

Welsh Affairs Committee

Oral evidence: [One-off session on the Levelling-up and Community Renewal funds, HC 31](#)

Thursday 27 May 2021

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Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Ruth Jones; Ben Lake; Robin Millar; Beth Winter.

Questions 1 - 75

Witnesses

I: Councillor Andrew Morgan, Leader, Rhondda Cynon Taf County Borough Council; Councillor Rob Stewart, Leader, Swansea Council; Councillor Rosemarie Harris, Leader, Powys County Council; and Councillor Dyfrig Siencyn, Leader, Gwynedd Council.

II: Vaughan Gething MS, Minister for the Economy, Welsh Government; and Peter Ryland, Chief Executive, Welsh European Funding Office.

III: David TC Davies MP, Parliamentary Under-Secretary of State for Wales; Luke Hall MP, Minister of State for Regional Growth and Local Government; and Kate O'Neill, Director of Policy, Cities and Local Growth Unit.



Examination of witnesses

Witnesses: Councillor Andrew Morgan, Councillor Rob Stewart, Councillor Rosemarie Harris and Councillor Dyfrig Siencyn.

Q1 Chair: Good morning. Welcome to this session of the Welsh Affairs Committee, in which we will be looking at the Levelling-up and Community Renewal funds that the UK Government have established. I am delighted that we are joined this morning by three panels. In the first panel we have a selection of local government leaders from across Wales. We are joined by Councillor Andrew Morgan, Leader of Rhondda Cynon Taf Council; Councillor Rob Stewart, Leader of Swansea Council; Councillor Rosemarie Harris of Powys; and Councillor Dyfrig Siencyn in Gwynedd. Good morning, all.

Councillor Morgan and Councillor Stewart, given that you have previously been involved quite heavily in the distribution funding, do you think that these new funds that the UK Government have established represent a significant new role for local authorities in Wales, and a new way of distributing economic development money?

Councillor Morgan: First, I have to say that we welcome the funding. Clearly, all local authorities will welcome the additional funding, because we have big concerns about the loss of European funding to our communities. One of our concerns is the quantum of the funding and the competitiveness of it being spread out. We absolutely think that local authorities have a key role here. We work closely with the Welsh Government with many other distributed funds, but it is about having the right system for this.

We are concerned that it is so competitive between one another in Wales but also that with the wider fund we are bidding at a UK level. Our concern is about making sure that the right quantum of funding comes to deliver the projects that we need to deliver rather than projects we can deliver within the envelope. I think it is about making sure the system is right, and that is the area where we have some concerns.

Q2 Chair: Do these funds give local government a stronger role in the distribution of economic development money, Rob?

Councillor Stewart: The local government role was always strong with the European funds because, of course, we collaborated very strongly regionally to bid for those funds. I go back to the point that Andrew made really well, which is the quantum. If you look at this year, the funds that are available are circa £30 million, £40 million across Wales. I am spending more than that on upgrading my schools in Swansea. I am spending four times that amount on my capital programme in Swansea. Quantum is really important here because, as Andrew said, we want to work with the process that delivers those funds for Wales. We want to play a major part in being able to articulate the needs of our communities and put those proposals forward, but we don't want to be competitively



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arguing among ourselves over small amounts of money. If it is truly levelling up and truly community renewal, the level of the funds have to be sufficient to achieve that aim.

Councillor Harris: In many ways this is a positive for Powys because we are one of the border counties between England and Wales. In the past, we have not benefited from EU structural funds as much as other areas of Wales—we have just had a very small amount—so in that sense we are extremely grateful for this. I would have liked a longer lead-in time. We need to do some forward planning. Also, when there is such time pressure to get the bids together, there is a risk that we will have to back projects—because obviously we want the money for our areas—that perhaps would not have been quite that priority. We would like a little bit more planning. There will have to be a lot of time spent preparing the bids. It is all public money. Although we are drawing down, it is all public money.

If possible, I would like the UK Government to talk to us as leaders. Even if this does not go via the Welsh Government, it would be good if we could have that conversation. Because I am Powys, I would also like to ask for clarity on any future bids that might be cross-border. I would obviously like to safeguard funding for both sides.

Q3 **Chair:** Thank you. Councillor Harris, you touched on an important point there about the dialogue with the UK Government. Do you feel that you have had that conversation up to now? Ministers at Westminster have spoken in the past about wanting to strengthen the links between the UK Government in London and local government in Wales. Do you think that these funds do that?

Councillor Harris: They will help. We know that there has not been enough discussion with us. We would have liked to have known what the system was. We could have made the points that we have all just made to you about the quantum, about the timing and the cross-border bids that there may be. Future discussions would be good. It would help. If it is done through WLGA, that is acceptable, but certainly discussions with leaders.

Q4 **Chair:** Thank you. Council Siencyn, I understand that in Gwynedd feelings are running particularly strongly about these funds.

Councillor Siencyn: I am also chair of the North Wales Ambition Board. As a point of interest to yourselves, the Ambition Board was set up by the six councils of North Wales voluntarily many years ago and we decided that economic development would be better served by the six councils working together. The new funds seem to go in an opposite direction to that, and certainly I think the element of competitiveness is not to be welcomed really. It tends to go against existing arrangements.

I am not aware of any dialogue with us about how these funds are operated. I think that whatever funding comes from Westminster to



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Wales in the future—and it is to be welcomed, of course—we need a three-way conversation between Westminster, the Welsh Government and local authorities, because otherwise we are working against each other, and we certainly need forward planning and a clear direction.

I think at the moment we are not very clear about the criteria of how the funds have been prioritised. Being rather parochial, for some reason or other Gwynedd is in the third category. We have tried to analyse why that is the case, but it seems to us in Gwynedd that it is certainly not levelling up at the moment and there is lack of clarity. We need to understand how these funds are prioritised and further dialogue is essential between the Welsh Government, Westminster and local government.

Chair: Thank you all for those answers.

Q5 **Beth Winter:** Thank you all for coming and giving us your time this morning. I want to focus on the methodology for prioritising the Levelling-up and the Community Renewal funds, and specifically whether the funding is being sent to the areas most in need. The Industrial Communities Alliance, which is a well established and respected organisation, has picked up several issues with the methodology, including the competitive nature we have already spoken about, timeframes, the way in which the priority areas have been selected, with things like indicators skewing the list in favour of rural areas, bypassing devolved Government and the straddling of two counties. I would very much welcome your views on the methodology and, in particular, whether it is targeting people in need. Andrew Morgan, who is chair of the WLGA, is probably best placed to go first.

Councillor Morgan: The prioritisation is an area of concern that we have expressed in the WLGA. For example, Caerphilly County Borough and Bridgend are not in the same priority areas as many other local authorities in Wales. Clearly they have need and they have particular issues in those communities, so we are at a bit of a loss on why they are not included in the priority areas.

Can I pick up on the point about the three-way conversation that Dyfrig mentioned, because that is really important in how we prioritise and work together? Local authorities work very well together and the relationship within the WLGA is strong and we have shown that over the last 12 months, but we do engage with the Welsh Government and one of the problems we have had so far in understanding the methodology is that our conversations so far have only been with the UK Government. While we have met with the Secretary of State and others—and they have been helpful meetings—the Welsh Government have not been part of those meetings.

We have been told that there will be separate conversations with the Welsh Government but we are not party to them. That gives us some cause for concern, because we need to make sure that our strategies are



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targeted at tackling some of the issues that we have in Wales. They need to be joined up and that is another concern that we have.

Councillor Harris: As the joint rural spokesman for Wales, you would expect me to argue for some of this money to go to rural areas. There is hidden poverty in rural areas. Powys, as an area, has one of the lowest GVAs in the whole of Wales and one of the lowest in the UK. There is also a major issue with access to services. For instance, we have to go out for healthcare and for a lot of education. There is no higher education. There is also an extreme cost to local authorities in providing services across big rural areas, which I think has not been recognised in the past. There is certainly a need for extra funding. I would argue our case. There has to be some equity. I recognise that there is deprivation in other areas of Wales. It is a different sort of deprivation, but this is why we need to have these conversations. We all need to be around the table.

Councillor Stewart: You made absolutely the right point. We have concerns about the fact that where we had, for instance, £375 million a year from the EU funds. That was for Wales alone. This year there is just £220 million for the whole of the UK. If Wales gets just 5% of that, which would be the sort of split we would normally get, that is just £11 million. We are getting a little bit more than that in the funding that has been announced.

As I have said on the quantum, the fund is only £32 million, so the 100 priority areas you mentioned are not going to get the levels of support that they were previously getting. There is inevitably going to be an element of disappointment. When you combine that with the competitive nature of the bids, that means there will be issues about whether the money actually gets to where the need is.

In Swansea we are very lucky to have two very good MPs—who I know are on the Committee—who have engaged with us to support our working up of the bid. As Rosemarie, Dyfrig and Andrew have said, we now have to get bids together in a very short period of time to meet the deadline. That means that we are rushing to get bids in just to make sure that we have something in there.

One of the things that we raised with the Secretary of State and the deputy Secretary of State was that we are concerned that the money may not be ring-fenced for Wales and, of course, if we are in a competitive process, that money could end up elsewhere in the UK. We could go from the position of having £375 million a year to having nothing.

We certainly want reassurance that the process that we want to engage and work with is fair, equitable and delivers for Wales. None of us got elected not to deliver the money and secure the funding for our communities. As Andrew and Dyfrig have said, it is important that the Welsh Government—who have their economic strategy—work with us and the UK Government to make sure that we are aligned in the bids that are



going in, because otherwise the money will not be well spent even if it does arrive.

Councillor Siencyn: Addressing your original question, there is concern about the criteria used for prioritisation. It is not very clear. We have done some work on it ourselves and, certainly, as co-spokesman for rural matters with Rosemarie—we are very well represented today—we should have a really in-depth conversation about the factors that are included for prioritisation. There are high expectations in our communities about these funds and I am really concerned that there will be disappointment eventually—that these funds will not reach them—first, because the quantum is not sufficient, and secondly, because it is a competitive process. There will be a great number of areas where funding will not be available to them.

Following Rob's point, we are all now rushing to find projects that are shovel-ready. It is possible that some of them are not projects that we have prioritised in any case but we are having to put them forward. We need further three-way discussion on how these projects are prioritised.

Q6 **Chair:** Councillor Siencyn, I will come back quickly on something you just said. To be clear, is it your view that, because of the tight timescales, the bids coming forward will be of a lower quality? Is that what you are saying?

Councillor Siencyn: No, I am not saying that they will be of a lower quality. The quality might be there but they might not be the bids that we would essentially want to include for certain projects. For instance, there is a very exciting project for transport around Snowdon in my area, led by the national park. We are in partnership with them but it is far from ready to submit for funding. That would be a prioritisation for us and we are now having a look at smaller projects that perhaps would not be our top priority.

Chair: Thank you very much for clarifying.

Councillor Stewart: Chair, can I make a point on what you have just raised, because it is a really important point? It is not about the quality of the bids that are going in. The problem is that the bids have to be in by the middle of June, 18 June, and the money has to be spent by 31 March. It is really constraining because you then have to find a project that is ready to go and it has to be delivered and the money spent by the end of the next financial year. That is completely constraining for authorities.

Councillor Harris: Can I also come in, Chair? I will be very quick, I promise. If we do not have the projects that we would have ordinarily prioritised, as Councillor Dyfrig said, there is a risk of reputational damage to us as local authorities, because we are the ones on the frontline. I think that is something of a risk for us.

Chair: Thank you. I am conscious that Simon Baynes wants to ask specifically about this area as well.



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Q7 **Simon Baynes:** Thank you to the witnesses for sparing your time to come before us this morning; it is much appreciated. My question has been partially answered. It focuses on your concerns about the tight timescales. Councillor Stewart and Councillor Harris have specifically mentioned that. I will do a quick whip-round because, as I say, I think this has been covered to a large extent. Councillor Siencyn, could you comment on the timescales and the effect that is having, please?

Councillor Siencyn: The timescales are extremely constraining, of course. We are scrambling to find projects that would fit into the spending envelope. We have found some and they will be submitted, but in normal circumstances we would probably need some more time to develop projects that would be of greater priority to us than those that will be submitted on this occasion. Presumably in the future, of course, we will have the opportunity to prepare better, but at this point it is very constraining.

Q8 **Simon Baynes:** Councillor Morgan, I would have thought that to an extent the process allows for a bit of extra time for development because, once the bids are put in, there is a development phase with financing accordingly. How do you see that?

Councillor Morgan: The 18 June deadline for us to put in bids is quite challenging but it is also more difficult for smaller local authorities. For example, the capital programme in my authority is over £140 million a year. With our forward programme over the next three or four years and the plans we have, we are in a position where we can put substantial bids forward and we can accelerate programmes. Smaller local authorities in Wales will potentially be at a disadvantage because they will not have programmes worked up to the same extent.

On the development stage, while we welcome that there is a period that we can work in and firm up the projects before we start on the ground and work with other partners, it appears to be—I don't want to use the word—"rushed." It is a process where we have had the detail only very recently and, as Dyfrig said, it is a bit of a scramble.

I think local authorities will get to the point of getting bids worked up but I am concerned that in the first round some bids may not go in from some local authorities. It may be that they have to wait and bid in the second round when they have had the chance to firm up costs and deliverability.

One of the criteria is that you have to start spending the finance this financial year. Some projects may have land issues or planning permission if they are capital projects, and that could be a barrier to spending money this year. We have some concerns and that is why I think it is really important that local authorities work together, but also that we work with the Welsh Government and the UK Government on this.



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Councillor Stewart: I have a correction. In a previous response I said £30 million for the 100 are priority areas, but it is actually £3 million. I am sorry, I times'd it by 10. It is a lot lower than that. I didn't want to mislead the Committee by making the money bigger than it actually is.

On your point, Simon, about the deliverability, we have said that you have to be active for the Community Renewal fund in getting your bid in by 18 June and then you have to have completed the spend by 31 March. If you are going on the 100 priority areas and you divide that by the fund that is available, that is basically £2.2 million per project, if every one of the 100 areas got an equal share. Obviously, we don't expect that to be the outcome, so there will be disappointment and there will be variances. You then have to deliver a project, mobilise it and get it delivered by 31 March. That is really challenging. For anybody who knows, large-scale projects take a while to mobilise, so the constraints around that are really difficult.

On the Levelling-up fund, there are slightly longer timescales, in that you have until 2024, but again we are in a position where the bid has to be worked up and in by 18 June. With all of the other things that are going on, you are fighting against all of the other market forces to deliver the larger capital projects.

We have to take a step back in all of this, because if the aim is to truly level up—and I am still confused about what levelling up actually means—what are we trying to achieve; what are the impacts and outputs that we are waiting to see here? If we have a process before us that encourages people to rush in with bids that are not as strategically aligned as they could be, because of the constraints and the availability of the funding within each of the pots, you may not reach those levelling-up outcomes, whatever they will be.

I am still yet to hear what we are levelling up against and what are going to be the measures of levelling up. It sounds great. I hope it is not just rhetoric and I hope that it has a set of measures at the end of it. You could argue whether we are trying to level up Rosemarie's area, or Swansea, or the valleys, against the south-east of England? Is that the plan here, to get us to the same point, or is it something else? I am really interested to know what the measures for levelling up are as well.

Q9 **Simon Baynes:** Thank you. Finally, Councillor Harris. I should declare an interest because I previously served as a county councillor with your good self on Powys County Council. You have commented on the timescales, so I think that point has been well made, but in general terms presumably you welcome the fact that local authorities have been put in the driving seat on this form of finance, which is in itself a very welcome form of devolution.

Councillor Harris: I do welcome the fact that money is coming in this way, especially to counties like Powys. As you well know, Simon, we have not benefited from the same level of funding as some other authorities



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have in the past. As I have said, our GVA is one of the lowest in the UK and also our costs are very high. I don't want to repeat that. The timescales have concerned all of us. It has put a lot of pressure on officers and, of course, that is public money. Quite often in Powys we are paying consultants to help us get the bid together. I know that is happening in a lot of authorities because we simply do not have the time to get the bids together.

I do welcome this funding. It is good for us. We all welcome the funding. A longer lead-in time would help. We need to forward plan and, as we have said before, we need to have the discussion. The pressure has been too great. I argue again for all rural areas. I think that we have missed out very much in the past and we need to have that. How would you demonstrate that we will get our share of funding? I ask that not only as a border county, where we may be making joint bids and there should be equity with England, but how will you let us know that we will get our share of the funding that we should have in Wales?

Simon Baynes: Thank you very much, everyone.

Q10 **Geraint Davies:** Andrew Morgan, what is your view on the switch from money being provided to your local authority via the UK Government instead of the Welsh Government? Do you think MPs should be involved? It strikes me that one could argue that it should be based on need. I don't know the situation in another MP's patch and whether my bid is better than theirs. Some MPs have their constituencies over two local authorities. What is your view on whether it should go directly to you via the UK Government instead of the Welsh Government?

Councillor Morgan: On the MPs being involved, I have no problem with MPs giving their view about what local authorities are doing. I hope all local authorities work with their MPs and their Senedd Members, but ultimately local authorities have their local delivery plans working with the Welsh Government on strategies, so that is what the key fundamental driver should be.

On the funding coming direct from the UK Government to local authorities, I think most local authorities will probably welcome it but we have to accept that we need to work in partnership with the Welsh Government. We could be potentially putting bids forward where, if we work in partnership with the Welsh Government on this, they could have their funding and maximise the progress of what we want to take forward. I am just concerned that we don't start working in silos as local government, the Welsh Government or the UK Government. This has to be a three-way, team effort and I really hope that politics do not come into it. We all should be focusing on the people who elect us.

Q11 **Geraint Davies:** Councillor Harris, what are your views on direct funding from the UK instead of the Welsh Government?

Councillor Harris: To answer the question about MPs, I am very happy to work with the MPs. Of course, so much is devolved now and it would



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be good to include the MPs in what we are doing going forward. Sorry, what was the original point?

Geraint Davies: The original point was whether you thought it was a good idea for funding to be directed from the UK Government straight to local authorities rather than via the Welsh Government.

Councillor Harris: Yes, I am happy with that. I am happy to work with the UK Government, but I think we also need to work as a family of leaders within Wales so that we all know what we are doing collectively. I am happy to include the Welsh Government. I think the WLGA as a body could be included in that, but I am happy to receive funding, full stop.

Q12 **Geraint Davies:** But more collaborative than competitive perhaps, as you say, between local authorities?

Councillor Harris: Yes, indeed.

Q13 **Geraint Davies:** Councillor Siencyn, what is your view on direct funding to individual local authorities instead of via the Welsh Government?

Councillor Siencyn: I welcome any funding that comes to local authorities, as Rosemarie said, but we need a co-ordinated approach and the Welsh Government obviously have a very important role to play in economic development in Wales. I think that leaving them out is a mistake. I wanted to comment earlier on this being a welcome form of devolution. I think it is quite the opposite. Devolution means making decisions at the appropriate level of government. These decisions about these fundings are made by the London Government. That is not devolution. It is centralisation, so I strongly dispute that statement.

There is a gap about the smaller projects that local authorities could deliver themselves. We have a very strong regional partnership for a wider investment for the regions, but I think there is scope for smaller local projects and funding for that to local authorities directly would be welcome.

Q14 **Geraint Davies:** Rob Stewart, what is your view on UK-direct funding to individual local authorities as opposed to via the Welsh Government?

Councillor Stewart: It is the same as I said previously, really. I think there has to be involvement from the Welsh Government. I agree absolutely with Dyfrig's comments that it could be viewed as a retrograde step and a backward step to devolution if the decisions are made by civil servants and Ministers in London. That is something we need to be really concerned about.

We already have a position in the City and Growth Deals where money is directly provided by the UK Government into regions in the UK. That exists now and we have made that process work, but it requires the tripartite partnership between local government, the Welsh Government and the UK Government working together on a combined set of projects and proposals that means that we deliver more for our communities. My



major concern is by potentially doing stuff in isolation we will not deliver as much as we could have for our communities.

Q15 Beth Winter: This is quite specific, because you all commented that you welcomed the involvement of Members of Parliament and my understanding is that it requires the backing and sign-off of the MPs. You have to get their agreement, so there is potentially a power issue here about who has the control. If an MP's constituency straddles more than one local authority, they are going to have to pick which one they are going to back. Is that a concern for you? Would just one of you like to answer that because I am very conscious of time? I will open it up to the panel.

Chair: Just one answer, please, from one of you.

Councillor Morgan: Clarity on whether the MP has to support or not would be welcome, because we are not 100% sure of that either.

Q16 Ben Lake: Diolch, panel, for joining us this morning. It is quite clear from the answers you have provided thus far that there is still quite a bit of confusion, or perhaps there is still a desire for greater clarity on the mechanics of the fund. I am interested to know a bit further about the type of engagement that you had from the UK Government as they developed the Shared Prosperity Fund. It is quite a broad question, so I will open it up to Dyfrig first.

Councillor Siencyn: I can give you a very short answer: none. As far as my experience is concerned, there was no engagement.

Q17 Ben Lake: Do the other panellists agree with that?

Councillor Harris: Yes, I do and it is not for the want of asking. We have been asking, and I am sure the leader of the WLGA will want to come in. We have asked at joint leaders meetings with the WLGA. Councillor Dyfrig and I have asked at the Rural Forum. We have repeatedly asked over quite a long time for more information and we are still asking, about the UK Shared Prosperity Fund.

Councillor Morgan: We had a meeting with the Secretary of State for Wales, in fairness, where leaders were invited. I think there were two separate meetings with cohorts, but there wasn't an awful lot of clarity on some of the points we needed to raise. It was to engage with the Secretary of State and engage with some of the officials. There was a web seminar that I and several other leaders from Wales attended. It was a UK-wide seminar with several UK Ministers on it. Not one of the questions we asked in the chat were answered. Only questions from English local authorities were asked or answered in the meeting, because it was all controlled.

When we subsequently—about a week later—had a reply to the questions that were asked but not answered in the web seminar, not one of the local authority questions from Wales was on that list. I was speaking



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during that meeting to other council leaders, saying, "Are you asking questions in the chat, because it is a hidden chat, you can't see others?" We were all saying yes. I put in three questions in, for example, and to this day not one of those questions has been answered.

I found the web seminar, which was supposed to be the main engagement with us across all local authorities in Wales, Scotland and England, very disheartening. We did have a meeting, in fairness, with the Secretary of State, but further engagement is absolutely necessary and also one to one with leaders so that they understand the process and we are all confident and we buy into it, because that has not happened up until now.

Q18 **Ben Lake:** Thank you, Councillor Morgan. To be clear, that meeting was with the Secretary of State for Wales, was it?

Councillor Morgan: That is correct.

Q19 **Ben Lake:** My understanding is that the mechanics and the details of the scheme are being developed by a different Department altogether. On your engagement with the UK Government, is it correct to conclude that you, as leaders of Welsh local authorities, have had very little engagement directly from the Ministry of Housing, Communities and Local Government?

Councillor Morgan: They were all in the web seminar but, as I say, it was a UK-wide conversation. It made no reference to devolution in Wales or Scotland and it was very generalised. Some of the specific concerns that we wanted to raise in Wales in the questions that we were able to put in through the chat function were not answered in the meeting and they were not answered in the subsequent replies that were sent out, so we have some concerns and some questions that we really need answers to.

Q20 **Chair:** Before we close this particular part of the session, I will ask the panel whether in the discussions that you have had with the UK Government, there is clarity about where the decisions about the bids get made, who are the individuals or which of the Government Departments are responsible? Is it Communities and Local Government, is it the Wales Office, or is it a combination of the two? Councillor Morgan?

Councillor Morgan: That was a question I asked the Secretary of State for Wales in the meeting we had, because I had real concerns that civil servants would be advising Ministers at the UK level on bids in my authority and they would not know the area and specifics. We were reassured that the Wales Office would be looking to recruit additional staff, which I believe they are currently doing. I think the UK communities directorate has agreed that there will be some staff based in Wales so that decisions will be made in Wales, is what they are saying. At present, we are having no engagement with those officials. At a political level or at an officer level in my authority, we are having no discussions



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with the Wales Office on bids that we are putting forward in a matter of days.

Chair: Understood. Thank you very much. Does anybody want to add anything further before we close the session and welcome Vaughan Gething? Thank you very much. You have been really helpful and we appreciate the time that you have all given this morning.

Beth Winter: Can I ask a quick supplementary, because we have five minutes left, or not?

Chair: We need to have a three-minute gap while we bring the Minister in, but if you can be super quick, Beth, go ahead.

Q21 **Beth Winter:** Have you had any confirmation about the amount that is likely to come with the Shared Prosperity Fund? The Community Renewal fund amount is miniscule in comparison to what we got through EU funding. Do you have any clarity on when you are going to hear on decisions about the Shared Prosperity Fund? It may be better if Councillor Morgan answers that.

Councillor Morgan: We haven't had absolute clarity. We have been told that bids will be agreed or approved or not by the autumn, which is concerning for us because that leaves us a very short amount of time to work with partners to deliver on the ground.

Chair: Thank you all for a very helpful session.

Examination of witnesses

Witnesses: Vaughan Gething MS and Peter Ryland.

Q22 **Chair:** Good morning. Welcome to the second panel of our session looking at the Levelling-up fund in Wales. I am delighted that we are joined by the new Minister for the Economy in Wales, Vaughan Gething, Member of the Welsh Government, and his colleague Peter Ryland. Minister, first of all, thank you for joining us so early on in post—I think it is just two weeks since you have taken up that role. In that short space of time, have you had any direct conversations with UK Government Ministers or officials about the Levelling-up fund or any other issues pertinent to your brief?

Vaughan Gething: Not on the Levelling-up fund. I have had some engagement with UK Ministers on trade policy, borders and some of the issues around the new trade deals, but also on ports, in which I know you have a constituency interest. Equally, there are significant issues around ports and the economy in Wales, and particularly the island of Ireland, but not directly on this. I have written to Luke Hall, who I understand you are going to be meeting during the course of your inquiry, about the way the Levelling-up fund is supposed to work.



Q23 **Chair:** Thank you very much. You mentioned ports. The Secretary of State for Wales last week in the House of Commons seemed to intimate that the UK Government were intending to push ahead on their own with rolling out a freeport policy in Wales, without the involvement of the Welsh Government. What is your understanding of the current situation between the UK Government and the Welsh Government on freeports and where the blockage, if any, lies?

Vaughan Gething: It is not very satisfactory. There is going to be a further letter on freeports from me in the post going to the UK Government. We have had conversations with the previous Ministers about freeports policy, on whether it is an idea that the UK Government want to push forward. To deliver it requires devolved powers. We are not clear about where the Welsh freeport that is being proposed would be. That looks like a very competitive process. There will be wasted costs for some ports in the bidding round. But also the offer is £8 million for a freeport in Wales versus £25 million in England. I don't see any reason why Wales should be sold short for £17 million and told, "Here is a freeport that we want to deliver. We will use your powers and we require you to use your budget to make it work". That doesn't appear to make a lot of sense.

It is not a satisfactory position. We have set out our position and the questions we want to have answered, but there has not been an answer yet, so it is not a helpful position to be in. I think this gets us to a position that we don't want to be in, with the two Governments arguing with each other, rather than sitting down and saying, "Can we talk about where we really are?" We do not want the view that, "You will do as you are told and you are going to use your money to deliver what we want." That is guaranteed to cause conflict.

Q24 **Chair:** Minister, thank you for answering that question. We will come back to the Levelling-up fund and the Community Renewal fund. From the information and the data that you have seen, are you satisfied with how previous European Structural Funding was used in Wales? Is the position of the Welsh Government that you would prefer this new funding to be modelled on the status quo, or do you recognise that there is a need for some change?

Vaughan Gething: We recognise that there is a need for improvement. When you go back over time, you can talk about all the things that have been achieved and the way you look to improve each time. One of the consistent criticisms has been that there were too many projects without a big enough regional and strategic focus. That is something we took account of in the consultation we undertook with stakeholders, including businesses, staff representatives and local government, in delivering our regional framework for investment in Wales. That was predicated on the back of the headline pledges made about the same funding being available to Wales. When we did that, we looked at having a more strategic regional approach.



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We have tried to learn from having a less bureaucratic approach, clearer targeting and a bigger regional profile and benefit. We now have a proposal that has taken no account of the work that was done with stakeholders and is posing a much more localised and atomised approach. My concern is that the lesson learning from European funding has not been taken on board, and that is deliberately an attempt to circumvent the Welsh Government's role and the consultation we have undertaken with our stakeholders.

Q25 Ruth Jones: Thank you very much, Minister, for joining us this morning; your time is much appreciated. I am interested in the levels of engagement and consultation and discussions that you have had with the UK Government in terms of the development of the Levelling-up and Community Renewal funds. How would you describe that experience?

Vaughan Gething: It has not been a positive one, because essentially what has happened is that we have been told what the UK Government are planning to do; not an engagement around how that could work and how to improve it, and not even an attempt to discuss the very open engagement with our stakeholders that we undertook from February to June last year as to how we design a new regional investment framework.

The meeting that did eventually take place, with the Secretary of State for Wales and the Secretary of State for Housing, Communities and Local Government in the UK Government, was not a serious engagement of, "What do you think? Here's what we're thinking about." It was very much, "We're going to do this." That is not engagement. The way that the format has been set out is a direct relationship with the UK Government and local authorities and no role for the Welsh Government. There has been a suggestion that there be some sort of governance role, but there is no meaningful role in the way that has been set out. I made it clear in my recent letter to Luke Hall that this is entirely the wrong place to be.

There is an opportunity to reset that, though. If there is replacement funding, we both want to make sure that we deliver on the promise of not losing any of the money but also to make sure that that is delivered effectively and the use of the differing powers that the UK Government and the Welsh Government have is used in a way that provides maximum benefit to Wales.

Ruth Jones: Thank you, Minister. That is very helpful.

Q26 Geraint Davies: Minister, I want to ask you about what your concerns are about UK funding in general going directly to local authorities as opposed to via the Welsh Government through the Barnett formula.

Vaughan Gething: There are two different things there. On the one hand, if you have a big pot of money and then you Barnettise it, Wales would lose out from that because we got much more than a Barnett share. The average money would be about £375 million a year if the



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same money were coming to Wales again, so Barnettising the money is a problem in any event.

There is then also the deliberate attempt to work around the UK Government. Powers that have been exercised for more than 20 years in Wales are now being deliberately chosen to route in a different way. The challenge of going directly to local authorities, the people that meet with bids, is both the engagement of local authority—the tail end of the evidence you have just had from members of the WLGA—but it is also about what that means for those bigger structural areas, not just our own regional framework.

Thinking about higher education's role, the money it got, the money for innovation, research and development, funding for big strategic programmes like apprenticeships; those things you cannot do through investing in a local authority lens, which would undermine the way that those programmes work.

If you think about it on a national level, of large figures of apprenticeships and traineeships being delivered, within each local authority area you could look at the number of apprenticeships being delivered, but if you undermine the national programme, those things are unlikely to happen. The same thing for the larger strategic choices like the Development Bank of Wales as well. There are significant challenges.

Going back to the Chair's initial questioning, in recognising that we could improve the way we use European moneys in having a more regional and strategic approach, this approach atomises that approach and puts them on a competitive basis not a collaborative one, so I am genuinely concerned, regardless of the exercise of powers. The way the programme is being set up is almost guaranteed not to deliver maximum benefit with the money.

Q27 Geraint Davies: Can you think of any circumstances in which it would be appropriate for the UK to invest directly in Wales? I am perhaps thinking of the amount of money in railways, for instance. We do not really get our fair share in railways.

Vaughan Gething: I was going to say railways are a good example where it is UK infrastructure. We can be honest that Governments over a long stretch of time have not invested in UK rail infrastructure, particularly in Wales and our share of it. If you look at other projects with significant infrastructure investment—HS2, for example—that is a net problem for the economy in Wales. We do not see the same level of rail infrastructure in Wales. I would much prefer it if we could work alongside the UK Government on a range of these things.

The Secretary of State's speech on the plan for Wales did not involve the Welsh Government. He talked about the Global Centre of Rail Excellence in the Dulais Valley. That is a Welsh Government-led project where the UK Government have put some money in, so we are working together but



it is presented in a way as if there was no role at all for the Welsh Government leading on the project. That is unhelpful and confusing.

We can work together and I also think we should expect the UK Government to take seriously their unique responsibilities for investment and work alongside us and the powers that have been devolved for more than 20 years.

Q28 Geraint Davies: In a nutshell, is it strategic infrastructure that has a UK bearing, as opposed to atomised money directly to local authorities? Is that your view?

Vaughan Gething: I think there should be much more focus on working with us and identifying and then investing in those strategic areas where only the UK Government can act, and working alongside us and not roll over the Welsh Government and act as if we do not exist.

Q29 Beth Winter: Thank you, Minister, for giving us your time this morning. Building on the previous question, do you feel that the Levelling-up and Community Renewal funds represent an encroachment on the devolved competence by the UK Government?

Vaughan Gething: It is a very direct and obvious encroachment on devolved competence and influence. That almost appears to be an objective, which is unnecessarily confrontational.

For those of us who also believe in the future of the Union, it is really unhelpful. The last thing you want is to have the Welsh Government, created by the people of Wales in two successive referenda, successive Governments of Wales extending out where the powers are, a Government with a new mandate, and straightaway there is a pretty obviously confrontational approach in looking to override devolved powers. It is what it is and there is no point pretending that anyone is happy.

Q30 Beth Winter: Given that the discussions have been limited with the UK Government, are the Welsh Government pushing for further discussions to try to address these concerns? You did mention that you feel it is difficult to reset the situation. Can you elaborate a bit on how you envisage the future?

Vaughan Gething: In the letter that I sent to Luke Hall this week, I did set out where we were and that we think it is unhelpful and there does need to be a proper role for the Welsh Government, but also that we are happy to engage. That has been the conversations that have taken place not just in writing but in the regular meetings between First Ministers across the UK and Michael Gove in looking to reset the relationship rather than have a confrontational approach. That is great for headlines but not great for getting on and doing the job and delivering greater economic benefit to Wales.



There is an opportunity to recognise the mandate that the Welsh Government have, the powers that have been chosen by the people who chose the Welsh Government and let's do this properly. I would much rather argue about who is delivering the greatest benefit, than argue about who is trying to override or overrun the settled will of the people of Wales.

Q31 Tonia Antoniazzi: It is lovely to see you in your new role, Vaughan. Congratulations. My question is quite simply. You have been talking about working together and collaboration with the UK Government. Would you have preferred a joint-funding approach similar to that of the City Deals, and do you think that they have worked well?

Vaughan Gething: The City Deals are still in development. They are in different stages in different parts. They also have slightly different make-ups in how they are constructed and how they have chosen their priorities. What we have delivered, though, is in our regional approach that we consulted on and agreed, so you now have these joint committees at a local authority level that involve all partners. We think they are the right way to deliver a regional-based approach where local authorities know that partners can agree together.

We could have agreed with the UK Government—and we could still agree—a way to agree objectives about how the money will then be used, rather than simply an imposition of that. That would be a much more fruitful approach. It would make sure that all stakeholders and partners are involved, because there is a real risk that those sectors that currently have moneys and have relied on them will not get them—higher education being an example and the voluntary sector as well. There is a danger that we will end up dissipating the impact of the money, regardless of how much it is, as well as the clarity on how much money is going to come. At the moment, it still looks like a really big funding cut.

Q32 Chair: Before I bring in Geraint Davies again, Minister, one of the points that UK Ministers have made at different times around devolution in Wales is that the Welsh Government do not devolve downwards to local government, for want of a better expression. I have heard it said that these new funds that are being used are about enhancing the role of local government in Wales and that the Welsh Government should do more to work with local government and give real powers and spending responsibilities to local government. How do you respond to that?

Vaughan Gething: I simply do not accept that we refuse to provide powers to local authorities. You will know this. If you look at a local authority in England compared to Wales, we protect their funding, we have given them more opportunities to do things and we have worked with them. I did not hear all of the evidence from the WLGA, but we have worked very collaboratively with them, and not just through the pandemic but progressively. They were key partners in designing the regional framework for investment, where they will have a bigger role in



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determining those regional priorities and local priorities, so I just do not think it stands up.

The second point is that if UK Ministers do not like the approach of the Welsh Government, the answer is not simply to say, "We'll ignore the election results of people in Wales when it comes to voting for the Welsh Government." If you want to change the Welsh Government, win an election. People have just voted and we got a mandate. The answer cannot be that a UK Minister in Whitehall says, "I don't like how you are using your powers so I am going to change the outcome." But that is essentially what is happening.

Chair: Before I bring in Geraint, Robin Millar wants to ask a supplementary question to Tonia's previous question.

Q33 **Robin Millar:** Mr Gething, congratulations on your new role, and may I also take this opportunity to say thank you for what you did in your previous role for citizens of Wales? I note your comments about the development of City Deals. I am curious to know whether you feel that there was scope for extending City Deals, either in their scope and what they take on, or in terms of the amount of funding that goes through them.

Vaughan Gething: The reason we have designed this regional investment framework is because there is a network of how people work together that is already being developed. It is going to come into force and it will be statutory within a year. That then means that the joint working that is taking place in City Deals—and is different in different parts of Wales—will have a more consistent footing about how people work together.

I would like to see more investment in Wales from the UK Government. Under City Deals, the Regional Growth Deals are allowing some of that to happen, but that is not a replacement for European funds. The £375 million a year that would otherwise come to Wales is not being replaced like for like, either in the Growth Deals or, indeed, in the Levelling-up funds in whatever form they are stated. It still looks like a big cut.

I would be happy to have a constructive conversation but it does require good will and a commitment to give Wales the funding that it deserves, following the statements that were progressively and persistently made by UK Ministers who said that Wales would not lose out on any money. That is exactly what appears to be happening.

Q34 **Geraint Davies:** Minister, are you content with this idea from the UK Government that the Welsh Government would only be consulted as appropriate to avoid the duplicate of funding?

Vaughan Gething: No, and it is this problem about what is "as appropriate." There has been no discussion with us about any of this and we are talking about the use of devolved powers here as well. That is the point that I am trying to get over: that people are not fools when they



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write this stuff down and say that. If you are looking for a confrontation, it is a good way to start one. If you are looking to deliver greater benefit, have an open conversation about the resources that are available, about the mix of powers to make it work and how we could do it in a much more collaborative manner. Otherwise, we are guaranteed to have conflict.

If you are really finding that UK Ministers are making these choices directly, I do not think that is going to lead to the best form of decision making. We have just had direct engagement with stakeholders across Wales on designing a better approach for the future, as opposed to a much more individualised one that deliberately circumnavigates the Welsh Government.

Q35 Geraint Davies: How would you like to see us move forward now from where we are, and how much should the Welsh Government be involved? How would you like to see it go?

Vaughan Gething: We should reset the relationship and have a proper role where there is governance where both Governments are involved, where the framework that we have invested in is then used to deliver that more strategic approach that our partners are ready for, and the expectation, then, that the same moneys that came into Wales will continue to come into Wales as well. Otherwise, we will have Governments arguing with each other, not a joint approach, not joint agreement on how those moneys will be used, not a proper governance role and bids are going to be used against strategic priorities. You are guaranteed to have not a conflict between Governments but a less effective approach.

Q36 Virginia Crosbie: Mr Gething, congratulations on your new role. I am very much looking forward to working with you. My question relates to freeports. We had the UK Government's commitment to at least one new freeport here in Wales. The prospectus for England was released back in November and they announced eight new freeports in England during the Chancellor's Budget in March. There is concern here in north Wales that we are going to see freeports such as Liverpool booming, whereas we have months and months of delay and we have companies such as Tratos knocking on the door looking for Anglesey to become a freeport, to invest here. That means hundreds and hundreds of jobs and investment that north Wales so desperately needs. Are you committed to at least one new freeport here in Wales, and what is the timescale?

Following on from your comment about the £25 million, I understand that, in terms of making taking the £8 million to £25 million, additional funds will be coming to the Welsh Government under increased investment in MHCLG, so you will get that additional £70 million under the Barnett consequentials.

Vaughan Gething: No, that is not my understanding and I do not know if that is correct. On the announcement about freeports in England, it is a



place-based investment in eight different venues in England. It is not just Anglesey that it will be interested in. You could see Milford Haven, Cardiff, Newport and a range of others that want to bid. You guarantee, then, that those places, if they bid, will not all be successful and there is a challenge about what you do at the end of an unsuccessful bid. There is a challenge about the competitive bidding round. I understand, though, that part of the challenge about freeports is that they could produce a benefit around that place but they also displace activity. I understand why across north Wales people will be concerned about the Liverpool region having a freeport.

But the reason is not because the Welsh Government have refused to engage in this; it is because the offer that is made is an offer on the cheap. The idea that genuinely new money goes into a place-based intervention in England but Wales is expected to use its Barnett consequential share for other matters is going to be used this way. That is simply not the way the Barnett formula works; it is not the way that it is supposed to work and it is a deliberate attempt to demand the use of devolved powers and a devolved budget to deliver a UK objective.

We are open-minded enough to have a conversation about freeports. We are not delaying a freeport decision in Wales, but we need to have the same offer that every other part of England is having, with the same amount of moneys, the same amount of support and a proper role for the Welsh Government with devolved powers that, after all, need to be used to make freeports work, whether in Anglesey or another part of Wales altogether.

Q37 Chair: Thank you, Virginia. We are rattling through the questions this morning. Can I question you on a slightly broader front, Minister? Obviously, you are new in post and you have had a bit of time to think about what it is you want to do in the role. How would you describe your top two or three priorities? What are the things that perhaps keep you awake at night, as the Economy Minister of Wales? It is one of the biggest posts in the Welsh Government.

Vaughan Gething: The biggest issue is our recovery from Covid. The pandemic is not over yet. There is definitely light at the end of the tunnel but we are still in the tunnel. We are moving out of it and we know that it has been a huge public health challenge. It is also an economic challenge in terms of the paused activity, the return to activity, safely reopening the economy and what happens in the future.

The unknown challenge is the changed world of work, because some people have got real benefit out of working from home while others have found it challenging. The balance of what we do will have a big difference in how we invest in the future. Lots of city-centre development has been predicated on office workers, and that change in behaviour that we do not yet understand will make a big difference to what we choose to invest in in the future.



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One of the other big things that really bothers me is the subject that we are discussing. When you think about how we manage to deliver a significant step forward in the Welsh economy, not just with more work but with better work, we know that investing in skills, for example, is one of the big things to do. That is both skills for leaders and managers as well as the frontline workers. If you undermine the apprenticeship programme we have—no party came into the Welsh election saying it did not want to deliver more apprenticeships, but a huge slug of that money comes from European moneys. If that is not replaced in a way that can deliver a national strategic programme, you will undermine the ability to deliver those apprenticeships and that will have a significant impact on our economic future.

The uncertainty is one of the big challenges for me. Resolving that and making sure we do not just talk about how we change the Welsh economy but actually do that; those are the big things that I am interested in making a difference with and for. Because we do gain great benefit from our position within the wider UK bloc. I want to see that being made real and not move into a place where we are saying, “There is more confrontation and less ability to do our jobs successfully”, and improving the number of people not just in work but in good-quality work. As I know from my former run in the health service, health matters are almost always better when people have a better income stream and a better quality of life.

Q38 Chair: Thank you. I will bring in Geraint for another supplementary question in a moment.

Can I ask you about the Union? We had the First Minister in front of this Committee several weeks before the Senedd election. He spoke about his vision of the Union and supporting the Union. One of the lines of thinking behind the Levelling-up fund and the Community Renewal fund that we are discussing this morning is this idea of the UK Government protecting relevance and visibility again in the devolved nations. Your Government have been elected on a broadly Unionist platform. Do you feel any sympathy towards this viewpoint that the UK Government somehow need extra tools and levers to be able to project the relevance of the UK Government in the devolved nations as a way of cementing support for the Union UK-wide?

Vaughan Gething: No, I think it is a mistake. It is a mistake because, as I said, there has been a settled will to create devolution, democratic devolution, with the increase in the powers and the reserved powers model. Again, there was a second referendum on the share of powers. To then say that the UK Government, in order to cement the Union, is going to take some of those powers back is a big mistake. It guarantees unnecessary confrontation. It is a mistake to think that the UK Government are not relevant unless they do so. When you look at what has happened through the pandemic, the reality is that the furlough scheme made a huge difference across the UK. That was a UK



Government scheme, it was a scheme that only the UK could have delivered.

There is already direct relevance as well in those areas where the union is plainly directly relevant as well, in the benefit system and in large parts of our foreign affairs, so I do not think they need to do that in order to project the benefit. They are choosing an argument that I do not think needs to happen and it will promote people to think again, "Do we need to be part of this?" rather than, "I'm glad that the Union exists." We see them redistributing wealth and opportunity across the UK.

Q39 **Chair:** Given the answer you have just given, am I right in saying that you are happy to be described as a Unionist?

Vaughan Gething: I believe in the future of the Union. A reformed Union could and should deliver for Wales and the whole UK. I am not someone who is instantly attracted to independence. Wales could be an independent country but I think would automatically be a poorer country.

Part of the challenge is this: are you in politics for a constitutional future or are you in politics to make a difference with and for people's lives? Social justice is what drove me into politics. I think that the devolved settlement can help to deliver social justice, but I do not think the current approach of the UK Government is going to achieve that. I am concerned that it certainly will drive more and more people to look again at arguments over independence. Yes, I believe in the future of the Union. A reformed Union could and should deliver for Wales and the UK. That is very clear.

Chair: Thank you very much. Geraint, very quickly, and then I want to bring in Ben Lake with a supplementary question.

Q40 **Geraint Davies:** Do you think that the UK Government might be better focusing on delivering UK strategies, such as net zero, climate change and so on, by investing more and giving more opportunity for Wales to develop what are electric railways or lagoons and so on, to play a bigger part with a more flexible methodology to enable us to be a bigger part of the UK rather than focused on atomised local authority schemes?

Vaughan Gething: There are lots of benefits in working together with the UK to look at big, wide priorities. In one of my earlier meetings, I went to the UK Steel Council, and the industry is looking seriously at how to decarbonise steel. That is a big interest for all of us here in Wales; not just those with plants, but lots of us will have workers who either travel to industries who either create steel or use steel.

It makes sense for us to think about how we help the industry to decarbonise and at the same time maintain well-paid jobs. Lots of that is within the UK Government's sphere, but a good amount is also within the Welsh sphere—rules on procurement, for example. That is an area where we could and should do more together. The current approach from Kwasi Kwarteng is one where he says he believes in the future of steel and



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wants to help that move forward. That is a good example of working together.

On marine energy, there are lots and lots of opportunities. Interestingly, the Morlais project across north Wales is largely supported by current European funds. That is an example of a big strategic project that would not necessarily get through some of the local authority-led bids. Again on that, there is a need to work across the UK and to think about UK responsibilities as well as the Welsh Government ones. That is where the biggest opportunity is and where we should be concentrating our energies, not in the current way. But there is, as I say, a rather more confrontational approach.

Q41 **Ben Lake:** Diolch, Chair, and thank you, Minister, for your time this morning. You referred earlier to the UK Wales Office's plan for Wales. Do you have any initial thoughts on the contents and does any of it inspire you?

Vaughan Gething: I would not say that it was something that I found inspiring. I would say it was something that I found of interest, and things that are interesting are always positive. There are lots of things in there that we would not disagree should be priorities. I mentioned the Global Centre of Rail Excellence earlier. That was presented as a UK Government priority when actually it is led by the Welsh Government. There is UK Government funding support for it, so that is an example where you could and should be working together, but it is the Welsh Government who are leading on it.

The danger is that you set out this contradictory path and then it does not help the business environment, because most businesses say they want clarity, certainty and stability in a policy framework. If you have contradictory sources of information and Governments essentially competing with each other in the same space, that does not help. We need to see that on business support and advice we have a single brand in Business Wales. We need to agree how we can make that better—and it is supported by European Union funding—rather than looking at how we have an entirely different approach that is run and managed by UK Departments.

It would have been better if the Secretary of State for Wales's plan for Wales had involved the Government of Wales. It would have been a much better document, a much better outcome. We could have had agreement on a range of areas rather than the current position that we find ourselves in.

Q42 **Ben Lake:** In your experience, certainly as Health Minister in the last Senedd term, I assume that co-operation and collaboration with the UK Government can happen. With regard to the economic sphere, are there any particular ways of working that you think could be taken off the shelf and would improve the way in which some of these plans and this way of working happens for Wales? I know there has been quite a long-standing



discussion and intergovernmental relations and how to improve them. We had a session last week with other Committees about the Dunlop review. I am interested to hear from your experience, official-to-official level but of more interest to us is the ministerial Government-to-Government political side. Are there ways of working that you may have experienced in the past that may well serve us quite well in the economic sphere as well?

Vaughan Gething: Some of this comes down to regular and informal contact. Officials do regularly talk with each other and they are often constructive conversations. The challenge then comes about decisions that are simply made and then you are informed of decisions, as opposed to being engaged and involved around them.

In the health sphere, there were regular meetings between Health Ministers. You had the four Cabinet Health Ministers from across the UK, of very different political backgrounds, but having a constructive conversation. We did not always agree but it was better for us to be talking, and we did work through an improvement in the way some of the infrastructure then worked around getting through the pandemic.

We will all have opportunities to answer questions in our respective Parliaments and when the UK inquiry starts to talk about what we have done, but I think the fact that we carried on talking with each other meant we got to a better point. I also think that some structure around that is helpful as well. If it is all about the goodwill between the four people, that does not help things to work in the future if someone takes a different view.

I do think the intergovernmental work is important, so you have regular and deliberate touch points between the Governments to talk about how you can share and improve what you are doing. I know that you will take a different view on the constitutional future of Wales, but that is a much better way to deliver benefit and, for those that do believe the Union should have a future, it is a much better way to draw the Union together in a way that makes sense.

Q43 **Ben Lake:** I have one final quick question, if I may, Chair. Would it be fair then to say that from your experience we need to avoid falling down the hole of thinking that intergovernmental relations on a political level need to be these high-level, high-priority events that happen perhaps less frequently but there is a benefit here of looking at the more regular informal side of things as well, provided that there is some form of structure to support the discussions?

Vaughan Gething: The regular engagement does help. It means we are less likely to have a row but you do need some structure around it as well. The meetings between First Ministers and Michael Gove are helpful. It does not mean that we always agree and there are still some frustrations about what then happens, but we would be in a much worse position if we were not doing it.



If you think back about the pandemic, there was a period of time when that engagement simply did not happen, and I think that the public dialogue was worse for it. The messaging to the public was more confusing and more contradictory as a result. Certainly, we are learning about how to do that effectively in the future: the nature and the regularity of the contact between UK Ministers and Welsh Ministers and then what structure is around that for the formality bit as well. I think we would all gain real benefit from it.

Ben Lake: Diolch yn fawr. Thank you.

Q44 **Beth Winter:** I want to pick up on the Shared Prosperity Fund, because the Community Renewal fund is seen to pave the way and it is about £220 million, which is about £1 billion less than we were getting under the EU Structural Fund. What involvement, if any, or discussions have you had with the UK Government on the Shared Prosperity Fund?

Vaughan Gething: I have not had direct discussions with the UK Government in the first two weeks but, as I say, I have written about the way that Shared Prosperity Funds are due to be exercised in the note that I referred to that went this week. That does stake out our position on what we would rather see, both in terms of the challenge about the amount of money, because we think that at the moment, in the next year, Wales might receive between the Community Renewal fund and the Levelling-up fund £30 million to £50 million, and what the headlines that have been given out and what we can expect.

That would be, from the start of January 2021, £375 million that we would otherwise have expected. That is a really significant cut in the money. It is just not correct to present this as an entirely new set of money and making sure that the funding commitments that were given are being delivered. It is then about the longer term future where we will expect more money to be delivered through this UK approach but still how that money is used. It is about the amount and it is about the use of powers as well. We could find a better way to work on both of those but it requires people to keep their promises, frankly.

Q45 **Beth Winter:** Could you just elaborate slightly, in terms of any concerns you have about the impact that a reduced amount of money would have and also in terms of meeting the needs? It is also about the process, as you already mentioned.

Vaughan Gething: I will give you an example. It is my understanding, Beth, that across RCT the Development Bank of Wales has made 29 investments in the last six years. That potentially is undermined and the Development Bank may be significantly cut back. There have been 8,000 apprenticeships and traineeships supported by this source of money in the last six year just in RCT. That is a significant difference if that programme is cut back. Peter will correct me if I am wrong, but I think about 40% of our apprenticeship programme is supported by moneys that came from Europe. That is a very big deal.



If you can look at the figures for each local authority as well as nationally, they do show that the money that originally came through our membership of the European Union, if that is interrupted in terms of the amount it affects what we can do, but if the way that it is organised is atomised and deliberately circumnavigates the Welsh Government in a deliberately regional approach, learning lessons from a previous funding round to deliver greater benefits, we may well get less value for the money as well.

There is no guarantee, of course, that in a competitive bidding round we will gain the same sums of money for Wales. Those are some of the concerns that local authorities themselves have, as well as who is making the choice and what they understand about the nature of relationships and the policy framework in Wales.

Q46 Virginia Crosbie: I have a supplementary question regarding the methodology for calculating the allocation of funds. We have got the LUF, and 17 out of 22 local authorities are in category 1. For CRF, 11 out of 100 have priority status. In terms of the allocation of funds, I would be very interested in your thoughts on that.

Vaughan Gething: It is not entirely clear how the priority mechanisms have worked and we wouldn't agree with the way some of those parties have been chosen as well. When you look at the methodology across the UK, Richmond is category 1 but Caerphilly isn't, so I do not quite understand how that works on an objective basis.

Again, if this was something where the Welsh Government were involved in having a conversation about how priorities are chosen, we could have an approach that matches up with the devolved framework rather than simply choices being made and then we are told, "This is what you are getting." I do not think that is the right way forward.

Q47 Chair: Thank you very much. I understand that the UK Ministers, who are our third panel this morning, are ready to join the call, so we can wind down this part, if that is okay. Minister, we are grateful for the time that you have given us and we hope this will not be a one-off. We hope we will have other occasions when we can ask you questions and discuss some of these issues of mutual interest and concern.

Given that we are moving on now to the UK Ministers, Minister Gething, is there any message that we can take and pass on to the UK Ministers in the next few minutes from you?

Vaughan Gething: I think it is that the way we have been going is not the way to move forward if we want to achieve maximum benefit for Wales and the wider UK. With good faith on both sides, we could reset the relationship and have something that works and respects devolved powers, where the Welsh Government and the UK Government can work together. I would much rather have that conversation than where I think we are headed at the moment.



I am happy to come back to the Welsh Affairs Select Committee in the future. I believe that relationships between the two Parliaments are a good thing and I am happy to talk to you again in the future.

Chair: That is great. Thank you very much, Minister, and thank you, Peter Ryland—I am sorry we did not get a chance to hear directly from you but we appreciate your support today as well. Thank you very much. We wish you a good day.

Examination of witnesses

Witnesses: David T.C. Davies MP, Luke Hall MP and Kate O'Neill.

Q48 **Chair:** Good morning and welcome to this third session of this morning's meeting of the Welsh Affairs Committee looking at the Levelling-up and Community Renewal funds in Wales. We are very pleased to be joined in this third session by Minister Luke Hall, Minister David T.C. Davies from the UK Government and Kate O'Neill, who is Director of Policy at the Cities and Local Growth Unit.

Minister Hall, if I may come to you first, I do not know whether you had a chance to hear any of the evidence from Minister Vaughan Gething in the Welsh Government, who made a plea really to the UK Government for partnership working and dialogue. Why, when it comes to the Levelling-up fund and the Community Renewal fund, have the Welsh Government been ditched as a partner in delivering these?

Luke Hall: Good morning. Yes, I did catch a bit at the end of that evidence. There are a few reasons why we have chosen to deliver this fund in the way we have. I would not agree with the characterisation there. First, we see it as our role and responsibility as a Government to deliver our manifesto commitments right across the UK, so delivering the Levelling-up fund and the UK Community Renewal fund are key tools to help us do that.

Secondly, delivering the funds in the way we are maximises the strategic benefit we have as a UK Government, so the ability to work across borders, to deliver funds to the places that need it the most. If you look over the last year at the way we have delivered the Covid support, you will see how we have done that effectively.

The third reason I would say why we are delivering the fund in the way we are is because it allows much more effective cross-border working. For example, if we delivered these two specific funds through the Welsh Government, we would not be able to deliver anywhere near as easily. On joint bidding, for example, we have designed the Levelling-up fund and the UK Community Renewal fund in a way that allows local authorities to put in joint bids across border if they think that is the best thing for them.



Crucially, and possibly most importantly, one of the key objectives that we are trying to achieve here is building strong relationships between local authorities and communities in Wales and the UK Government. That is a key objective of what we are trying to achieve: to bind the Union together and build relationships that we have not had for years, if not decades, with communities in Wales. I think we have sensed so far a huge amount of enthusiasm for the way we are doing it from councils and communities across Wales.

Q49 Chair: Thank you. That is helpful. Minister Davies, Minister Vaughan Gething a few moments ago was very up-front in talking up the benefits of the Union, being pro-United Kingdom. The point that he made to us was about the UK Government seeking almost to airbrush out the role of the Welsh Government, in terms of economic development when it comes to these funds, and that he believes it is undermining rather than strengthening the Union. How would you respond to that?

David T C Davies: I would not accept it at all, and Minister Hall has made a couple of pertinent points. I will add that, obviously, by doing it in this way, we can include the Welsh Government. We can ensure there is greater scrutiny of all projects because, as your Committee is doing now, you will be able to scrutinise everything that goes on. We can ensure that potentially extra money goes into Wales because we are not going to be limited by the Barnett formula, which restricts the amount of money going into Wales to 5%. There is a potential to spend extra in Wales.

The thing that did surprise me a bit about Minister Gething's comments is that we are effectively devolving powers down to local authorities. It is the local authorities that are the driver for this. I read Minister Gething's party manifesto with great interest, as I always do. I think that on page 60 they talk about the importance of devolving powers down to local authorities. This is what we are doing. We are implementing Welsh Labour's manifesto commitment to give powers back to local authorities. They will be in the driving seat for this, and a very good thing too.

Q50 Chair: Before I bring in Robin Millar, Minister Hall, by shifting competence or responsibility from the Welsh Government to local government in Wales, do you believe that you automatically get better projects to invest in, better outcomes? Is that part of the thinking?

Luke Hall: The short answer to that is yes. We want local authorities to have greater involvement in funding. I definitely do not believe it is the Welsh Government or the UK Government that have a monopoly on good ideas for local communities. When you look at the history of all these projects, you see that the most successful ones are delivered by local communities identifying projects that are important to them and coming up with solutions. As Minister Davies said, that is a hugely important part of what we are trying to achieve.

Q51 Robin Millar: Minister Hall, forgive me if I get straight to the point. First



of all, thank you for this scheme. It has changed my relationship with my local authority and residents recognise the UK Government talking to UK citizens and welcome that engagement. The question is specifically about the Levelling-up fund. The timetable requires stage 4 bids to be submitted by 18 June. You have provided sums of money to build capacity in councils to help with that, but that money does not come until after 18 June. I have three very specific questions: first, will there be another round of funding; secondly, will it have the same priorities; and thirdly, will councils who choose to delay to a subsequent round be penalised for doing so?

Luke Hall: Councils definitely will not be penalised for delaying their applications until later in the rounds. In terms of your point about the capacity funding, you are right, this is a huge benefit of what we are doing. It is another good reason why we are supporting councils in Wales with £125,000 in capacity funding.

You are right to say that some councils have flagged up with us that they want that money sooner and we are having conversations about how we support councils in that respect. We haven't made announcements about the timing of the future rounds yet. We are clearly enthusiastic about this first round. I would actually say that so far we have good indications that a large number of Welsh local authorities are submitting to the first round because they will be ready in time for the first round. That is extremely positive. You are quite right to identify that there will be some that will not be ready and we absolutely need to make sure that they have a fair bite at the next round. That is an important part in our thinking.

Q52 **Virginia Crosbie:** Thank you, Ministers, for joining our Committee this morning. The UK Government have been very clearly committed to its levelling-up agenda. What does this mean and what does success look like? First to Minister Hall.

Luke Hall: Levelling-up is about improving living standards and opportunity in some of the communities that have been neglected for far too long under successive Governments right across the United Kingdom. The object is to make sure that wherever you were born, wherever you grow up, you have a fair opportunity to succeed in life. You do not have to leave your hometown just to find a good job and a good future for yourself. It is about creating jobs, increasing productivity, increasing health, education and policing outcomes, especially in the areas where those are not good enough. It is also about increasing community, local leadership, restoring pride in place, all of these important objectives.

What I would say here is that we are putting our money where our mouth is. This is a central Government objective by which we are delivering the Levelling-up fund, which is so beneficial for Wales—£4.8 billion. As Minister Davies said, there is a floor to that money that we are supporting Wales with, not a ceiling. With the Community Renewal fund, the Future High Streets fund and the Towns fund, there is huge progress being made here that is central to the Government's agenda. We will be



publishing a White Paper later this year with even more detail about the policies and the way we are measuring that up.

David T C Davies: Obviously, Minister Hall has summed that up beautifully, but I would like to add one thing. You asked what would success look like. I think it will look like young people in Ynys Môn around 18, even if they go to university, not feeling that they have to stay in Manchester or London in order to make a career; that they can come back to Ynys Môn and have a career there. That is why the Growth Deals are so important as well, which I want to mention.

I visited the Growth Deal projects in Ynys Môn last week and in north Wales. What we saw there was a desire to bring about careers, not jobs. That is what I think success will look like: people having careers, not jobs.

Virginia Crosbie: Thank you. That is very helpful.

Q53 **Simon Baynes:** Thank you to the members of the panel for sparing time this morning. I want to look at the issue of communication, in the setting up of the Levelling-up and Community Renewal funds, between yourselves and the Welsh Government, but also between yourselves and the local authorities, since they are obviously vital to this process. I am also aware that so far in the questions Kate O'Neill has not had a chance to answer as well, so I am keen to bring Kate into this. I will start with Minister Davies. Could you comment on the level of communication?

I have just one other point to make, which is rather picking up on what Robin Millar was saying. I think some local authorities—and certainly this is the experience that I have in my own constituency—are very keen to apply for this but they are not sure that some of the projects that they have are sufficiently developed for the requirements of this fund. My own view is to encourage them to put them forward because in the next phase you can work that up. It is not only the communication I am after in terms of the establishment of the two funds but also in the communication on the application process as well, because I think that is vital over the coming weeks.

David T C Davies: First of all, Mr Baynes, on the issue of communications and relationships, as Secretary of State I have regular conversations with the First Minister. Throughout the last year and the whole pandemic I have been on calls—I would say weekly, sometimes multiple times in a week—with various Welsh Government Ministers.

The direct relationship I had tended to be with former Minister Ken Skates, who I dealt with over the Growth Deals. I had a very good relationship with him. We had each other's mobile phone numbers, which is always a good sign in the world of politics. I believe Minister Gething has written to the Welsh Office. I have the letter and we have responded in a positive way, and I very much look forward to developing the relationship and working with him. I want to kick off by saying he has done an incredibly good job through difficult times over the last year. I



greatly respect him for that and look forward to working with him on the economy, where we both share the aim of developing Wales.

On your second point, which was about the speed at which this has been brought forward, I accept that some local authorities will find it challenging. I think if you look at it, the applications are a lot less onerous than they were under the European Union schemes. The fact of the matter is that we are bringing this forward as quickly as we can. We do not want any delays; we want to get those projects out there and see them developed.

Q54 **Simon Baynes:** Thank you. The same question to Minister Hall, please.

Luke Hall: Thank you, Mr Baynes. I echo those previous points. First, I think what we have tried to do since 2016, when we started to think about the success to the EU Structural Funds, is start to engage early about how to deliver them. There has been conversations going on over a number of years about how we design the successor to these funds. We have held engagement events right across the UK—26 of them; five in Wales and a number in Cardiff. We have had 500-plus representations there through that mechanism, including conversations with the Welsh Government in those events as well who have attended. We have definitely been having a lot of conversations here.

The other thing that we have tried to do and tried to look at, local representations and from the Welsh Government, is through looking at the Welsh Government's consultation into replacing EU Structural Funds. We have looked at that. One of the key points that they raised in their recommendations on that piece of work was increasing the involvement of local authorities in the process. That is a key strand of the work that you will see that we are doing. You have heard about how that is improving relationships in lots of different ways. We have taken that point as well.

Importantly—I would agree with you, Mr Baynes—this is not just about the Welsh Government; it is also about local authorities and communities. They have been putting in that same mechanism and same process through the engagement events and in other ways too.

You highlighted the deadline and the nature of the process; we have spoken to all local authorities in Wales as well since the launch of the competition to make sure that they have the information they need. Clearly, if local authorities want to have more official-level conversations with Kate and her team, absolutely, we can do that. There is good evidence so far that it is working because there is a higher proportion of local authorities in Wales who are submitting to this first round of bids than, I think, anywhere else in the UK. We have 13 out of 22 local authorities in Wales who are submitting, so it is good.

Chair: Thank you, Minister. I am sorry, I am just very conscious of time. We have a lot to get through. Tonia Antoniazzi.



Q55 **Tonia Antoniazzi:** One of the things that was brought up earlier with our local representatives, the council leaders, was the competitive nature of these bids that have been put in. It is at a UK level. There is a risk then that no local authority in Wales could be successful. Is there some formula that will ensure there is a quantum of the funding or that there will be some parity, Minister Davies?

David T C Davies: My understanding is that that is not correct, and that actually the UK Government have said that at least 5% of the original bids will go to Wales. The Minister is nodding so I will quickly pass the ball over to him.

Luke Hall: That is absolutely right. There will be a minimum 5%, as we have said already, in this first round of the Levelling-up fund that will be allocated to Wales. If you look at the amount of local authorities that are priority placed No. 1 in Wales, 77%, which is higher than Scotland or England, and it is very likely that they will do better than that 5%. The important thing is to say that is a floor rather than a ceiling, whereas if we had monetised it just would have been the flat 5%.

You asked about the decision-making process. There is also a mechanism in the process for us to make sure as Ministers, when we are looking at these funds, that there is a fair distribution across the UK. We can take that into account in the decision-making process. It is by that means that we will make sure that at least 5% goes into Wales.

Q56 **Tonia Antoniazzi:** Many colleagues have expressed concerns to us about MPs whose constituencies straddle two counties being allowed to support one bid only. Would the bid be disqualified if they supported both that were going from both of the local authorities, and what will happen about subsequent years and the support and follow-up bids, maybe if it was in one or the other of the authorities? I have spoken to Minister Davies about this and I wondered if there was any clarity around that.

David T C Davies: Yes, Ms Antoniazzi. I did look into this issue. It is not correct, as I understand it, that the bids would be cancelled but it is correct that MPs are encouraged to back one bid only, which meant that if MPs backed two bids their letter effectively would not count but the bids would still stand. That is my understanding of the situation following your question.

Q57 **Tonia Antoniazzi:** In the subsequent years, will they have to stick with that one authority or is there flexibility in that?

Luke Hall: May I answer that one? Just to be clear, a Member of Parliament can formally back one bid that is taken into account as part of the process. They are allowed to prioritise one bid through the process and that is to reflect the convening role that they have as an MP in their community. They can back other bids in the normal way. It will just not carry the same weight in the process. Formally they can back and prioritise one bid but if they want to write letters of support to us they can.



If that bid is then successful—so let's say an MP and local authority bid into round 1 and they were successful—essentially that is it for that constituency for the remainder of this fund in this Parliament, so you can be successful once in delivering a project and a fund in this Parliament. There is no second bid if they are successful. If they are unsuccessful in the first round, they can either resubmit an improved bid or a separate bid in a second round of funding and they would be able to back the bid in the same way they did in the first round.

Q58 Geraint Davies: Minister Hall, you mentioned earlier that the Covid response was done effectively and that was devolved in Wales. Can you tell us why, when the Levelling-up fund was originally designed to be England with only the Barnett consequential for Wales, that policy was reversed and now it is England deciding what is happening in Wales unilaterally?

Luke Hall: Because of all the points I mentioned earlier. When we looked at the funding—I think we need to take a step back. The purpose of the Levelling-up fund is to drive regeneration in those places that need it, and clearly that is why it is across the UK and not just Wales. We thought that there were strategic benefits to us doing this right across the country. It allows cross-border working, so you have those joint bids in different places, so there is much better community engagement involvement. Finally, there is a much better deal for Wales because there is a funding floor rather than a ceiling at 5%. We provide the capacity funding as well. We thought this was a much better deal for Wales in lots of ways, but it also gives those other benefits too. Crucially, for us, is that local authority engagement and improved relationships.

Q59 Geraint Davies: Wales has historically received something like £375 million from the EU, and the Levelling-up fund and similar funds are supposed to be the successor to that. Can you give an undertaking that Wales will continue to receive the same quantum of money? Our previous witnesses were concerned that we were talking about £30 million to £50 million for Wales when we had been talking about £375 million?

Luke Hall: It is important to be clear about the different funds. The Levelling-up fund is a new fund. It is investing in those things we have talked about. It is not a successor to EU Structural Funds. The Community Renewal fund is about piloting new approaches. There is also the UK Shared Prosperity Fund, of which we have published the heads of terms and are still working out the detail. But we made a commitment in our manifesto that each nation would receive at least the same amount as under the EU Structural Fund. The funds are quite distinct.

Q60 Geraint Davies: Is it true that the global amount of money going to Wales will not be any less than it was in previous years?

Luke Hall: Under the UK Shared Prosperity Fund, that is the—

Geraint Davies: All three, yes?



Luke Hall: It is a very different and distinct, but essentially—

Q61 **Geraint Davies:** I know that. I am asking whether Wales will have less money overall when you combine these different funds.

Luke Hall: The commitment we made was to replace the Structural Funds at a minimum matched amount. That stands. That is absolutely correct. The answer to that question is yes. On top of that, there are now additional, new funds through the Community Renewal fund and the Levelling-up fund.

Q62 **Chair:** Minister, can I be absolutely clear? Sorry Geraint. Minister, are you answering “yes” to Geraint’s question that overall Wales will get at least as much money as it had in previous rounds of EU funding?

Luke Hall: Yes. Our manifesto commitment on that point stands. There is no discrepancy there. Then there are new funds being delivered on top of that.

Chair: Beth Winter has a supplementary question.

Q63 **Beth Winter:** I want to make a quick comment initially, to express my disappointment—

Chair: Very quickly. There has to be a question.

Beth Winter: Yes, it is disappointment that the Secretary of State has not joined us today, which we did request, and also that the time has been curbed.

We have had three sessions this morning and the positive message that you were putting across does not reflect what the local authority leaders and the Welsh Government have been saying: that significant concerns have been expressed about the lack of involvement of elected representatives in Wales, the competitiveness, the quantity of money that has been allocated, the timeframes, and the methodology. What is your initial response to those concerns? Will you now review the process, particularly with the next steps for the Shared Prosperity Fund, to ensure that a collaborative approach takes place?

Luke Hall: Realistically, you have to take each of those points in turn to get at the substance behind them. I will be very quick. There are a number of issues there.

On engagement, I think I have already laid that out in quite a lot of detail. We want a constructive relationship with the Welsh Government. That is why we are setting up an inter-ministerial group to have regular conversations with Welsh Ministers, just as we have done since the Budget, with webinars, direct discussions with the Secretary of State, my Department, and others.

On the funding mechanism—the Chair has asked me to be quick—I will address any particular points. On the UK SPF, of course we will continue



to have discussions through the IMG and other fora. I am happy to address particular points.

David T C Davies: May I quickly say—I don't want to generate a political row; that is the last thing I would ever want to do—that I have had many conversations with local authority leaders of different political parties and they are very positive about it. They have told me very clearly—and I could name names but I do not want to; in each case it was a private conversation—that they are delighted to be able to have a direct relationship with the UK Government.

Q64 **Ruth Jones:** My question is about the prioritisation methodology, the criteria for awarding the moneys. How will the decisions about which bids are successful be made? It is a finite pot, so you will not satisfy everybody. How will you make the decisions? There could be an accusation that it is funding to suit political needs rather than economic and social needs.

Luke Hall: This an important point. We wanted a process that people had confidence in. To exactly answer this point, confidence is vital. We have published the decision-making process on the website. I will talk through it quickly.

There are three key stages to the Levelling-up fund. First is a gateway stage, which filters out applications that do not meet the basic criteria in any way. Applications that meet gateway criteria are assessed against four different criteria: strategic fit, value for money, deliverability and characteristics of place. Those four criteria receive equal weighting at that stage. Then there is a shortlisting stage. That is the stage at which we consult the Welsh Government on their views about individual projects, and whether they conflict with any Government policies. At the conclusion of that stage, a shortlist is drawn up and presented to Ministers to make the final funding decisions. They may take into account a number of other factors, which we are trying to be transparent about and have published on the website.

Q65 **Ruth Jones:** The shortlisting process before the final decisions sounds like a beauty contest. People will have to play off against other, which could be seen as politically divisive rather than trying to engage everybody and bring them all together. Do you have thoughts about that, Minister Davies?

David T C Davies: I am not sure that I would accept that characterisation because there should be money there for most local authorities to benefit from bids at some point over the process. I looked at the UK Government's methodology for determining which were going to be the priority places. I will be the first to admit that it is complex. I did not grasp all of it and it would be worth a longer look, but I think the UK Government have been entirely open about it. It is all out there. Economists and statisticians can go through it and see exactly how it was calculated.



Dare I just gently say that I think the UK Government have been far more open in publishing the formula on the UK Government website, for example—my impression is—than it is easy to get hold of the formula used to determine the revenue support grant for the 22 local authorities across Wales, which has also been the source of accusations that perhaps some local authorities have benefited more than others for rather unfair reasons? I don't want to go off at a tangent, but there have been significant concerns about that formula in past years. I do not see that formula published on the Welsh Government website as clearly as the formula on the UK Government's website.

Q66 **Chair:** Can I jump in? In the process that you outline there, Minister Hall and Minister Davies, for how these bids will be assessed, who holds the pen on which bids make the cut and which do not? Is it you, Minister Hall? Is it the Secretary of State for Wales? Or is it you, Minister Davies? Who is in charge?

Luke Hall: May I come in, Chair? Is that okay? There are two stages. The short list is drawn up by officials and is done according to the weightings I have just described.

Q67 **Chair:** Whose officials? Yours or the Wales Office?

Luke Hall: MHCLG, DfT, and HMT.

Q68 **Chair:** The Wales Office is not involved at that stage?

Luke Hall: No. The Welsh Government is involved at the shortlisting stage but when it passes through that stage, determinations are made by Ministers in MHCLG, DfT, and HMT, and that reflects the nature of the fund that we are trying to deliver, because it is mainly about regeneration, transport, high streets and so on.

Q69 **Chair:** I am a little bit confused now because you have not mentioned the Wales Office participating in that process. You mentioned your Department, the Department for Transport and, I think, the Treasury. Is that correct?

Luke Hall: That is correct, yes.

Q70 **Chair:** My understanding was that the Wales Office would be contributing to the assessment of bids to the Levelling-up fund. Is that not the case? Is that incorrect information?

Luke Hall: The Wales Office signed off the initial process through the normal procedures through which we signed off the—

Q71 **Chair:** The Wales Office?

Luke Hall: The Wales Office signed off the process, but it is MHCLH, DfT and HMT that make the final decisions on the applications that come through, but again we consult the Welsh Government.

Q72 **Chair:** I have it in writing from the Wales Office that it is contributing to



the assessment of bids to the Levelling-up fund. I am trying to understand what that looks like in practice. How bids are being assessed is quite important in terms of the understanding of Welsh needs.

Luke Hall: Perhaps we can ask Kate to come in and clarify that point.

Kate O'Neill: We do work very closely with the Wales Office, especially in understanding things like strategic fit. It is also worth being aware that we are setting up new area teams based in Scotland, Wales and Northern Ireland. We will have a team physically in Wales whose job it is to understand the local context and local issues. The team will help in the sifting and assessment processes.

The Wales Office will also have an advisory role in assessing the Levelling-up fund bids. It will be involved. I don't think it will be as intimately involved in some of the detailed marking. It will be MHCLG's analytical team, along with DfT and the Treasury, that will be looking for the Levelling-up fund. The Community Renewal fund is not done in conjunction with the Treasury and the DfT. There are separate objectives. But we will definitely be working with the Wales Office, which will be advising us, particularly on strategic fit and the specific context in Wales.

Q73 **Chair:** Do Wales Office Ministers have a veto on bids?

Kate O'Neill: No. It is a collaborative process. The Wales Office will feed in its views. The decisions for the Levelling-up fund will be a joint decision by Ministers from MHCLG, DfT and Treasury and for the Community Renewal fund, decisions will be made by the Secretary of State for Housing, Communities and Local Government, but they will be informed by expertise.

Q74 **Chair:** There is a lot more that we need to ask about this, if I am to be absolutely honest, and 30 minutes does not do justice at all to the important subject that we have been considering. I am conscious of time. I do not want to keep Ministers from their next appointments but it would be more satisfactory if we could have more time in future to discuss these issues.

A final question for Minister Davies, picking up on a point about freeports, which Minister Gething referred to in the previous session. He was coming back to the point that the Welsh Government do not want to play ball unless the UK Government make the same money for freeports available to Wales as has been made available in England. Why is there this discrepancy in funding for freeports?

David T C Davies: I do not recognise this discrepancy. The Government have said that there is £175 million available in capital seed funding for successful bidders. That is Barnettised, which gives a figure of about £8 million. Clearly there will be other benefits from freeports, and other costs for setting them up, because tax business rates planning is involved. I do not recognise this figure, this discrepancy, given that freeports will cost different amounts of money.



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The UK Government are very keen to see a freeport in Wales and also in Scotland, and I understand that conversations are continuing. I think it is just not correct to say that there is a huge amount going to freeports in England and nothing to Wales. The money has been Barnettised in the usual fashion.

Chair: Okay. That is helpful. Thank you. Huge thanks to both of you, Ministers, and to you, Kate O'Neill for your time this morning. We will probably follow up some points in writing and hope to have another session with you in due course.

David Davies: I think my colleagues and I have appeared about seven times before you since our appointment, Chair, and I think we are due to appear twice more before the summer recess. It is always a pleasure to come before this Committee and we are always happy to do so regularly.

Q75 **Chair:** Sorry, what is your point there?

David Davies: My point is that we do appear before the Committee quite regularly and we will appear on two more occasions, I think, before the summer recess, so if you want to continue that conversation, we will look forward to it.

Chair: Great. Thank you. We are very grateful. Thank you.