UK Government
Llywodraeth y DU

Ref: 3MISC21

**Rt Hon Simon Hart MP**
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru

**T:** 0292 092 4216
**E:** Correspondence@ukgovwales.gov.uk

**Rt Hon Stephen Crabb MP**
Welsh Affairs Committee
House of Commons
London
SW1A 0AA

22 January 2021

Dear Stephen,

I am writing in response to the 11 January letter from Jeremy Miles, the Welsh Government Minister for European Transition, to you and your Committee regarding your ongoing inquiry into the UK Shared Prosperity Fund.

It is clear that our two governments' perspectives on the UK Internal Market Act 2020 are not readily reconcilable. For our part, the UK Internal Market Act 2020 will enable the UK Government to deliver the UK Shared Prosperity Fund UK-wide, providing targeted investment across our four nations and achieving our levelling up agenda. However, this is not an act of bypassing or undermining devolution. The UK Shared Prosperity Fund will give local places in Wales a greater say in how they want this funding to be spent. This should be welcome news to the Welsh Government, as it is in line with the key principles behind their *Framework for Regional Investment*. Devolution should not be a tug-of-war between Westminster and Cardiff Bay – it should be about letting local places come up with local solutions to local issues. This is exactly what we will be doing with the UK Shared Prosperity Fund.

As to the financial commitments under the EU budget, I will simply reiterate that Wales is expected to receive a significant amount of legacy funding over the next four financial years from the 2014-20 round of EU Structural Funds. Indeed, we anticipate that Wales' yearly receipts for both financial years 2021/22 and 2022/23 will exceed the £375 million yearly average from the previous seven years. It is also worth noting that the 2014-20 round of EU Structural Funds took nearly two years to start to reach local areas. By contrast, we have announced £220 million of additional funding for the next financial year. This funding will help local areas start to transition away from EU Structural Funds, and a significant amount of investment will be spent by Welsh beneficiaries in 2021/22. In subsequent years, we will ramp up funding so that total domestic UK-wide funding will at least match EU receipts, reaching around £1.5 billion per annum.

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As I set out in our evidence session on 14 January, the Government will soon be publishing a prospectus which will provide further details on the additional funding for 2021/22. We will be engaging with the Devolved Administrations prior to this, and I understand that Housing, Communities and Local Government Ministers will shortly be writing to Ministers in the Devolved Administrations as part of that engagement. We have made clear at every opportunity our intention to work in partnership with the Devolved Administrations. Indeed, this commitment was reaffirmed in both the Lords and Commons during the passage of the UKIM Bill, when we confirmed that the Devolved Administrations will have a place within the governance structures of the UK Shared Prosperity Fund.

To touch briefly on High Speed 2 (HS2), I am optimistic that the line has huge potential to support growth and regeneration in Wales. For instance, passengers in North Wales will benefit from HS2 connections at Crewe, providing shorter journey times to London as well as improved cross-country journey times to cities such as Manchester and Birmingham. Passengers travelling from across North Wales will also directly benefit from inter-connecting onto HS2 at Crewe, with significant reductions in journey times to London. Finally, the £4 billion Levelling Up Fund that the Government has announced for England will attract up to £800 million for Scotland, Wales and Northern Ireland in the usual way.

I am copying this letter to the Secretary of State for Housing, Communities and Local Government.

Yours sincerely,

**Rt Hon Simon Hart MP**
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru