



Eich cyf/Your ref
Ein cyf/Our ref

Mike Hedges AM, Swansea East,
Welsh Parliament,
Cardiff Bay,
Cardiff.
CF99 1SN

26 January 2022

Dear Mike,

At Business Committee on Tuesday 18 January and during Finance Committee on 21 January it was agreed that I provide a written update on the use of financial transactions capital (FT) to align with the Final Budget and which includes an update on the current decisions on the use of FT.

The constraints on how ring-fenced FT budgets can be used, alongside limited flexibilities to re-profile or carry over budgets continues to present various challenges when managing FT schemes, particularly identifying suitable schemes which fit the profile of the budget available. Despite this, we continue to use FT capital in the best way possible and currently have invested over £1.7bn in a large variety of projects supporting our business and housing sector, benefiting many parts of our society and economy. A summary breakdown of those investments is provided in the Annex to this letter.

As previously indicated, I plan to make further FT allocations in the Final Budget 2022-23. The allocations will make the most beneficial use of the total £451m consequentials we have received from the UKG covering the three financial years 2022-23, 2023-24 and 2024-25. However, like our revenue budget we have received a front loaded profile, which given the additional complexities in allocating FT does not reflect the realities in how we need to allocate and manage this type of funding. We will also seek to maximise the use of repayments to Welsh Government that can be reinvested before repayment is due to the UKG. The identification of these additional allocations is in progress and the outcome will be set out in the Final Budget.

The repayment of FT scheme investments to Welsh Government reserves currently totals £79m and includes £60m early repayments from the H2B scheme that has been reinvested. The in-year position is subject to being updated in the second supplementary budget.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

Repayments due to the Welsh Government in the next three financial years will be included in the Final Budget 2022-23.

In respect of the eligibility of co-operatives to access FT, I can advise that they are eligible as entities outside the central and local government budget boundaries.

I am copying this letter to the Chair of the Finance Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca". The script is cursive and fluid.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Allocation of Financial Transactions Capital from 2013-14 to 2021-22¹

	£m
Help to Buy Cymru – To help qualifying home buyers purchase a new build home with a low loan-to-value mortgage and provide a boost to the construction industry.	673
Development Bank for Wales – Investment funds to provide access to finance for SMEs, support business growth, boost exports and create/safeguard jobs. Includes funds for tourism, rescue and restructure, micro businesses, angel co-investment, commercial property, flexible investment, life sciences etc.	635
Land for Housing scheme – Providing loans to Registered Social Landlords to acquire sites in order to accelerate the development of affordable housing schemes.	82
Economic Development Initiatives – Funding that supports economic growth in Wales	62
Property Development Funds and Property sector - Helps build new homes, commercial and industrial space.	9
Cardiff airport and Aviation – To increase commercial potential of aviation industry in Wales and enhance route development.	59
Housing and RSL loans – To support delivery of 20,000 homes commitment and housing provision including new innovative developments	97
Green Growth Wales and Green Infrastructure – To support Wales' renewable energy sector and to increase and accelerate projects to deliver green investment in Wales.	17
Town Centre Loans and Regeneration Funds – To assist in providing a sustainable future for vacant and under-utilised sites and properties and in doing so supporting vibrant and viable town centres.	47
Education - To support the development of new FE campus in Aberdare and Bridgend STEAM Academy	15

¹ Figures are rounded to the nearest million, as per latest monitoring information from departments and do not include repayments due back to central reserve. 2021-22 figures included are subject to adjustment in the 2nd Supplementary budget and audit of the final out-turn position. Includes early repayment of £60m being recycled.

Barry Island Strategic Regeneration Area - link road. To accelerate delivery of a key transport route as part of our regeneration programme.	2
Capital Loan Scheme for Sport and Leisure Facilities – To improve facilities through and invest-to-save approach, increase participation in sport and physical activity and contribute to better health outcomes.	2
Community Asset Loan Fund - loans to voluntary sector organisations seeking to take on community assets.	3
Electric Vehicle Transformation - To support the purchase of low emission vehicles	12
Credit Unions subordinate loans to support compliance with mandatory capital to asset ratios	3
Building safety loans to help maintain and improve the quality of housing stock in Wales and allow residents, leaseholders and tenants to feel safer in their homes.	12
Mutual Investment Model - supporting investment in education and transport infrastructure	12
Total	1,742

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To: Minister for Finance and Local
Government
From: Tina Jones
Ext: 5734

CC: Andrew Jeffreys
Emma Watkins
Matt Wellington
Sharon Bounds
Andrew Johnson

Date: 26 January 2022

FINANCIAL TRANSACTIONS CAPITAL (FT) – UPDATE

1. At Business Committee on Tuesday 18 January, Mike Hedges AM asked,

‘...for the finance Minister to give an update on the use of financial transactions capital, with the update to include how much has been received, where it has been spent, how much has been paid back to the Welsh Government, and the eligibility of co-operatives to access it.’

The response given was,

‘The Finance Minister will provide a written update on the Member’s query to align with the publication of our Final Budget, which will include decisions on the use of FT capital.’

2. During the Finance Committee Draft Budget scrutiny meeting you attended on 21 January, Mike Hedges AM also asked about FT and it was agreed that an analysis of the FT investments already made would be provided.
3. The use of FT has been raised previously both by Mike Hedges AM and during budget scrutiny more generally.
4. A draft letter is attached for your consideration.