

Rt Hon Greg Hands MP  
Chief Secretary to the Treasury  
HM Treasury  
Unit 1, Horse Guards Road  
London SW1A 2HQ

21 July 2015

Dear Chief Secretary to the Treasury

### **Inquiry into Future Funding**

Thank you for your letter of 15 June 2015 in response to my invitation to attend a meeting of the Finance Committee.

While the Finance Committee recognises that some funding questions may be clarified within the new Wales Bill and the next Statement of Funding Principles, there remain wider questions on which we are keen to clarify HM Treasury's position. I have attached these queries at Annex A and I would be grateful if you were able to respond to them.

I look forward to hearing from you, and as a Committee we would be grateful if you could give further consideration to attending Committee in the autumn term following the comprehensive spending review.

Yours sincerely,

**Jocelyn Davies AM**

**Chair**



## Annex A

1. A number of Parliamentary and other inquiries have concluded that there is a need for an independent body to monitor the application of the Barnett formula. Please can you confirm whether this option is currently being considered?
2. Is it possible to regularly release full calculations of the operation of the Barnett formula to identify how spending decisions in England impact on Wales?
3. Does HM Treasury accept that there is sufficient evidence that the Barnett formula should incorporate a needs-based component, at least in relation to Wales?
4. An initial block grant adjustment has been agreed for the taxes devolved under the Scotland Act 2012. Is it expected that the same block grant adjustment mechanism will apply to Wales?
5. How will the 'funding floor' for Wales which was announced alongside the St David's day agreement operate?
6. The Wales Bill Command Paper outlines certain conditions which must be met before new Welsh taxes could be approved. Please can you explain how the full approval process would operate in practice and the tests which must be met?
7. Although there is clearly a need for strong bilateral relationships between the UK Government and the three devolved administrations, there is also a need to ensure that wider devolution issues are discussed collectively. What plans are there to hold more regular UK wide meetings and to improve inter-governmental relationships?

