

## Agenda – Finance Committee

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Meeting Venue: Hybrid – Committee room 4 Ty Hywel and video conference via Zoom	For further information contact: Owain Roberts Committee Clerk
Meeting date: 14 December 2022	0300 200 6388
Meeting time: 09.30	<a href="mailto:SeneddFinance@senedd.wales">SeneddFinance@senedd.wales</a>

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### Private pre-meeting – Informal (09.15–09.30)

- 1 **Introductions, apologies, substitutions and declarations of interest**  
(09.30)
- 2 **Paper(s) to note**  
(09.30) (Pages 1 – 8)
  - Minutes of the meeting held on 9 November 2022
  - Minutes of the meeting held on 16 November 2022
  - Minutes of the meeting held on 1 December 2022
- 2.1 **PTN 1 – Scrutiny of the Senedd Commission Draft Budget 2023–2024: Senedd Commission response – 8 November 2022**  
(Pages 9 – 14)
- 2.2 **PTN 2 – Letter from the Senedd Commission: Update to the Committee following the UK Autumn Statement – 21 November 2022**  
(Pages 15 – 18)
- 2.3 **PTN 3 – Letter from the First Minister to the Chair of the Legislation, Justice and Constitution Committee: Inter-Institutional Relations Agreement – The Prime Minister & Heads of Devolved Governments Council – 10 November 2022**  
(Page 19)
- 2.4 **PTN 4 – Legislative Consent Memorandum (LCM) on the UK Infrastructure Bank Bill: Welsh Government response – 17 November 2022**  
(Pages 20 – 21)

- 2.5 PTN 5 – Post–EU funding arrangements: Welsh Government response – 21 November 2022  
(Pages 22 – 34)
- 2.6 PTN 6 – Post–EU funding arrangements: UK Government responses – 21 November 2022  
(Pages 35 – 45)
- 2.7 PTN 7 – Letter from the Chair of the Children, Young People and Education Committee: Welsh Government Draft Budget 2023–24 – 23 November 2022  
(Pages 46 – 48)
- 2.8 PTN 8 – Letter from the Minister for Finance and Local Government: Finance: Interministerial Standing Committee (F:ISC) – 24 November 2022  
(Page 49)
- 2.9 PTN 9 – Letter from the Minister for Education and Welsh Language: Tertiary Education and Research (Wales) Act 2022 – Revised Explanatory Memorandum – 5 December 2022  
(Page 50)
- [Revised explanatory memorandum](#)
- 2.10 PTN 10 – Letter from the First Minister: Scrutiny of the financial implications of Bills – 7 December 2022  
(Pages 51 – 52)
- 2.11 PTN 11 – Letter from the Chair of the Public Accounts and Public Administration Committee: Inquiry into Public Appointments – 7 December 2022  
(Pages 53 – 54)
- 2.12 PTN 12 – Letter from the Minister for Rural Affairs and North Wales, and Trefnydd: Further information following the session on the Agriculture (Wales) Bill on 9 November 2022 – 8 December 2022  
(Pages 55 – 59)
- 3 Scrutiny of the Welsh Government Draft Budget 2023–24:  
Evidence session 1  
(09.30–11.00) (Pages 60 – 76)

Rebecca Evans MS, Minister for Finance and Local Government  
Andrew Jeffreys, Director Treasury  
Emma Watkins, Deputy Director, Budget & Government Business

**Supporting documents:**

[Welsh Government Draft Budget 2023 – 2024](#)

Research Service Brief

- 4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting**  
(11.00)
- 5 Scrutiny of the Welsh Government Draft Budget 2023–24:  
Consideration of evidence**  
(11.00–11.15)

## Concise Minutes – Finance Committee

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Meeting Venue: **Hybrid – Committee room 5 Ty Hywel and video conference via Zoom**

This meeting can be viewed on [Senedd TV](#) at: <http://senedd.tv/en/13130>

Meeting date: Wednesday, 9 November 2022

Meeting time: 09.30 – 12.12

## Hybrid

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### Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Lesley Griffiths MS, Minister for Rural Affairs and North Wales, and Trefnydd James Owen, Welsh Government Simon Bilsborough, Welsh Government Adrian Crompton, Auditor General for Wales, Audit Wales Lindsay Foyster, Audit Wales Kevin Thomas, Audit Wales Ann-Marie Harkin, Audit Wales
Committee Staff:	Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk)



	Christian Tipples (Researcher) Owen Holzinger (Researcher)
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## **Private pre-meeting – Informal (09.15–09.30)**

### **1 Introductions, apologies, substitutions and declarations of interest**

- 1.1 The Chair welcomed Members to the meeting of the Finance Committee.
- 1.2 In accordance with Standing Order 17.24A, Peter Fox MS declared an interest under item 3, namely that he is a farmer and a tenant farmer.

### **2 Paper(s) to note**

- 2.1 The papers were noted.
- 2.2 The Committee agreed to write to the First Minister on the financial implications of Bills.

- 2.1 **PTN 1 – Letter from the Minister for Finance and Local Government: Finance: Interministerial Standing Committee (F:ISC) – 19 October 2022**
- 2.2 **PTN 2 – Letter from the Public Services Ombudsman for Wales: Additional information following the evidence session on 12 October 2022 – 21 October 2022**
- 2.3 **PTN 3 – The Environmental Protection (Single-use Plastic Products) (Wales) Bill: Welsh Government response – 25 October 2022**
- 2.4 **PTN 4 – Letter from the Minister for Finance and Local Government: Welsh Government Draft Budget 2023–24 Timetable – 24 October 2022**
- 2.5 **PTN 5 – Letter from the Minister for Finance and Local Government: Timetable for the Second Supplementary Budget for 2022–23 – 3 November 2022**

### **3 Financial implications of the Agriculture (Wales) Bill: Evidence session**

3.1 The Committee took evidence from Lesley Griffiths MS, Minister for Rural Affairs and North Wales, and Trefnydd; and Welsh Government officials on the Financial implications of the Agriculture (Wales) Bill.

3.2 The Minister agreed to provide:

- A note on the financial modelling relating to unknown or unquantified costs of the Bill, based on past experiences.
- A note on the financial reporting requirements for assessing the economic impact on the agricultural sector in relation to future support schemes.

### **4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from items 5 and 7 and the meetings on 16 November 2022 and 1 December 2022**

4.1 The motion was agreed.

## **5 Financial implications of the Agriculture (Wales) Bill: Consideration of evidence**

5.1 The Committee considered the evidence received.

### **Public**

## **6 Audit Wales – Scrutiny of the Estimate 2023–24 and Interim Report: Evidence session**

6.1 The Committee took evidence from the Auditor General for Wales; Chair of the Wales Audit Office; and Audit Wales officials.

### **Private**

## **7 Audit Wales – Scrutiny of the Estimate 2023–24 and Interim Report: Consideration of evidence**

7.1 The Committee considered the evidence received.

# Concise Minutes – Finance Committee

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Meeting Venue: Hybrid – Committee  
room 1, Senedd and video conference  
via Zoom

Meeting date: Wednesday, 16 November  
2022

Meeting time: 09.30 – 09.56

**Hybrid; private**

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## Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk) Owen Holzinger (Researcher)

At its meeting on 9 November, the Committee agreed a motion under Standing Order 17.42(ix) to exclude the public from today's meeting.

Registration (09.15–09.30)

### 1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.





**2 Annual Scrutiny of the Public Services Ombudsman for Wales:  
Consideration of draft report**

2.1 The Committee considered the draft report and agreed it with minor changes.

**3 Annual scrutiny of the Wales Audit Office and the Auditor General for  
Wales: Consideration of draft report**

3.1 The Committee considered the draft report and agreed it with minor changes.

# Concise Minutes – Finance Committee

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Meeting Venue: Hybrid – Committee  
room 4 Ty Hywel and video conference  
via Zoom

Meeting date: Thursday, 1 December  
2022

Meeting time: 09.30 – 10.22

**Hybrid, private**

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## Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Mike Lewis (Deputy Clerk) Martin Jennings (Researcher) Christian Tipples (Researcher)

At its meeting on 9 November, the Committee agreed a motion under Standing Order 17.42(ix) to exclude the public from today's meeting.

Registration (09.15–09.30)

### 1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.



1.2 In accordance with Standing Order 17.24A, Peter Fox MS declared an interest under item 3, namely that he is a farmer and recipient of the single farm payment.

## **2 Appointment of Chair to the Wales Audit Office and Non-Executive Members: Consideration of draft report**

2.1 The Committee considered and agreed the report with minor changes.

## **3 Financial Implications of the Agriculture (Wales) Bill: Consideration of draft report**

3.1 The Committee considered and agreed the report with minor changes.

## **4 Consideration of the Forward Work Programme**

4.1 The Committee considered the Forward Work Programme.

## **5 Review of the Budget Protocol: Consideration of draft letter**

5.1 The Committee considered and agreed the draft letter.

Peredur Owen Griffiths MS  
Chair of Finance Committee  
Senedd Cymru  
Tŷ Hywel  
Cardiff Bay  
CF99 1SN

8 November 2022

Dear Peredur

Thank you for your Committee's **Report on the Scrutiny of the Senedd Commission Draft Budget 2023-2024**, published on 21 October 2022. The Commission's response to the Finance Committee's recommendations is detailed in **Annex 1**.

I am pleased that the Committee supports the overall request for resource in 2023-24, and that it welcomes the inclusion of a dedicated budget line for Senedd Reform in the draft budget. It is the Commission's intention to provide as much transparency as possible in presenting costs attributable to plans for Senedd Reform in future budgets.


I am also pleased that the Committee noted the progress made by the Commission in reaching out to cohorts that have not historically engaged with the Senedd, highlighting that the work conducted by Senedd Committees and the Youth Parliament in this area are notable achievements.

I'd also like to draw the Committee's attention to a minor change to the narrative in Table 1 of the Commission's 2023-24 Budget. This is explained in **Annex 2**.

I would like to thank the Committee for its scrutiny and I look forward to the debate on the Commission's budget motion next week. If there is any further information your Committee would like to have, please do not hesitate to let me know.

Yours sincerely



Handwritten signature of Ken Skates in black ink.

Ken Skates MS

cc Senedd Commissioners, Manon Antoniazzi, Nia Morgan

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English



## Annex 1

### Finance Committee Recommendations

**Recommendation 1.** The Committee notes the ‘Senedd Commission Draft Budget 2023-24’ and, subject to the comments and recommendations in this report, supports the overall request for resource in 2023-24, and recommends the Senedd supports this budget.

Noted

**Recommendation 2.** The Committee recommends that the Senedd Commission adopts a collaborative approach to reducing energy use on the Senedd estate and engages with Members, their staff and Commission staff to gather ideas and to plan and implement projects and policies that meet these aims.

Accepted

We have engaged with Chiefs of staff, Commission staff, TUs and Commission networks to progress the implementation of the energy saving measures detailed below, to ensure a collaborative approach to the agreed measures.

**Recommendation 3.** The Committee recommends that the Senedd Commission provides periodic updates on:

- the energy-saving initiatives that are both planned and have been implemented;
- the effectiveness of those initiatives in delivering sustainable outcomes; and
- the associated impact on costs and savings.

Accepted

The Commission will be implementing the following energy saving measures to reduce gas usage over the winter:

Measure	Saving
Reduce the heating set-point across the estate by 1-degree (21C to 20C)	10%
Switch off heating to areas we know are unused on certain days (e.g. Siambr Hywel, Classroom)	5%+
Agree with WG to switch off heating in areas they do not use certain days (2A, 5 <sup>th</sup> floor, Ministers’ Members Offices)	
Utilise the new heating zone pumps to significantly reduce heating on certain floors on certain days. E.g. the heating off in 4A on Fridays, encouraging use of new 1A facilities.	



Maximise use of biomass, e.g. by having advanced woodchip orders scheduled	
Turning off heating in lift lobbies	
Slimming down time schedules where feasible	

The following wider energy-saving initiatives have also been agreed by the Executive Board:

- Minimise air-conditioning demand by increasing the setpoint at which air conditioning will operate and limit its use to certain zones (this would come into effect summer 2023).
- Housekeeping measures- checking appliances around the building are off and encouraging staff to do the same by communicating this price rise with them.
- Exploring options identified in EFM's Capacity Plan re. public access to buildings on quieter days.
- Energy audits - the EFM team has completed some energy audits and have others planned, to highlight savings opportunities.
- Renewables – prioritise the installation of solar panels (a medium-term measure within the Carbon Neutral Strategy)

We will provide the Committee with an initial update in May 2023.

**Recommendation 4. The Committee recommends that the Senedd Commission:**

- **considers the financial and operational benefits or otherwise of purchasing the freehold of Tŷ Hywel as an alternative to extending the current lease; and**
- **provides regular updates on the options evaluated in relation to the future of all buildings on the estate to ensure transparency and value for money.**

Accepted

The Tŷ Hywel lease expires in 2032. The lease includes an automatic right to renew for a further 25 years at expiry.

The Commission has established a Ways of Working programme. This includes a project to consider our accommodation needs for the long term in Cardiff Bay, including the options that may be available to the Commission in relation to Tŷ Hywel.

In-line with HM Treasury and Welsh Government best practice as set out in the Green Book, a three stage business case will be developed to underpin this project. The first stage of this business case will be the Strategic Outline Case. This will be drafted in the spring of 2023.

To support the project's Strategic Outline Case, the Commission has engaged professional property consultants to provide independent, technical advice on the options available to the Commission in relation to Tŷ Hywel.



The Commission expects to receive this detailed initial advice from its property consultants during the spring of 2023. It is anticipated that this will allow the completion of the Strategic Outline Case in May 2023.

We will therefore provide the Committee with an initial update in May 2023.

**Recommendation 5. The Committee recommends that the Senedd Commission provides an update as soon as decisions relating to the future of the Colwyn Bay office and the Senedd presence in north Wales have been made.**

Accepted

The Commission considered the future of the Colwyn Bay office and the Senedd presence in North Wales at its November meeting.

The in-principle outcome of this discussion is subject to further legal and professional advice. We will update the Committee in February 2023.

**Recommendation 6. The Committee recommends that the Senedd Commission considers providing additional support for lower paid staff and/or staff who may experience difficulties as the effects of the increases in living costs are felt.**

Accepted

The Commission considered the provision of additional support for lower paid staff and/or staff who may experience difficulties as the effects of the increases in living costs are felt at its November meeting and will keep this under review.

The Senedd Commission currently offers a number of assistance programmes to its staff including a number of salary sacrifice schemes ranging from support with childcare costs, and travel costs, Christmas salary advances and a newly introduced hardship fund. There are also several options available to opt into membership schemes which provides access to a greater degree of reduced cost services such as the Civil Service Sports Council through salary deductions.

The Financial Wellbeing intranet pages, developed as part of the Commission's Wellbeing Strategy, provide further signposts to external support, and financial guidance.

The Commission also offers an Employee Assistance Programme, which is available to all Members, Member Support Staff and Commission staff. It is a free helpline that is available 24 hours a day, 365 days a year or via a weblink. Information is available on the Commission intranet.





The service provider offers the highest level of confidentiality in line with the British Association for Counselling and Psychotherapy Code of Ethics and Practice, and no personal information is passed to the Commission or the Member as the employer.

The helpline is an avenue for staff to turn to for advice regarding a range of issues

**Recommendation 7. The Committee recommends that the Senedd Commission puts steps in place to evaluate the effectiveness of the initiatives it has introduced to mitigate the impact of cost of living pressures on staff and shares its findings from such reviews.**

Noted

The Senedd Commission has put in a number of steps designed to support staff to navigate the cost of living pressures, including an index-linked pay award, discretionary support schemes, agile working practices and signposting to external guidance. We monitor this through staff and Trade Union engagement mechanisms.

We will share findings with the Committee during May 2023.

**Recommendation 8. The Committee recommends that the Senedd Commission seeks the views of Members to better understand the engagement work they wish to take forward and, once that work is completed, provide an update to the Committee on how such proposals can be delivered within existing budgets.**

Accepted

We will make arrangements to meet with Members and provide the Committee with an initial update in February 2023.



## Annex 2

### Amendment to Table 1 of the Commission's 2023-24 Budget.

As a result of recent increases in interest rates, the Commission is now receiving interest on its working balances.

Table 1, as shown below, has been amended to allow any interest income received to be used to offset against the administrative costs of the Senedd.

**Table 1: 2023-24 Budget for the Senedd against requirements**

<b>Senedd Requirements</b>	<b>2023-24 £000</b>
Resources other than accruing resources for use by the Senedd Commission ('the Commission') on resource and capital costs associated with the administration and operation of services to support the Senedd; promotion of the Senedd including payments to the Electoral Commission and others; payments in respect of the Commission for Standards and Remuneration Board; any other payments relating to the functions of the Senedd or functions of the Commission.  Resources other than accruing resources for use by the Commission in respect of the decisions of the Remuneration Board and expenditure in respect of Members of the Senedd Pension provision	£67,643 Table 2
Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission from the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets, rental income, gifts, grants, cheques, <b>interest on working balances</b> , recharges and income from commercial sales and other services provided to the public or others for use on administrative costs of the Senedd.	£170 Table 8
Amount to be issued from the Welsh Consolidated Fund to meet the anticipated amounts falling due for payment in the year and in respect of the above services and purposes less expected receipts and recoverable VAT	£61,971 Table 3

A similar adjustment to the 2022-23 Budget will be proposed in the Commission's second Supplementary Budget.



Peredur Owen Griffiths MS  
Chair of Finance Committee  
Senedd Cymru  
Tŷ Hywel  
Cardiff Bay  
CF99 1SN

21 November 2022

Dear Chair

The Senedd Finance Committee has kindly provided constructive scrutiny of the 2023-24 Commission Budget in recent months. Following your recommendations and our acceptance of them, the 2023-24 Commission Budget was laid on 9 November 2022 and will be debated in plenary on Wednesday 23 November.

However, in light of events that have occurred during the course of the Budget setting and scrutiny process, I must bring to your attention several important and significant points that I intend raising in the Siambr on Wednesday.

To recap, the 2023-24 Draft Commission budget was laid on 28 September, scrutinised on 5 October and the Finance Committee's report was published on the 21 October 2022. To meet the requirement of Standing Orders, to lay the Commission draft budget by 1 October, work to prepare and develop the budget was carried out during the Summer term and finalised in August 2022.

In parallel to the above timeline, unprecedented political and economic events have meant that the resulting budget has been overtaken by the emergence of a new reality regarding public finances.

The Committee published its [Statement of Principles](#) in 2019. The Committee expects the Commission, and other Directly Funded Bodies, to consider these principles when preparing its annual budget proposals. Fundamentally the Statement of Principles request that budgets should be set in the context of the long term financial funding situation in Wales and funding pressures in the wider public sector.



Although it is too early to assess the full impact on the Welsh public purse of the UK Government's Autumn Statement, we note the increase of £1.2 Bn in the Welsh Block over the next two years. The increase of 4.6% in resource funding between 2022-23 and 2023-24 (from 15.2 Bn to £15.9 Bn)\* is however below inflation and this may impact significantly on the Welsh Government's ability to support the most vulnerable in society and secure the short-term future of the vital public services on which we all rely.

The Commission now considers that its 2023-24 4% budget increase request may require revision to reflect the additional pressures now likely to be felt across the wider public sector in Wales.

As you are aware, the Senedd's Standing Orders require the Commission to have an approved budget agreed by the Senedd by 27 November, and so we simply cannot amend the budget and ensure effective scrutiny by this date.

A departure from the normal process is therefore required to address these unprecedented circumstances.

Consequently, I propose that the budget to be debated on Wednesday remains unchanged, but in a departure from normal procedures I will commit to an in-year review by the Commission, as a responsible public body, to find savings and accelerate efficiencies. This will reflect the reality we face today, rather than that which existed during the Budget setting process over the summer.

This is an exercise in responsible and agile pragmatism.

We had already committed to carry out this work in time to incorporate into the 2024-25 budget, but I am now proposing work is brought forward and at a faster pace. This is in line with the Statement of Principles which states that Directly Funded Bodies should continually seek to improve processes and accrue efficiencies.

We are determined to ensure that any planned activities and services to Members are both efficient and sustainable. It is important to us therefore that any reductions are conducted effectively and continues to support our commitment to effective workforce planning and wellbeing. This however will not be an easy task and will impact on Members.

I envisage two types of changes or savings:

The first will be to make cuts in areas where expenditure has not yet been irrevocably committed, including a significant reduction to the Project Fund. This fund is set at £1.5 million. Estates and ICT service areas have forward work programmes and these are prioritised in-year, depending on



their strategic and statutory importance and considering other in-year pressures. This is one area of the Commission's budget where the expenditure is not committed at the start of the year.

A reduction of around £600k to this project fund would mean a delay to the start of these projects and all future projects, risking additional overall project costs in the long run and a regretful delay in decarbonisation measures your committee Members have been so supportive of. However, a cut of this magnitude would reduce the overall budget by around 1%.

The second category of savings concern the ways of working that many have returned to post-Covid and which would have a significantly greater impact on Members and staff. For example, one of the largest increases seen in the 2023-24 budget to be debated on Wednesday is in utilities. The budget documents an increase from £582k in 2022-23 to an estimated £1.251 million cost in 2023-24.

An increase of this magnitude will be difficult for the Commission to absorb, as it has very little discretionary spend and because we have already introduced zonal heating systems and reduced temperatures by turning down the thermostats across the estate. Consideration will therefore be given as to how to further reduce energy use. Closure of the estate for short or extended periods will be amongst the options to be considered. I will also be considering price increases for Member privileges, such as the reintroduction of charges for secure parking as well as other revenue raising measures that may regretfully be unpopular with Members, but necessary given the state of public finances. Any such charges for Members' staff and other employees would guarantee fairness for those on lower incomes through mechanisms such as a sliding scale of costs and exemptions for out of hours staff (security and cleaners).

I must stress again that if we are to achieve the savings likely to be required for the Senedd Commission's budget to mirror changes to inflation and the Block Grant, we will be required to take extremely difficult decisions. Protecting the mental health and wellbeing of staff, maintaining the highest standards of security and cyber security, and engaging our most hard to reach communities will be our priorities during forthcoming considerations. Therefore, I can confirm that pay and conditions for employees will be protected. We will not, at any cost, consider redundancies as a cost saving measure and we will not compromise in our determination to help our valued workforce realise improved wellbeing.

We hope that Welsh Government and other public bodies will follow our responsible principles in the weeks to come, as savings are sought to adapt to the more severe economic landscape that has very recently formed.



If you require further information before Wednesday's debate please do not hesitate to let me know.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Skates', with a large, stylized flourish at the end.

Ken Skates MS

cc Senedd Commissioners, Manon Antoniazzi, Nia Morgan, Party Leaders, PAPAC Chair, Party Group Chairs.

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English

\* [AUTUMN STATEMENT 2022 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk) Page 20



Y Gwir Anrh/Rt Hon Mark Drakeford AS/MS  
Prif Weinidog Cymru/First Minister of Wales

Agenda Item 2.3



Llywodraeth Cymru  
Welsh Government

Huw Irranca-Davies MS  
Chair  
Legislation, Justice and Constitution Committee  
Senedd Cymru

[SeneddLJC@senedd.wales](mailto:SeneddLJC@senedd.wales)

10 November 2022

Dear Huw,

**Inter-Institutional Relations Agreement: The Prime Minister & Heads of Devolved Governments Council**

I am writing in accordance with the inter-institutional relations agreement to notify you of the first meeting of the Prime Minister & Heads of Devolved Governments Council, which will take place this week.

The Council will be chaired by Prime Minister Rishi Sunak. I will attend the meeting virtually. The meeting will cover the economy and the cost of living crisis.

I will provide an update after the meeting.

I am also copying this letter to Mick Antoniw MS, the Counsel General and Minister for the Constitution; the Rt Hon Elin Jones MS, the Llywydd; the Equality and social justice committee; the Finance Committee; and the Economy Trade and Rural Affairs Committee.

Yours sincerely,

**MARK DRAKEFORD**

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

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[Correspondence.Mark.Drakeford@gov.wales](mailto:Correspondence.Mark.Drakeford@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

# Agenda Item 2.4

Rebecca Evans MS  
Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref: MA/RE/3378/22

Peredur Owen Griffiths MS  
Chair of Finance Committee  
Senedd Cymru/ Welsh Parliament  
Cardiff Bay  
CF99 1NA  
[SeneddFinance@senedd.wales](mailto:SeneddFinance@senedd.wales)

17 November 2022

Dear Peredur,

Thank you for your report on the Legislative Consent Memoranda for the UK Infrastructure Bank Bill.

I appreciate the work the Committee has undertaken in scrutinising the LCMs on this Bill, and I note we share a number of the same concerns.

I believe the Bank could potentially play an important role in scaling up and accelerating investment to support Wales' transition to net zero. We have therefore been engaging actively with the UK Government to bring forward sensible amendments to the Bill to ensure that devolution is fully respected.

I agree with both conclusions 1 & 2 in your Report, namely that the Senedd's consent is needed for the entirety of the Bill, and that the Bill should be amended to provide Welsh Ministers with a defined role in relation to the governance of the Bank.

I note recommendation 1 that any cross-border body established by a UK Bill that operates within devolved areas should provide the Welsh Government and/or the Senedd with equivalent powers. We are seeking amendments to the Bill that will provide Welsh Government and/or the Senedd a defined role within this Bill.

I note recommendation 2 which states that Welsh Government share the specific amendments it is seeking to the Bill as soon as possible. As negotiations are ongoing, I cannot be more specific about the exact nature of amendments at this time, save that to say we are seeking to address the concerns identified by the Committee in its report. However, any amendments will result in a further Supplementary LCM and an opportunity for the Committee to report further on the matter.

During the past few months there has been significant instability at Westminster which has resulted in a considerable number of changes in HM Treasury Ministers which has hampered

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0300 0604400

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[Gohebiaeth.Rebecca.Evans@llyw.cymru](mailto:Gohebiaeth.Rebecca.Evans@llyw.cymru)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



the progress of our discussions towards any prospective agreement. There have also been delays to the Bill's passage through the Commons due to the changes in UK ministerial responsibilities, and other announcements such as the Growth Plan 2022. I understand that the Bill will now progress to Committee Stage on 22 November. The Welsh Government will continue to engage with UK Government and seek appropriate amendments that respect devolution.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The script is cursive and fluid.

**Rebecca Evans AS/MS**

Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government

# Agenda Item 2.5

Vaughan Gething AS/MS  
Gweinidog yr Economi  
Minister for Economy

Rebecca Evans AS/MS  
Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MA/VG/3042/22

Peredur Owen Griffiths MS  
Chair, Finance Committee  
[SeneddFinance@senedd.wales](mailto:SeneddFinance@senedd.wales)

21 November 2022

Dear Peredur,

We are writing to you in relation to the Finance Committee's report on post-EU funding arrangements.

We would like to thank members of the Committee for their consideration of this important topic and for the publication of the report.

We are pleased to accept all the Committee's recommendations directed towards the Welsh Government and we enclose our response.

Yours sincerely,

*Vaughan Gething*      *Rebecca Evans*

**Vaughan Gething AS/MS**  
Gweinidog yr Economi  
Minister for Economy

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

## **Welsh Government response to recommendations from the Finance Committee's Report: Post-EU funding arrangements**

The Welsh Government welcomes the Finance Committee's report on Post-EU funding arrangements. It is an important and timely contribution to the debate on this crucial issue as we believe the UK Government's approach is costing Wales jobs and growth and is a deliberate and unacceptable encroachment into a devolved policy area using the Internal Market Act (IMA) financial assistance powers.

Despite the UK Shared Prosperity Fund (SPF) first being announced in 2017, not a penny of replacement EU funding has reached Wales whereas new EU funding programmes would have started almost two years ago in January 2021.

In contrast, the Welsh Government had a framework for replacement EU funds already in place, the [Framework for Regional Investment in Wales](#), which was co-developed over two years with the OECD and Welsh partners from local government, higher education, further education, businesses, other public and third sectors. The Framework was also subject to a full public consultation.

We accept all of the Committee's recommendations directed towards the Welsh Government. In regard to the Committee's recommendations 1, 2, 6, 8, 9, and 12-14, which are directed solely towards the UK Government, we are grateful for the Committee's ongoing support and for raising these. The Welsh Government will be very keen to see the UK Government's response to these recommendations and its future intentions, including the long-term replacement of EU funds beyond the end of March 2025.

Since the Minister for Economy and Minister for Finance and Local Government gave evidence in June, the Welsh Government has continued to raise its concerns, particularly in regard to the [£1.1 billion loss of replacement EU funding](#), devolution not being respected and the allocation methodology applied, with a succession of Secretaries of State for Levelling Up, Housing and Communities, Chancellors of the Exchequer and Chief Secretaries to the Treasury.

The SPF was already underfunded, but the UK Government's Autumn Statement on 17 November means the overall value of the SPF for the UK has been reduced by £400m to £2.2 billion by the end of 2024/25. This again demonstrates a clear failure of the UK Government to deliver its Manifesto pledge to replace EU funds in full and is creating huge challenges for the Welsh economy.

The Welsh Government remains open to further dialogue with the UK Government which includes a discussion on SPF funding levels and allocations, together with the establishment of a genuine co-decision-making function for Ministers in order to improve the impact and value for money of the Fund in Wales.

In particular, the context has now changed and in light of the economic crisis and the hole in the public finances, consideration needs to be given to the future direction of the SPF, including the Multiply scheme, in order to achieve better economic outcomes. In Wales, EU funds previously supported critical pan-Wales programmes which are essential for productivity and growth such as Business Wales,

apprenticeships, the Development Bank and our innovation programmes; yet under SPF arrangements the Welsh Government is being denied access to support these critical schemes.

We were able to work together more successfully on Freeports. We believe it is not too late for the UK Government to replicate this approach in the delivery of other UK funds and investments, including the SPF, so we can address long-term structural challenges and create a stronger, fairer and greener Wales.

Recommendation 1. The Committee recommends that, for future funds, the UK Government gives further consideration:

- to the time and resources required by local authorities to prepare bids;
- similar funding should be provided on the basis of need; and
- avoid a situation where time pressures influence the types of projects put forward.

Response: N/A for the Welsh Government

Recommendation 2. The Committee urges the UK Government to ensure the mechanisms around the Shared Prosperity Fund facilitate meaningful discussions with the Welsh and other devolved governments, in order to maximise the investment in Wales.

Response: N/A for the Welsh Government

Recommendation 3. The Committee recommends the Welsh Government clarify whether/how it will support the delivery of the Shared Prosperity Fund and what mechanisms it will use to ensure, as far as possible, funding is complimentary to other funding streams and policy in Wales.

Response: Accept

The Welsh Government's position is clear that funding for devolved functions should come to the Welsh Government for Welsh Ministers to set priorities and strategic direction and be responsible and accountable for its administration and management. This will help avoid duplication of services, blurred accountability, poor value for money, sector funding gaps and an incoherent funding landscape where small amounts of money are spread thinly on short-term, localised projects.

If the UK Government is unwilling to support our position and agree a co-decision making role for the responsible Welsh Minister, then Welsh Government resources will not be used to help the UK Government implement its UK schemes operating in devolved areas.

The Welsh Government remains committed, however, to our partners in Wales who are under immense pressure due to sector funding gaps and unfeasible timescales

for developing plans and projects and putting in place administrative and governance procedures.

This includes us continuing to hold regular meetings of the Strategic Forum for Regional Investment in Wales, chaired by Huw Irranca-Davies MS, to share information and lessons learned among Welsh partners across the public, private and third sectors. Meeting papers and minutes of this Forum are published [here](#).

Recommendation 4. The Committee recommends that further information is provided by the Welsh and UK governments regarding the deprivation element of the distribution formula and how this was agreed.

Response: This recommendation is directed towards the UK Government and Welsh Government. The Welsh Government accepts its part in the recommendation.

The Welsh Government did not agree the Shared Prosperity Fund (SPF) distribution formula used by the UK Government.

The Welsh Government suggested a formula with a 70% weighting for need, based on the Welsh Index of Multiple Deprivation (WIMD), and a 30% weighting for population. The WIMD is a recognised, broad-based composite index covering a wide range of need indicators. The inclusion of an additional simple population element tends to even out allocations across areas and was intended to meet the UK Government's expectation for a formula providing wide-spread allocations.

The UK Government's published formula has a 40% population weighting, a 30% weighting for the WIMD, and a 30% weighting for its own Community Renewal Fund (CRF) index (the pilot fund to the SPF). Both the WIMD and the CRF index are composite indices underpinned by a wide range of underlying indicators, so this is a highly complex approach. The CRF index has a much greater weighting than the WIMD for indicators that tend to favour more rural areas.

The WIMD was included in the published formula in a way that does not weight for differences in population size between local authorities in Wales. As the Institute for Fiscal Studies has pointed out, this means that more populous areas receive less funding per person than areas with the same socio-economic profile but with smaller populations. There is no clear rationale for this approach. The UK Government has applied different methodologies in each country. Its own methodology note recognises the issue with the way WIMD has been included in the formula for Wales but says: "However, WIMD is only being used in Wales, where there are a smaller number of Local Authorities with smaller variations in populations". In fact, Cardiff, the most populous local authority, has over six times as many residents as the local authority with the smallest population, Merthyr Tydfil.

The Welsh Government remains concerned about the published SPF allocation formula. For allocations in Wales, it is not clear why the UK Government's CRF index should be given equal weighting to the widely used and accepted WIMD.

Recommendation 5. The Committee recommends that increased engagement takes place between the UK Government, Welsh Government and local authorities to clarify how the Multiply programme will operate in Wales.

Response: This recommendation is directed towards the UK Government, Welsh Government and local authorities. The Welsh Government accepts its part in the recommendation.

The Welsh Government, along with our partners in local government, remain concerned that the Multiply adult numeracy programme is too narrow in focus and will lead to duplication of provision. Under current UK Government proposals, it is not realistic to spend the Multiply allocation within the limited Shared Prosperity Fund (SPF) time period. Greater flexibility, including widening the scope of Multiply to cover digital and literacy skills and a guarantee that any Multiply underspend could support other SPF activities – including other national growth schemes like Business Wales and apprenticeships – is needed to help mitigate against waste, poor value for money and poor outcomes for individuals.

Welsh Ministers will continue to raise these concerns with the Secretary of State for Levelling Up, Housing and Communities and the Secretary of State for Education. We are also very keen for meetings around Multiply, involving relevant Welsh Government and local government officials, to be reinstated in Wales so we can work together to address the problems associated with the delivery of Multiply in its current form.

Recommendation 6. Given that education is a devolved area, the Committee is disappointed with the method of allocating funding through the Multiply programme and recommends that the UK Government provides flexibility to spend funds from the Multiply programme in other areas.

Response: N/A for the Welsh Government

Recommendation 7. The Committee recommends that the Welsh Government assess the Multiply programme and consider its existing funding commitments in this area, with the aim of avoiding duplication of other existing approaches and schemes.

Response: Accept

Skills is a devolved matter in Wales, but the UK Government has not given the Welsh Government any role in relation to Multiply. Instead, the UK Government has been clear that Shared Prosperity Fund Regional Investment Plans developed by local authorities should indicate how this ring-fenced funding will be used to implement Multiply in each local area.

The Welsh Government provides funding to the Regional Skills Partnerships (RSPs) to drive investment in skills by developing responses based upon local and regional need. The RSPs also have a key role in analysing and influencing provision to support regional growth. RSP board membership includes representatives from

relevant economic sectors, education providers, local authorities, third-sector, employers, and industry representative bodies and so forth. As the RSPs are non-statutory, Welsh Government funding is paid to the Welsh Local Government Association (WLGA) which in turn issues contracts and funding to an accountable body on behalf of each RSP.

As the main vehicle in Wales to consider skills and employability delivery issues in their region the Welsh Government will ask RSPs to assess the implementation arrangements for the Multiply programme in each of their regional areas to help avoid duplication with existing schemes.

Recommendation 8. The Committee recommends that the UK Government provides further information on the team being established in Wales to operate the Funds, including the resources and staff to be deployed by the UK Government in Wales.

Response: N/A for the Welsh Government

Recommendation 9. The Committee recommends that the UK Government provide further information on the role and responsibilities of UK-wide ministerial forum that will support delivery of the Fund, as well as any other relevant engagement and responsibilities of the Welsh Government.

Response: N/A for the Welsh Government

Recommendation 10. The Committee recommends that the Welsh Government provides information as to how its officials will be involved in regional partnership groups and what role they will play in investment plan development.

Response: Accept

Four regional investment plans for the first year of the Shared Prosperity Fund (SPF) were submitted by Welsh local authorities by 1 August, and the UK Government was expected to approve these plans and make the funding available from October. While the Welsh Government has no decision-making role in the SPF, we are encouraged by the references local authorities have made in these investment plans to alignment with our *Framework for Regional Investment in Wales*, the Regional Economic Frameworks, and other Welsh Government strategies. The work and collaboration undertaken by local authorities during the summer has taken place against the backdrop of enormous pressure due to unfeasible timescales and reduced funding allocations imposed by the UK Government.

We have always been clear that we support the opportunity for national and regional approaches to allow for a more strategic consideration of where investment can best be targeted. In our *Framework for Regional Investment* a consensus was reached for Corporate Joint Committees (CJCs) to be the accountable decision-making body at the regional level to help deliver replacement EU funds. Four CJCs are now

operational across Wales, and we would support the use of these existing structures as the governance vehicle for the delivery of the SPF. These could be supported by new, cross-sector advisory panels or partnerships whose governance are focussed just on the SPF and whose role would be to advise and support the CJs in the agreement of SPF investment plans and interventions. We strongly believe that any SPF advisory panel or other SPF supporting partnership invitations should be extended to Members of the Senedd, and not limited to the UK Government's preference for Members of Parliament to be represented.

While we have made clear that we will not use our resources to implement UK Government policies that directly bypass the Welsh Government and Senedd, we are committed to our partners in Wales. We understand that local authorities are using different partnership approaches; for example, the South West Wales region is working through existing regeneration partnerships/boards in each LA area, as well as through monthly regional collaboration meetings. We will continue to maintain close working relationships with these and other partnerships including, for example, the CJs and the regional skills partnerships.

As noted in our response to recommendation 3, we will also continue to hold regular meetings of the Strategic Forum for Regional Investment in Wales to share information and lessons learned, including on the SPF, among Welsh partners.

Recommendation 11. With the transition from EU funds to the Shared Prosperity Fund, the Committee recommends that the Welsh Government works with local authorities and stakeholders to identify any potential gaps and requests further information on the criteria and circumstances where the Welsh Government might intervene.

Response: Accept

We understand that the disruption, inflexibility and funding reduction is creating an extremely challenging situation for many organisations in Wales that have previously benefited from EU funds. Many sectors of the Welsh economy are now reporting redundancies and the closure of vital programmes in areas such as research and innovation, skills and support for vulnerable people.

This already unacceptable situation is exacerbated by the UK Government's ongoing delays to approving SPF investment plans and, as per the Autumn Statement, the decrease in the overall value of the SPF and local authorities being denied any spend of their SPF allocations in 2022/23.

The Welsh Government cannot plug financial gaps from the loss of more than £1.1 billion of replacement EU structural and rural funding. The Welsh Government has been denied access to the Shared Prosperity Fund (SPF), and we are already using funds from the last Welsh Budget to support pan-Wales schemes like Apprenticeships and Business Wales which are critical for productivity and growth.



We will continue to raise these concerns with UK Government Ministers, and we urge the UK Government to reconsider its approach especially in light of the economic crisis so value for money and economic impact is achieved. We are also in regular contact with the WLGA and local authorities to try and minimise as much of the disruption as possible caused by a SPF which is vastly reduced compared to EU funds and has no regard to devolution in Wales.

Recommendation 12. The Committee recommends that the UK Government increases flexibility to move Shared Prosperity Funds between financial years and between projects, similar to that offered through EU Structural Funds programmes. The Committee further calls for increased flexibility on how underspends will be treated.

Response: N/A for the Welsh Government

Recommendation 13. The Committee recommends that the UK Government provides clarity on its long-term plans for replacement EU funding and the status of the Shared Prosperity Fund beyond 2025. If it is to be replaced by a successor fund, the Committee recommends that relevant engagement needs to be taking place with stakeholders immediately.

Response: N/A for the Welsh Government

Recommendation 14. The Committee recommends that any successor to the current Shared Prosperity Fund:

- takes a longer term approach and is closer to the length of EU structural funding programmes than the current Shared Prosperity Fund; and,
- is aimed at creating growth and increasing GVA in Wales.

Response: N/A for the Welsh Government

Recommendation 15. The Committee recommends that an independent body assesses both the Welsh and UK government's claims around the levels of future funding and how this compares to previous EU funding.

Response: This recommendation is directed towards the UK Government and Welsh Government. The Welsh Government accepts its part in the recommendation.

We would be happy for an independent body to assess the Welsh Government claims around the levels of funding and how this compares to previous EU funding.

The Minister for Finance and Local Government issued a [Written Statement](#) on 4 May 2022, setting out the Welsh Government position and the loss of funding to

Wales as a result of the UK Government's arrangements for replacement EU funding.

Financial Implications: None

Recommendation 16. The Committee recommends that the Minister for Finance and Local Government reports back to the Committee on the funding issues discussed at the meeting of the Finance: Inter-ministerial Standing Committee.

Response: Accept

As set out in the [inter-institutional relations agreement between Senedd Cymru and the Welsh Government](#), the Finance Committee and the Legislation, Justice and Constitution (LJCC) Committee are kept informed of all discussions at the Finance Inter-ministerial Standing Committee. This includes notifying the Committees of when meetings are due to take place, the agenda for discussion and a summary of the key points the Finance Minister intends to raise, as well as providing a readout from those discussions following the meeting. A joint four nations communique is also published after each meeting.

Recommendation 17. The Committee recommends that the Welsh Government provides further information on the dispute resolution position with the UK Government and when/how it might be used to resolve funding disputes.

Response: Accept

The joint [Review of Intergovernmental Relations](#) was published in January 2022. We have agreed to use the package of reforms which has emerged from the Review as the basis for the conduct of intergovernmental relations.

The reforms offer structures and processes to enable meaningful engagement, and a mechanism that affirms each government's right to refer and escalate a dispute.

It introduces more robust machinery, including a Council for heads of government, chaired by the UK Prime Minister, with an impartial secretariat, Inter-Ministerial Standing Committees – one covering intergovernmental relations as a whole and one focused on finance – to consider strategic or cross-cutting issues, and brings Ministerial engagement (quadrilaterals) within a robust framework, badged as Inter-Ministerial Groups (IMGs).

The proposed mechanism around dispute avoidance and resolution outlines each government's right to refer and escalate a dispute, including removal of barriers to raising disputes and requires independent chairing and independent secretariat arrangements. It includes a presumption of independent input, through either advice or mediation, and increased transparency to aid legislatures' scrutiny and stakeholder engagement.

As set out in the inter-institutional relations agreement between Senedd Cymru and the Welsh Government, the Committee will be kept informed of all discussions at F:ISC. This will include any intentions to formally invoke the dispute resolution process as set out in the Intergovernmental Relations review.

Financial implications: None.

Recommendation 18. The Committee recommends that the Welsh Government provides further information on the progress in resolving the issues that have been identified with other funding streams, including; Erasmus+, Horizon Europe and European Territorial Co-operation.

Response: Accept

The UK's association to the Horizon Europe programme is yet to be formally signed off by the EU. Since the Welsh Government's response to the Finance Committee in June, the UK Government has [issued a statement](#) covering the UK-EU Specialised Committee on Participation in Union Programmes consultations meeting held in September 2022.

With the ongoing delays to formalise UK association, the UK Government has also announced (1 September) an extension to its safety net for UK applicants applying to Horizon Europe. The guarantee only provides assurance for this year, covering Horizon Europe calls that close on or before 31 December 2022. The announcement included details [published](#) on 20 July on how the UK will transition to a new R&D programme if unable to associate to Horizon Europe, Copernicus and Euratom. This includes assessment by UKRI of Horizon applications that become ineligible and funding for participation as a third country to March 2025. The Welsh Government continues to engage with the UK Government on the association discussions.

The UK Government has decided not to participate in 2021-2027 European Territorial Co-operation programmes (other than PEACE Plus). Despite this, we are continuing to work closely with Devolved Governments to explore alternative ways in which our stakeholders might continue to engage in co-operation programmes through Third Country provisions in the EU Regulations, at the very least on a 'project-by-project' basis.

Our understanding is that, in principle, the European Commission (EC) has no objection to partners from the UK participating in 2021-2027 ETC programmes, on the basis that they bring their own finance; however, agreement from the UK Government would need to be secured to unlock participation. The EC has communicated its position to EU Member States and we are pressing UK Government to clarify its position on this matter.

The UK Government's decision means that it has not been possible to develop a successor Ireland Wales cross-border programme through the EU Framework; however, work is taking place to progress discussions and consider options to preserve gains made by the programme.

On Erasmus+, the Welsh Government will continue its delivery of *Taith*, Wales' international exchange programme. This £65m investment provides for all sectors and participants previously supported through the Erasmus+ programme. *Taith* is also helping to repair relationships across Europe that have been damaged by the UK Government's decision not to participate in Erasmus+. The Minister for Education and Welsh Language discussed *Taith* and Wales' exchanges with Europe at the European Parliament on 25 October 2022.

We also strongly believe it is crucial the UK Government does not reduce or remove their commitment to the Turing Scheme, the UK's global programme for studying, working and living abroad, which replaces some elements of Erasmus+.

Recommendation 19. The Committee recommends that the Welsh Government provides the financial projections relating to the remaining £795 million funding from the European Social Fund and European Regional Development Fund.

Response: Accept

This is a critical time for stakeholders in Wales as the EU funding programmes 2014–2020 draw to a close. The Welsh Government has fully committed all of the funding for the European Regional Development Fund (ERDF) and (European Social Fund) ESF programmes, and there are several projects which can deliver activities until the summer of 2023 and can claim expenditure for activities until the end of December 2023.

The delivery profiles of projects inevitably change throughout the course of the ten-year multi-annual programmes in order to address multiple factors, including changing economic and labour market conditions. For example, some activities, especially those supported through the ERDF, had to be paused during the global Covid pandemic. Generally, the ERDF supports more infrastructure type developments which have longer spend profiles and the ESF supports more revenue type activities that will claim funds more quickly.

The remaining ERDF and ESF programme spend in Wales is £619 million (as at 31 October 2022), with spend being on an upward trajectory since the Welsh Government's evidence to the Committee in June this year. During the next three months, based on current project spend profiles, we expect another £170 million of spend (based on a planning rate of £1: €1.17) to be claimed by stakeholders. However, we know that these financial projections will change and fluctuate significantly over the coming months and during the course of 2023. This will be because of exchange rate fluctuations and stakeholders trying to tackle head on additional external challenges including those created by the cost-of-living crisis, inflationary pressures, and the financial and economic crisis.

The Programme Monitoring Committee for the EU Structural Funds and Investment programmes 2014–2020, chaired by Mike Hedges MS, continues to monitor the progress of the programmes, including commitment and spend. The meeting papers are available at <https://gov.wales/wales-programme-monitoring-committee>. Data on

the progress of the programmes is also available at [Progress of programmes: EU Structural Funds 2014 to 2020 | GOV.WALES](#).

Recommendation 20. The Committee recommends that the Welsh and UK governments publish the detail of the amount and profile of legacy funding that Wales is due to receive from the European Social Fund and the European Regional Development Fund.

Response: This is a recommendation directed towards the UK Government and Welsh Government. The Welsh Government accepts its part in the recommendation.

Under EU arrangements, EU funding cycles are multi-annual, i.e. covering ten years, and existing and new programmes overlap by two years. This means that new EU programmes would have started from January 2021, with WEFO able to award / commit funding from an entirely new funding allocation to new long-term, multi-annual projects while still paying existing projects from the 2014-2020 programmes for activities up until end of December 2023. For example, in the first year of delivery of the ERDF and ESF programmes 2014–2020, the Welsh Government announced some £370m committed to strategic investments, such as entrepreneurship and SME support packages via Business Wales and Apprenticeships and other legacy programmes. In contrast, the SPF is over three financial years (2022/23 to 2024/25), and it is now the end of 2022 and local government are still yet to receive confirmation of approval of their UK Shared Prosperity Fund (SPF) investment plans and the release of their funding allocations.

The slow build-up of funding for the SPF means that the allocation for Wales only matches previous annual EU funds by 2024-25. It is important to remember that EU programmes provide planning certainty over a ten-year period. Many of the larger projects in the current funding round, such as support to the development of South Wales Metro, were always planned to be at the back end of the programme period.

In contrast, there is no firm promise of replacement funding beyond the initial round of SPF. There is no UK Government commitment for the funding gap in earlier years to be filled in future, and this is why Wales and other parts of the UK are losing out. The loss of £1.1 billion of funding to Wales through the SPF is explained in the Welsh Government's written statement available [here](#). Furthermore, the UK Government's Autumn Statement reduces the overall value of the SPF which will create even more pressures on the Welsh economy.

As part of its preparation for the 2021 UK Spending Review, HM Treasury requested our estimate of the tails of EU receipts for EU structural funds and for EAFRD (farm funding). The information provided in October 2022 ahead of this Spending Review will inevitably be a snapshot of something dynamic and reflective of the position at that time – the position now will be quite different as project spend profiles do change and fluctuate significantly due to a range of external factors as noted in our response to recommendation 19 above. The information was provided to HM Treasury with the caveat that Welsh Ministers fundamentally disagreed with any replacement EU funding methodology which involved netting off tails of EU receipts.

Please provide data in millions of Euros.		Programme	Financial Year											
			14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	
Historic	Spend profile at programme level	ESF		2.84	102	88.01	73.7	89.61	191.28					
		ERDF		1.25	87.72	102.69	132.09	148.28	159.09					
	EU Receipts (as drawn from the European Commission)	ESF	9.45	37.81	67.36	193.38	57.00	271.54	82.79					
		ERDF	26.45	39.67	64.58	107.87	140.67	145.4	140.59					
Forecast	Spend profile at programme level	ESF								145.00	155.00	155.00	5.44	
		ERDF								206.00	248.00	288.00	36.30	
	EU Receipts (as drawn from the European Commission)	ESF									85	102.76	28.79	
		ERDF									165	200	258.2	

## Agenda Item 2.6



Department for Levelling Up,  
Housing & Communities

**Rt Hon David TC Davies MP**  
Secretary of State for Wales  
Ysgrifennydd Gwladol Cymru

**Rt Hon Michael Gove MP**  
Secretary of State for Levelling Up, Housing and  
Communities  
Minister for Intergovernmental Relations

### **Peredur Owen Griffiths MS**

Chair of the Finance Committee  
Welsh Parliament  
Cardiff Bay  
Cardiff  
CF99 1SN

21 November 2022

Annwyl Peredur,

### **Response to the Senedd Finance Committee's report into post-EU funding arrangements**

Thank you for your letter of 10 October. Given the Committee's inquiry relates to the work of both the Department for Levelling Up, Housing and Communities (DLUHC) and the Office of the Secretary of State for Wales (OSSW), we are issuing a joint response. Responses to each of the Committee's recommendations are provided alongside this letter.

We would like to thank the Committee for their report into post-EU funding arrangements in Wales, and to those who participated by submitting evidence. The UK Government welcomes the Committee's views, and we look forward to continuing our work together as we focus on delivering for communities across Wales.

Wales is at the heart of the UK Government's ambitious levelling up agenda. Recent UK Government investment in Wales has been extensive, with over £750m committed so far including:

- £585m allocated through the UK Shared Prosperity Fund (UKSPF) over the three financial years leading up to March 2025.
- £121m of investment in the first round of the Levelling Up Fund (LUF) supporting 10 large scale capital projects.
- £46m of investment through the Community Renewal Fund (CRF) to deliver over 160 projects across Wales.
- Over £450,000 of funding in the first round of the Community Ownership Fund (COF) which has enabled communities to take ownership of assets at risk of closure.

We will also be making further investment over the coming months as new projects are announced under the second rounds of both the LUF and COF. In addition, the establishment of a new Freeport in Wales will result in £26m of seed funding.

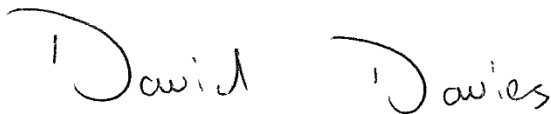
The UKSPF represents a new and dynamic opportunity for Wales which enables local places to decide how best to invest in their areas in supporting local growth – something that was not possible with previous EU funding schemes. Our approach provides local accountability alongside reduced bureaucracy, freeing up places to unleash their unique potential.

We reaffirm our view that we are fulfilling our commitment to at least match the funding that Wales received through the European Social Fund and the European Regional Development Fund, and we regret that that the Committee was unable to come to the same conclusion despite the evidence provided. We firmly believe that it is now in the interest of communities across Wales for all relevant parties to turn our collective focus to delivery, and the UK Government stands ready to support local partners in Wales by building on the solid relationships we have developed with them since leaving the EU. We are also eager to strengthen our working relationship with the Welsh Government by building on our effective collaboration on the Freeport Programme in Wales.

We would like to take this opportunity to thank local authorities and other partners across Wales for their tireless efforts and dedication over recent months, from developing proposals for the second round of the LUF to collaborating on the four regional UKSPF Investment Plans. This local expertise is integral to the delivery of the UK Government's levelling up ambitions.

Thank you for your letter and for the continued work of the Committee and representatives of the Senedd. Diolch yn fawr iawn.

**With every good wish | Gyda phob dymuniad da,**



**Rt Hon David TC Davies MP**

Secretary of State for Wales

Ysgrifennydd Gwladol Cymru



**Rt Hon Michael Gove MP**

Secretary of State for Levelling Up, Housing and  
Communities

Minister for Intergovernmental Relations



## RECOMMENDATIONS AND RESPONSES

### RECOMMENDATION ONE

***The Committee recommends that, for future funds, the UK Government gives further consideration:***

- ***to the time and resources required by local authorities to prepare bids;***
- ***similar funding should be provided on the basis of need; and***
- ***avoid a situation where time pressures influence the types of projects put forward.***

#### **UK Government Response:**

Over the last year the UK Government has allocated over £750m of levelling up funding into Wales, working with local authorities and other partner organisations. All funds have been designed in a way that limits the bureaucracy experienced under previous funding regimes whilst being adaptable to the unique needs of local places. The funds have also been designed with levelling up in mind, thereby ensuring those places that are in greater need receive proportionate support. This is achieved, in part, through using deprivation indices within our funding methodologies and through direct interaction with local leaders and partners.

We acknowledge the resolute response by local authorities in Wales to what has been asked of them in recent months, and we applaud their efforts. The fruits of that work are already visible. Within the first round of the LUF, Wales received over 7% of the total funding allocated, significantly more than it would have received under a Barnettised system.

As referenced in the Committee's report, the UK Government has acknowledged that some local authorities have found recent timescales challenging. To strengthen capacity, local authorities were provided with additional financial assistance to help them respond to the requirements of individual funds including the CRF, LUF and UKSPF. We will continue to work with the Welsh Local Government Association (WLGA) and local authorities to gather feedback on their experiences as we roll out new funding opportunities across Wales.

### RECOMMENDATION TWO

***The Committee urges the UK Government to ensure the mechanisms around the Shared Prosperity Fund facilitate meaningful discussions with the Welsh and other devolved governments, in order to maximise the investment in Wales.***

#### **UK Government Response:**

During the development of the UKSPF engagement took place with the Welsh Government at both official and ministerial level. As a result, numerous elements of the fund have been adapted for Wales, such as the methodology for allocating funding to the four strategic geographies along with the list of interventions that can be included in Investment Plans.

The Welsh Government have been invited to work with the four strategic geographies in Wales to support with the delivery of their UKSPF Investment Plans. For example, there is an expectation placed on lead local authorities that Welsh Government officials are invited to attend local partnership groups, as outlined in the UKSPF prospectus which can be found [here](#). This will facilitate the UK

Government's aspiration that UKSPF programmes work with the grain of the Welsh Government's activity by complementing existing programmes and avoiding duplication.

Opportunities for engagement at a Ministerial level have also been provided to the Welsh Government as part of the UK Government's ongoing commitment to engage regularly with devolved governments. The Interministerial Group for Housing, Communities and Local Government was recently established to provide a platform for ministerial engagement on issues of mutual interest between governments. It first met on 24 May and was chaired by the Secretary of State for Levelling Up, Housing and Communities. Details of discussions held are published on gov.uk following these meetings. Ministers from any government can table the UKSPF to be discussed within this forum as needed.

We remain committed to building an effective working relationship with the Welsh Government in supporting the four strategic geographies to deliver their UKSPF Investment Plans.

#### **RECOMMENDATION FOUR**

***The Committee recommends that further information is provided by the Welsh and UK governments regarding the deprivation element of the distribution formula and how this was agreed.***

##### **UK Government Response:**

Full details on the methodology for allocating UKSPF funding have been published [here](#). Given the level of detail that has already been provided, we do not feel it is necessary to provide further information.

The allocation methodology for Wales differs from elsewhere in the UK as a result of conversations held with the Welsh Government and building on existing intelligence, including the Welsh Index of Multiple Deprivation. In summary, the methodology for allocating UKSPF comprises the following elements: 40% is distributed to each local authority based on population; 30% is distributed according to the Welsh Index of Multiple Deprivation; and 30% is distributed according to the index used for the CRF (full details of which can be found [here](#)).

We are content that the resulting allocations for the UKSPF in Wales are fair and take account of population density while also considering the needs of places across the whole of Wales.

#### **RECOMMENDATION FIVE**

***The Committee recommends that increased engagement takes place between the UK Government, Welsh Government and local authorities to clarify how the Multiply programme will operate in Wales.***

##### **UK Government Response:**

The UK Government is in regular dialogue with all local authorities and the WLGA to discuss the ongoing delivery of Multiply in Wales and the wider UKSPF. In addition, during summer 2022 DLUHC officials established a dedicated working group to discuss how Multiply will operate in Wales with representatives drawn from local authorities and an open invitation made to Welsh Government officials. Feedback from the working group was used to respond to operational queries relating to

Multiply with the aim of clarifying the scope of the programme and the relationship to other aspects of the UKSPF and existing Welsh Government programmes. We will continue to use feedback from local partners to inform the ongoing delivery of Multiply in Wales, building on the work achieved to date.

## **RECOMMENDATION SIX**

***Given that education is a devolved area, the Committee is disappointed with the method of allocating funding through the Multiply programme and recommends that the UK Government provides flexibility to spend the funds from the Multiply programme in other areas.***

### **UK Government Response:**

The UK Government is eager to see adult numeracy improved across Wales and the UK as a whole. Multiply is intended to complement existing Welsh Government provision in a way that empowers local areas to address the underlying numeracy skills needs experienced by their communities. In designing provision under the Multiply component of the UKSPF, local partners are expected to have regard to the overarching strategies and policies in this area, including those published by the Welsh Government.

There remains the flexibility for places to adapt the delivery of Multiply in response to their local needs. We will continue to use feedback from local partners to inform the ongoing delivery of Multiply in Wales, building on the work achieved to date.

## **RECOMMENDATION EIGHT**

***The Committee recommends that the UK Government provides further information on the team being established in Wales to operate the Funds, including the resources and staff to be deployed by the UK Government in Wales.***

### **UK Government Response:**

In 2021 a dedicated Wales Area Team was established within DLUHC with the principle aim of supporting partners in Wales during the rollout of new UK Government funding opportunities and the wider levelling up agenda. At full capacity, this team consists of 11 full time employees including one Senior Civil Servant who are all based in Wales. The team is structured to work collaboratively with the four strategic geographies identified for Wales whilst maintaining continual dialogue with each individual local authority and other local partners. The team's structure is similar to those operated by the Welsh Government's Business and Regions Directorate, and there are equivalent teams in Scotland and Northern Ireland.

In addition, the team draws on delivery experience from across DLUHC in a number of disciplines, including reporting, monitoring, assurance and evaluation, with some of these co-located with the Wales Area Team in the UK Government Hub in central Cardiff. The team also works closely with colleagues in the Office of the Secretary of State for Wales and other UK Government departments in delivering levelling up initiatives and other cross departmental priorities.

## RECOMMENDATION NINE

***The Committee recommends that the UK Government provides further information on the role and responsibilities of the UK-wide ministerial forum that will support delivery of the Fund, as well as any other relevant engagement and responsibilities of the Welsh Government.***

### **UK Government Response:**

We remain open to conversations with the Welsh Government on their role in any UK-wide ministerial forum and more broadly on the opportunities for them to engage with the UKSPF and other levelling up funding opportunities. This includes the invitation for Welsh Government officials to attend all local partnership groups for the UKSPF.

Our response to recommendation two provides an overview of the engagement which took place with the Welsh Government at both official and ministerial level prior to the publication of the prospectus.

## RECOMMENDATION TWELVE

***The Committee recommends that the UK Government increases flexibility to move Shared Prosperity Funds between financial years and between projects, similar to that offered through EU Structural Funds programmes. The Committee further calls for increased flexibility on how underspends will be treated.***

### **UK Government Response:**

The UKSPF is providing local leaders with the opportunity to spend funding as they see fit and to enable places across Wales to unleash their unique potential. Local leaders can focus on what works best for their communities unshackled by previous EU restrictions and bureaucracy. Significant flexibilities have been hardwired into the UKSPF which enable lead local authorities to make decisions locally in managing the delivery of the fund, including the ability to move funding between interventions and investment priorities within certain thresholds without having to consult with DLUHC. In addition, UKSPF payments are distributed to lead local authorities at the start of each financial year, rather than needing to be claimed retrospectively, giving areas the flexibility to redirect funding in response to changing circumstances and priorities. This flexible approach represents a key shift from the previous EU system.

Where a strategic geography within Wales is forecasting an underspend within its allocation for one financial year, they will be asked to develop credible plans on how to utilise this underspend in the next financial year. If necessary, the UK Government will consider withholding future payments until we have received such plans. All such details are set out in the additional information documentation published online in July, which can be found [here](#). The DLUHC Wales Area Team will continue to support lead local authorities to make sure they establish the appropriate programme management methods to maximise delivery and achieve spend to profile.

## RECOMMENDATION THIRTEEN

***The Committee recommends that the UK Government provides clarity on its long-term plans for replacement EU funding and the status of the Shared Prosperity Fund beyond 2025. If it is to be replaced by a successor fund, the Committee recommends that relevant engagement needs to be taking place with stakeholders immediately.***

### **UK Government Response:**

We have set out our approach to local growth funding through to the end of the current Spending Review period in 2024/25 through a combination of the UKSPF and a variety of other funding opportunities, including the CRF, LUF and COF. Any continuation of existing or successor funds will be informed by a combination of engagement with relevant partners and evaluation evidence. It would be inappropriate to pre-empt the structure and focus of future funds at this point in time, although the Committee's recommendation is noted. We believe that establishing the foundations of local accountability and the local partnerships developed through our funds will be crucial to achieving objectives for levelling up across the whole of Wales.

## RECOMMENDATION FOURTEEN

***The Committee recommends that any successor to the current Shared Prosperity Fund:***

- ***takes a longer-term approach and is closer to the length of EU structural funding programmes than the current Shared Prosperity Fund;***
- ***and is aimed at creating growth and increasing GVA in Wales.***

### **UK Government Response:**

As outlined in our response to recommendation thirteen, it would be inappropriate to pre-empt the structure and focus of future funds at this point in time, although the Committee's recommendation is noted.

We would note that the aims of the UKSPF go above and beyond the Committee's recommendation to focus on creating growth and increasing GVA in Wales. UKSPF exceeds these aims by responding to each of the levelling up objectives as outlined below:

- Boosting productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging
- Spreading opportunities and improving public services, especially in those places where they are weakest
- Restoring a sense of community, local pride and belonging, especially in those places where they have been lost
- Empowering local leaders and communities, especially in those places lacking local agency

## **RECOMMENDATION FIFTEEN**

***The Committee recommends that an independent body assesses both the Welsh and UK government's claims around the levels of future funding and how this compares to previous EU funding.***

### **UK Government Response:**

As outlined in our evidence to the Committee, the UK Government is at least matching previous EU funding that Wales received through the European Social Fund and the European Regional Development Fund. This is achieved through the allocation of funding via the UKSPF which increases over the next three financial years as legacy EU funding into Wales tapers off.

The process of increasing UK Government investment into Wales will culminate in an allocation of £343m in the financial year 2024/25, matching the annual EU allocation into Wales. This figure does not take into account additional UK Government investment into Wales over the current Spending Review period, including £47m allocated through the CRF and £26m allocated to the Freeport Programme in Wales. In addition, 10 projects in Wales received over £121m through the first round of the LUF, with further investment to come forward when successful bids from the second round of the fund are announced.

Taking account of the above points, the UK Government is fulfilling the commitment to at least match previous EU funding into Wales. We are now wholly focused on working with local authorities and other local partners to support them in delivering for their communities.

## **RECOMMENDATION TWENTY**

***The Committee recommends that the Welsh and UK governments publish the detail of the amount and profile of legacy funding that Wales is due to receive from the European Social Fund and the European Regional Development Fund.***

### **UK Government Response:**

The UK Government is not in a position to supply this information as this is a matter for the Welsh Government in relation to the role of the Welsh European Funding Office.



Department for Levelling Up,  
Housing & Communities

**Dehenna Davison MP**  
*Minister for Levelling Up*  
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London  
SW1P 4DF

Peredur Owen Griffiths MS  
Chair of the Finance Committee  
Welsh Parliament  
Cardiff Bay  
Cardiff  
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29<sup>th</sup> November 2022

Annwyl Preredur,

On 21<sup>st</sup> November, the Secretary of State for Levelling Up, Housing and Communities and the Secretary of State for Wales wrote to you in response to the Senedd Finance Committee's report into post-EU funding arrangements and the UK Shared Prosperity Fund (UKSPF).

Welsh Government Ministers also wrote to you in response to the Committee's report. I am concerned that in their response, the Welsh Government claim that "the UK Government's Autumn Statement on 17<sup>th</sup> November means the overall value of the SPF for the UK has been reduced by £400m to £2.2 billion by the end of 2024/25".

I would like to point out that this statement is factually incorrect. For the avoidance of any doubt, I can confirm that there has been no change to the total quantum of UKSPF funding.

Tables 2.1 and 2.2 within the [Autumn Statement](#) outline the resource and capital Departmental Expenditure Limit (DEL) budgets for UK Government departments between 2021/22 and 2024/25. The tables also include separate UK-wide DEL budgets for UKSPF for the 2023/24 and 2024/25 financial years, with UKSPF having its own RDEL (resource) and CDEL (capital) budgets. Whilst there are no specific UKSPF allocations listed for the 2022/23 financial year, I can confirm that the reason for this is that the £0.4bn UKSPF budget for 2022/23 is instead included within the DEL budgets for the Department for Levelling Up, Housing and Communities.

The UK Government will shortly be announcing the approval of UKSPF Investment Plans and officials are working closely with the Welsh Local Government Association and Lead Local Authorities in Wales to prepare for the release of UKSPF funding.

I look forward to continuing our work with partners across Wales as we commence delivery of the UKSPF.

Gyda phob dymuniad da,

**DEHENNA DAVISON MP**



Department for Levelling Up,  
Housing & Communities

**Dehenna Davison MP**  
*Minister for Levelling Up*  
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SW1P 4DF

Peredur Owen Griffiths MS  
Chair of the Finance Committee  
Welsh Parliament  
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5<sup>th</sup> December 2022

Annwyl Peredur,

**UK Shared Prosperity Fund – Approval of Welsh Investment Plans**

I am writing to update you on developments relating to the UK Shared Prosperity Fund, which I know is of particular interest to your committee.

The UK Government's Levelling Up White Paper sets out an ambitious plan to transform the UK, spreading opportunity and prosperity to all of our communities. The £2.6 billion UK Shared Prosperity Fund (UKSPF) is a central pillar of this agenda and a significant component of its support for places across the UK.

Across the UK we will be investing in domestic priorities and targeting funding where it is needed most: building pride in place; supporting pay, employment and productivity growth; supporting high quality skills training; and increasing life chances.

The UKSPF was launched on 13<sup>th</sup> April 2022 with local partners in Wales being asked to submit their investment plans in the summer. Local authorities in Wales chose to work together and submitted four, strategic, regional investment plans. These plans have now been validated by my department and I am pleased to say that all four plans for Wales have been approved. My officials will now work with lead local authorities to address any funding conditions and agree next steps, with payments to follow.

I have been encouraged by the way in which Welsh local authorities have worked collaboratively at the regional level to prepare their investment plans for the UKSPF. The effectiveness of this collaboration has been demonstrated in the quality of the investment plans submitted.

I hope you will agree that this represents significant progress. I look forward to continuing to work with local authorities and their partners across Wales to make delivery of the UKSPF a success.



Gyda phob dymuniad da / With every good wish,

A handwritten signature in black ink that reads "Dehenna". The letters are cursive and connected, with a prominent initial 'D'.

**DEHENNA DAVISON MP**

**Children, Young People  
and Education Committee**

Chair of the Climate Change, Environment, and Infrastructure  
Committee

Llyr Gruffydd MS

Chair of the Culture, Communications, Welsh Language, Sport, and  
International Relations Committee

Delyth Jewell MS

Chair of the Economy, Trade, and Rural Affairs Committee

Paul Davies MS

Chair of the Equality and Social Justice Committee

Jenny Rathbone MS

Chair of the Finance Committee

Peredur Owen Griffiths MS

Chair of the Health and Social Care Committee

Russell George MS

Chair of the Local Government and Housing Committee

John Griffiths MS

23 November 2022

**The Welsh Government's Draft Budget 2023-24**

Dear colleagues,

The Children, Young People and Education Committee recently considered how to approach its scrutiny of the Welsh Government's 2023-24 Draft Budget.

We have committed in our [Sixth Senedd strategy](#) to seek out opportunities to work with other Senedd committees where there are areas of shared interest and where it will improve scrutiny. We therefore asked officials supporting the Children, Young People and Education Committee to share any relevant written evidence we receive and briefing information with other Senedd committees to support holistic, joined-up scrutiny of the Draft Budget across the Senedd.

We have also asked officials to be mindful of where we may be coming to similar views to another committee about matters that straddle committees' remits, with a view to proposing joint recommendations if appropriate. During scrutiny of the 2022-23 Draft Budget, we and the Economy, Trade and Rural Affairs Committee made a joint recommendation relating to transparency of one particular funding stream - an important matter of principle for both committees. I believe the joint recommendation added weight to our shared views.

I would be very grateful for your reciprocal support on the above issues.

We also agreed that our scrutiny of the Draft Budget will include consideration of the following cross-cutting issues:

- the Welsh Government's so-called 'revised baseline': how clearly and accurately it presents changes in expenditure from one year to the next.
- how the Draft Budget impacts different groups of people and how well these impacts are taken into account in the Welsh Government's Strategic Integrated Impact Assessment (SIIA). The Welsh Government has assured us that the SIIA sets out the contextual evidence that supports its spending decisions. However, we do not believe that the SIIA published alongside the 2022-23 Draft Budget clearly demonstrated its compliance with its duties under the Rights of the Child and Young Persons (Wales) Measure 2011. We believe that a Child Rights Impact Assessment (CRIA) should be undertaken for the Draft Budget as a whole and published as a standalone document.

These issues, or closely related issues, may be relevant to your Committee's consideration of the 2023-24 Draft Budget. If so, I would welcome any opportunities for coordinated scrutiny. I have asked officials supporting the Children, Young People and Education Committee to pursue any such opportunities, depending on your views and those of your fellow committee members.

Yours sincerely,



Jayne Bryant MS  
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Rebecca Evans AS/MS  
Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government



Peredur Owen Griffiths MS  
Chair, Finance Committee  
Senedd Cymru

Llywodraeth Cymru  
Welsh Government

24 November 2022

Dear Peredur,

Further to my recent letter advising you of the Finance: Interministerial Standing Committee (F:ISC) meeting, which I attended on 20 October virtually, I would like to briefly report on the discussions.

John Swinney MSP, Deputy First Minister (Scottish Government), chaired the meeting on behalf of Kate Forbes MSP, Finance and Economy Minister (Scottish Government), who is on maternity leave. I attended alongside Rt Hon Edward Argar MP, the then Chief Secretary to the Treasury, and Conor Murphy MLA, Minister of Finance (Northern Ireland Executive).

The meeting focused on the current economic and fiscal crisis. However, the meeting was cut short due to the Prime Minister resigning during the meeting. In the short time available, I pressed for early transparency regarding the UK Government's plans noting the implications for our own Budget. I strongly opposed cuts to public spending, advocated for infrastructure investment and emphasised that the UK Government must deliver on its commitment to support the most vulnerable in society, including by increasing benefits in line with inflation.

It was not possible to reschedule the F:ISC meeting ahead of the UK Government's Autumn Statement, and I will inform the Committee of the next meeting date when it is confirmed.

The Committee may also wish to be aware that I had written to the Chancellor ahead of the UK Autumn's Statement to set out the priorities for Wales, including protecting public services, targeting support to the most vulnerable and boosting economic growth through capital stimulus and green investment. I reiterated these points when I met with the Chief Secretary to the Treasury, John Glen MP, on 14 November.

Yours sincerely,

A handwritten signature in black ink that reads 'Rebecca Evans'.

**Rebecca Evans AS/MS**  
Minister for Finance and Local Government

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

# Agenda Item 2.9

Gweinidog y Gymraeg ac Addysg  
Minister for Education and Welsh Language



Llywodraeth Cymru  
Welsh Government

Jayne Bryant MS  
Chair  
Children, Young People and Education Committee  
Senedd Cymru  
Ty Hywel  
Cardiff Bay  
Cardiff  
CF99 1NA

5 December 2022

Dear Jayne

## **Tertiary Education and Research (Wales) Act 2022 – Revised Explanatory Memorandum**

Following the Tertiary Education and Research (Wales) Act 2022 receiving Royal Assent, and in light of the nature of some of the amendments made to the Act at Stage 3, I have today published a revised Explanatory Memorandum incorporating further explanation in respect of the purpose and intended effect of those amendments. I attach a copy for the Committee's information.

Whilst it is not a requirement to produce a revised Explanatory Memorandum after a Bill has been passed, I believe that it would be helpful for stakeholders to understand the policy intention of the amendments made at Stage 3. It also helps provide a pre-implementation baseline for review and will facilitate post-legislative scrutiny.

No changes have been made to the Regulatory Impact Assessment as a result of these amendments and the RIA remains as laid following Stage 2.

I have copied this letter to the Finance Committee and Legislation, Justice and Constitution Committee.

**Jeremy Miles AS/MS**  
Gweinidog y Gymraeg ac Addysg  
Minister for Education and Welsh Language

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Eich cyf/Your ref  
Ein cyf/Our ref

Peredur Owen Griffiths MS  
Chair of the Finance Committee

7 December 2022

Dear Peredur,

### **Scrutiny of the financial implications of Bills**

I am writing in response to your letter of 16 November 2022 regarding the scrutiny of the financial implications of Government Bills.

Your letter highlights concern that the Welsh Government has moved away from practice in the Fifth Senedd where Welsh Ministers provided written responses to Stage 1 reports in advance of the General Principles debate and Financial Resolution.

It is during the Stage 1 debate that Ministers provide an explanation of the Government's response to the recommendations in each Committee report and in most, but not all, circumstances have provided further detail through a formal letter.

While there were occasions during the Fifth Senedd where the Government responses were issued before or on the date of the General Principles debate, this was not routine practice for all Bills. In fact, over half of responses were issued in writing after the debate or provided verbally during the debate.

Ministers endeavour to respond to the Committees as soon as reasonably possible but it is not always practical for Welsh Ministers to do this prior to the Stage 1 debate for every Bill, so in practice these written responses may be provided after the debate has taken place.

There may be circumstances where more time is required to consider the implications of the recommendations or where the detail needed to provide an informed response is not available in advance of the Stage 1 debate. In addition, the legislation may be novel and while we aim to provide best estimates of the likely costs, there are situations where multiple varying factors mean precise costings are not achievable until the provision is

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

tested and assessed. Nonetheless, we will continue to inform the Finance Committee of the financial information relating to each Bill as they go through the various Senedd scrutiny stages.

In addition, Welsh Ministers will continue the practice established during the Fifth Senedd of writing to the subject and Finance Committees in advance of Stage 3 proceedings of a Bill if significant changes have been made to the Regulatory Impact Assessment post Stage 2.

Your letter along with this reply has been copied to all Welsh Ministers. This reply is also issued to the Business Committee and the Chairs of Policy Committees.

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

**MARK DRAKEFORD**

**Y Pwyllgor Cyfrifon Cyhoeddus a  
Gweinyddiaeth Gyhoeddus**

**Public Accounts and Public  
Administration Committee**

**Welsh Parliament**

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7 December 2022

Dear Chair

**Public Accounts and Public Administration Committee Inquiry into Public Appointments**

The Public Accounts and Public Administration Committee is undertaking an Inquiry into Public Appointments. Evidence received from the Committee's consultation on the scrutiny of public administration in autumn 2021 recommended that an inquiry be conducted in this area. It was considered to be an issue that had been 'under-examined' since the establishment of the Senedd.

Our agreed Terms of the Reference for the inquiry are detailed in Annex A. However, we are aware that concerns regarding the public appointments process may extend beyond those terms of reference. We therefore welcome the views and experiences of your committees on the matters listed and any other issues that you feel are relevant to our work.

I look forward to hearing from you and kindly ask for responses by Friday 27 January 2023.

Thank You.

Kind Regards,



Mark Isherwood MS  
Committee Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.  
We welcome correspondence in Welsh or English.



## Annex A

The Committee is undertaking an inquiry into the Welsh Government's approach to the public appointments process, including where this could be improved to increase the diversity of candidates for public appointments made by Welsh Ministers. Issues to be considered include the following:

- The role of the Public Bodies Unit and the effectiveness of its relationship with Public Bodies' Boards in terms of ensuring good governance and effective public appointment arrangements. This includes any ongoing support for board members.
- The views of those corporate bodies that receive public appointments on the public appointments process;
- The role the Commissioner for Public Appointments.
- What are the main barriers to increasing the diversity of candidates for public appointments in Wales? How do these vary by factors including:
  - Age
  - Sex
  - Ethnicity
  - Disability
- How effective are current approaches being taken by the Welsh Government to encourage and increase the diversity of candidates?
- How can the public appointments process be improved to achieve this?
- How can the Welsh Government create a more transparent and open public appointments process?
- Are there examples of best practice elsewhere in the UK and internationally that Wales should learn from?

**Lesley Griffiths AS/MS**

**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**

**Minister for Rural Affairs and North Wales, and Trefnydd**



Llywodraeth Cymru  
Welsh Government

Peredur Owen Griffiths MS

Chair

Finance Committee

08 December 2022

Dear Peredur

Thank you for the opportunity to discuss the Agriculture (Wales) Bill at the Committee session on 9<sup>th</sup> November 2022.

I committed to providing Committee Members with further information as set out below:

Exceptional market conditions.

A question was raised concerning the cost of past use of powers to declare exceptional market conditions, when examples of previous interventions were provided such as Foot and Mouth and BSE. To clarify, farmers were compensated under the Animal Health Act 1981 for these incidents, rather than powers for exceptional market conditions.

In the period 2011-2021, two crisis intervention schemes were launched, both in support of the dairy sector. One came in the form of support across the EU in 2016, which was in response to hardship caused by the end of milk quotas, a Russian ban on EU food imports and low oil prices.

It should be noted this scheme may not directly reflect the sort of scheme possible under the proposed powers for exceptional market conditions in the Agriculture (Wales) Bill, as it was proposed as a wider set of EU support to the dairy sector. Under the 2016 scheme, €30,195,996 was allocated to the UK under this crisis intervention measure. At the time, officials estimated the support to Wales would be approximately £3.2 million. Adjusted for inflation, in 2022 this would be worth £4 million.

In 2020, a scheme was launched to support the dairy sector when the Covid-19 pandemic forced the closure of hospitality establishments. While this scheme used powers under the Government of Wales Act 2006, they were used in a similar way to how the proposed powers could be used. Under this scheme, £1,018,500 was paid to Welsh dairy farmers, which when adjusted for inflation, is equivalent to £1,182,000 in 2022 prices.

## Schemes and their financial impact.

I committed to providing additional information on the monitoring and reporting requirements within the Bill, in relation to the schemes that may operate under the power to provide support and their financial impact. The Bill provides for three types of reporting, each of which is further outlined below. Firstly, sustainable land management (SLM) reports, including the setting of targets and indicators, secondly the Annual Report, and thirdly the Impact Report, the latter two reports falling under the power to provide support provisions. The Regulatory Impact Assessment sets out indicative costs of a future scheme operating under the power to provide support which contributes to the achievement of SLM and wider Welsh Government targets.

## SLM monitoring and reporting

The SLM monitoring and reporting provisions (sections 4 to 7) seek to ensure effective implementation and appropriate accountability and engagement with the Senedd and stakeholders. They provide the ability to assess policy effectiveness and will form an important and developing evidence base for ongoing policy development.

The Bill requires the Welsh Ministers to prepare a statement setting out SLM indicators to measure progress towards achieving the SLM objectives, and targets in relation to those indicators (section 4). These will be a key part in the monitoring and reporting of the SLM provisions and will help guide future policy decisions as to what is working for the sector and what needs changing.

Indicators and targets can provide specific and measurable ways of recording progress against the SLM objectives. Setting targets provide a means to improve accountability, for example, by improving transparency. Before setting indicators and targets, the Welsh Ministers must consult, including the Future Generations Commissioner, and are required to have regard to certain matters, including the most recent Impact Report (if any) published under section 13 of the Bill (section 5).

The first statement of indicators and targets must be published and laid before the Senedd no later than 31 December 2025. This date has been chosen to ensure sufficient time for due consideration and preparation of the indicators and targets, including consultation.

The Welsh Ministers are also required to report periodically on the progress made against the SLM objectives, through the exercise of the functions to which the SLM duty applies (section 6).

The SLM reports must set out the Welsh Ministers' assessment of the cumulative progress made, since the SLM duty came into force, towards achieving the SLM objectives and the progress made, during the reporting period, towards achieving those objectives.

The first SLM reporting period ends on 31 December 2025, and subsequent reporting periods are for successive periods of five years. This is to align the reporting with the proposed contract length for the Sustainable Farming Scheme. Provision is also made provide for the Welsh Ministers to change the reporting period by regulations. SLM reports must be published and laid before the Senedd no later than 12 months after the end of each reporting period.

The Welsh Ministers are required to have regard to certain matters in preparing SLM reports, including the most recent Impact report (if any) published under section 13 of the Bill (section 7). This means the Welsh Ministers will have regard to the Impact Report (if any), and other relevant matters, to assess and report on the progress made against the SLM objectives.

### Annual Report.

With a view to providing good governance, accountability and transparency of public funds, the Welsh Ministers are required to prepare an Annual Report in relation to each reporting period. The initial Annual Report will cover the period up until 31 March 2025, after which the Annual Report will cover the financial year. The Annual Report will include the financial spend of all support provided during the period covered by the report. Where non-financial support has been provided, details of this will also be included.

The Annual Report must include the following key areas:

- a) The total amount of financial support provided during the financial year.
- b) Details of all non-financial support provided during the year.
- c) Details of all financial and non-financial support provided under each support scheme set-up pursuant to the power to provide support (section 8).

In addition, the Annual Report may also provide any other information which the Welsh Ministers consider appropriate. This may include, for example, details on any support which has been withdrawn, or whether any financial support which has been paid, is being recouped and the reason for this.

It may also highlight any one-off payments in support of any capital expenditure projects. Welsh Ministers may also provide information on the number of beneficiaries of support, under each support scheme or any support provided.

The Annual Report is not intended to include any assessment in respect of the power to provide support purposes, or the Sustainable Land Management objectives.

## Impact Report

An Impact Report must be prepared in relation to each reporting period – the first period ending with 31 December 2029, and successive periods of five years after that date. The Impact Report is intended to provide an essential mechanism to evaluate the impact and effectiveness of all support, provided by any schemes operating under the power to provide support.

The Impact Report is intended to demonstrate whether certain actions are, or continue to be fit for purpose. Furthermore, this report provides a process of accountability, transparency, as well as a means of measurement against the purposes for which support is given, and an assessment of the supports contribution towards achieving the SLM objectives.

This will form an important and ongoing evidence base for future policy development. The Impact Reports are one of a number of documents which will inform the SLM Report.

## Regulatory Impact Assessment.

In the Regulatory Impact Assessment (RIA) we set out indicative costs of a future scheme which meets the requirements of SLM and targets committed to by the Welsh Government.

With regard to the future SFS scheme, the Regulatory Impact Assessment estimates the costs in 6 different areas:

- administrative costs to the Welsh Government;
- the compliance costs;
- the estimated costs of annual payments to farmers;
- estimated costs of Farming Connect and the Farm Liaison Service
- estimated costs to NRW;
- and the estimated costs to the agriculture sector of entering the proposed scheme.

This is a comprehensive account of the likely costs.

With regard to the estimated costs of annual payments to farmers, we are not yet in a position to set out the anticipated annual expenditure on payments to farmers under the future scheme.

In July 2022, I published outline SFS proposals in advance of the RWS to engage with farmers in the process of co-design. The proposals also clearly demonstrate the types of scheme I intend to bring forward under the power of support provisions in the Bill.

I will consult on the final scheme next year. This will include a range of evidence concerning an assessment of the Scheme and the outcomes we are expecting to deliver.

The Agriculture (Wales) Bill does not define the delivery mechanism for future support. The proposed SFS is still being designed (currently in co-design with stakeholders) and, therefore, a quantitative assessment of the benefits is not possible at this stage.

The Welsh Government has committed to undertaking an economic analysis of the proposed SFS which will quantify the benefits of the future support scheme once the design of the scheme has been finalised.

Yours sincerely,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping initial 'L'.

**Lesley Griffiths AS/MS**  
**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**  
**Minister for Rural Affairs and North Wales, and Trefnydd**

# Agenda Item 3

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted