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Ysgrifennydd y Cabinet dros Gyllid a Llywodraeth Leol
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Llywodraeth Cymru
Welsh Government

Simon Thomas AM
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Annwyl Simon,

Following my appearance at Finance Committee on 19 October, I agreed to provide clarification on the level of borrowing and debt financed by the Welsh Government.

There are two main aspects to this question; direct borrowing by the Welsh Government, and borrowing by other bodies enabled by Welsh Government funding. I have addressed each aspect separately for clarity below. All figures are drawn from the last financial year for which we have complete accounts, in this instance 2015-16, unless stated otherwise.

Welsh Government borrowing

The Welsh Government has not yet utilised its borrowing powers pursuant to the Wales Act 2014.

The Welsh Government has inherited historic borrowing on the merger with the Welsh Development Agency (WDA). This borrowing was drawn from the National Loans Fund (NLF). The outstanding debt to the NLF was just over £11 million (£11.406 million) in 2015-16.

Borrowing financed by the Welsh Government

The Housing Finance Grant 1 (HFG1) was launched in 2013-14 and has seen around £130 million invested by Registered Social Landlords (RSLs), delivering around a 1000 new units of social and affordable housing. This is partly funded by an annual revenue payment of £4 million by the Welsh Government to the RSLs involved, which will continue until 2032-33.

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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.

Another instrument which has boosted investment is the Local Government Borrowing Initiative (LGBI) - which provides revenue funding to Local Authorities to alleviate wider budgetary pressures and enable them to borrow for investment in agreed priorities. Following the successful use of the LGBI in the transport sector, which saw £170 million of new investment in Welsh highway during the previous Assembly term, the scheme is also enabling around £170 million of funding in the 21st Century Schools Programme. This will ensure that the Programme is delivered by 2018-19, two years sooner than previously planned.

There are also a number of historic Private Finance Initiative (PFI) schemes which were entered into by Welsh Local Authorities and other bodies, such as Local Health Boards. In 2015-16, revenue liabilities were expected to be around £99 million. As much of the funding for these bodies stems from Welsh Government, it is important to note the existing liabilities. However, as the Welsh Government is not the contracting authority in most cases, information is not held on the precise stock of debt in these historical PFI schemes.

Future Borrowing

At Committee, we also discussed more specifically early access to borrowing and any associated capital costs with the M4. As I said then, our capital plans set out in the Draft Budget deploys our borrowing capacity to the full over the next four years. In 2017-18, our capital reserves stand at £110 million which includes the potential £20 million early access to borrowing for the M4 if needed.

In terms of costs associated with the M4 next year, we acknowledged in Committee that there will inevitably be costs before the Public Inquiry concludes, including costs associated with the Inquiry itself. Some of these costs will be capital and are necessary in order to adhere to the currently planned timetable in the event that the scheme does go ahead. However, there will be no physical infrastructure works associated with the M4 until the Inquiry has concluded and, as I said at Committee, we would look to maximise all of our available conventional capital before utilising our borrowing capacity.

Yn gywir,



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