



Paul Davies MS  
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Welsh Parliament  
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6 January 2023

Dear Paul,

I am writing in regard to the UK Levelling Up and Shared Prosperity Funds further to the statement which I issued to Members on 6 December.

I am concerned that the long delays being created by the UK Government are putting immense pressures on local government and other Welsh partners.

It was only on 5 December that the UK Government announced the approval of the four Shared Prosperity Fund (SPF) regional investment plans for Wales, leading to the release of funding allocations for 2022-23 with less than four months left in this financial year. Meanwhile, local authorities are still awaiting decisions on bids for round two of the Levelling Up Fund (LUF) despite them submitting these bids by the 2 August deadline last year.

The absence of a formal multi-annual grant funding offer for the SPF from the UK Government is raising a high degree of preventable uncertainty for local authorities and other Welsh partners and is putting jobs and projects at risk.

UK Ministers had previously stated that spend for the LUF would only be permitted in exceptional circumstances in 2025-26, but UK Government delays for this programme now mean that this decision could cost Wales significantly. While for the SPF, local authorities are not allowed to spend their allocations beyond March 2025, which means there is less than two years available for the delivery of a SPF project and any underspends will need to be repaid.

Since the SPF was first announced in 2017, the design and delivery process has been opaque and distant and has been exacerbated by a series of delays. The Department for Levelling Up, Housing and Communities (DLUHC) has missed its own deadlines which are creating added pressures, including soaring inflation costs, on delivery. In addition, universities, colleges, business and the third sector have been shut out of directly accessing

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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.

SPF and LUF funds leaving many of these sectors now reporting redundancies and the closure of vital schemes.

The process has not been supported by a consistent approach to dialogue with our partners in Wales or a transparent governance model. Independent voices including the Institute for Government and the Business, Energy and Industrial Strategy Select Committee warned that the new funding arrangements lacked coherence, purpose and focus and that the lack of engagement with devolved government risked duplication and poor value for money outcomes.

The delayed SPF and LUF timescales will not allow the necessary time to plan and deliver projects that represent the best possible outcomes for communities in Wales. The need to use funds late in the year will make many strong proposals based on collaboration unviable as partners are forced to prioritise projects which are able to spend quickly rather than strategically.

The UK Government has not been active in regional economic policy in Wales at this scale for more than two decades and we remain concerned that DLUHC does not have the expertise, networks, infrastructure or experience to deliver these funds effectively in areas devolved to Wales.

In contrast, the Welsh Government was ready to start a post-EU investment programme almost two years ago in January 2021. By that time we had worked intensively with the OECD and our Welsh partners and undertaken a public consultation to create the strongest possible model for Wales – which included a role for the UK Government – as set out in our *Framework for Regional Investment in Wales*.

The UK Government has actively placed at risk critical pan-Wales programmes which are vital to supporting productivity and growth, such as Business Wales, apprenticeships, the Development Bank of Wales and our innovation programmes.

We do not accept the UK Government's claim that its funds deliver less bureaucracy or a greater say for local government in Wales. Without a consistent dialogue, local government has not been in a position to influence decisions in Wales beyond their bid submissions, leaving UK Ministers with greater power over local decisions without the input required from local communities.

The competitive-based LUF to level up regions across the UK raises questions on whether this fund is actually based on need. In addition, the lack of engagement with local authorities does not even allow local authorities to express their bid preferences according to need, with decisions resting with UK Ministers on which of the bids submitted are selected.

We remain concerned that these two funds as a whole shift support away from those areas where need is greatest, meaning that a smaller overall sum will have a lesser impact at a time of extraordinary need. I have set out in previous statements that the Welsh Government urged DLUHC to make the Welsh Index Multiple Deprivation the decisive factor in determining SPF allocations.

Multiply is another area of concern that could see tens of millions of pounds spent badly or unable to be spent. Already the UK Government is withholding £15 million of Wales' SPF allocation for 2022-23 due to local government spending concerns which stem from the UK Government's persistent delays and the lack of flexibility within the scheme.

The UK Government is bypassing the Welsh Government and Senedd on these funds and this risks poor value for money and outcomes and blurred accountability. In particular, it is not clear how the audit processes will work or how Members of the Senedd will be able to hold decision makers accountable on matters which are plainly devolved. These issues are already demonstrated by the UK Government's reluctance to grasp the urgency of the problems which I and my Ministerial colleagues have raised with a succession of UK Ministers and its failure to respond meaningfully to the Finance Committee's recent specific recommendations on post-EU funding arrangements.

I raised these points at a meeting of the Levelling Up, Housing and Communities Committee on 12 December as part of its current inquiry into Levelling Up. I also hope the Economy, Trade and Rural Affairs Committee will consider these funding problems which are having a detrimental impact on growth and jobs at a time when they are most needed in Wales.

Yours sincerely,

A handwritten signature in dark ink, reading 'Vaughan Gething'. The signature is fluid and cursive, with the first name 'Vaughan' and the last name 'Gething' clearly legible.

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