversations, you leave us no alternative than to invoke the formal dispute resolution process. In line with the Joint Ministerial Committee dispute resolution process, Welsh and Scottish Government officials have written to the JMC Secretariat informing them we have a disagreement on this matter.

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CF99 1NA

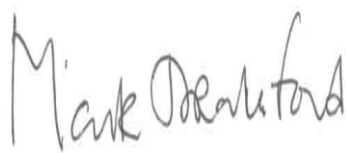
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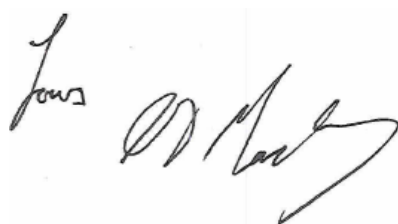
Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

This letter is copied to the First Minister for Wales, the First Minister for Scotland, the Secretary of State for Wales, the Secretary of State for Scotland and David Sterling, Interim Head of the Civil Service in Northern Ireland.

A handwritten signature in dark ink, appearing to read 'Mark Drakeford'. The signature is written in a cursive, slightly slanted style.

Mark Drakeford

A handwritten signature in dark ink, appearing to read 'Derek Mackay'. The signature is written in a cursive, slightly slanted style.

Derek Mackay