



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Stephen Crabb MP
Chair of the Welsh Affairs Committee
House of Commons
Palace of Westminster
London
SW1A 0AA

Dear Stephen,

13th July 2023

FOLLOW UP TO SESSION OF WELSH AFFAIRS COMMITTEE 5TH JULY

1. I appeared before the committee on 5th July to discuss matters relating to the Welsh Government Fiscal framework and UK Government funding in Wales. As these are often technically complex topic areas, I agreed to follow up in writing on a few areas.

NHS Long-term Workforce Plan

2. Ben Lake MP asked for more information on the Barnett consequentials associated with the NHS long term workforce plan announcement.

3. The Government is backing the NHS long term workforce plan with over £2.4 billion of funding in England over the next five years to 2028/29, which will fund additional education and training places. This includes new funding beyond the current Spending Review Period.

4. The funding arrangements for the devolved administrations will continue to apply in the usual way as set out in the published Statement of Funding Policy in respect of the NHS Long Term Workforce Plan.

5. When departmental budgets are set, at fiscal events or through the Spending Review process, the devolved administrations will receive Barnett consequentials on any



changes to UK Government departmental DEL budgets associated with the NHS Long Term Workforce Plan.

Comparability Factors in the Barnett formula

6. Ben Lake MP asked for specific clarification on how the Comparability Factors set out in the Statement of Funding Policy are calculated.

7. A full explanation on Comparability Factors is set out on pages 44 and 45 of the published Statement of Funding Policy document. Programmes are set at 100% if they relate to services delivered by the devolved administrations, in line with the devolution settlements, and set at 0% otherwise.

8. Ben Lake MP specifically asked for some more information regarding the Department for Transport Comparability Factor for the Welsh Government. As above, when the Comparability Factors were set, each programme in the Department for Transport's DEL budget was set at either 100% if it related to services delivered by the devolved administrations and 0% otherwise. The programme lines for Crossrail and Thameslink included in the Statement of Funding Policy document related to devolved activity and the programme line for High Speed Two related to activity reserved in Wales.

Real terms spending

9. Rob Roberts MP suggested that the Welsh Government has faced real terms cuts to their RDEL budget.

10. Spending Review 2021 set the largest annual block grants in real terms of any spending review settlement since the devolution Acts. That settlement is still growing in real terms over the spending review period, despite higher than expected inflation. The same is true if we only look at the RDEL funding provided to the Welsh Government at Spending Review 2021 – their RDEL budget at Spending Review 2021 was the largest in



real terms of any since devolution and is still growing in real terms over the spending review period .

Education spending

11. Rob Roberts MP asked about the difference between spend per learner in Scotland and Wales and whether there is something in the funding formula that could explain that difference.

12. In my response I referred to a figure of £4,000. I would like to correct the record and reiterate that the Welsh Government receive around 20% more funding per person than equivalent UK Government spending in England. This is 5% more than the 15% the Welsh Government agreed was fair for Wales.

13. Education is a devolved policy area. Spending on this area is therefore the responsibility of the Scottish and Welsh Government's respectively, and they are accountable to devolved legislatures for their decisions.

Replacement EU funding

14. Beth Winter MP asked how HM Treasury characterises the relationship between UK Shared Prosperity Fund (UKSPF) funding in Wales, and previous EU structural funding.

15. This policy area is the responsibility of the Department for Levelling up Housing and Communities. They have had a specific dialogue with the Welsh Government on these issues and are best placed to answer your questions. However, I have confirmed the following with DLUHC:

16. The £2.6bn UKSPF succeeds the European Social Fund (ESF) and European Regional Development Fund (ERDF), the largest EU structural funds. We are replacing funding for farms and fisheries through other mechanisms.

17. In 2022/23 and 2023/24 the UK continues to receive significant residual funding from the ESF and ERDF, referred to as 'EU tails'. When designing the profile of the UKSPF,



UK government calculated the sum of these tails at UK level, using information supplied to HM Treasury by each managing authority/devolved government. This process identified that the UK would receive at least as much through EU tails in 2022/23 and 2023/24 as its annual average from the ESF and ERDF in the 2014-2020 EU funding round. Given that the UK is paying for the ERDF and ESF as part of the withdrawal agreement, it was appropriate to consider these tails in the context of our commitment to match previous EU structural funding.

18. Based on the presence of these tails, our main consideration in setting the UKSPF profile was matching average historic EU funding by 2024/25, when EU tails drop off. We prioritised reaching this funding level in a deliverable and sustainable way, i.e. ramping up funding in a way that is typical for funds of this nature, and ensuring that we avoid a 'standing start' that would be difficult to administer locally. The UKSPF allocations we set achieve this, with the fund ramping up to £1.5bn UK-wide – and £343m in Wales – in 2024/25. As I set out to the Committee on 5 July, my position therefore remains that UKSPF meets our commitment to match previous EU structural funding in each nation of the UK. Our approach to allocations is set out in more detail in a Methodology Note available at: <https://www.gov.uk/government/publications/uk-shared-prosperity-fund-allocations-methodology>.

Coal tips

19. Beth Winter MP asked for clarity on where responsibility sits between the UK Government and Welsh Government on funding for coal tips safety.

20. Coal tips safety is a devolved responsibility. The Welsh Government needs to manage coal tip maintenance as part of their normal budget-setting process, like with any other devolved responsibility and are accountable to the Senedd for their decisions.

21. They are more than adequately funded to manage all of their devolved responsibilities, receiving around 20% more per person than equivalent UK Government spending in other parts of the UK. This is around £1 billion more each year than the



Holtham Commission indicated – and the Welsh Government agreed - was fair for Wales relative to England.

22. The Welsh Government does of course also have access to the UK Reserve for unforeseen and unmanageable pressures. For example, the UK Government provided £31m in 2020-21 to help the Welsh Government with the damage caused by floods to coal tips in Wales.

23. The UK Government's overall approach to coal tips is the responsibility of the Secretary of State for Energy Security and Net Zero.

Thank you for the invitation to appear in front of the committee to discuss these important topics.

with very best regards

John

RT HON JOHN GLEN MP

