UK Government
Llywodraeth y DU

Rt Hon David TC Davies MP
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru

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Rt Hon Stephen Crabb MP
Chair, Welsh Affairs Committee
House of Commons
London
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28th November 2022

Dear Stephen,

UK Shared Prosperity Fund

Thank you for your letter of 14 November. I'm pleased the Committee found the session as valuable as I did.

Wales is at the heart of the UK Government's ambitious Levelling Up agenda and the UK Shared Prosperity Fund (UKSPF) is a key part of these plans. Communities in Wales will benefit from the £585 million allocated during the lifetime of the fund which will allow local places to decide how best to invest in their areas to support local growth.

I'm pleased to confirm that the four lead local authorities for Wales submitted their regional UKSPF Investment Plans on time by the 1 August deadline, and I am grateful to all 22 local authorities and partners for their efforts over recent months. Officials at the Department for Levelling Up, Housing & Communities (DLUHC) have completed the validation and assessment of these plans. My understanding is that DLUHC will make an announcement very shortly on next steps in relation to the Fund with the four lead local authorities being provided with a Memorandum of Understanding and Grant Determination Letter.

The UKSPF provides more flexibility than previous funding regimes; for instance, we have been clear that any spend can be backdated to 1 April this year. This allows all regions in Wales to progress with delivery prior to their Investment Plans being formally signed off. DLUHC published Additional Guidance in July to support local authorities in this endeavour. The fund also provides significant flexibility for each region to adapt their plans based on changeable local conditions, whilst also allowing regions to adapt the delivery of programmes to achieve spend to profile. Subject to credible plans being produced, lead local authorities will be permitted to utilise any

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underspend in future years of the fund but not exceeding the three-year funding period for the UKSPF which currently ends in March 2025.

I am aware of the issues at Swansea University relating to the ending of EU-funding for projects. My predecessor met Universities Wales last month to discuss the sector's concerns.

Welsh local authorities and their partners have been given flexibility to decide how they spend their UKSPF allocations. This includes the option to spend their allocations on R&D and innovation interventions which can be supported under the Supporting Local Business investment priority. However, UKSPF should not be considered a direct replacement for the funding Welsh higher education institutions have previously received from the EU. Through various UK Government initiatives we are establishing a new funding landscape, and the higher education sector in Wales will need to adapt and embrace the new opportunities coming forward from UK Research and Innovation (UKRI) as a key source of future funding. The Autumn Statement recommitted to increasing direct funding for R&D to £20 billion a year across the UK by 2024-25, a cash increase of around a third compared to 2021-22 and the largest ever increase over a spending review period. This is an addition to the UK Government's commitment to increase domestic public investment in R&D outside the Greater South East by at least 40% by 2030 as part of our work to level up the UK.

I stand ready to support Universities in Wales as they seek to capitalise on these new funding opportunities.

I cannot accept the premise that population was not accounted for in the methodology used to devise regional allocations under the UKSPF. In fact, 40% of the funding is being allocated on a per capita basis across Wales to ensure that population is fully reflected. Local partners in Wales now have access to a fund which will support the whole of Wales compared to predecessor funds, like ERDF and ESF, which locked out some of Wales' poorest communities simply because of their location. The inclusion of the Welsh Index of Multiple Deprivation as a separate element in the allocation methodology was a result of conversations with Welsh local authorities and the Welsh Government prior to allocations being announced. I'm pleased that our approach to funding allocations has been generally welcomed by local partners in Wales.

Whilst I am always happy to assist the important work of your Committee, I must reiterate the point I made during our session on 2 November, that the UKSPF is a matter for DLUHC. Although I work closely with DLUHC Ministers and officials on Levelling Up in Wales, and have done so in providing this letter, I would respectfully

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suggest that the Committee may find more useful to put further questions on UKSPF policy directly to the Secretary of State for Levelling Up, Housing and Communities, Rt. Hon. Michael Gove MP and the Minister for Levelling Up, Dehenna Davison MP.

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