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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE/569/21

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru

19 July 2021

Dear Peredur,

I am writing to provide further information on a few issues that were raised during our recent scrutiny session on the first supplementary budget.

UK Government communications with Welsh Government regarding consequential funding for Wales

The exact amount of consequential funding Wales will receive is dependent on the extent to which a UK Government Department can meet these costs from within existing budgets. We will only receive a consequential for new funding provided.

In terms of certainty, this is provided in the Main and Supplementary Estimates from the UK Government, and the subsequent settlement letters from the Chief Secretary to the Treasury (CST). In the meantime, officials are in close contact with the UK Government to ensure that information is shared as best as we can, in between those points.

The way in which decisions are made have a detrimental impact on the Welsh Government's funding settlement, placing us at a perennial disadvantage when planning and managing our Budget and often fails to provide for a fair funding settlement.

The funding guarantee implemented last year was a helpful innovation, and allowed us certainty to plan ahead and base our allocation on a known allocation of funding. It was not sustainable for Welsh Government to simply wait for funding announcements to be made in England before formulating our own response. Those exceptional circumstances still exist and I will be discussing this with the CST at the next meeting of the Finance Ministers' Quadrilateral. I know the other Devolved Government Finance Ministers' share my concerns.

I also outlined my concerns with the approach to funding announcements in my end of Administration letter to the CST and asked that going forward there should be meaningful engagement with the Devolved Governments on any areas that are likely to impact on devolved responsibilities.

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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.

This year we are already seeing announcements being made, where we have not had confirmation from UK Government of consequential funding, such as the recent £1.4bn educational recovery announcement, the 3rd of a series of funding allocated to educational recovery, and £1.08bn Transport for London announcement. This makes it difficult to adequately plan effective interventions given the lack of clarity on the scale of the funding envelope available to us.

The absence of confirmation of consequential funding in relation to these announcements emphasises the importance of agreeing with UK Government how we can manage this uncertainty.

Business Support Schemes

You asked for further information about the Business Support Schemes and this is set out below:

A detailed breakdown of the £55m funding made available for business support in May and June:

- **Welsh Government delivered element with business turnover >£85k**
 - 4,423 applications = £22.2m
 - Applications approved = 3,424 @ £17m.

To date, 2,495 offers (totalling £12.5m) have been accepted. With improving trading conditions we expect the balance of offers to be declined as companies no longer meet eligibility requirements as they return to more normal trading levels.

- **Local Authority Delivery for business < £85k**
 - 2,392 payments made @ £6.3m

Total offers made for May / June period = 5,816 @ £23.3m

The follow on July and August package opened to applications at noon on 12th of July and is still live. At 9am on the 13th July, for businesses with Turnover > £85k, 563 applications @ £3.2m have been received. Local authority applications open next week.

The level of applications is as planned and expected. We ensure sufficient budget cover for all eligible businesses. The drop off in applications represents the improving trading position as restrictions are reduced. It also provides evidence supporting the planned transition from emergency to development.

Any balance will be rolled over for future deployment aligned to WG priorities.

The reasons why 24 percent of businesses were not approved to receive funding:

In terms of rejections to the latest round, the 24% is the proportion of total applications submitted. Rejections would typically relate to one or more of the following but not exhaustive reasons:

- Duplicate application forms.
- Ineligible under the scheme eligibility criteria (the main reason was that applicants were able to open before the 1st May, so businesses such as retail, hair and beauty etc. not eligible to apply for this round).

- Fraud check picked up issue in application data.
- Applicant has not signed the declarations.

Evaluation of the allocations

We have engaged Economic Intelligence Wales (EIW) to conduct evaluation and impact assessment via a longitudinal approach. The Economic Recovery Fund will be subject to Post Completion Monitoring – a new dedicated team has been established and work has begun, aligned to the 12 month window since the first intervention.

Reallocation of any underspend of the £55m funding made available

The balance of the £55m has been reapplied to support the latest package for July and August for businesses still significantly impacted by restrictions. We continue to adopt this approach to manage the variances between commitment and spend.

Further information on future business support schemes to be funded from the Welsh Government's £200m package of support.

Looking to the future, the Welsh Government is developing options for further funding for support packages to help businesses recover, develop and grow when restrictions are relaxed further. Updates will be announced on the Business Wales website with updates planned for end of August and September
<https://businesswales.gov.wales/coronavirus-advice>

In addition to responding to the questions raised by the Committee, I wanted to take the opportunity to inform you that there will be a meeting of the Finance Ministers' Quadrilateral on 20 July.

The agenda will cover the UK Government's proposals for the Spending Review, Covid response and recovery, as well as economic growth and levelling up. The agenda also includes an item on the Finance Inter-ministerial Standing Committee Terms of Reference which, under the Intergovernmental Relations Review, will formalise the arrangements of the Finance Ministers' Quadrilateral.

I will report to the Committee on the outcome of the meeting.

Yours sincerely,



Rebecca Evans AS/MS

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