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Rt Hon Philip Hammond MP
Chancellor of the Exchequer
HM Treasury
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1 March 2019

Dear Philip

I am writing to you following yesterday's announcement by the Secretary of State for Northern Ireland to allocate an additional £140 million to the Northern Ireland Budget in 2019-20 and allow the Executive additional flexibility to switch from capital to resource.

Treasury officials have explained that the additional funding and flexibilities is being provided because the Northern Ireland Executive is not sitting and as a result cannot take action to reduce spending on services. However it is also clear that it has been provided because the alternative, in order to fully fund services in Northern Ireland, would be even greater increases in domestic rates that your government does not wish to be responsible for. However, that simply demonstrates that the austerity policy pursued by your government does not sufficiently fund public services.

While I do not begrudge Northern Ireland the exemption from austerity that you are providing, Northern Ireland is not alone in facing fiscal challenges. Continuing UK Government austerity has reduced the Scottish resource block grant by almost £2 billion in real terms over the last decade. The normal application of the Barnett formula to provide this funding would have resulted in an additional £400 million being allocated to Scotland.

Your decision in 2017 to allocate £1 billion exclusively to Northern Ireland without consequentials to the other devolved administrations is yet to be resolved and remains the subject of a dispute. It is unacceptable for the UK Government to continue to provide additional funding for devolved services in Northern Ireland without applying the Barnett formula. These decisions undermine and discredit the Statement of Funding Policy and short change England, Scotland and Wales.

Ahead of the spring statement later this month I request urgent clarification and that the statement is used to address this imbalance and to provide a proportionate amount of additional finance and flexibility to Scotland, Wales and the rest of the UK.

I still have not given up hope that we can reach a resolution that results in a fair and reasonable funding allocation across the UK but this can only happen if the UK Government applies its own Statement of Funding Policy appropriately and recognises the funding strains Scotland, Wales and England are experiencing.

A handwritten signature in black ink, appearing to read 'Derek Mackay', is centered on the page. The signature is written in a cursive, flowing style.

DEREK MACKAY