

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

27 February 2023

Dear Peredur,

As ever I am grateful for the contributions of the Finance Committee in the vital role of scrutiny of the Welsh Government's budgets. During the scrutiny of the draft Budget 2023-24, the Finance Committee proposed the following recommendation:

'Recommendation 10: The Committee recommends that the Welsh Government: provides an update on Financial Transactions Capital allocations before the Final Budget is laid and explains why such allocations could not be included at the Draft Budget stage for the second year running.'

The Welsh Government accepts this recommendation; however, I want to again outline the complexity we face when allocating Financial Transactions (FT) capital. This is a ringfence within the capital budget which can only be used for loans or investments and therefore can only be allocated when we are certain a return can be expected. We need to ensure loans are recoverable, and do not have any detrimental impact on our wider budget position. On this basis, I must ensure there are robust and appropriate systems are in place to safeguard public monies, minimise risk and ensure the effectiveness of our investments.

As I have previously outlined to the Committee, the restrictions on this type of capital - such as not being able to loan to public bodies - makes this a more challenging form of capital to deploy. It is also worth noting that the FT capital ringfenced budget represents less than 0.4% of the total Welsh finances available in 2023-24. The Draft Budget prioritises allocating 98% of available resources to deliver this Government's commitments. However, I do acknowledge the Committee's frustration and I will take every step to ensure this is not the case for the 2024-25 Draft Budget.

I have included a list of the Financial Transaction Capital allocations for 2023-24 for the Finance Committee's consideration.

- To extend the existing mortgage rescue scheme, we are allocating £40m to support those in short and long term financial difficulty with a short term loan, reverse shared equity product, or a mix of both, with the goal of avoiding homelessness and preventing repossession.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

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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.

- To create a new scheme providing short and long-term loans to Registered Social Landlords to assist with funding Social Housing Grant development plans, we are allocating £59m of capital. This will help mitigate the negative impact of inflation and borrowing and provide certainty to the sector, contributing to the decarbonisation of social housing and providing savings to tenants.
- Help to Buy Wales has supported thousands of people to realise their dream of home ownership since it was launched in January 2014, with more than 13,400 homes delivered through the scheme alongside driving changes in the housing industry. We are allocating £63m to extend the scheme until March 2025, adapting the scheme to take account of changes in the housing market, the impact of the current economic climate on potential homeowners and the housing industry.
- To continue to support improvements to our educational estate we are providing a further £2.4m in our Sustainable Communities for Learning programme.

In addition to the above allocations, I wish to draw the Committee's attention to indicative allocations of funding to the Climate Change and Economy MEGs of £10m each respectively. There are a number of proposals with strong potential that need further development, and these are accelerating at pace. Given the commercial sensitivity of these options I am not able to provide more information at this time, however, I will provide more detail on these allocations as they progress.

I look forward to the Committee's reflections on these allocations and to working with colleagues as the proposals progress.

Yours sincerely,



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