

Rt. Hon. Kwasi Kwarteng MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

30 September 2022

Dear Kwasi

The UK Government has taken a huge gamble on the public finances and the health of our economy. Even prior to last Friday, the UK, like many other countries, was already facing the most severe economic upheaval in a generation. However, the UK Government has chosen to make things significantly worse by announcing a huge package of tax cuts for the most wealthy without any credible explanation of how these will be paid for. Urgent action is required now to address the issues facing our economy, public services and households across the country. Such action cannot wait until the update you have announced will take place in November.

Your statement on 23 September provided little respite for many families across the country who are already facing a winter unable to afford essentials such as food or to heat their homes. Instead, we got the largest set of unfunded tax cuts for the rich in over 50 years, sparking economic and financial turmoil that will have a profound impact on the lives of millions of people: the pound fell to a 37 year low against the dollar; the cost of government borrowing rose to its highest level in over a decade creating instability in the bond market and pension fund sector which required an emergency £65 billion intervention by the Bank of England to stabilise the system. Meanwhile over two fifths of mortgage deals have been withdrawn as interest rates are expected to rise significantly to offset the inflationary impact of the measures announced last week.

The Bank of England's extraordinary intervention has provided some short-term stability to financial markets but the UK Government must act now to restore confidence in our public finances and limit any long-term damage to the economy. The House of Commons must be recalled immediately so that you can begin to re-evaluate your package of tax measures, starting with immediate reversal of the abolition of the Additional Rate of Income Tax.

We are also deeply concerned at reports that UK Government departments will be asked to make spending cuts to balance the budget, which may have profound consequences for our

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devolved budget settlements. These are already under extreme pressure and we must not see our people condemned to another decade of austerity.

We repeat our call for further targeted support to help households and businesses, in particular small businesses, who are struggling most in the current crisis. This should be funded by taxing the windfall gains in the energy sector rather than passing the cost to households through higher borrowing. We also call for additional funding to increase Social Security benefits to support low-income households with the higher costs they will face through winter, including a £25 per week uplift for Universal Credit and legacy benefits.

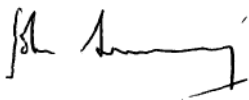
We have made clear that inflation has already eroded the devolved budget settlements announced last October yet you have refused to provide a single additional penny for public services or to increase public sector pay. It remains the case that additional funding is urgently needed from the UK Government to support our vital public services in the face of rising prices, energy costs and wage pressures. Our budgets are already stretched beyond the maximum and as responsible governments we are having to make very difficult decisions to balance our budgets, as we do not have the flexibility or borrowing powers that the UK Government has. This approach is unlikely to be sustainable and is putting services at risk.

It is also important that we see full forecasts from the OBR as soon as possible and we understand that the OBR has now said these can be ready during October.

With the crisis deepening and the prospects for the economy deteriorating by the day, it is essential that you take action to reverse the damage these policies are causing, for the benefit of all parts of the UK. We also seek an urgent quadrilateral meeting with you to discuss this further.

This letter has been copied to the Chief Secretary to the Treasury and the Secretaries of State for Scotland, Wales and Northern Ireland.

Yours sincerely



John Swinney BPA/MSP

An Leas-phrìomh Mhinistear agus Ath-shlànachadh Cobhid, Riaghaltas na h-Alba
Deputy First Minister and Cabinet Secretary for Covid Recovery, Scottish Government



Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol, Llywodraeth Cymru
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