



Llywodraeth Cymru
Welsh Government

Public Accounts and Public Administration Committee
Welsh Parliament
Cardiff Bay,
Cardiff,
CF99 1SN

15 November 2023

Dear Chair,

Maximising EU Funding

I write further to your letter of 24 October 2023, in which you requested further information to aid the Committees consideration of Audit Wales' report, Maximising EU Funding (June 2023).

Please see below for the information you requested.

Replacement funding

Structural Fund Programme

- With the Shared Prosperity funding going direct to local government, what the Welsh Government is planning for national programmes such as work based learning, apprenticeships and employment support services that have previously attracted a lot of EU Structural Funds.

Bypassing the Welsh Government from the design and management of the Shared Prosperity Fund (SPF) has created a host of problems for the Welsh Government, local authorities and other delivery partners to manage.

Not fully replacing Wales' level of EU funding means Wales has lost out from £1.1 billion of funding compared to EU funding levels, while the delays, design and short-term focus of the UK Shared Prosperity Fund has also disadvantaged the Welsh Government, higher and further education, business and third sectors, previously supported by EU funding, from accessing hundreds of millions of pounds to support our priorities for growth and jobs.

This includes support for national, all-Wales programmes like Business Wales, Apprenticeships and Innovation schemes which benefited from EU funding. For example, the Welsh Government's lack of access to the SPF has created a significant funding gap for

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.



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around 5,300 apprenticeships per year. To overcome this gap, the Welsh Government deployed additional funding from the Welsh budget to maintain apprenticeship programme delivery to EU funding levels up to 2023/24. Also, our delivery partner, Careers Wales, had to stop their EU funded “Activate Support Programme”, which supported over 8,500 young people across Wales who were deemed as most at risk of not entering Education, Employment and Training (NEET).

The Welsh Government has also had to close targeted EU-funded programmes such as Parent, Childcare and Employment (PaCE). PaCE helped parents/guardians who were economically inactive prepare for and access employment opportunities and provided funded childcare. Parents received individualised help via a Parent Employment Adviser working in the community to help improve skills, tackle low self-esteem/low confidence and move parents/guardians closer to sustainable employment. This year we expect to receive around £30m of EU funding to support our three National Employability Programmes. This money is not being replaced. We have, therefore, already had to make some difficult budget decisions and clearly we will be unable to deliver activities to the same scale or ambition as we had hoped. Duplication of activity is also a concern, with the UK Government’s SPF approach creating a fragmented funding landscape and a confused and complicated range of options for people and businesses.

Despite this, our offer remains steadfast. Whether people are starting out on their employment journey, seeking work, at risk of losing employment or, ultimately, been made redundant, the Welsh Government has in place effective programmes of support to ensure nobody is left behind. Communities for Work+ (CfW+) continues to be our key intervention for tackling economic inactivity and supporting those most disadvantaged in the labour market. It is integrated with Jobcentre Plus services and works in partnership with local authorities across Wales to provide intensive personalised support and training. Our ReAct+ programme is a key aspect of support for those who are either affected by redundancy or for those who are short-term unemployed to return to work quickly. Our ReAct+ and CfW+ programmes continue to be at the forefront of the co-ordinated offer of redundancy support with the UK Department for Work and Pensions, supporting displaced workers, most recently from 2 Sisters, Tillery Valley Foods and UK Windows and Doors. Jobs Growth Wales+ continues to support NEET young people and provides extra support to address the impact from the loss of learning and work experience as a result of the Covid pandemic.

We aim to ensure our employability programmes are able to operate in these challenging conditions, remain fit for purpose, fit for the future and are flexible enough to transition as the economy and labour market needs. On that basis, and in accordance with our commitment in the Employability and Skills plan, we have commenced work on a fundamental review of our key employability programmes - CfW+, Jobs Growth Wales+ and ReAct+.

Rural Development Programme

- Given wider pressures on the Welsh Government’s budget, what the prospects are for the replacement funding matching the levels provided by the Rural Development Programme, including the level of provision for socio-economic programmes.
Given the pressures on Welsh Government budgets it is unlikely the same level of funding previously provided will be available in the future. However, if the UK Government makes sufficient levels of funding available, then Ministers will have the opportunity to consider where funding should be targeted.

The Welsh Government recognises the importance of socio-economic schemes. However, given the limitations placed on funding by the UK Government, their approach to the Shared

Prosperity Fund, and the limited budget available to us, we have prioritised our core commitments.

- Whether the Welsh Government intends to publish a similar level of information on spending and performance on the replacement schemes as under the Rural Development Programme.

The Welsh Government will publish information in accordance with the reporting obligations detailed in the Agriculture (Wales) Act 2023.

- How Welsh Government funding for a Rural Economic and Sustainability Programme (across 2022-23 to 2024-25) has been allocated and spent to date, including whether the allocation for 2022-23 was fully spent.

There is no “Rural Economic and Sustainability Programme”. This is the name of the budget line which is supporting schemes that benefit our transition to the Sustainable Farming Scheme (SFS), particularly the elements that will deliver the Optional and Collaborative Actions of SFS. This budget line is also sometimes referred to as “rural investment schemes”.

In 2022/23 £6.88m was spent through this budget line. The funding available through this budget line for 2023/24 is as published in the Welsh Government’s [Final Budget](#), less the £10m revenue and £20m capital reprioritised to other areas following the Minister for Finance and Local Government’s update on the [2023/24 financial position](#). The budget available in 2024/25 will be subject to Cabinet agreement, which will then inform the draft budget published in December.

- When the Welsh Government expects to open applications for the interim agri-environment scheme (replacing Glastir) and whether there will be similar funding available as previous years

The application window for the Habitat Wales Scheme opened 29 September and closed 10 November 2023. The budget allocation to this scheme cannot be confirmed until our exercise to look at 2024/25 budgets across all portfolios has concluded.

Other Matters

- How many active projects have passed their due end date within the structural funds programme?

A total of 17 projects supported by the European Regional Development and European Social Fund programmes 2014-2020 should submit their final payment claims to WEFO in 2024, if all claims are submitted promptly in accordance with each project’s funding agreement. (Please note that for this purpose, projects have been grouped together where they are essentially the same, but technically separate because of the East Wales / West Wales & Valleys Operational Programme split.)

- You committed to providing further details on your proposals for the modification of the Rural Development Programme (see paragraph 176 of the transcript).

The sixth and final modification to the Rural Development Programme was solely focused on the financial aspects - the proposed amendment does not seek to alter the milestone targets

set within the Performance Framework. It will ensure the optimal utilisation of the funds, and that funding aligns with delivery on the ground and is allocated to the correct 'Measure' of the Programme.

- You agreed to provide an update in writing on the domestic rural spend of £27.3 million in 2022-23 (see paragraph 149 of the transcript).

£6.88m was spent through the budget line referred to. Many of the schemes are demand led. If demand is not forthcoming, funding will be reallocated to other priorities.

- You also agreed you would confirm the amount of total value of RDP funding "netted-off" by the UK Government, as a result of slow spend (see paragraph 140 of the transcript).

The UK Government failed to provide £243m of funding. None of this funding would have been lost had we remained in the EU.

Their failure to provide this funding is not because of 'slow spend'. We took decisions about our spend profile many years ago which suited Wales and were conscious decisions. Whilst there were some unforeseen delays for some projects because of the impacts of leaving the EU, Covid and the cost-of-living crisis, this does not mean the UK Government should have penalised rural Wales.

- Whether the Welsh Government has seen any further reduction in the number of administrative mistakes relating to the interpretation of Rural Development Programme scheme rules since the position reflected in Audit Wales' 2022 audit work. This relates to the financial audit work referred to in paragraph 38 of the Auditor General's report.

The Welsh Government notes that Audit Wales' 2022 report concluded that the fund was materially correct and were subsequently cleared by the European Commission. The Welsh Government learn lessons each year from audit findings and hopes that the administrative errors will reduce in the 2023 accounts, due February 2024.

- How the anticipated 30 September modification in the Rural Development Programme is progressing, what the modification will involve, and the reasons for it.

The purpose of the modification was to ensure that EU funds are maximised.

Following consultation with the Programme Monitoring Committee the modification was submitted to the European Commission on 29 September 2023. The Commission have now launched the adoption process and we expect the formal adoption of the modification in due course.

I trust the above information answers your questions, but should you have any further queries please do not hesitate to contact me.

Yours sincerely,

Peter Ryland, Chief Executive, Welsh European Funding Office

Hugh Morgan, Head of Rural Payments Division, Welsh Government