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Amwygl Alun Ffred,

At Questions to me from Party Spokesmen on 16 September, I believe that there was an initial misunderstanding due to the translation; and that your intention had been to ask me about investment the Government had made using *innovative* funding, rather than through "innovation funds."

I am pleased to provide you with clarifications concerning the approach to innovative finance that the Government has taken to support the priorities that I established in the Wales Infrastructure Investment Plan (WIIP). Since the publication of the WIIP in 2012, the Government has moved swiftly to implement three innovative finance schemes in the transport, housing and education sectors respectively. The cumulative annual revenue cost of these schemes is £26 million, while the maturity depends on the scheme in question. Details are provided at Table 1 below.

Table 1

Scheme	Year	Capital Value (£m)	Revenue Cost (pa) (£m)	Maturity (years)
Local Government Borrowing Initiative (Highways' Improvements)	2012-13	170	12	20
Housing Finance Grant	2013-14	130	4	30
Local Government Borrowing Initiative (Highways' Improvements)	2014-15	170	10	30
<b>Total</b>	-	<b>470</b>	<b>26</b>	-

In addition to these three innovative finance schemes, the Government has committed to undertake a further six initiatives, details of which I have made available to colleagues in the Assembly on a number of occasions. Each of these schemes is currently in development. I restate them at Table 2 for ease of reference.

Table 2

Priority Schemes	Capital Value (£m)
Flood and Coastal Risk Management	150
Housing Finance Grant II	250
21st Century Schools Programme - Band B	500
A465 Sections 5&6	300
Velindre Cancer Campus	210
Direct Borrowing Programme (including strategic enhancement of the M4)	500
<b>Total</b>	<b>1,910</b>

It is important to note that our commitments to innovative finance schemes remain prudent in budgetary terms. Our approach has kept affordability considerations uppermost in mind, as we strive to provide the critical social and economic infrastructure that would simply not be delivered had the Government not acted decisively.

You also raised a question about PFI, and in particular whether local health boards in Wales had made commitments to new PFI schemes. As I said in the Senedd, there are none of which I am aware. But let me be clear about my position on this: the Government has repeatedly said that it would not use the old, discredited form of PFI to boost capital investment in Wales. And we will stick by the commitment. There is no doubt that we were right to avoid the use of old-style PFI. Not only are we now largely free of the liabilities that other parts of the UK are encumbered with; indeed we anticipated the views of the UK Parliament which of course roundly criticised aspects of PFI in 2011, leading to the development of alternative models of investment, such as PF2, which is a similar model to the Non-profit Distributing (NPD) model of investment pioneered in Scotland.

The Government has announced on a number of occasions that we would use alternative models of investment, including the NPD model, to attract finance from a number of sources to invest in social and economic infrastructure in Wales, provided that investment helps to achieve our strategic objectives, delivers value for money, and serves the public interest. These are issues that I fully expect to be tested through established business assurance processes. I trust therefore that I have allayed your concerns on this point.

*Best wishes,  
Jane*

**Jane Hutt AC / AM**  
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