# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Loss of funding to Wales as a result of the UK Government’s arrangements for replacement EU funding**  |
| **DATE**  | **04 May 2022** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Local Government** |

On 13 April 2022, the UK Government published plans for the UK Shared Prosperity Fund (UKSPF), which replaces the European Regional Development and European Social Funds. I want to update Members on the funding implications of this announcement for Wales.

The UK Government has failed to honour repeated promises that Wales would not be a penny worse off at the same time as deliberately overriding Welsh devolution.

The UK Government had a clear manifesto pledge in the 2019 election to replace and “at a minimum match the size” of former EU funding in each nation of the UK.

The calculation we have used to demonstrate the dramatic reduction in the funds Wales would have received had the UK Government delivered its pledge follows the methodology used by the UK Government in relation to the UKSPF.

The EU Regional Development and Social Funds would have been worth £1.404bn for the period January 2021 to March 2025, allowing for inflation and exchange rates in the same way as the UK Government has when calculating the level of UKSPF funding to be allocated to Wales.

This funding would be additional to the receipts that are owed from the Welsh Government’s commitment of funding to projects in previous years through the 2014-2020 EU Multiannual Financial Framework.

The Chancellor confirmed the UK-wide spending profiles for the UKSPF during the 27 October 2021 Spending Review. They are:

* 2022-23 - £400m
* 2023-24 - £700m
* 2024-25 - £1.5bn

The UK Government has now confirmed Wales will receive £585m through the UKSPF. This includes £101m which is being top-sliced by the UK Government to support the UK Government’s Department for Education priority to deliver an adult numeracy programme called Multiply, for which we have serious concerns. This is a further unacceptable encroachment by the UK Government into a devolved policy area and will conflict with and duplicate existing provision in Wales.

Together with the £47m from the 2021-22 pilot for the UKSPF – the Community Renewal Fund – Wales will receive £632m in replacement funds in the period, a shortfall of **£772m**. (Table 1 – all figures are in current prices.)

**Table 1**

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| --- | --- | --- | --- | --- |
| **Period** | **UK SPF spending profile** | **Wales SPF allocation** | **Funding if Wales remained in the EU** | **Shortfall to Wales** |
| Jan – Mar 2021 |  |  | £79m | £79m |
| 2021-22\* | £200m | £47m | £316m | £269m |
| 2022-23 | £429m | £89m | £329m | £240m |
| 2023-24 | £690m | £153m | £337m | £184m |
| 2024-25 | £1,500m | £343m | £343m | £0m |
| **Total** | **£2,819m** | **£632m** | **£1,404m** | **£772m** |

\*2021-22 funding awarded through the Community Renewal Fund (the pilot for the UKSPF)

On top of this, the UK Government, when providing replacement EU farm funding, is deducting EU receipts due to Wales for work which was part of the 2014-2020 Rural Development programme. This means Wales’ rural communities are **£243m** worse off than had we remained in the EU.

**Table 2**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Period** | **UK SPF spending profile** | **Wales SPF allocation** | **Funding if Wales remained in the EU** | **EU farm funding shortfall** | **Total shortfall to Wales** |
| 2020 |  |  |  | £42m | £42m |
| Jan – Mar 2021 |  |  | £79m |  | £79m |
| 2021-22\* | £200m | £47m | £316m | £95m | £364m |
| 2022-23 | £429m | £89m | £329m | £85m | £325m |
| 2023-24 | £690m | £153m | £337m | £21m | £205m |
| 2024-25 | £1,500m | £343m | £343m | £0m | £0m |
| **Total** | **£2,819m** | **£632m** | **£1,404m** | **£243m** | **£1,015m** |

\* 2021-22 funding awarded through the Community Renewal Fund (the pilot for the UKSPF)

This figure consists of £42m, which we transferred from CAP Pillar 1 into our Pillar 2 Rural Development Programme in 2020, which the UK Government has not provided and £95m of EU receipts netted off replacement EU funding in 2021-22, plus a further £106m of netting-off confirmed in the 2021 Spending Review.

Taken together, the £243m loss in rural funding and the £772m shortfall in EU structural funds (table 2) add up to just more than **£1bn.** Applying the same inflation adjustment to rural funding as to the structural funds, the overall shortfall to the Welsh budget is more than **£1.1bn**.

These figures do not take into account the losses of funding from our access to other EU funding programmes, including Erasmus, Horizon and European Territorial Co-operation which have not been fully replaced by the UK Government.

Having less say over less money means there will be hard decisions to make for the Welsh Government and other institutions across business, higher education and further education, and the third sector who have used Structural and Investment Funds to support vital investments in research and innovation, business competitiveness, skills, employability, zero-carbon, sustainable communities, infrastructure and connectivity, and support for vulnerable people. These sectors have already raised concerns with the Welsh Government about the funding gaps they face as a result of the UK Government’s actions.

The UK Government's decision to bypass the Welsh Government and directly allocate replacement EU funding, at a dramatically diminished level, through UK-wide funds is not only an assault on devolution in Wales, but as the figures in this statement clearly show, also a failure to meet repeated promises that Wales "will not be a penny worse off" after the UK left the EU.