

My Interventions on the Finance Bill

(2)

The second of my devolution questions trying to tease out why Wales and Scotland think imposing extra taxes is good for the economy . The answer of course ducks the question. Wales gets more spending/grant per head than England and the HS 2 supply contracts were open to the whole UK. Welsh school standards and NHS waiting lists are worse than England despite the extra spending.

Sir John Redwood:

Were a future Parliament to grant these tax powers to Wales, would the hon. Gentleman think that in order to promote faster growth in Wales he should cut taxes below English rates, or would he put them higher than English rates?

Ben Lake:

I am not one to make up policy on the hoof, but the review could look at that, and if the evidence shows that tax decisions could be made to promote growth and to level up, which I think the right hon. Gentleman is in favour of, we should follow that evidence and do so.

Our continued reliance on the Barnett formula to allocate funds between the UK's nations is problematic not only due to its flaws, but because of its inconsistent application in recent years, which has meant that Wales has lost out on billions of pounds of much-needed public investment. Members will be familiar with the concerns raised by communities across Wales regarding the way in which HS2 spending has been classified. Although not a single inch of track or rail was to be laid in Wales itself, it was categorised as an England and Wales project under the statement of funding policy, thus depriving Wales of significant consequential funding that the Barnett formula would otherwise have provided. The latest estimates suggest that Wales has lost £4 billion in consequential funding—money that could have transformed the country's public transport infrastructure.

I understand that there will be reluctance within Government to move away from the Barnett formula, not least because devising a needs-based formula is far from simple. However, if we are to retain the Barnett formula, the funding floor should at the very least be updated to use census data from 2021 rather than the 2001 data it currently uses. I am sure the Minister will agree that much has changed since 2001—when I was actually still in primary school. The needs and population of Wales have changed considerably, so it is only reasonable that the funding floor element of the Barnett formula is at least brought up to date.

Such a consideration could be included in the review that I propose, as well as a review of the implications of UK tax policy in Wales. Again, all of this analysis and information could help inform debate for future tax policy

decisions and ultimately ensure that we have a tax system that is fit for purpose and meets the needs of people in Wales.