



Department for Levelling Up,  
Housing & Communities

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Paul Davies MS  
Chair of the Economy, Trade, and Rural Affairs Committee  
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Annwyl Paul,

Thank you for your letter of 11<sup>th</sup> May 2023 and for the Senedd's continued interest in how the UK Shared Prosperity Fund (UKSPF) and the Levelling Up Fund (LUF) are benefiting the people and communities of Wales.

As noted in my previous letter, I am regrettably unable to appear before the Committee to give evidence. I am happy to provide your committee with further information in writing and this letter aims to respond to each of the questions set out by your Clerk.

Before we get into the detail of the UK Government's response, I would like to emphasise that whilst UK Government Ministers are formally scrutinised by the UK Parliament, we have already demonstrated our willingness to provide information to the Senedd in supporting its work. This includes oral evidence provided to the Senedd's Finance Committee by the former Secretary of State for Wales and the former Parliamentary Under-Secretary of State for Wales. The Secretary of State for Levelling Up, Housing and Communities and the Secretary of State for Wales have also submitted written responses to a report into post-EU funding in Wales published by the same committee.

I would therefore like to highlight that in drawing together the information for your committee, officials identified numerous topics and lines of questioning consistent with those raised previously by the Senedd's Finance Committee as part of its enquiry from October 2022 into post-EU funding in Wales. Where duplication has arisen, and for the purposes of consistency, I would refer you to the response provided by UK Government to the recommendations of that report which is available [online](#).

Once again, thank you for your letter and for the continued work of your Committee and Members of the Senedd. Diolch yn fawr iawn.

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

A handwritten signature in black ink that reads "Dehenna". The script is cursive and fluid, with the first letter 'D' being significantly larger and more stylized than the rest of the name.

**DEHENNA DAVISON MP**

## Response to questions set out by the Senedd's Committee for Economy, Trade and Rural Affairs

### ***1. How does the funding that Wales receives from the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds compare to the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential funding that could have been received through the next Structural Funds programme?***

UK Government Ministers have provided significant evidence to a report undertaken by the Senedd Finance Committee on this question, which is available online [here](#) (notably the response to Recommendation 15).

The UK Government is not in a position to supply information relating to potential funding that Wales received through EU Structural Funds while the UK was a member of the EU and any potential funding that could have been received through the next Structural Funds programme. This is potentially a matter for the Welsh Government to consider in relation to the role of the Welsh European Funding Office (WEFO).

### ***2. How has the UK Government targeted funding to ensure that the Shared Prosperity Fund and Levelling Up Fund target those areas of Wales in greatest need?***

Full details on the methodology for allocating funding through the UK Shared Prosperity Fund (UKSPF) have been published on [gov.uk](http://gov.uk). The funding methodology for UKSPF has been adapted specifically to the needs of Wales based on conversations held with the Welsh Government during the development phase of the fund. The methodology utilises Wales-specific data including the Welsh Index of Multiple Deprivation. We are content that the resulting allocations for UKSPF are fair and strike an appropriate balance between need and population to proportionately support areas across the whole of Wales.

In relation to the Levelling Up Fund (LUF), all local authorities have been categorised by level of deprivation using [the index of priority places](#). The index measures places' need for investment within the scope of the fund's investment priorities which include economic recovery and growth, improved transport connectivity and regeneration. Across both rounds of the LUF, 95% of funding in Wales has gone to places in the priority one category, totalling over £312m of investment. To date, Wales is the most successful part of the UK under the LUF, with funding of £104 per head, as outlined in the analysis published on [gov.uk](http://gov.uk). This capital investment will benefit people across Wales by spreading opportunity and breathing new life into historically overlooked areas.

### **3. How do the geographical spread of allocations that are made to areas through the Shared Prosperity Fund compare to Structural Funds?**

As outlined above, the UK Government has provided its rationale and methodology for geographical spread of allocations through UKSPF. The UK Government is not in a position to supply information relating to geographical spread of allocations through the EU Structural Funds. This is potentially a matter for the Welsh Government to consider in relation to the role of WEFO.

### **4. What assessment have you made of how well the two funds are working so far? Are there any particular elements that are working well or lessons that you have learnt from things that haven't worked?**

UK Government continually monitors the implementation of both funds. In terms of UKSPF, lead local authorities are required to provide regular monitoring returns outlining their progress. Full details on the approach to reporting, monitoring and performance management for UKSPF are included in the [Additional Information](#) available online.

At a UK-wide level, the Department for Levelling Up, Housing and Communities (DLUHC) has published an [Evaluation Strategy](#) for UKSPF which is also available online. Once the content of the Evaluation Strategy has been undertaken, DLUHC will publish a report setting out lessons learned, along with evidence and recommendations applicable to the wider local growth. In 2022, DLUHC also released the [Levelling Up Fund Monitoring & Evaluation Strategy](#) which focuses on the outcomes, impact and value for money considerations associated with the LUF.

The UK Government has strengthened the relationship with local government in Wales as Levelling Up funding opportunities have come forward. A dedicated Wales-based team of DLUHC officials have regular and productive engagement with every local authority in Wales as well as with other partner organisations. This relationship facilitates a pragmatic approach for supporting local authorities in their decision-making whilst offering the opportunity to address any delivery concerns where they may arise. The recent decision to provide flexibility to reprofile funding allocated for Multiply – the adult numeracy component of the UKSPF – is a demonstration of the maturity of this relationship.

### **5. What types of interventions are being delivered and designed through the Shared Prosperity Fund, and to what extent do these differ from those delivered through Structural Funds?**

The full list of interventions that can be delivered using UKSPF funding can be found [here](#). This list of interventions for Wales was adapted specifically for Wales and followed early discussions with the Welsh Government and Welsh Local Government Association (WLGA). The interventions build on the key priorities of the UKSPF in terms of Communities and Place, People and Skills and Supporting Local Business.

It is for local authorities to decide on the best mix of interventions for their local areas, informed by engagement with their local partnership groups and the priorities set out in their UKSPF Investment Plan. For Wales, these plans were developed on a regional basis and were informed by local and regional strategies, including the Regional Economic Frameworks. Decisions on projects to be supported by the UKSPF are therefore likely to be heavily dependent on their ability to demonstrate a strong strategic fit with local priorities and need.

Whilst there will be some similarities between the interventions of the UKSPF and previous funding regimes, it is important to note that the new funding landscape is markedly different and provides enhanced benefits for local leaders to decide on the best combination of interventions in addressing local and regional needs.

***6. How have the processes and timescales for the two funds been developed to support local authorities and regions to achieve intended outcomes?***

UK Government Ministers have already provided information on this matter in their response to the Senedd's Finance Committee report into post-EU funding in Wales. It has been acknowledged that some local authorities found certain timescales challenging, and DLUHC officials are in regular contact with the WLGA and local authorities to support them to achieve the intended outcomes of all Levelling Up funding opportunities available to Wales. As noted earlier, Wales is the most successful part of the UK under the LUF, with funding of £104 per head, thereby demonstrating the positive impact this engagement is having on the quality and scale of project ideas coming forward.

Furthermore, DLUHC has provided extensive financial support to Welsh local authorities in helping them to deliver both the UKSPF and the LUF. This includes £125,000 capacity funding to each local authority in Wales at the outset of the LUF, a total £130,000 in capacity funding to local authorities successful in round two of fund, and a further £40,000 to each lead local authority to support the development of their UKSPF Investment Plans.

***7. What assessment has the UK Government made of how the Shared Prosperity Fund has impacted different types of organisations such as businesses, universities, colleges, and voluntary sector organisations? How has the government supported sectors that are negatively impacted by the new arrangements compared to Structural Funds?***

Many local authorities are currently operating a series of open calls in allowing all organisations the opportunity to access UKSPF funding. It is therefore too early to pre-empt the impact of funding on certain organisations or sectors when the allocation of funds is continuing.

It is important to stress that the UKSPF is a successor and not a direct replacement for previous EU funds. By its nature we expect a different mix of interventions and

projects to come forward which are in line with the terms of the fund and importantly reflect local needs and priorities agreed by local leaders. Organisations and sectors that were large beneficiaries of EU Structural Funds will need to consider how they adapt to the new funding landscape. This includes recognising that the UKSPF has a different focus, with an emphasis being placed on the strategic fit of project ideas to local priorities whilst aligning to the overarching aim of the fund to support pride in place and increase life chances.

DLUHC officials are in regular communication with lead local authorities in understanding the distribution of UKSPF funding and will continue to assess the situation as further details come forward.

***8. How are the different levels of government in Wales working together in relation to the two funds?***

UK Government Ministers have already provided information on engagement with the Welsh Government in relation to the two funds in the response the Senedd's Finance Committee report on post-EU funding in Wales. The UK Government remains committed to building an effective working relationship with the Welsh Government in supporting local government to deliver the two funds (UKSPF and LUF) as well as wider opportunities, such as the Community Ownership Fund and the two new Freeports being created in Wales.

As noted previously, DLUHC officials are in regular contact with local authorities in Wales and the WLGA through a dedicated Wales-based team who oversee and support all Levelling Up funding opportunities available to Wales.

***9. How is the Multiply programme developing across different parts of Wales? What is working well with this programme, and what challenges are organisations facing in achieving its objectives?***

As is the case with all UKSPF interventions, the delivery of Multiply in Wales will not be uniform with projects reflecting local contexts based on decisions made by local authorities and their partners. DLUHC officials regularly discuss Multiply with local authorities and will continue to work closely with them and the WLGA on the delivery of Multiply.

UK Ministers recently announced increased flexibility for lead local authorities in Wales to reprofile elements of their Multiply allocation to support wider People and Skills interventions. The decision has been welcomed by local authorities in Wales.

***10. What planning is the UK Government doing for the two funds beyond 2025 and does it plan to streamline the levelling up funds?***

There has been no change to the UK Government's position on this matter since the Secretary of State for Levelling Up and Secretary of State for Wales issued their

[response](#) to the Senedd Finance Committee's report into post-EU funding (see Recommendation 13).