



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Councillor Dilwyn Morgan
Council Chairman, Cyngor Gwynedd
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03 FEB 2016

Dear Councillor Morgan,

Thank you for your letter of 20 January to the Chancellor of the Exchequer regarding the Government's fiscal policies.

The Government's first duty is to protect economic and national security, thereby allowing us to extend opportunity for working people at every stage of their lives. The Government is working through a long-term economic plan to secure the recovery, and fiscal responsibility has allowed monetary activism to support demand in the economy alongside repair of the financial sector. This has been supported by supply-side reform to deliver sustainable increases in standards of living.

The UK's economic recovery is now well established, but there are still problems to tackle. The deficit remains high by international standards, and productivity remains too low. The global economic recovery remains uneven and the risks from the world economy, not least from the emerging markets, demonstrate the need to continue to fix the economy to ensure the UK can deal with risks from abroad.

The Autumn Statement and Spending Review set out the action the Government will take to: eliminate the deficit and run an overall surplus by the end of the Parliament, while increasing spending on the NHS in England; prioritise investment in Britain's long term future; reform and modernise public services; secure a truly national recovery; and create the right conditions for strong growth throughout the UK.

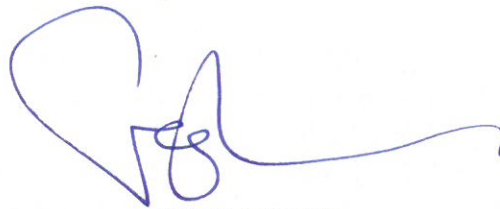
The Spending Review also confirmed the Government's continuing support for the Welsh economy. There will be an increase in capital funding for the Welsh Government of over £900 million over 5 years – an increase of over 16% in real terms, to support investment in projects that matter to the Welsh economy. The Government has introduced a funding floor for Wales, guaranteeing that DEL funding per head provided to the Welsh Government will remain at or above 115% of comparable UK Government spending in England for this Spending Review period. Alongside this, the decision to protect the Police in real terms will mean that forces across Wales will have the money they need to protect the public.

The Spending Review also delivered on the Government's commitment to increase defence and security spending over the next 5 years, spending 2% of GDP on defence and 0.7% of Gross National Income on Official Development Assistance (ODA). The UK is the only country to meet both of these commitments, consolidating its leading role in shaping a more stable and secure world. The investment decisions the Government is making means the UK will continue to be protected with a cutting-edge military, strong domestic security, robust cyber defences and a truly global reach. The Government has published a new ODA strategy, setting out how it will meet its promises to the world's poor and put international development at the heart of our national security and foreign policy.

As you will be aware, responsibility for many public services in Wales lies with the Welsh Government – as does responsibility for the Welsh local Government funding settlement. I therefore encourage you, in the light of the UK Government's support for Wales, to contact the Welsh Government and ask them how they plan to use their funding and powers to deliver better services for the people of Wales.

Thank you for taking the time to contact the Treasury with your concerns.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'GH', with a long horizontal flourish extending to the right.

GREG HANDS