



Ein cyf/Our ref: RE/611/21

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

22 October 2021

Dear Rishi,

As you prepare to deliver the UK Spending Review and Autumn Budget on 27 October, I wanted to share some areas of critical investment which would help us deliver a fairer, greener and ever more successful Wales. I want to emphasise three priorities which are particularly important to us in Wales and which would demonstrate the tangible benefits our citizens can derive from being part of the United Kingdom.

This will however require action in the upcoming Spending Review, with the UK and Welsh Governments working in partnership, to tackle challenges such as coal tip remediation and to address inequality in a way that is more effective than the uncoordinated, discretionary projects supported through the levelling-up fund.

Net Zero, the climate and nature emergencies

This Spending Review is being delivered on the eve of COP26, a unique platform to show leadership and give confidence to business, industry and individuals to meet the challenge of the climate and nature emergencies and deliver on our shared Net Zero ambitions. It has never been more important that we work together to do what it takes to reduce our emissions to Net Zero by 2050. The Climate Change Commission has recognised many of the key drivers to achieve our ambition of Net Zero are within the competence of the UK Government.

Transforming our industrial legacy

In that context, I want to emphasise the critical importance we attach to safe coal tip remediation and ask that you look very carefully at our request to work with us to develop a work programme with the long-term funding needed to address the restoration of coal tips in Wales. The investment required is significant, with information on the impact of climate change on these tips emerging all the time. All parties in the Senedd have acknowledged this is a legacy that pre-dates devolution, created by an industry for which responsibility is reserved. These tips have left liabilities that it would be unfair to leave to the Welsh Government and local authorities to deal with alone. This is a matter of national safety and

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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.

the communities whose efforts created huge wealth and economic benefit to the UK as a whole in centuries past have a right to look to the UK now for long-term funding to deal with these sites. It is morally wrong, and financially and economically perverse for the UK Government to say it will intervene only after disaster has struck and when costs will have increased exponentially. Indeed, the costs that will fall to UK Government in the event of a slip and consequent damage to services, functions and infrastructure that it operates will likely far outweigh the investment needed in sensible and proportionate remediation. Investment in these sites brings significant opportunity to address inequalities which coalfield communities still face. Through action like tree planting and habitat restoration these sites can contribute to our joint aim of tackling the climate and nature emergencies.

Rail Infrastructure

Rail Infrastructure is another area where we are seeking urgent investment, and much greater clarity on your plans. Over £150m is being lost to Wales because the HS2 project is pulling investment away from South Wales where most of our rail lines are. This is not offset by the modest gains which North Wales may see. I am concerned the decision not to proceed with electrification of the South Wales line to Swansea was based on too narrow a focus on journey times and failed to take account of our Net Zero targets.

We urgently need to see full electrification, and the investment in infrastructure and lines, which are needed to deliver timetable improvements and improve cross-border connectivity. This investment is needed to support the principles and objectives in our Wales Transport Strategy. We want to be able to align our expenditure to yours – for example by procuring rolling stock which will help deliver low carbon targets. This will not be possible unless electrification moves forward with greater urgency and greater focus on needs in Wales.

EU Exit

Replacement EU funding

The UK Shared Prosperity Fund and other UK Government delivered investments fall significantly short of the at least £375m of annual EU regional funding which the Welsh Government has benefited from. As you know, we have used this funding to invest in critical skills, employability, apprenticeships, the Wales Development Bank, strategic infrastructure and regional economic development as well as to meet our statutory obligations to reduce carbon emissions and deliver our ambitions for Net Zero.

We have welcomed the assurance from UK Government Ministers that the UK Government will work with the grain of Devolved Governments' policies. A new round of EU funding would have started nine months ago, so meeting this promise is now well overdue and delivery arrangements to support key programmes are already winding down at a time when they are most needed to aid economic recovery following the pandemic. To put this into context, around £30 million less of annual EU funding for our Apprenticeships programmes will mean 5,300 fewer participants supported across Wales. Local Government in Wales has been clear about its support for our position - that the Welsh Government should receive replacement EU funding in full in order to continue to deliver vital national programmes.

Border infrastructure

Implementing the UK Government's EU Exit deal is now clearly imposing new costs on Wales. I look forward to receiving the funding certainty needed to enable us to continue to plan and deliver effectively the significant programme of new border infrastructure in Wales. It has also come to my attention that repairs in the region of £100m are urgently needed to Holyhead breakwater. I would welcome you giving urgent and joint consideration to how we might support Stena to make these repairs to ensure the port continues to provide a critical link between Ireland and the mainland UK, supporting the ambitions of the North Wales Growth Deal, and maximising the opportunities for low carbon growth which includes offshore wind, hydrogen and nuclear.

Support for sectors

It is critical the Spending Review prioritises support for sectors important to Wales, its economy and our future. The Welsh economy is highly dependent on functioning and efficient supply chains, especially in the high value manufacturing sector, aerospace, automotive, and advanced technology. If we are to retain the ability to manufacture new pure steel to the standards the high value manufacturing market demands, this will need significant research, development and innovation (RD&I) including into carbon capture and storage. Overall investment by UK Government in RD&I in Wales falls well short of an equitable share of these crucial resources, clearly impeding growth and wider investment.

No return to austerity

Avoiding further austerity for all parts of society will be essential to ensuring the recovery is not derailed. The recent cut to Universal Credit, the future increase in National Insurance Contributions and spiralling energy prices threaten to create a cost-of-living crisis for households across the UK. The Budget should prioritise progressive measures and spending that supports the financial security of low-income households, the wellbeing of children and young people, and delivers good, green jobs and fair work.

Your officials are aware of our other priorities for this Spending Review. I will not dwell on them in this letter but I trust they will also receive your close attention.

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