

Rebecca Evans MS

Minister for Finance and Local Government

27 July 2022

Dear Minister,

Finance Committee's inquiry into Post-EU Funding Arrangements

Thank you for attending the Finance Committee meeting on 22 June, along with your fellow cabinet colleagues, the Minister for Economy, Vaughan Gethin and the Minister for Rural Affairs, and North Wales and Trefnydd, Lesley Griffiths, to provide evidence in relation to our inquiry into Post-EU funding arrangements.

As you may be aware, on 30 June, the then Secretary of State for Wales, Simon Hart MP and the Parliamentary Under-Secretary of State for Wales, David TC Davies MP provided evidence on behalf of the UK Government.

As part of our terms of reference, we considered how the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU.

In evidence to the Committee, the Welsh Government quantified the value of the European Social Fund (ESF) and the European Regional Development Fund (ERDF) to be £295 million. The UK Government has said it is matching EU funds, specifically the ESF and ERDF, through the UK Shared Prosperity Fund (SPF). The Welsh Government's figures broadly match the UK Government's calculations of nominal average annual funding to Wales through those funds - £291 million per annum. However, the key difference of opinion between the Welsh and UK governments has been how the new funding accounts for the tail off of remaining EU funding.

It will be difficult for the Committee to come to a conclusion as to whether Wales is due to receive more/less/the same funding through replacement EU funds as it did when the UK was a member of the EU, given that the two governments do not seem to be considering the funding in the same way. The Committee is also uncertain of the level of funding for years after the SPF, which will be relevant to ascertaining whether funding has been maintained.

We are hoping to report early in the autumn term. However, I am writing to you now as the Committee would like you to raise an agenda item at the next Finance Inter-Ministerial Standing Committee (FISC) that is due to be held in September, before our report will be finalised.

We will be making a recommendation in our report that suggests an independent body such as the Office for Budget Responsibility (OBR) should assess both claims around the levels of future funding and how this compares to previous funding. This can then inform a standardised approach to how future funds are calculated, so that all governments in the UK will use the same methodology in future years.

We believe it would be appropriate for the FISC to consider how to take this forward and would be grateful if you could suggest this issue as an agenda item to be discussed at the next meeting of the IMSC and report back to us in due course.

Yours sincerely,



Peredur Owen Griffiths MS

Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.