

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Simon Thomas AM
Chair
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24 April 2018

Dear Simon

Thank you for your letter of 27 March about financial transaction capital funding. I welcome the constructive debate we have had at Finance Committee about how best we can deploy such funding to support Welsh Government priorities, despite its restrictive nature.

In response to the committee's report about the Second Supplementary Budget 2017-18, I confirmed the Chief Secretary to the Treasury has agreed to the Welsh Government's request for additional flexibility, allowing a carry forward facility for the £90m of unspent financial transaction funding provided in the UK Autumn Budget. This is in addition to the amounts which can be carried forward under the new Welsh Reserve arrangements.

I also signalled we are working to accelerate a number of schemes, through the Development Bank of Wales, to mitigate any potential loss of funding. These are:

- £20m for the Wales Technology Seed Fund II, which provides seed funding for intellectual property-rich, technology-based business in Wales, funding them from invention through to commercialisation. It addresses market failure in the provision of early stage risk capital. Following on from this, through high value exits from these ambitious, fast-growth businesses across the technology sectors, it attracts further private sector investment into Wales.
- £6m for a Wales Angel Co-Investment Fund, which will bolster the entrepreneurial ecosystem in Wales for business angel activity and syndicates in Wales. This addresses one of the key recommendations in the Access to Finance report. It is available to all sectors supporting the establishment of new, high-growth and export potential SMEs.

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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.

- £22.25m for the Wales Flexible Investment Fund, which primarily aims to maintain market confidence and continued business investment in Wales at a time when businesses are facing uncertainty about economic conditions during Brexit negotiations. This is a top-up to an established fund where the additional investment will remain flexible to market need with an indicative product mix of debt (50%), equity (20%) and mezzanine (30%).

The year end accounts are currently being finalised and once the Wales Audit Office has completed its audit, I will confirm the financial transaction position as part of the annual outturn report. This will be available following the summer recess.

I am happy to provide regular updates about the use of financial transaction funding and future allocations as part of the published budget documentation.

Yours sincerely

A handwritten signature in grey ink that reads "Mark". The letters are cursive and slightly slanted to the right.

Mark Drakeford AM/AC

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