

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee room 5 Ty Hywel and video conference via Zoom	For further information contact: Owain Roberts Committee Clerk 0300 200 6388 SeneddFinance@senedd.wales
Meeting date: 30 June 2022	
Meeting time: 09.30	

Private pre-meeting – Informal (09.15–09.30)

- 1 Introductions, apologies, substitutions and declarations of interest**
(09.30–10.30)
- 2 Paper(s) to note**
(09.30) (Pages 1 – 3)
Minutes of the meeting held on 22 June 2022
 - 2.1 PTN 1 – Letter from the Minister for Finance and Local Government regarding the timetable for the Welsh Government Draft Budget 2023–24 – 20 June 2022**
(09.30) (Pages 4 – 6)
 - 2.2 PTN 2 – Letter from the Chair of the Legislation, Justice and Constitution Committee: Inter-Institutional Relations Agreement: Inter-Ministerial Standing Committee – 27 June 2022**
(Page 7)
- 3 Welsh Government First Supplementary Budget 2022–23**
(09.30–10.30) (Pages 8 – 35)
Rebecca Evans MS, Minister for Finance and Local Government
Emma Watkins, Deputy Director, Budget and Government Business
Sharon Bounds, Deputy Director, Financial Controls

Supporting documents:

[Welsh Government First Supplementary Budget 2022–23](#)

Research Service brief

- 4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from items 5, 7, 9 and the meeting on 7 July 2022**
(10.30)

- 5 Welsh Government First Supplementary Budget 2022–23: Consideration of evidence**
(10.30–10.45)

Technical Break (10.45–11.00)

- 6 Social Partnership and Public Procurement (Wales) Bill: Evidence session**
(11.00–12.00) (Pages 36 – 49)

Hannah Blythyn MS, Deputy Minister for Social Partnership

Jo Salway, Director – Social Partnership and Fair Work

Neil Surman, Deputy Director – Social Partnership

Sue Hurrell, Head of Fair Work Procurement

Supporting documents:

[Social Partnership and Public Procurement \(Wales\) Bill](#) (PDF, 279KB)

[Explanatory Memorandum](#) (PDF, 1.5MB)

Research Service brief

- 7 Social Partnership and Public Procurement (Wales) Bill: Consideration of evidence**
(12.00–12.10)

Break (12.10–13.00)

8 Post-EU funding arrangements: Evidence session 4

(13.00–14.00)

(Pages 50 – 69)

The Rt Hon Simon Hart MP, Secretary of State for Wales

David Davies MP, Parliamentary Under-Secretary of State for Wales

Supporting documents:

FIN(6)–15–22 P1 – Letter from the Parliamentary Under-Secretary of State for Levelling Up, the Union and Constitution – 6 May 2022

Research Service Brief

9 Post-EU funding arrangements: Consideration of evidence

(14.00–14.15)

Concise Minutes – Finance Committee

Meeting Venue:

Hybrid – Committee room 4 Ty Hywel
and video conference via Zoom

Meeting date: Wednesday, 22 June 2022

Meeting time: 11.02 – 12.43

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/12863>

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Rebecca Evans MS, Minister for Finance and Local Government Vaughan Gething MS, Minister for Economy Lesley Griffiths MS, Minister for Rural Affairs and North Wales, and Trefnydd Sarah Govier, Welsh Government Peter Ryland, Welsh Government Gian Marco Currado, Welsh Government
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Avalon Broadway (Deputy Clerk) Owen Holzinger (Researcher)



Private pre-meeting – Informal (10.30–11.00)

1 Introductions, apologies, substitutions and declarations of interest

The Chair welcomed Members to the hybrid meeting of the Finance Committee.

2 Paper(s) to note

The papers were noted.

2.1 PTN 1 – Letter from the Minister for Finance and Local Government: Budget timetable – 31 May 2022

2.2 PTN 2 – Letter from the Minister for Finance and Local Government: Budget improvement plan – 1 June 2022

2.3 PTN 3 – Letter from the Senedd Commission: Financial implications of the COVID-19 pandemic – update as at 31 March 2022 – 13 June 2022

2.4 PTN 4 – Letter from the Minister for Finance and Local Government: Finance Inter-ministerial Standing Committee (F:ISC) – 14 June 2022

2.5 PTN 5 – Letter from the Minister for Education and Welsh Language: Tertiary Education and Research (Wales) Bill – Revised Regulatory Impact Assessment – 14 June 2022

3 Post-EU funding arrangements: Evidence session 3

The Committee took evidence from Rebecca Evans MS, Minister for Finance and Local Government; Vaughan Gething MS, Minister for Economy; Lesley Griffiths MS, Minister for Rural Affairs, and North Wales and Trefnydd; Sarah Govier, Head of Intergovernmental Relations; Peter Ryland, Chief Executive, Welsh European Funding Office (WEFO) and Gian Marco Currado, Director, Environment & Marine on the Committee's inquiry into Post-EU funding arrangements.

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

The motion was agreed.

5 Post-EU funding arrangements: Consideration of evidence

The Committee considered the evidence.

6 Legislative Consent Memorandum (LCM) on the UK Infrastructure Bank Bill

The Committee considered the Legislative Consent Memorandum (LCM) on the UK Infrastructure Bank Bill.



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref

Peredur Owen Griffiths MS
Chair of Finance Committee
Welsh Parliament
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20 June 2022

Dear Peredur,

Thank you for our meeting earlier this week to discuss the options for a timetable for publishing the 2023-24 Budget. I was pleased to renew our shared commitment to working in partnership to improve our budget processes and appreciated the constructive conversation.

In this spirit, I am asking the Committee for its views on a preferred timetable for publishing the draft and final budgets, which must be provided to the Business Committee two weeks before the end of the summer term.

As you are aware, we face increasingly challenging economic and fiscal conditions, which are impacting on our spending plans. The deteriorating economic position and rising inflation has resulted in a real terms budget position at least £600m less than when we developed our spending plans last year. The lack of certainty over the significant pressures facing our plans will not be resolved until we know whether our settlement will change in any UK Autumn Fiscal event. The details of any proposed event have not yet been shared with us by the UK Government, so there is much uncertainty.

As you are aware, we chose to take a position of maximising all of the levers available to us in setting an ambitious multi-year budget up to 2025, providing much needed certainty to our public service partners and stakeholders. These choices included over-programming capital expenditure by £100m, alongside minimising the amount of funding held in reserves to enable Ministers to ensure delivering Programme for Government commitments was at the forefront of their planning assumptions.

With these conditions in mind, I am keen to seek the Committee's views on how to take forward this year's budget preparations in respect to the timings for publishing the draft Budget. I have set out the opportunities and challenges regarding the two workable

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

timetable options: the first, publishing our Draft Budget in October and the second, to publish our Draft Budget following the UK Government autumn fiscal event.

Option 1

Publish the Draft Budget on Tuesday 4th October to enable 8 weeks for scrutiny; publish the Final Budget on Tuesday 20th December

In our response to the Finance Committee's report on the 2022-23 Draft Budget, Ministers agreed a recommendation to adhere to the timetable set out in the Budget Business Protocol, which would see the draft and final budgets published in October and December respectively.

In normal circumstances, this would remain our preferred timetable, and was most certainly my intention given the multi-year settlement we provided last year. However, circumstances dictated by the UK Government, as well as the challenging economic circumstances, are impacting our ability to maintain this commitment. Given the current uncertainty, it is likely we would need to publish relatively unchanged plans for 2023-24 in an October draft budget, with any substantive changes to those plans being deferred until after our settlement has been confirmed.

You will recognise the potential impact, under this scenario, on the Finance Committee's ability to undertake effective scrutiny of our draft budget plans. Under this scenario, the Committee would be scrutinising a draft budget which will change substantially following changes to our settlement. Scrutiny is an essential part of the process that informs and shapes our final budgets.

Option 2

Publish the Draft Budget on Monday 19th December at the latest to enable a minimum of 7 weeks for scrutiny; publish the Final Budget on Tuesday 28th February

The alternative option is to adopt the practice employed in recent years, utilising the exceptional circumstances for which the Budget Protocol provides, and deferring publication of our draft and final budgets until December and March, respectively.

This option will provide us with the ability to incorporate any changes provided by the UK Government, allowing time for changes to our settlement to be reflected in our draft budget, and resulting in greater certainty for our delivery partners and stakeholders. Importantly, this will maintain the Senedd Committees' ability to scrutinise the more complete version of our spending plans, as is allowed for within the exceptional circumstances in the Budget Protocol.

I recognise the concerns the Finance Committee are likely to have with this option, not least that it could result in reducing the scrutiny period; I am, however, committed to limiting this impact as much as possible. Should the UK Government fiscal event take place sufficiently early in October or November, I would make every effort to bring forward publication of our draft budget as soon as practicably possible, to enable a full 8 weeks for scrutiny. In support of this aim, all Ministers will make themselves available whenever the various Committee scrutiny sessions are scheduled.

I also wish to explore what further measures we could put in place to support Committee scrutiny of the draft budget – particularly if Option 2 is taken forward. While I am sure you recognise the limitations of providing specific details on spending plans prior to publication, I do wish to find opportunities to engage early and throughout the budget planning and share as much information as is possible, building on the steps we have already taken to improving how we can work together. We discussed some of these ideas when we met this week,

including opportunities for the Committee to engage with the Welsh Government's Chief Economist on the economic and fiscal conditions; continued engagement on the Budget Improvement Plan; and an opportunity to engage on possible shared priorities or themes which have emerged from the Committee's stakeholder engagement over the summer. I would be keen for our officials to explore the ways in which we might share the information which informs our budgetary decisions.

While I would wish to do all I could to maintain my commitment to publishing our draft budget in October, on balance this will prove challenging, given the difficult circumstances we face. In my view, the viable option is the second option (December – March publications) on the grounds there is limited benefit in providing a budget we foresee substantially changing, which limits adequate scrutiny and risks negative impacts for our delivery partners across Wales. I also acknowledge the ongoing implications of having a Budget Protocol predicated on a substantive UK Government Spring Fiscal Event, rather than the Autumn Fiscal event we have seen in recent years.

In seeking the Committee's views, I believe there are compelling and unavoidable reasons why it would be wise to defer publication of the draft budget until after the anticipated UK Fiscal Event in the Autumn, with a commitment to provide as much certainty on our proposed spending plans as is possible beforehand. I am grateful for the Committee's willingness to consider these timetabling options and look forward to your response.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

**Y Pwyllgor Deddfwriaeth,
Cyfiawnder a'r Cyfansoddiad**

**Legislation, Justice and
Constitution Committee**

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Rt Hon Mark Drakeford MS
First Minister

Mick Antoniw MS
Counsel General and Minister for the Constitution

27 June 2022

Dear both

Inter-Institutional Relations Agreement: Inter-Ministerial Standing Committee

Thank you for your letters of 30 May, 9 June and 17 June 2022 keeping us informed of developments related to the second Inter-Ministerial Standing Committee (IMSC) and advising us that this meeting will now take place on 29 June, during which UK legislation and the cost-of-living crisis will be discussed.

Given the breadth of issues that may be covered in IMSC meetings, we think there would be benefit in you copying the relevant Senedd committees into future correspondence on such meetings where agenda items (and subsequently, meeting updates) are likely to fall within the remits of those committees.

I look forward to receiving information about the outcome of the meeting on 29 June.

Given the agenda items at this next IMSC meeting, I am copying this letter to the Finance Committee and the Economy, Trade and Rural Affairs Committee.

Yours sincerely,

Huw Irranca-Davies

Huw Irranca-Davies
Chair

Agenda Item 3

By virtue of paragraph(s) ix of Standing Order 17.42

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Agenda Item 6

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

Agenda Item 8

Department for Levelling Up,
Housing & Communities

Neil O'Brien MP

*Parliamentary Under Secretary of State for
Levelling Up, the Union and Constitution*

**Department for Levelling up, Housing and
Communities**

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Our Ref:16911413

6 May 2022

Thank you for your letter of 14 March to Rt Hon Michael Gove MP, regarding the inquiry by the Senedd Cymru's Finance Committee into post-EU funding arrangements and the implications for Wales. I have been asked to reply as this matter falls within my ministerial responsibilities.

Wales is front and centre of our plans to level up the UK. It has already benefitted from over £166m from a range of new funding opportunities that we have put in place over the last 12 months, including the Community Renewal Fund (CRF), Levelling Up Fund (LUF), and Community Ownership Fund (COF). This is in addition to the Spending Review 2021 settlement, which set the largest annual block grant of any Spending Review settlement since devolution. The UK Government is providing an average of £2.5 billion per year through the Barnett formula on top of the Welsh Government's £15.9 billion annual baseline. Over the Spending Review 2021 period the government is providing 20% more per person for the Welsh Government than equivalent UK Government spending.

I have addressed each of the substantive points raised in your letter below:

1. Progress in establishing and delivering replacement funds for EU structural funds

The UK Shared Prosperity Fund (UKSPF) Prospectus was published on 13 April and is publicly available at:

<https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus>.

This followed engagement with representatives from Local Authorities (LAs) in Wales, the Welsh Local Government Association (WLGA), and the Welsh Government which helped inform and develop our approach to the UKSPF in Wales across many aspects of the fund.

In addition to the work on the UKSPF, officials are fully engaged with LAs in progressing over £166m of funding approved in Wales over the last 12 months. This includes the ten successful projects from the first round of the LUF and over 160 projects worth over £45m via the Community Renewal Fund.

I would also highlight that the prospectus for round two of the LUF was published on 23 March and I am looking forward to receiving further bids from LAs in Wales. Further information on round two of the LUF are published online at: <https://www.gov.uk/government/publications/levelling-up-fund-round-2-prospectus/levelling-up-fund-round-2-prospectus>.

2. How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compared to the funding received while the UK was a member of the EU.

The UK Government will match EU funds (the European Regional Development Fund and the European Social Fund), through Wales's £585m share of the total £2.6bn UKSPF. This figure ramps up to £343m in 2024/25 when EU spending fully tails off. This significant funding is in addition to other local growth funding, mentioned earlier.

Each place in Wales has an allocation, which has been developed using a transparent and publicly available methodology. The methodology to determine the allocation in Wales was informed and developed by engagement with both the Welsh Government and WLGA.

That methodology has been published publicly: <https://www.gov.uk/government/publications/uk-shared-prosperity-fund-allocations-methodology/uk-shared-prosperity-fund-allocations-methodology-note>.

I anticipate that the UKSPF will be spent much sooner and with less bureaucracy than previous EU Funding, providing greater flexibility to local partners in Wales. Wales will also continue to benefit from EU funding until 2024/2025.

3. The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements.

The UKSPF has been designed to seize the opportunities of leaving the European Union, to enable local decision making and better target the priorities of place. To do this the UKSPF in Wales will follow a delegated delivery model with responsibility given to local government to identify interventions, develop investment plans and then take responsibility for delivery. The UK Government will have responsibility for assessment and the sign off of investment plans, which will unlock places' allocations. The Fund will operate UK-wide and use the financial assistance powers in the UK Internal Market Act 2020 to deliver funding to places across the UK.

Local authorities across each of the four regional strategic geographies in Wales have been invited to collaborate in developing regional investment plans, to build on the support, experience and success of regional working in Wales.

To enable this, we want to work with the Welsh Government and the WLGA to support work across the four regions to develop comprehensive accountable arrangements to administer the Fund in time for submission of each place's investment plan this summer.

This work follows on from mine and my official's engagement with counterparts from the Welsh Government prior to the publication of the Prospectus, which helped to develop and inform the

design of the fund. Along with the allocation methodology, we also engaged with the Welsh Government to tailor the interventions which places in Wales can select from as part of their UKSPF plans, to help ensure better value for money, avoid duplication and support many of the shared goals and objectives we have.

We want to continue this engagement over the lifetime of the fund. Ministers from the Welsh Government have been invited to sit on a UK-wide ministerial forum that will support delivery of the fund. We have also asked officials from the Welsh Government to attend the regional partnership groups that will be set up to support investment plan development.

As the fund has been designed to empower local places across the UK, we also engaged with the WLGA ahead of the publication of the prospectus.

4. The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes.

Wales is being funded like never before and through a range of sources, including:

- The Spending Review 2021 settlement, which set the largest annual block grant of any Spending Review settlement since devolution. This included an average of £2.5 billion per year through the Barnett formula on top of the Welsh Government's £15.9 billion annual baseline.
- A £585m share of the £2.6bn UKSPF over the Spending Review period. UKSPF funding per head in Wales is more than six times higher than in England, and fourteen times higher than the South East of England.
- More than £790m for four City and Growth Deals covering the entirety of Wales.

The Welsh Government is the Managing Authority for European Structural and Investment Funds (ESIF) in Wales and is therefore best placed to provide information on EU legacy funding to the Committee.

5. The Welsh Government's claim that Wales was due to receive £375 million a year and is now due to be "nearly £1 billion a year worse off by 2024."

The Welsh Government has not set out publicly the assumptions around inflation, exchange rates or any methodology that underpins the £375m figure, which makes it difficult to comment on.

In the absence of that detail, it is worth noting that the UKSPF has been designed specifically as an improved domestic successor to the European Social Fund and European Regional Development Fund. Despite that focus it is often the case that other estimates include other European programmes in their calculations, for example, LEADER or the European Territorial Co-operation (ETC) fund.

LEADER is being replaced in full as part of the domestic farm settlement which replaces UK participation in the EU Common Agriculture Policy, this is separate to the UKSPF funding. The ETC was not allocated in the same way as other cohesion funds; it was a competitive process, so it would be speculation to include a figure within any alternative allocation.

The UK Government has set out in full the calculations, assumptions and methodology used to develop the full UKSPF allocation methodology alongside the UKSPF prospectus on GOV.UK. This allocation ensures that domestic UK-wide funding will at least match EU receipts, reaching around £1.5bn a year in 2024-25 when EU funding ceases, while also providing for a smooth transition onto the new, domestic regime.

With kind regards,

A handwritten signature in black ink, appearing to read 'Neil O'Brien', with a stylized, cursive script.

NEIL O'BRIEN MP
Parliamentary Under Secretary of State for Levelling Up,
the Union and Constitution

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