

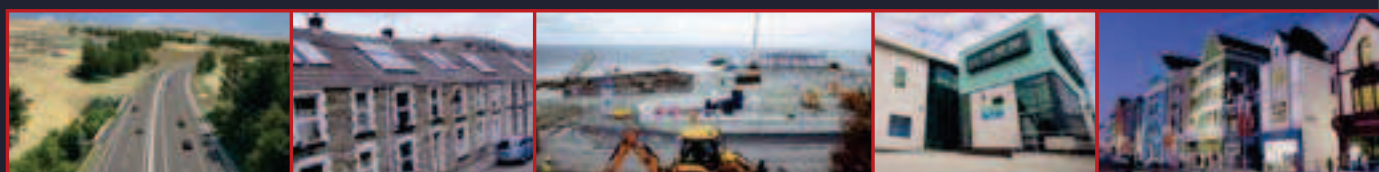


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# Wales Infrastructure Investment Plan

for Growth and Jobs



2012



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# Wales Infrastructure Investment Plan for Growth and Jobs

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# Foreword

Infrastructure investment is one of the highest priorities for the Welsh Government. It can provide an important and much needed stimulus, creating the conditions for increased and sustainable growth in the medium and longer term. This Wales Infrastructure Investment Plan for Growth and Jobs is designed to prioritise, scope, and coordinate delivery of our major infrastructure investments, whilst making a significant contribution to the long term economic, social and environmental wellbeing of people and communities in Wales.

Most of the last decade was a period of economic growth. Our capital budget nearly doubled from 1999-2009 enabling us to invest over £2bn in the health estate; over £578m on 75 miles of new roads and £1.5bn in 414 education schemes include 127 new build schools – delivering real benefits to the people of Wales. But, the economic landscape now looks very different. We must tailor our approaches to investment to meet the new challenges and ensure we leverage optimal benefit from additional sources of investment, such as European Union funding. The deteriorating capital funding position that has resulted from the UK Government's severe budget cuts, combined with our determination as the Welsh Government to maintain essential investment requires a step change in the efficiency, economy and effectiveness of our spending.

The Plan sets out **why** we are taking a new approach and our vision and goals for the future; **what** we will be doing in terms of our sectoral priorities; **how** we intend to make the changes and deliver the vision and **when** we will be taking the next steps. Stakeholders have consistently called for increased transparency and certainty. We are setting out a detailed pipeline of projects within a number of sectors over the coming years – an important step that will enable our private sector delivery partners to ensure they are well placed – adequately skilled and resourced – to support the infrastructure delivery we need.

The challenges are surmountable, but they do demand a more strategic and focused approach which will act as a catalyst to inform and drive the way we work and the decisions we make at the core of Welsh Government.

Publishing this Plan is the first step. We have now got our work cut out to deliver – focusing on identifying nationally significant schemes and delivering them through innovative financing solutions; cultivating the project pipeline and the quality of business planning and delivery – so that it clearly shows what is happening in Wales and why it is a great place to live, work and do business.

I am confident that we can make the Wales Infrastructure Investment Plan for Growth and Jobs a success, with Sustainable Development ingrained at its inception. It is an important initiative for the Welsh Government and I urge all to support it as a cornerstone of the approach Wales needs to ensure its sustainable economic success in an ever uncertain world.



A handwritten signature in black ink that reads "Jane Hutt". The script is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

**Jane Hutt AM**  
**Minister for Finance and Leader of the House**

# Executive Summary

The Wales Infrastructure Investment Plan for Growth and Jobs sets out the Welsh Government's strategic investment priorities, provides a detailed account of sectoral investment plans through to 2014-15 and sets out the key elements of a new approach to infrastructure investment.

**Chapter 1** sets out the context for the development of the Plan, a vision for the future and a set of strategic investment priorities which will support delivery of that vision and guide the investment of more than £3.5bn over this Spending Review period and around £15bn over the next decade. These investment priorities, which reinforce the Programme for Government and the Welsh Government's focus on growth and jobs, are set out below:

- Improving transport networks, in particular east-west links in North and South Wales.
- Improving telecommunications networks.
- Supporting the development of the energy industry in Wales.
- Investing in housing.
- Delivering more efficient and economical public services.
- Improving the quality of the educational estate.
- Developing our Enterprise Zones.

**Chapter 2** gives a comprehensive account of the Welsh Government's sectoral investment plans, covering:

- **Economic infrastructure** – Economic Development, Transport, Environment and Energy.
- **Social infrastructure** – Housing, Regeneration, Education and Health.

These plans include an account of the objectives and purpose of investment in each sector, progress over the last five years, appraisals we have undertaken in line with our sustainable development approach, a summary of plans going forward and details of delivery partners and structures. **Annex 1** contains, for each sector, a three year pipeline of approved investments with a value greater than £15m. This pipeline will provide greater clarity and certainty to our delivery partners, something that has emerged as a key priority for the private sector. **Annex 2** provides a 10 year indication of our 'direction of travel' for each sector.

**Chapter 3** explains the new approach the Welsh Government will be taking to infrastructure investment in the future and how we will be working with our partners – public, private and third sector – to:

- Ensure investments are aligned with strategic priorities.
- Provide a clear focal point for infrastructure development with sustainable development at its core.
- Lever more funding into public capital and infrastructure investment to boost jobs and growth.
- Drive better value from the money we are investing.
- Make better use of our assets.

**Chapter 4** details next steps. Key actions include:

- Developing and improving the pipeline by updating it annually to ensure it is of maximum value to benefit delivery stakeholders.
- Enhancing our approach to the prioritisation and assessment of investment proposals.
- Continuing engagement with stakeholders on key infrastructure issues and encouraging collaboration between delivery partners.
- Continuing to develop innovative approaches to lever in significant additional investment to public infrastructure investment where it offers value for money.
- Improving and standardising our approaches to business assurance and scheme delivery across the Welsh Government and wider public sector.
- Continuing to develop our approach to asset management and procurement.
- Developing a 'central point of knowledge' for infrastructure investment to include local and national public infrastructure investment as well as current and future private sector investment plans where possible.

## Chapter 1 – Stronger Foundations for Growth and Jobs



## 1.1 Introduction

This chapter explains the rationale for the introduction of the Wales Infrastructure Investment Plan for Growth and Jobs. It explains:

- What the Welsh Government has achieved since devolution.
- The current situation and why this creates a strong case for change.
- Our vision for the future and our high level infrastructure investment priorities.
- Our strategy for successful delivery of the Plan.

## 1.2 Our achievements to date and context

Since devolution in 1999, increases in the Welsh Government's responsibilities and growth in UK public spending resulted in a steady increase in the resources available for public spending in Wales. Our capital budget nearly doubled from just over £1bn in 1999-2000 to around £2bn in 2009-10, facilitating significant investment in our infrastructure:

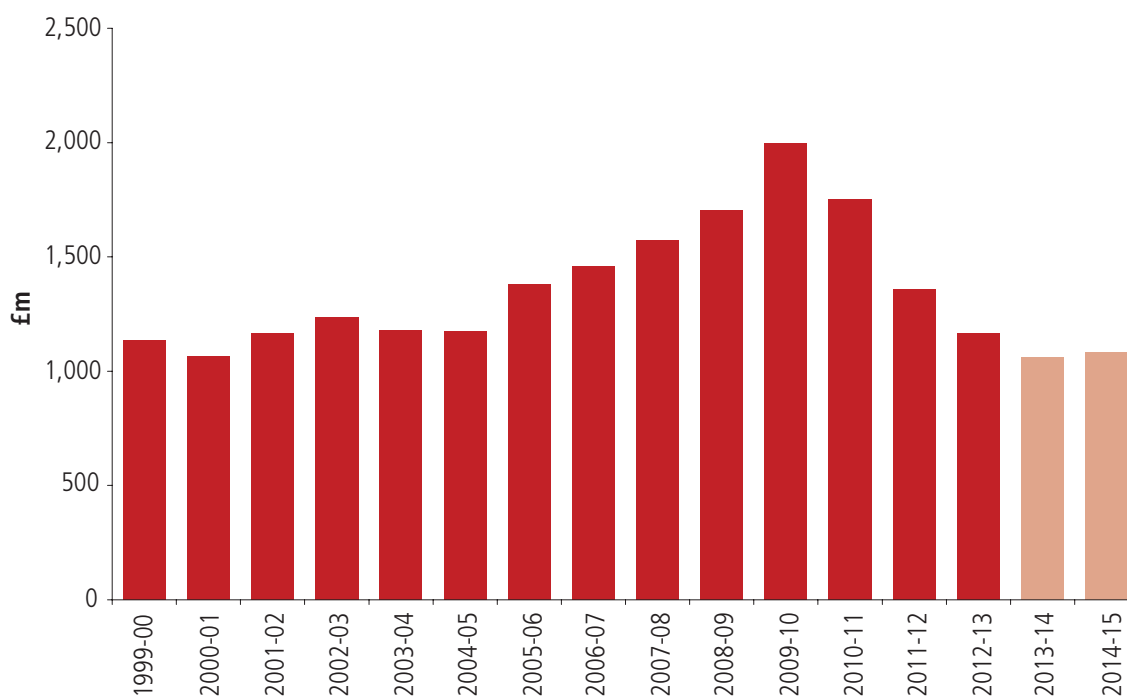
- Since 2001, we have built 12 new and replacement hospitals and since 1999-2000 invested over £2bn in health facilities.
- Since 1999 we have built 75 miles of roads, spending £578m.
- Since 1999 over £1.49bn invested in education, delivering 414 schemes including 127 new build schools.

In mid-2008 the UK was hit by the financial crisis and global downturn, entering recession before returning to slow growth in late 2009. Since then, the UK economy has been sluggish. Now as we finalise this Plan, Office for National Statistics figures from the first 3 months of 2012, indicate that the UK has once again dipped back into recession. With continued global uncertainty, output growth is expected to remain slow for some time.

The UK General Election in May 2010 resulted in a Conservative-Liberal Democrat coalition Government in Westminster, which announced deep cuts to government spending to address the public sector deficit. The 2010 Spending Review, resulted in an unprecedented real terms reduction of over 40% in the Welsh capital budget over the period to 2014-15. As Figure 1 illustrates, by the end of the Spending Review period, the Welsh capital budget will be around 46% lower in real terms than at its peak in 2009-10 and lower than at any stage since devolution. The Welsh Government is committed to playing its part in reducing the deficit. However we believe these cuts go too far too fast.



Figure 1 – Wales' Capital Budget in Real Terms – 1999-00 to 2014-15



The next decade is likely to see a continued real terms reduction in our annual capital budget which will mean we expect to have £2-4bn less capital available than in the previous decade. This sharp reduction in capital budgets does not however reflect any reduction of investment need. The reality is that as existing infrastructure ages, undertaking backlog maintenance and replacing obsolete elements requires an ever increasing level of investment – we need to spend even to stay still.

Welsh Government capital investment is not only essential to maintaining and developing public sector infrastructure – it is also important for the level of demand and activity in the Welsh economy to promote growth and jobs. The cut in capital budgets of around £1bn in real terms from its peak is predicted to have a major impact on activity in the Welsh economy, which remains fragile.

We are in the most challenging economic and political climate since devolution, with Wales experiencing the double dip recession. The depth and scale of the UK Government's cuts over the past 2 years have themselves reduced aggregate demand in the UK economy, which has barely grown since the cuts were announced. The effect of 'fiscal consolidation' is aggravated by the sovereign debt crisis in the eurozone and the lack of bank lending which are sapping business confidence, undermining investment and dissuading companies from hiring. These very difficult economic conditions are not likely to improve significantly before or indeed, through the next Spending Review.

We have to explore every avenue and take every opportunity to maintain essential capital investment in the face of the huge cuts to the capital budget. That is why we have taken the following immediate action to support our capital investment:

- **Increasing investment from our capital reserves and transferring revenue to capital.** In the second Supplementary Budget of 2011-12 for example, we increased capital investment through these routes by over £170m to provide an important economic boost and allow us to reduce the impact of the severe cuts.

- **Using innovative finance approaches, where they offer value for money and are appropriate to use.** Chapter 3 provides more detail on how we are developing policy in this area.
- **Continuing to challenge the worst of the deep cuts strategy** and pressing the UK Government to boost capital spending in the short term, whilst maintaining a pipeline of schemes with strong economic cases to support economic recovery, ready to go if funding is made available.
- **Negotiating with the UK Government to allow the Welsh Government to borrow** to finance much needed infrastructure. Responsible borrowing powers would enable us to smooth our capital deficit, assist to offset the damaging impact of the cuts and support economic recovery through construction and development of public service infrastructure. It would enable the effective and efficient planning of capital expenditure programmes in Wales over the medium term. Importantly, it would also mean that the profile of Welsh Government programmes would no longer be entirely dictated by the timing and scale of unrelated capital expenditure decisions taken by the UK Government.

## 1.3 The status quo – managing infrastructure investment

Historically the Welsh Government made decisions on infrastructure need and investment largely within departmental portfolios, each with its own framework of strategies and investment plans, published policies and programme management.

In July 2010, the previous One Wales Government undertook initial work on a Strategic Infrastructure Project to map Welsh Government strategic capital investment and consider how to develop the way that strategic infrastructure is delivered in Wales. Building on this work has highlighted the need for:

- Enhanced cross-Government information-sharing and consultation to help inform Ministers' decisions when selecting and delivering key strategic infrastructure.
- Strengthened Welsh Government influence over maximising benefits from major infrastructure projects in non-devolved areas, with a direct impact on Wales (e.g UK rail infrastructure planning and major energy projects). Where engagement has occurred it has often been with a departmental focus rather than with a strategic, cross-Government perspective.
- A step change in engagement both between departments within the Welsh Government, local authorities and other delivery partners. As confirmed by the findings of the Simpson Review, increased collaboration across the public sector in Wales is essential to gain maximum value from our limited resources.

The severe cuts have brought into sharp focus the continuing need to refine the Welsh Government's strategic approach to provide stronger foundations for investment and ensure we optimise our use of available resources. Clear strategic priorities and efficient execution and delivery are highly desirable at any time, but in current circumstances we simply cannot afford anything less. It is imperative to drive continuous improvements in:

- **Efficiency and economy** – investing in the right things and squeezing out more for less.
- **Effectiveness** – delivering better results from our investments.

## 1.4 Our vision for the future and our high level infrastructure investment priorities

Whilst it is clear that we have to act quickly to limit the damage from the current economic conditions, it is essential that the priorities for investing our increasingly scarce resources are focused and – despite the deep cuts imposed upon us – that we continue to make significant investments in Wales' infrastructure. **Over the next 3 years, we intend to invest over £3.5bn. Over the next decade, we intend to invest around £15bn.**

### 1.4.1 Vision for the future – boosting growth and jobs

The Welsh Government wants to put the Welsh economy on a path to greater productivity and greater prosperity for all our people. Altering the path of a mature economy is challenging at any time but we are currently going through a period of unusual difficulty and our priority must be to help lead Wales out of recession as we did in 2008-9 with the ProAct and ReAct and successor programmes that are being taken forward by the Welsh Government.

After the loss of its traditional heavy industries in the last quarter of the last century, the Welsh economy settled on to a growth path that was slow relative to the rest of the UK, not to mention the more dynamic economies abroad. More recently we have been hit by the aftermath of the global financial crisis, the consequent recession and the deflationary policies that the UK Government has adopted to reduce government borrowing and the national debt. We therefore face the double challenge of recession and rising unemployment, grafted on a structural problem of slow growth and low rates of economic activity.

In this situation, policies to stimulate and strengthen our economy become more urgent. For the next few years the Government's policy is to put more emphasis on growth-promoting economic policy and on generating employment compared even with other desirable social objectives. Our investment in infrastructure must reflect that priority.

A key element of our vision for the future of the Welsh economy is a strong move towards sustainability. In moving towards a low-carbon economy we hope not only to make the economy more efficient and resistant to rising costs of fossil fuels but also to develop skills and techniques that will enable Wales to build new businesses and export that expertise around the world. Investment to support energy efficiency and the development of new energy sources is therefore an important part of the strategy.

Energy efficiency through the refurbishment of housing and other estates and the introduction of energy standards for new buildings have an immediate impact on employment since these activities require many work hours. Investment in these areas therefore will have unusually large effects in employing complementary labour.

In promoting economic development, the Government has identified sectors where Wales can develop and increase its competitive advantage. Working closely with business leaders in those sectors we are tackling any blockages to development through appropriate public policies. In some cases, that involves targeted infrastructure development.

Research has shown the importance “clusters” of economic activity have in driving economic growth. Moreover, experience in other countries has shown that clusters may be fostered by the identification and encouragement of ‘growth poles’. Those observations underlie the policy of denoting zones where specific encouragement is given to businesses. The Enterprise Zones announced by the Welsh Government relate to the sectoral strategy associated with particular sectoral development. Infrastructure investment to promote growth and jobs must therefore ensure that the infrastructure requirements of Welsh Enterprise Zones are met.

The provision of next generation Broadband Connectivity throughout Wales will be one element of providing adequate infrastructure. Energy and transport networks must also be upgraded.

We need to concentrate our resources where we can add the most value, acting as an enabler of growth in the economy. The future application of funding for land reclamation activities will have a much stronger alignment with projects that meet specific economic development objectives or where there is a requirement for such funding to meet wider Welsh Government aims.

An ambitious programme in these areas will tax the strained resources of the Welsh Government over the next decade. It is important, therefore, that we work as closely as possible with the private sector, local authorities and the third-sector of voluntary and co-operative enterprises to maximise their investments in areas of common interests. Only by a more extensive mobilisation of resources that are available to the Government can we hope to support the Welsh economy through the current difficulties and launch it on a faster growth path that will make Wales a prosperous place to live and work.

### **1.4.2 Infrastructure to boost growth and jobs**

Hard times raise the bar for approval of investments and sharpen the awareness of opportunity cost. Investing in worthy but economically sub-optimal schemes removes the opportunity to invest in schemes which may offer more support and benefit to the economy of Wales.

In this document, we differentiate between two distinct categories of infrastructure:

- **Economic Infrastructure** – physical networks that sustain and develop economic activity, such as roads, rail, airports, shipping ports, electricity, ICT, water supply and sanitation.

Economic infrastructure provides key services to business and private customers by linking them through the transmission of goods, services and information. Particularly important are networks which perform the economic function of helping people to access employment. Effective investment in networks can help raise employment and promote economic growth in ways that go beyond the effects of other large scale capital investment.

- **Social Infrastructure** – physical assets that sustain and develop people within Wales, such as schools, hospitals, housing and the environment.

The people of Wales are one of its biggest assets. A healthy, educated population is required to fuel a prosperous economy. The case for social infrastructure proposals needs to rest on direct effects – for example, evidence of better educational outcomes, better health, or lower costs through rationalisation. These outcomes can of course have major economic benefits as well as help in our efforts to tackle poverty and promote social inclusion.

The assessment of the economic benefits of any capital investment involves comparison of the sum of all of the costs with the sum of all of the benefits. So far as is practicable these costs and benefits should be quantified, and monetised. Non-quantified costs and benefits can be incorporated on the basis of qualitative evidence, for which a 'judgement' is required. The standards to be applied to economic investment appraisal are detailed clearly in the HM Treasury Green Book and are integral to the best practice approach to developing business cases using the 5 Case Model.

Often, the outputs of projects will take the form of enhancements to the provision of services yielding social benefits, for example in health and education, which can be challenging to quantify. On other occasions, the benefits may take the form of net reductions in the cost of service provision ('investing to save').

Projects in any sector, or of any scale, can show high, low or even negative net benefits. For this reason, studies which have attempted to examine the impact of public investment in aggregate on economic performance have been able to draw few, if any general conclusions (see for example, the review undertaken for the Scottish Government<sup>1</sup>) though they do tend to suggest that well-designed investments in economic infrastructure can promote economic growth.

This has led to the broad conclusion that infrastructure priorities for the Welsh Government should primarily focus upon those potential investments which derive the greatest economic benefits and during this time of persistent high unemployment, it is appropriate to seek to foster the growth of employment both the long and short term. Clearly, the assessment of the relative merits of all schemes must rest heavily on the quality of their individual business cases, and the establishment and maintenance of effective process for the development, scrutiny and approval of such businesses cases. That is why a key focus of our attention in delivering this Plan will be on improving the quality of business cases, clarifying governance and accountability arrangements and ensuring successful delivery of our investments using best practice. Our approach to this going forward is detailed in Chapter 3 – 'Delivering the Plan'.

Box 1 sets out our **seven strategic investment priorities**, which reinforce our Programme for Government goals. These priorities will form the primary focus of our infrastructure investment over the remainder of the current spending review period. We will revisit these priorities as we sharpen and refine our strategic objectives and when there is greater clarity of our future funding position as we move into the next Spending Review period.

<sup>1</sup> [www.Scotland.gov.uk/Resource/Doc/919/0022400/pdf](http://www.Scotland.gov.uk/Resource/Doc/919/0022400/pdf)

In line with these priorities we are announcing £44m of new investment for 2012-13 providing an additional:

- £2.7m for M4 junction improvements.
- £3m for NEST and £2m for arbed benefiting an extra 1000 homes.
- £6m to expand the successful Welsh Housing Partnership, leveraging in an investment of £30m in total to deliver 280 family homes for intermediate rent.
- £5m to double the size of the recylcable empty homes fund, contributing to our target of bringing 5,000 empty homes back into use during this Assembly term.
- £4m to accelerate essential flood protection schemes, reducing the impact of flood and coastal erosion on our communities.
- £6.8m to accelerate major hospital projects at Ysbyty Glan Clwyd and Llandough.
- £500k to deliver premises for domestic abuse 'One Stop Shops' in Pembrokeshire, Swansea and Gwynedd.
- £5m to support schools projects in in Lampeter, Denbighshire, Abercynon and Penarth.
- £3m for the new Cardiff City Centre post-16 campus.
- £3.5m to support essential infrastructure work for the Northern Gateway site in the Deeside Enterprise Zone.
- £2.5m to boost the Welsh Economic Growth Fund.

And, working with RSLs, launching a Welsh Housing Bond. We are committing £4m a year of funding for thirty years to support a Bond issue of over £100m, which will finance delivery of more than 1,000 affordable homes over the next four years.



## Box 1 – Our high level investment priorities

1. **Improving transport links, particularly East-West transport links in both North and South Wales** – East-West links have already been prioritised in the National Transport Plan. In addition, larger projects are being examined for feasibility including the strategic enhancement of the M4, providing a third Menai crossing and continuing improvements to the A465. The Transport section in Chapter 2 provides more detail.

Other areas not fully devolved but where the Welsh Government has an essential interest include the improvement of rail services, notably electrification of the main line to Swansea and of the Valley Lines running into our coastal cities.

We are also looking to ensure that the potential of Cardiff Airport is realised. With focused investment and better connectivity, Cardiff Airport has the potential to draw in passenger and freight custom from the whole of the South West of the UK and the Midlands. This would have significant economic benefits for Wales and would help to ease airport capacity issues around the UK.

2. **Improving telecommunications networks and assuring all parts of Wales have access to adequate broadband facilities for their economic needs** – the Next Generation Broadband Programme investment in communications infrastructure will stimulate a thriving and competitive digital economy. It will support growth through wide scale application, innovation, commercialisation and exploitation of digital technologies by Welsh businesses, and particularly the ICT and Creative Industries sectors.
3. **Supporting the development of the energy industry in Wales** – larger schemes for generation of energy are non-devolved but are potentially of primary importance to the Welsh economy. This will involve aligning cross departmental agendas to support opportunities including Wylfa and the Energy Island programme, on and offshore wind, and the Severn barrage.

4. **Investing in housing** – specifically supporting the housing market through initiatives such as the proposed mortgage guarantee scheme, the Housing Bond, increasing the supply of social housing and improving existing housing stock, including improving energy efficiency through arbed and NEST.
5. **Delivering more efficient and economical public services** – investing to deliver services more economically and efficiently, in particular supporting delivery of our vision for the NHS in Wales set out in *Together for Health*<sup>2</sup>.
6. **Improving the quality of the educational estate, particularly schools** – in the longer run, competitiveness and higher employment also require a well-trained labour force, which means that we need 21st century educational facilities.
7. **Developing our Enterprise Zones** – delivering the infrastructure enhancements that will enable Enterprise Zones to generate jobs and growth.

## 1.5 Improving the efficiency and effectiveness of our investments

There is significant scope for improvement in the efficiency and effectiveness of our investments and we have taken the first steps to exploit this by building on the learning and experience of other Governments in developing this first version of the Wales Infrastructure Investment Plan for Growth and Jobs. Box 2 sets out our approach to this plan. Further details are provided in Chapter 3.

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<sup>2</sup> [www.Wales.nhs.uk/siteplus/867/pendoc/182769c](http://www.Wales.nhs.uk/siteplus/867/pendoc/182769c)

## Box 2 – Our Approach to the Wales Infrastructure Investment Plan

We seek to:

- Focus on opportunities for cross cutting collaboration.
- Identify and invest in schemes of national significance to Wales.
- **Co-operate more closely** with key stakeholders and delivery partners including:
  - local government and the rest of the public sector in Wales – exploiting any opportunities to optimise value for money through shared solutions to shared challenges and taking advantage of economies of scale
  - the private sector – fully encouraging private investment in Welsh infrastructure by increasing the clarity of our forward plans for investment and creating arrangements to facilitate appropriate private sector investment
  - the UK Government and non-devolved bodies that have reserved responsibility for some of our key infrastructure including rail and large scale energy. Working together to achieve the best outcomes for Wales and our economy and
  - other countries – including the other home Nations and the European Union. We will be learning from the experience of others and engaging with the EU as an important source of funding and expertise
- **Integrate economic, social and environmental** issues through our use of various appraisal techniques to inform delivery.
- **Improve infrastructure procurement** to increase value for money and maximise community benefits.
- Develop new routes and vehicles for innovative financing of infrastructure.
- **Improve the understanding and management of our assets**, ensuring we get the most out of them – maximising their value by assessing the benefits they offer and could offer.
- **Maintain the Wales Infrastructure Investment Plan as a ‘living’ and ‘relevant’ document** through regular review and revision as the economic, political and financial circumstances evolve so it continues to be a useful planning tool for the private sector.

## 1.6 Our strategy for the successful delivery of the WIIP

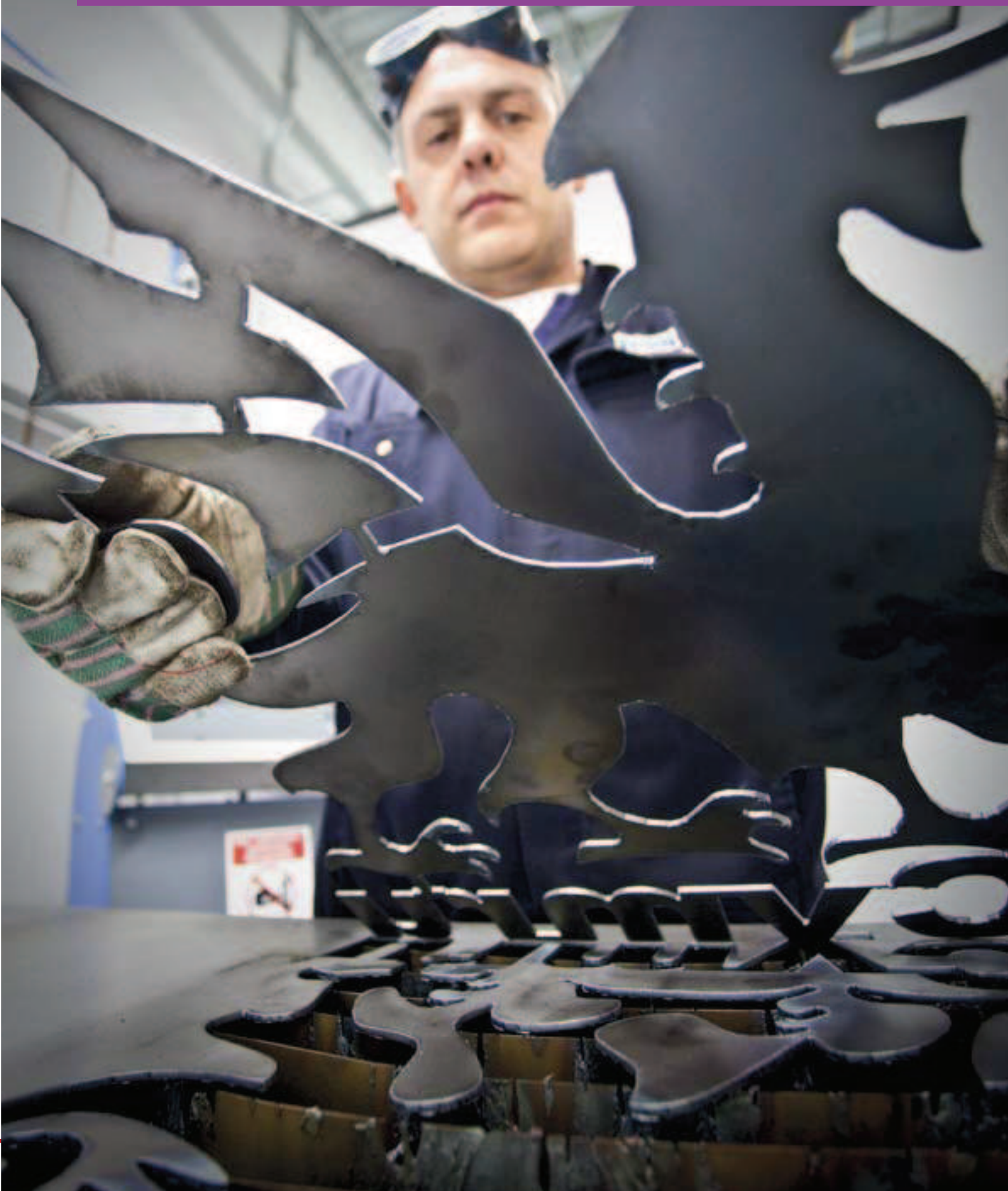
Our goals in delivering the WIIP are set out below:

- **Goal 1:** create a system that identifies and prioritises nationally significant infrastructure schemes across departmental responsibilities, focusing resources on the highest priority investments which deliver the most benefit in line with sustainable development.
- **Goal 2:** increase the resources invested in prioritised strategic infrastructure over the next ten years beyond expected budgeted levels.
- **Goal 3:** reduce the costs of maintaining and delivering infrastructure and maximising the value for money provided by our investments through: improved business planning, focusing on a clear rationale for investment in the right things at the right time; improved delivery of programmes and projects using a proportionate and controlled approach and providing support with best practice, guidance and frameworks for governance where appropriate.
- **Goal 4:** establish and maintain a new monitoring system of major strategic infrastructure expenditure in Wales, improving control and public visibility.

We will ensure that our approach is:

- **Integrated and aligned with wider Welsh Government commitments** – pursuing economic development by encouraging low-carbon industries and businesses, taking account of equality and sustainable development commitments alongside other cross-departmental commitments such as tackling poverty.
- **Supported by our key stakeholders and delivery partners** – within the wider public sector and in the private and third sectors.

## Chapter 2 – Sectoral plans and priorities



## 2.1 Introduction

This chapter provides detail on the key sectors, detailing for each sector:

- Aims and objectives of investment.
- Achievements to date.
- A summary of sectoral plans for the future.
- Our current delivery partners and structures.

Information on current projects and programmes is detailed in Annexes 1 and 2.

This chapter sets out each sector under the following headings:

**Economic infrastructure** which we define in section 1.4.2

- Economic development
- Transport
- Environment
- Energy

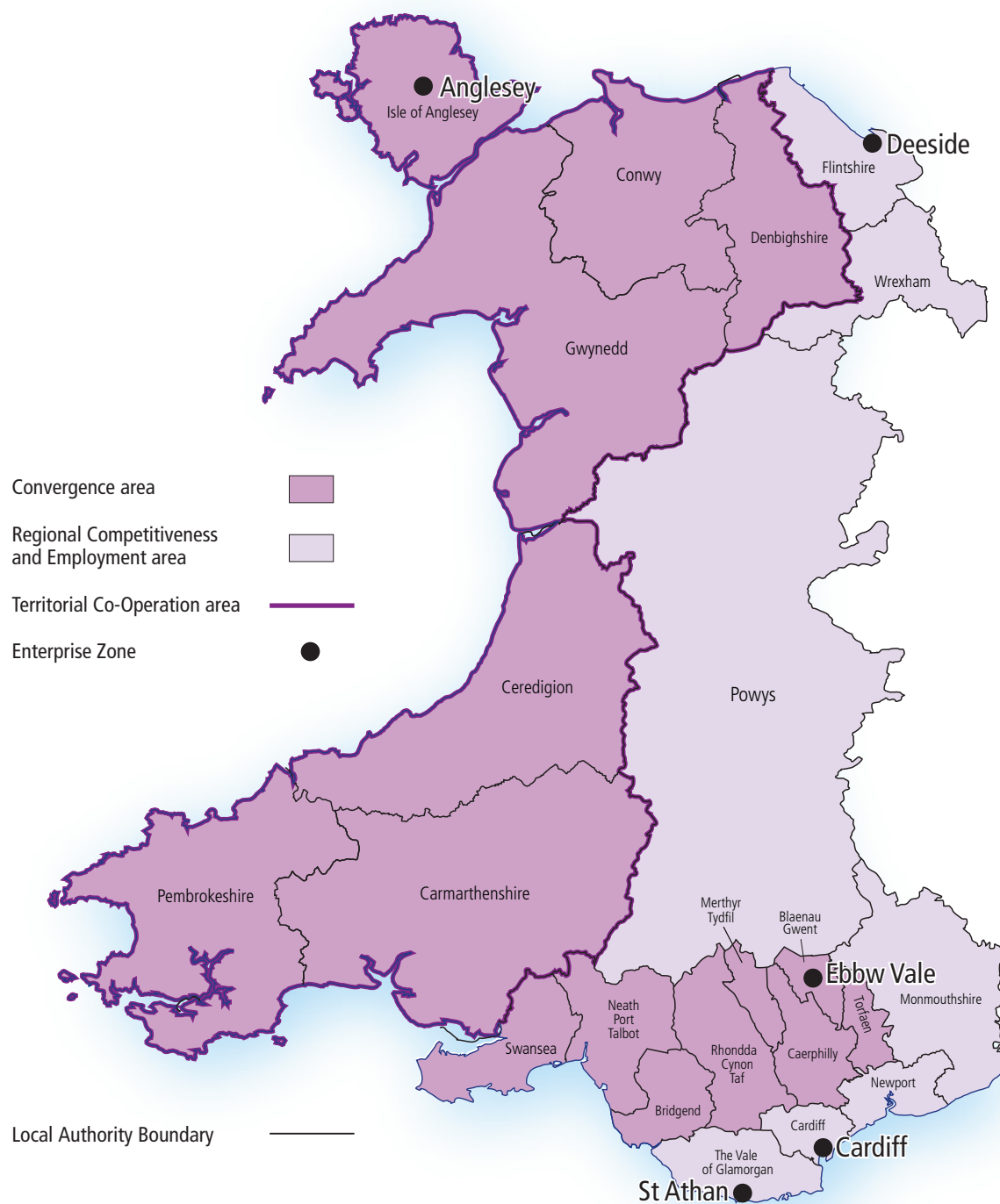
**Social infrastructure** which we define in section 1.4.2

- Housing
- Regeneration
- Education
- Health



## 2.2 Economic development

### Mainstream European Structural Fund Areas & Enterprise Zones



### 2.2.1 Aims and objectives of investment

Governments have a critical role in supporting enterprise through shaping the environment in which businesses compete, providing network infrastructure, developing skills and supporting research and development. Strategic investment in improving infrastructure has a significant impact creating an environment that enables business to thrive and grow.

The Welsh Government is focusing on nine key sectors to better target our investments to support business which are: energy and environment, construction, tourism, finance and professional services, creative industries, life sciences, advanced materials and manufacturing, ICT, and finance and professional services. We are building strong strategic relationships with sector companies, with our regionally important companies and with our anchor companies.

We will strengthen the links between businesses and academia to support excellence in innovation, to develop collaborative partnerships between Wales' key sectors and organisations delivering research activity in Wales and to ensure Wales develops and retains academic expertise for the benefit of Welsh business.

We are working with our partners to develop the proposals for the new EU programmes for the period 2014-2020. The programmes will make a key contribution to the delivery of the Welsh Government's own programme of investments. The level of future infrastructure investments, and the use of innovative financial instruments to add value to investments, will be subject to negotiations with the European Commission over the next two years.

### 2.2.2 Progress made in sector since 2007

Since 2007 we have invested in many regional and national economic priorities across Wales.

- Welsh Government Investment at SA1 in Swansea has secured 1,800 jobs for the region. Some 96 acres of former redundant, contaminated port land has been transformed and the site now houses office buildings, residential units and attractive retail outlets.
- In Cardiff, we helped transform the docks at Roath Basin. The first phase of development has recently been completed and is now home to the BBC Wales drama village. Plans are in place to construct a new building of 40,000 sq ft, targeted at occupiers from the Creative Industries Sector and other developments at Roath Basin.
- We have invested nearly £20m through grant funding to both new and existing tourism facilities. We secured £35m to develop seven centres of excellence around Wales. The coastal tourism project focuses on improving and developing new coastal infrastructure, while the sustainable tourism project focuses on key tourism growth markets of the natural and built environment.

### 2.2.3 Sectoral plan

All Infrastructure investment impacts on economic growth. Improvements to transport infrastructure yields construction jobs and an increased flow of goods and services into and out of Wales, as well as improving access to work and other opportunities within Wales. Investment in health infrastructure and facilities makes Wales a more attractive and accessible location for businesses to locate to, and supports the health of the workforce. Investment in housing and business district office space creates growth in the construction industry and helps businesses looking to locate in Wales. Investment in energy infrastructure creates the right environment for business growth, can bring new jobs and support the development of a healthy energy sector.

We will continue to work to ensure that the economic drivers which underpin all infrastructure investment are recognised as part of policy development and delivery.

We need to concentrate our resources where we can add the most value, acting as an enabler of growth for the economy. The future focus of our land reclamation activities will be strongly aligned with projects that meet specific economic development objectives or where there is a requirement for such funding to meet wider Welsh Government objectives.

The current (2007-2013) European Structural Funds programmes are close to full commitment and have seen significant investment in infrastructure, particularly in transport, regeneration and ICT networks. The implementation of the £55m Regeneration Investment Fund for Wales Urban Development Fund, a financial engineering instrument that will invest in urban regeneration, will create a legacy to support future investments after the end of the current programme period.

## Next Generation Broadband for Wales

Businesses in the sectors and the economy as a whole will benefit from the availability of competitive, flexible digital infrastructure. We are seeking to ensure that all residential premises and all businesses in Wales will have access to high speed broadband by 2015, with the ambition that at least half have access to ultra fast broadband services. The total value of the Next Generation Broadband investment is anticipated to be up to £400m, combining funding of around £57m from UK Government and £70m from European sources with Welsh Government funding in order to leverage significant investment from the private sector. This investment in communications infrastructure will stimulate a thriving and competitive digital economy. It will support growth through wide-scale application, innovation, commercialisation and exploitation of digital technologies by Welsh businesses, and particularly the ICT and Creative Industries sectors.

## Enterprise Zones

We have identified a number of Enterprise Zones which will complement our sector based approach to strengthening the competitiveness of the Welsh economy. Each focuses on a key target sector and they all offer specific incentives to attract new business to prime locations in Wales.

There are five confirmed locations:

- **Cardiff** – focusing on the financial and professional services sector.
- **Anglesey** – focusing on the energy sector.
- **Deeside** – focusing on the advanced manufacturing sector.
- **St Athan** – focusing on the aerospace sector.
- **Ebbw Vale** – focusing on the advanced manufacturing sector.

Two further location options are currently being considered, these are:

- Snowdonia
- Haven Waterway

We aim to intervene in these zones to grow the local economy and provide a catalyst for economic growth elsewhere in Wales, beyond the boundaries of the zones themselves.

Good communications' infrastructure will be central to the success and competitiveness of businesses in the Enterprise Zones. We are working with our partners to ensure that the infrastructure needs identified for the Enterprise Zones are met. Where specific transport requirements are identified, we will direct appropriate funding to deliver necessary road enhancements for the zones.

## **Ports and airports**

We will seek to ensure that the transport infrastructure serving our ports and airports supports their vital roles as key economic drivers, attracting and supporting a wide range of business activity. The total cargo throughput for Wales' ports was in the region of £60m tonnes in 2010, with Milford Haven accounting for much of that traffic. Our ports and airports provide a gateway to world markets in an increasingly globalised economy. We will work to identify investment opportunities that will support their continued development as modern economic hubs.

## **City regions**

A task & finish group was established in November 2011 by the Minister for Business, Enterprise, Technology and Science to consider the potential role of city regions in the future economic development of Wales. The group is currently considering the evidence for supporting city regions as drivers of economic growth and to establish the key economic development opportunities and benefits offered by the development of city regions.

Once the group has finalised the economic evidence base for city regions, it will make recommendations on which area(s) of Wales could benefit from such an approach and identify changes required to make the approach work to deliver the increased jobs and prosperity.

## **Investing in key sectors**

Our key sectors will each have their own specific drivers and their own varying infrastructure requirements and priorities. We will look carefully at the emerging requirements for each sector and seek to identify responses that best support those requirements. Our approach to the Welsh Government property portfolio will reflect these priorities as we seek to align our activities to support the development of the key sectors.

## **Energy and environment**

Strategic investment in energy infrastructure provides an important enabling function across the wider economy and contributes to wider social challenges, such as reducing fuel poverty through extending the grid and gas networks. The energy and environment sector faces infrastructure challenges and current provision does not match the increasingly demanding requirements placed on it.

Updating the electricity transmission network in Wales is a priority, and we need to ensure that the new network is up to challenges of our changing relationship between demand and supply. To build on the potential contained within this sector we need to consider how we can increase the capacity of nationally and internationally significant Welsh ports.

## Construction

Wales' construction industry is vital to the Welsh economy. With spend for the sector estimated at more than £2.3bn per annum; the sector contributes around 10% of GDP. There are in excess of 13,000 companies within the sector, employing more than 130,000 people, including professionals such as planners, architects, surveyors and building engineers as well as the traditional construction companies responsible for 'new build', maintenance and upkeep of our historic and heritage buildings.

Beyond its economic impact, the sector is central in developing a quality built environment. This is important for every business and community, encompassing everything from the large scale civic environment, such as power stations, offices and roads to our own personal living space.

The challenge of climate change requires a more sustainable approach to development, with a pivotal role for construction technology. Wales is committed to cutting its carbon footprint by 3% per annum from 2011. These changes produce fresh challenges for indigenous businesses engaged in developing, maintaining and renovating homes and other buildings.

Construction companies in Wales are at the forefront in developing the knowledge, skills and innovative technologies needed to maximise the opportunities that these challenges bring. Welsh Government and industry are working together to ensure we can deliver the environmental and low carbon solutions that clients want now and in the future.

## Tourism

Wales is recognised internationally as a leading sustainable tourism destination promoting local economic prosperity, community well-being and engagement, and delivering a high quality experience to visitors. **Achieving our Potential**, the national tourism strategy for Wales, captures our ambitious vision for tourism.

The tourism sector delivers infrastructure projects focused on economic development or the environment through regeneration initiatives such as the Green Seas Programme. These interventions aim to improve the quality of the visitor experience, in turn increasing the economic benefit from the sector to the Welsh economy.

Investment in new and existing tourism facilities can raise the overall quality standards of the industry, including new visitor attractions and hotels and will add value alongside improvements to our coastal tourism infrastructure. The most notable recent example of which is the Wales Coast Path. The 870 mile (1400 km) Path is expected to attract an extra 100,000 visitors to Wales every year and makes Wales the first country in the world to have a continuous path running along its coastline.

## Finance and professional services

The vision for the finance and professional services is to promote a sustainable and internationally competitive sector which is underpinned by a pool of highly skilled and qualified people and supported by an advanced infrastructure.

There are a number of ways in which infrastructure improvements will have a direct positive impact on this sector in Wales. Availability of good quality office space and access to high quality digital infrastructure, particularly in Cardiff, is important to the development of the sector. Improvements to the transport links within the Cardiff city region and between Cardiff and London are also vital.

## **Creative industries**

The creative industries sector in Wales employs more than 30,000 people – with a further 30,000 employed in creative roles in other sectors – and generates over £1.8bn annual turnover. Turnover in the sector grew by 23% between 2005 and 2009, making this one of the fastest growing sectors in Wales and a key priority for the Welsh Government.

Wales has a long tradition of delivering successful music, television, animation and other creative content, as well as emerging strengths and opportunities in the development of digital content and services. Access to next generation broadband across Wales is an important infrastructure requirement for the sector.

In general, further investment in business workspace, or measures to stimulate property development through acceleration /simplifying planning processes, are not priorities for the sector. However, developments at Roath Basin, Cardiff, including the Centre for Creative Industries, will provide a potential focal point both for the Welsh creative sector and for the attraction of inward investing companies.

## **Life sciences**

Life sciences sector is an important driver of economic growth and vital to the economy for creating jobs and developing high-end skills. Cutting across pharmaceuticals, biotechnology and medical technology with wide-ranging activities such as research, testing, manufacture and provision of specialist services, Wales already has significant areas of genuine excellence and has the potential to build a world-wide reputation. Success will be based on identifying new growth opportunities and strengthening the links between business, NHS and academia. Transforming Welsh life sciences will deliver economic growth, improve the health of people living in Wales and deliver cost savings for NHS Wales.

The Welsh Government is working with universities and private sector partners to ensure that infrastructure solutions are identified and delivered to help the sector grow and thrive. Our investment in the Institute of Life Sciences (ILS) at Swansea University is bringing together science, research and industry.

## **Advanced materials and manufacturing**

The face of Welsh industry has changed radically and rapidly over the course of the last 30 years. The shift from the heavy industrial manufacturing landscape typified in the 1970s and 80s has made way for a more vibrant, high-technology manufacturing environment, partly facilitated through inward investment. The emergence of new technologies spurred on by intense global competition and increased levels of R&D will lead to new products and processes. The identification and prioritisation of such opportunities provides the basis of a strategic approach to growth.



A high-level strategic route map for the sector will be developed and supported by a series of detailed tactical implementation plans. The strategic route map will target the following strategic key priorities: skills, research, design, development and innovation, globalisation and growth, finance for growth and capacity building. As the strategic route map develops, we will continue to consider the specific infrastructure requirements of the sector.

## ICT

ICT is a key enabler for growth across all industries and sectors. It creates economic opportunities for individuals as well as for businesses. The priorities for growing the sector therefore need to have a broad reach, one that considers the impact and contribution that the sector can have on the development of other key sectors. We will seek to identify the infrastructure requirements for the sector that will enhance Wales' reputation as a place to do business.

## Food and farming

The food and drink supply chain is key to the Welsh economy in terms of employment, income and the contribution it makes to tourism. There are approximately 230,000 people employed in the food and drink supply chain whilst direct employment in farming in Wales totals some 70,000.

The infrastructure priorities of Food and farming sector will be considered in the development of a strategy for the sector.

### 2.2.4 Current delivery partners and structures

We have consistently and extensively consulted with individual businesses, representative organisations, local authorities, third sector bodies, academics and the public. We work with anchor companies, regionally important companies and sector companies to understand how we can work together to facilitate strategic relationships between Government and the private sector. We have established sector panels to directly advise on opportunities within our key sectors and will use the strategic perspective developing from this Plan to further enhance and support collaborative opportunities.

## Case Study: Next Generation Broadband for Wales



Wales' demographics and topography have traditionally represented a challenge to communications service providers seeking to maximise the availability and take-up of their services, particularly in the case of broadband.

Traditionally, private sector investment has tended to focus on more densely populated areas at the expense of less densely populated areas. This, coupled with the rapid pace of technology development, indicated strongly that some areas of Wales were at risk of being left behind and potentially unable to exploit the vast benefits inherent in an evolving digital future.

The Welsh Government is committed to creating the right environment for businesses to compete on a level playing field. As part of this, we have set an ambitious target seeking to ensure that as many residential and business premises as possible have access to a high speed broadband service by 2015.

Next Generation Broadband for Wales (NGBW) is our vehicle for achieving this target. Without this strategic approach progress may have been made on a piecemeal basis through individual local projects and procurements. The procurement process for the project will shortly be concluding and subject to a satisfactory bid being received, the contract is due to be awarded

summer 2012, for a single strategic solution to deliver a high speed broadband service, targeted at those areas of Wales where the private sector is not expected to deliver.

This strategic approach has enabled the project to effectively harness and target combined funding from the Welsh Government, UK Government and European sources in order to leverage significant investment from the private sector and to achieve economies of scale. Our Sustainable Development Integration Tool will ensure that NGBW meets best practice and regulatory requirements for sustainable development.

NGBW will drive improved connectivity deep into the heart of our communities. This will place Wales ahead of every other part of the UK and will provide a considerably better level of broadband than businesses and homes generally have access to today.

The scheme is one of the largest infrastructure investments ever made by the Welsh Government and will create a step-change in Wales's digital infrastructure. It will also underpin the transformation of public services well into the future and ensure that businesses are able to develop new, cutting edge innovations on a solid digital foundation to keep pace with global markets.

## 2.3 Transport

### Transport Network



The Welsh Government has prioritised the National Transport Plan which has brought forward investment that will make the transport system in Wales work better to help tackle poverty, increase well-being and assist economic growth.

Through the prioritised National Transport Plan we will bring forward investment which removes barriers to economic growth and tackles the issues faced by people living in poverty.

This section details our approach to both road and rail investment.

## **2.3.1 Roads**

Road infrastructure is devolved and the Welsh Government is the Highway Authority for over 1000 miles of Trunk Road and 75 miles of Motorway and is responsible for building, maintaining and improving the £13.3bn road asset. The Local authorities (LAs) act as the Highway Authority for local roads; however, Welsh Government has powers to grant aid to support improvements.

Highways agents treat approximately 2000 potholes and resurface approximately 450 lane kilometres of the network each year.

### **2.3.2 Aims and objectives of investment**

Our aim is to ensure that Welsh Government secures the most out of the existing road network through well planned maintenance and upgrades to ensure that the road network operates more efficiently by:

- Prioritising investments which contribute to economic growth – addressing urban congestion and improving access to key areas, and by improving the capacity and reliability of our key east-west routes.
- Being more agile in our approach to developing solutions to underlying problems to address the problems that people face every day, such as the innovative design of the Coldra junction on the M4 to ease congestion and traffic flow.

The prioritised National Transport Plan (NTP) identifies our priorities and their timing which enables our delivery partners to plan ahead more effectively. As part of the development of the NTP detailed Strategic Environmental Assessment, equalities impact assessment, and Habitat Regulations Assessment screening were undertaken.

The Welsh Government is very aware of the impact of its spending on local communities and consequent employment and training opportunities and in delivering this work programme we will seek to maximise these opportunities.

### **2.3.3 Local roads**

The Welsh Government supports local authorities to take forward road infrastructure through a number of different mechanisms such as the Regional Transport Plans and local roads maintenance funding. Also ensuring that the development of all Regional Transport Plans are informed by Strategic Environmental Assessment and Habitat Regulations Assessment screening.

With the objectives of boosting the Welsh economy and improving the local highway asset, Welsh Ministers have made a commitment to assist local authorities meet mounting revenue pressures, allowing them to free up resources for prudential borrowing through the Local Government Borrowing Initiative (LGBI). This funding, up to an expected aggregate total

of £172m, will be used exclusively for capital highway improvement investment throughout Wales during the 3-year period 2012-2015. Revenue funding will be made available to local authorities over a twenty-two year period.

### 2.3.4 Progress made in sector since 2007

Since 2007, the Welsh Government, Regional Transport Consortia (RTC) and LAs have taken forward a number of roads infrastructure interventions to relieve congestion, improve safety and reduce the impact on local communities including:

- Widening nearly four miles of three lane carriageway to dual 2-lane standard on the A465 between Abergavenny and Gilwern – part of the A465 Heads of the Valleys dualling scheme. Total scheme cost was £57m and it was completed in May 2008.
- Widening over eight miles of the M4 from dual 2-lane to dual 3-lane standard between Castleton and Coryton which has improved the Trans-European Network. Total scheme cost was £99m and it was completed in January 2010.
- Bypassing the village of Robeston Wathen with the A40 Penblewin to Slebech Park Improvement which has introduced additional capacity with Wales' first use of a 2 plus 1 carriageway standard. Total scheme cost was £41m and it was completed in February 2011.
- Bypassing Porthmadog, Tremadog and Minffordd on the A487 which has improved journey times and reliability between north and south Wales. Construction was completed 9 months ahead of programme. Total scheme cost was £35m and it was officially opened to traffic in October 2011.
- Improvements to the alignment of the existing route of the A470 Cwmbach to Newbridge-on-Wye, bypassing a low railway bridge and traffic signals at a narrow river bridge and improving links between north, mid and south Wales as well as journey time and reliability. The total estimated scheme cost was £50m and was officially opened to traffic in December 2011.
- Increasing reliability of the A473 with the Church Village Bypass – a scheme undertaken by Rhondda Cynon Taf CC and part funded through the Welsh Government's Transport Grant programme. The total scheme cost was £99m and was completed in August 2010.
- Improving the Ceredigion and the A48/M4 corridor at Carmarthen with the A486 Llandysul Bypass which received £29m through the Welsh Government's Transport Grant programme. The scheme was completed in October 2009.
- Improving the A477 (St Clears to Red Roses) links to Pembroke Dock. Work commenced in February 2012 and the total scheme cost is c£51m, due for completion in late 2013.
- Delivering a state of the art bus station for Swansea providing an interchange for regional bus, coach and taxi travel. The scheme includes enhanced passenger waiting facilities, information systems and retail units. The construction was completed in 2011 and officially opened by the First Minister on 22nd June 2011. Total cost – combination of TG, WEFO and RTP – approx £18m.
- Delivering the final and main part of the Port Talbot Peripheral Distributor Road (PDR) Stage 2, which forms the connecting PDR 1C to M4 Junction 38. The total scheme cost is c£111m with match funding from European funds of £53m and is due to be completed in 2013.

- Providing local authorities with additional grant funding of £50m since 2007/8 to assist them in tackling backlog planned maintenance and £13m to assist with reactive maintenance (potholes, winter service etc.).

These investments have led to significant improvements in the road network delivering improvements to journey time reliability; improved resilience to incidents on the network as well as adapting to climate change; as well as improved safety to ensure numbers killed or seriously injured on the road network continue to reduce.

### 2.3.5 Sectoral plan

The National Transport Plan sets out the road schemes we intend to take forward and identifies the financial year in which work will start. Initiatives which started in 2011/12 include:

- Safety improvements to the A465 Hirwaun to Dowlais Top.
- A470 Abercynon roundabout off-slip improvements.
- Improving access to the town centre and new Cynon Valley Hospital on the A4059 Mountain Ash.
- Congestion reducing measures on the A55 Britannia Bridge.
- Improved access to Kenfig Industrial estate.
- Improvements to the Wrexham Industrial Estate Access Road (Phase 2).
- Delivering a programme of resurfacing schemes across Wales to minimise the risk of disruption to the network resulting from potholes.
- The early intervention programme to minimise future disruption to the network.
- Upgrading lighting to more energy-efficient lanterns.

Key milestones for major roads infrastructure investments in future years include:

#### 2012 – 2013

- Appoint contractors to take forward the A483 in Newtown.
- Progress the integrated transport measures to improve the A470 and A483 through Builth Wells and plan longer term intervention (beyond 2015).
- Commence planned improvements to:
  - A465 Heads of the Valleys Road, section 3 Brynmawr to Tredegar
  - A477 St Clears to Red Roses
  - Complete A4226 Five Mile Lane
- Review the study on the transport issues in the area between Wrexham, Deeside and Chester.

#### 2013 – 2014

- Commence delivery of M4 Magor to Castleton post stakeholder engagement options.
- Improvements to M4 Junction 28 Tredegar Park.

#### 2014 – 2015

- Start A465 Heads of the Valleys Road, section 2 Gilwern to Brynmawr (NTP reference 82).

In addition, the M4 Corridor Enhancement Measures (CEM) programme is examining the options for improvement of the M4 strategic corridor, enhancing its ability to cope with current journey levels and enable more journeys to be made than are now. The M4 CEM programme aims to make travel in south Wales safer, easier and more reliable, through a combination of public transport, highway infrastructure and common measures.

The Welsh Government is seeking views from stakeholders and the public on the improvement options, as part of the M4 CEM Formal Consultation, between March and June 2012. We will be making a formal announcement of how this will be progressed in due course.

We will be working with the Department for Transport and the European Commission to explore the potential for applying for funding from the Connecting Europe Facility, when adopted, to support transport infrastructure investment on the Trans European Transport Network in Wales.

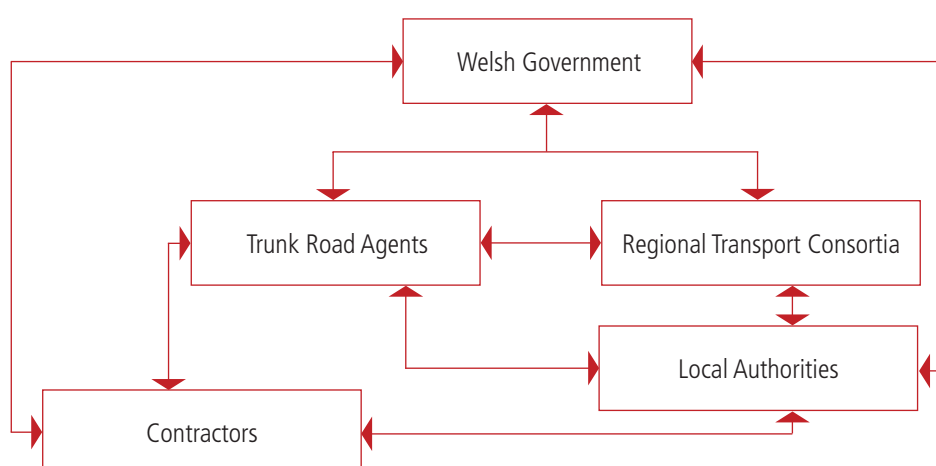
### 2.3.6 Current delivery partners and structures

The key delivery partners in delivering roads infrastructure improvements and maintenance in Wales are set out briefly in the diagram below. The Welsh Government has a close working relationship with the Trunk Road Agents, local authorities and the Regional Consortia to deliver schemes.

The Welsh Government commissions Trunk Road Agents to take forward minor road improvements and interventions on its behalf. Major infrastructure improvements are directly managed by Welsh Government through contracts with construction delivery partners.

The four Regional Transport Consortia – Sewta, SWWITCH, Taith and TraCC – bring together delivery plans on behalf of the 22 local authorities. These delivery plans are prioritised by the Consortia and managed to ensure strategic oversight at a regional level.

Local authorities can also directly receive grant funding from Welsh Government to take forward maintenance activity to ensure the resilience of the local roads network.





## 2.3.7 Rail

Rail is not devolved to Wales. Both the Department for Transport (DfT) and the Welsh Government have a role in providing strategic direction and to procure rail services and projects. Responsibility for day-to-day delivery of railway services rests with the industry.

Network Rail owns, operates, maintains and develops tracks, signals, tunnels, level crossings, viaducts and 18 key stations. The majority of other stations are managed by Train Operating Companies but are owned by Network Rail. On November 14th 2011, Network Rail Wales was created. This means that the rail infrastructure in Wales will be managed by a single business unit based in Wales, allowing Network Rail Wales to be more responsive to the needs of Wales and held more locally accountable. This is an opportunity to build strong working relationships with Network Rail.

Passenger train services are managed and operated by Train Operating Companies; usually under regional franchises awarded by the DfT. Welsh Ministers are co-signatories to the Wales and Borders franchise with the Secretary of State. The franchise specifies which passenger services are to be run, the quality and other conditions such as the cleanliness of trains, station facilities and reliability.

### 2.3.8 Aims and objectives of investment

The Welsh Government is committed to using all available levers to influence the rail network and services in Wales and is working to secure more direct involvement in the planning and delivery of a modern rail network – continuing to improve services for passengers.

Over the longer term we will seek more responsibility for rail in Wales. We are already setting out our plans to see significant investment in the modernisation of our rail network.

We want to support a modern, high-quality yet affordable rail system in Wales, making it more accessible to our communities. This will mean planning for growth in rail use while finding ways to make it more effective. We are leading the development of the Business Case for electrification of the Great Western Main Line from Swansea to Cardiff, and the Valley Lines, working closely with Network Rail and the DfT. An electrified Valley Lines network will be the first step to delivering a truly integrated metro style transport system in south Wales. Looking beyond, the strategic approach to planning will focus on developing integrated transport systems on a regional basis.

### 2.3.9 Progress made in sector since 2007

The Welsh Government, DfT and Network Rail have taken forward a number of significant rail infrastructure improvements since 2007, including:

- **New stations** at: Rogerstone, Risca & Pontymister, Crosskeys, Newbridge, Llanhilleth and Ebbw Vale Parkway; Rhoose (Cardiff International Airport) and Llantwit Major for the Vale of Glamorgan Line reopening project; Llanharan; and two stations at Abercynon (Abercynon North and Abercynon South) with one upgraded station. Goodwick is scheduled to be open March 2012.

- **Infrastructure enhancements** on the Cambrian Line to improve performance and efficiency and to allow future train services to operate at a later date. 22 new miles of track have been built.
- **Improved train frequencies** on the Valley Lines Network, between Cardiff – Holyhead and in West Wales between Fishguard and Carmarthen/Swansea.
- **Capacity improvements** – additional carriages have been provided to improve capacity on the Valley Line network, and on the Cambrian and Borderlands routes.

We have also made improvements through European structural funds – working in partnership with Arriva Trains Wales, Network Rail, Regional Transport Consortia and local authorities, to secure around £40m ERDF for rail projects, with an additional £17m currently under appraisal:

- £15m for rail infrastructure projects, including passing loops, turn backs and a new station to allow increased train frequency across number of the Valley lines.
- £21m for the Wales Station Improvement Programme (NSIP+) – a strategic programme of station infrastructure improvements that builds upon the UK National Station Improvement Programme.
- £21m for strengthening services on the Valleys Lines to reduce overcrowding during peak hours.
- In addition, around £5m has been secured by local authorities to deliver improvements to interchange facilities in south east Wales, including park and ride facilities.

These infrastructure and capacity investments have allowed improvements to the services delivered on the network by Arriva Trains Wales. The performance of Arriva Trains Wales train services have seen sustained improvements to reliability of the train network with punctuality now at 95% Public Performance Measurement, as well as increases in passenger numbers from 21.8 million in 2006-07 to 27.8 million in 2010-11.

### 2.3.10 Sectoral plan

Funding for rail infrastructure is not devolved. It is the responsibility of the UK Government. However, Welsh Government took the lead in producing the Outline Business Cases for electrification of the Great Western Mainline to Swansea, as well as electrification of the whole of the Valley Lines network, which includes the Ebbw Vale, Maesteg and Vale of Glamorgan Line.

These Business Cases have been presented to the Department for Transport which will now assess and consider these priorities in the context of the wider UK rail programme. We continue to have a dialogue with the Department for Transport on this issue and the Secretary of State for Transport is scheduled to make a decision by July this year.

Around half of the stations in Wales are not fully accessible for passengers with restricted mobility. Improving the accessibility of stations will make rail travel a more viable form of transport for this group. Higher quality stations will also attract more people to use rail, and increase feelings of personal security whilst using the station. The Wales Station Improvement Programme (NSIP+) has secured £21m European Funding to deliver a £40m programme of improved accessibility at stations in Wales. Significant amounts of funding for this intervention comes from Network Rail and Structural Funds, making this a very cost effective intervention for the Welsh Government.

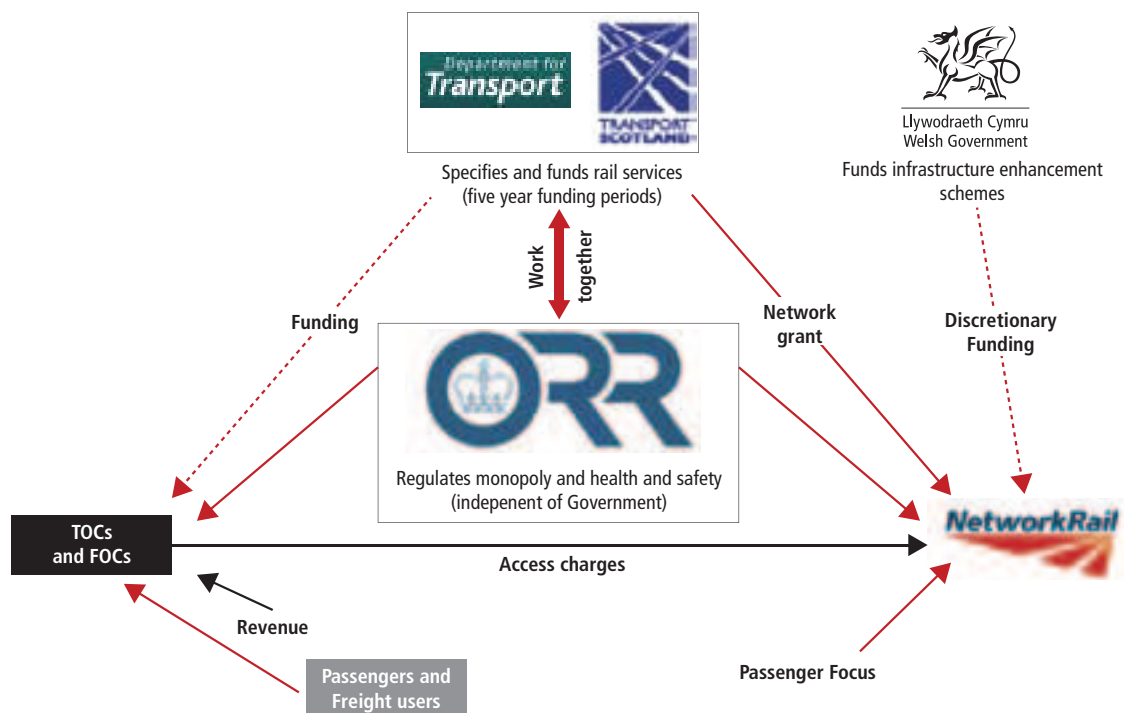
The NSIP+ programme has already made significant developments in modernising stations across Wales, notably Swansea station which is now an exemplar model. We are committed to continue to deliver this programme for the next three years.

The Cardiff Area Signalling Project is funded by the Department for Transport, with Welsh Government funding, and delivered by Network Rail. This major upgrade, at an overall cost of over £220m, will provide track and signalling and other infrastructure enhancements in the Cardiff area in order to meet future growth in train services from, currently, 12 trains per hour to up to 16 trains per hour. This project is a key pre-cursor to the electrification of the Valley Lines network.

### 2.3.11 Current Delivery Partners and Structures

Rail delivery in Wales is a complex structure, as set out in diagram 1. It requires close collaboration between all stakeholders and partners.

Diagram 1 – Rail delivery partners



## Case Study: A465 Dualling the Heads Of The Valleys



The A465 trunk road is a key element of Wales' strategic transport infrastructure serving local, national and international traffic. It passes through Heads of the Valleys Strategic Regeneration Area, provides an alternative to the M4 and forms part of the Trans European Transport network. At present the route does not deliver the required level of service and has a poor safety record.

The A465 Dualling project consists of upgrading 40km of existing three-lane single carriageway road between Abergavenny and Hirwaun to a modern dual carriageway. The dualling project has been split into 6 sections due for completion by 2020.

The A465 Dualling project has a Benefit to Cost Ratio of 1.3. The direct benefits of the dualling include reduced journey times, with improved reliability, and greater safety. The associated regeneration will

include improved accessibility to jobs as well as key public services such as healthcare, education and leisure facilities, improved connectivity for local communities as well as access to main cities within Wales and beyond.

Delivery contracts are designed to maximise the impact of public spending resulting in jobs being supported either directly or indirectly in the construction sector. This is achieved by the inclusion of Targeted Training and Recruitment (TR&T) clauses.

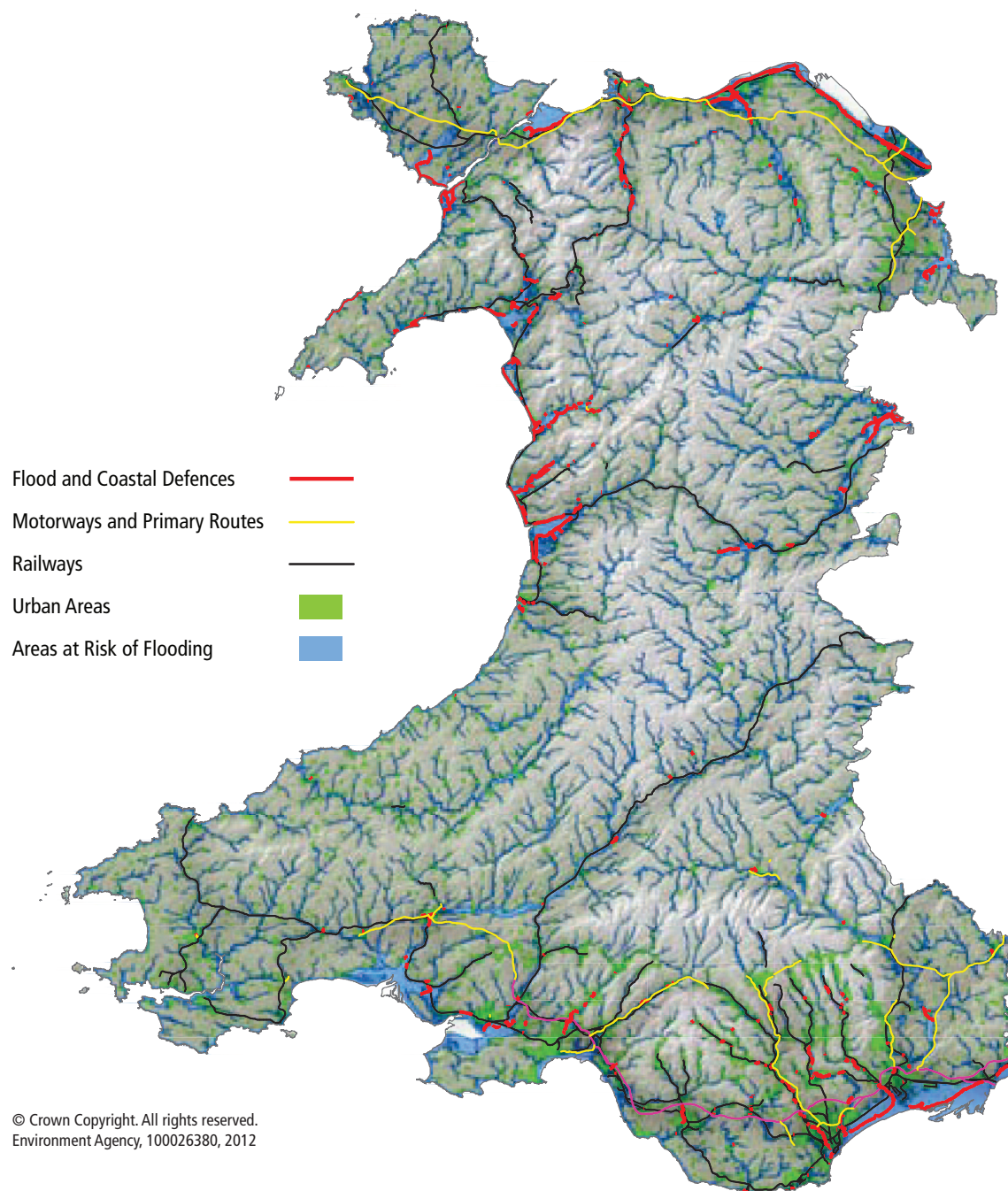
Significant lengths of new walking and cycling routes will be incorporated into the proposals.

Because of its location within the Strategic Regeneration Area partial funding will be sought from ERDF.



## 2.4 Environment

### Flood Risk and Flood and Coastal Defences



Traditionally, delivering environmental protection has been based principally on regulatory measures. Appropriate regulation provides clarity and certainty for investors, but increasingly our emphasis in Wales is on enabling and supporting investment in our environmental infrastructure.

This section sets out details of:

- The **waste procurement programme** – securing 21st Century waste treatment plant for Wales to meet our ambitious Zero Waste targets.
- The **flood risk management programme** – doubling the support for communities at risk from flooding.
- Arrangements for the **management of water** infrastructure in Wales.
- An outline of **future developments** to the structure of environmental bodies in Wales and significant legislation and policy development milestones.

Over the next years we will also be radically modernising the framework for decision-making in the environment.

We plan to introduce a **Sustainable Development Bill** in autumn 2013, to take forward our Programme for Government commitment to legislate to make sustainable development the central organising principle of the Welsh Government and public bodies in Wales.

We are introducing the **'Single Body'** which will come into operation on 1 April 2013, bringing together functions of the Environment Agency, Countryside Council and Forestry Commission in Wales enabling the streamlining of regulatory procedures and ensure our approach is tailored to the needs and opportunities of the different areas of Wales.

The **Environment Bill**, scheduled for 2014/15 will provide an opportunity to consolidate the complex regulatory regimes and ensure they are fit for purpose, bringing together our different management regimes into a simpler process that provides clarity for investors and communities.

The **Planning Bill**, scheduled for 2015, will draw on the results of our current independent review of how we can improve the effectiveness of the delivery of the planning system as a whole as well as providing the opportunity to consolidate planning law in Wales.

As part of our policy work, we will also be developing proposals for positive investment in improving our natural and physical environments that will improve the underlying conditions for investment and jobs, including promoting use of market and financial instruments in the environment, for example in the areas of water and carbon management. This will be underpinned by a new Natural Resource Plan that we will begin to develop in 2013 and which will provide a clear national picture of our priorities and aspirations for the use of our natural resources and will complement the Wales Infrastructure Investment Plan for Jobs and Growth.

The **arbed** domestic energy efficiency scheme is a key environmental programme, which is detailed in the Energy section.

## 2.4.1 Waste Infrastructure Investment Programmes

### 2.4.2 Aims and objectives of investment

The Waste Infrastructure Procurement Programme was established in 2008 to procure waste treatment capacity as part of the delivery of the national waste strategy, Towards Zero Waste, and to help address the affordability of sustainable waste infrastructure in Wales.

The aim of the £750m capital programme, delivered through public private partnerships (PPP), is to support local authorities in securing sufficient treatment capacity to enable the diversion of waste from landfill and meet EU landfill diversion and statutory Welsh Government recycling targets.

The Welsh Government provides overarching programme management, commercial transaction and financial support to two sub-programmes comprising:

- Seven food and organic waste projects.
- Six residual waste projects.

These programmes will deliver respective treatment capacities of 150,000 and 700,000 tonnes per annum and provide a combined electricity output of c. 83MWe<sup>3</sup> equivalent to 11% of Welsh homes.

Early market development work was aided by a clear, firm policy position and a commitment, made by the former First Minister in December 2008, for a significant financial package. Each approved project will be supported to a level of up to 25% of its net gate fee, in addition to incentivised procurement funding linked to delivery milestones.

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<sup>3</sup> MWe = Megawatt electricity



### 2.4.3 Progress made in sector since 2007

18 Local Authorities in Wales have formed into seven hubs to procure **food and organic waste** treatment services. These hubs have all started procurement and are at different stages ranging from preferred bidder stage to detailed solution stage, as summarised in table 1 below.

Table 1

Food and Organic Waste Hubs	Local authority	Progress
GwyrAD	Gwynedd (lead)	At Preferred Bidder stage of procurement. Service commencement planned June 2013.
North East	Denbighshire (lead) Flintshire Conwy	At Preferred Bidder stage of procurement. Service commencement planned August 2013.
Central Wales	Ceredigion (lead) Powys	At Preferred Bidder stage of procurement. Service commencement planned November 2012.
Tomorrow's Valley	RCT (lead) Merthyr Tydfil Newport	At Final Tenders stage of procurement. Service commencement planned March 2014.
Heads of the Valleys	Blaenau Gwent (lead) Torfaen	At Detailed Solutions stage of procurement. Service commencement planned June 2014.
South West	Swansea (lead) Pembrokeshire Carmarthenshire Neath Port Talbot Bridgend	At Detailed Solutions stage of procurement. Service commencement planned March 2014.
Cardiff	Cardiff (lead)	At Outline Solutions stage of procurement. Service commencement planned February 2016.

21 Local Authorities in Wales have formed into six consortia to procure **residual waste** treatment services. Two of these consortia have started procurement, the remaining four hubs are at business planning stages, as summarised in Table 2 below.

Table 2

Residual Waste Consortia	Local authority	Progress
Prosiect Gwyrdd	Cardiff (lead) Newport Monmouthshire Caerphilly Vale of Glamorgan	At Detailed Solutions stage of procurement. Service commencement planned April 2016.
North Wales	Flintshire (lead) Denbighshire Conwy Gwynedd Anglesey	At Detailed Solutions stage of procurement. Service commencement planned January 2017.
South West	Swansea (lead) Pembrokeshire Carmarthenshire Neath Port Talbot Bridgend	Developing Outline Business Case.
Central Wales	Ceredigion Powys	Developing Outline Business Case.
Heads of the Valleys	Blaenau Gwent (lead) Torfaen	Evaluating options.
Tomorrow's Valley	RCT (lead) Merthyr Tydfil	Evaluating options.

### 2.4.4 Sectoral plan

The Welsh Government's waste policies and targets for Wales are set out in "Towards Zero Waste" (development included detailed Sustainability Appraisal, Habitats Regulations Assessment and Health Impact Assessment) – the overarching waste strategy document for Wales.

Action plans are being produced, known as Sector Plans, which target all the areas involved in waste, and whose production and development has been informed by the use of detailed sustainability appraisal:

- Municipal Waste Sector Plan – looking at waste that local councils collect, including household waste and recycling.
- Collection, Infrastructure and Markets Sector Plan – looking at what happens to the waste once it has been put out for collection and how Wales deals with its waste without sending it to landfill.
- Food, Manufacture, Service and Retail Sector Plan – looking at food waste and packaging in Wales and how to reduce it within the food and manufacturing industry.
- Construction and Demolition Sector Plan – looking at the waste produced in the building industry and how to manage this.
- Commercial and Industrial Sector Plan – looking at waste in business, retail and manufacturing and how to reduce and manage this.
- Public Sector Plan – looking at waste produced by the public sector and how to reduce and manage it.

The Waste Infrastructure Procurement Programme is supporting the delivery of waste treatment capacity predominantly for the municipal sector in Wales, with some overcapacity for commercial and industrial wastes.

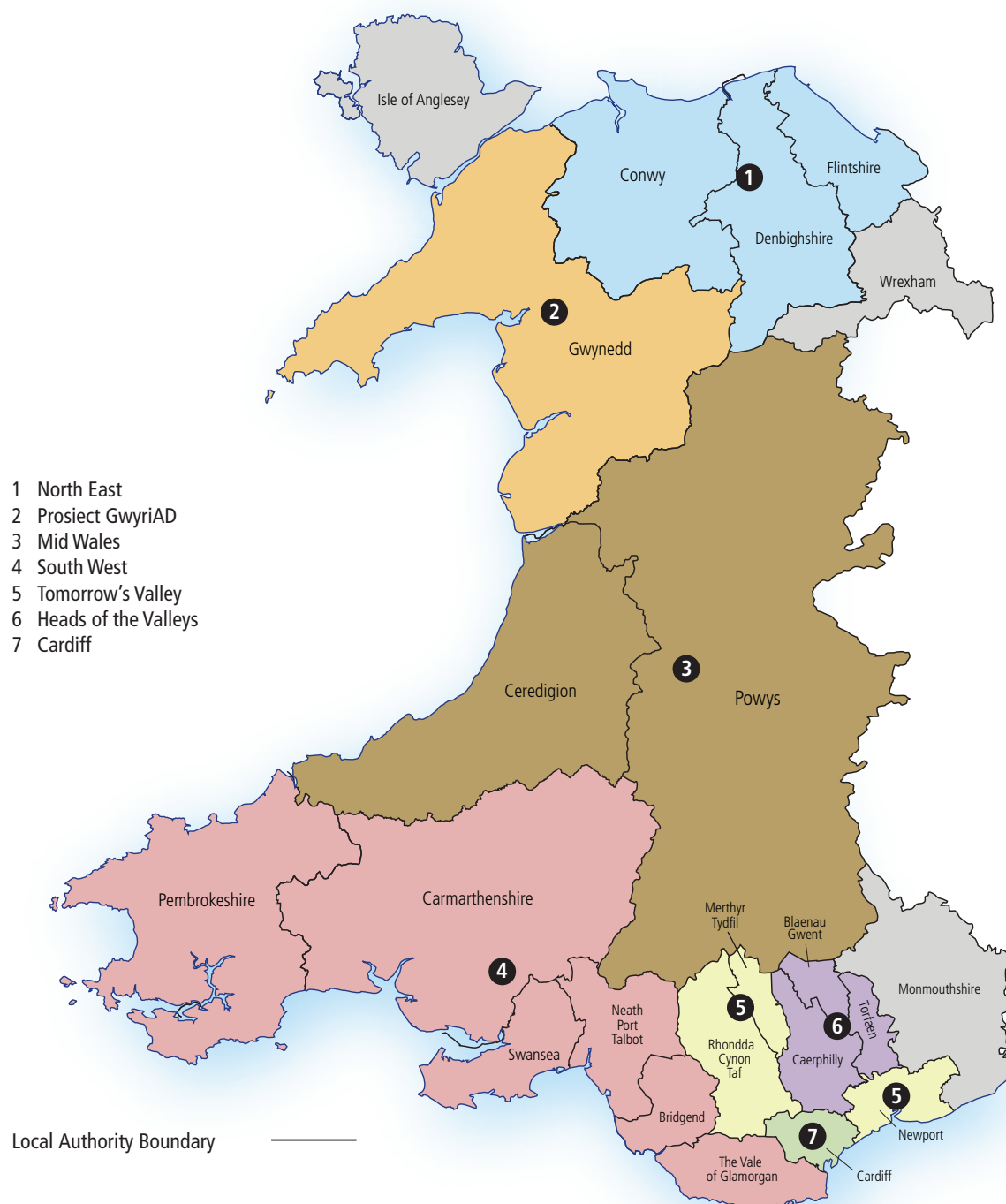
### 2.4.5 Current delivery partners and structures

Local authorities have the statutory responsibility for the treatment of municipal waste. In recognition of the need for a robust, coordinated and timely delivery programme, the Welsh Government established a centrally managed programme. The projects are undertaken by the local authorities with the services provided through public private partnerships with private operating companies.

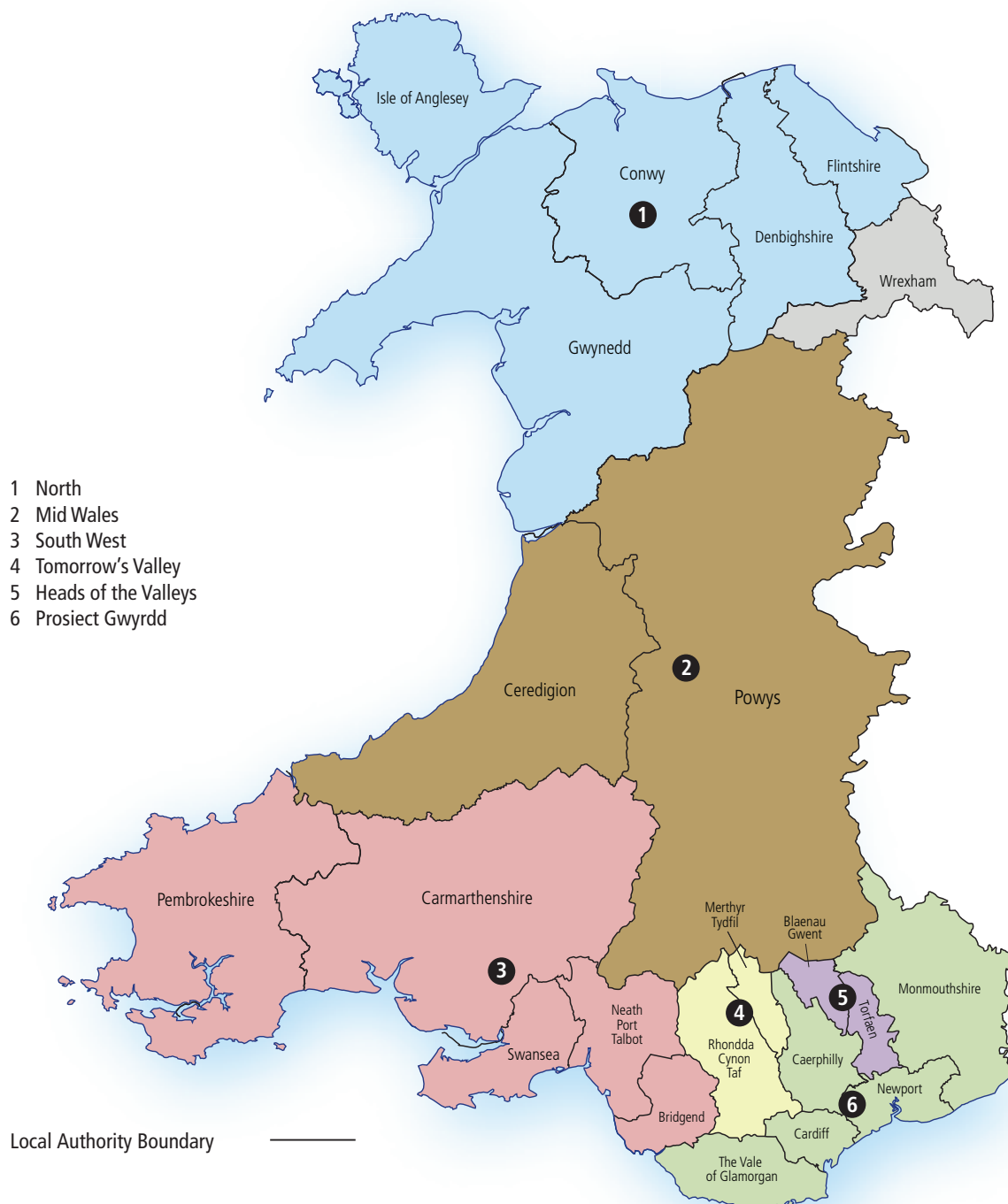
Significant economies of scale and public value are being achieved through the collaboration of local authorities in regional consortia and ensuring close partnership working with the Welsh Local Government Association (WLGA) and across Welsh Government departments.

There are 18 authorities involved in the food waste programme and 21 in the residual waste programme. The procurement hubs and configurations of local authorities for both programmes are shown in the following maps.

## Food Waste Treatment



## Residual Waste Treatment



Other significant delivery partners include:

- Local Partnerships<sup>5</sup> – to provide commercial support to the central programme and local authority projects through transactors.
- Waste Awareness Wales – working through the WLGA to provide a coordinated approach to community engagement.
- Waste and Resource Action Programme (WRAP) – represented at the programme’s Steering Group to maintain links with the development of waste treatment infrastructure in the private sector.
- Environment Agency Wales, Countryside Council for Wales and Planning Officers Society Wales (POSW) – core members of the programme’s collaborative Planning Taskforce which contribute towards its aims of reducing risk and driving efficiencies in the planning and permitting processes.
- Health Protection Agency and Public Health Wales – on matters surrounding emissions and other health-related concerns.

Operating companies – services, whether delivered through built facilities on local authority owned land or merchant facilities, will be provided by private operating companies. Dependent on the scale and finance needs of the projects, banks or other venture funds may be involved in supporting the projects alongside the operating companies.

## 2.4.6 Flood & Coastal Risk Management

### 2.4.7 Aims and objectives of investment

The Welsh Government sets the policy on flood and coastal erosion risk management in Wales and funds the majority of flood and coastal erosion risk management activity, including the construction of flood defence and coastal protection infrastructure.

Investment in both our flood defence infrastructure and improving resilience to the risk of flooding and coastal erosion is critical to the continued development of the Welsh economy.

Over 400,000 people live and work on our floodplains. There are around 220,000 properties in Wales at risk of river and tidal flooding; this represents about 11% of all properties and includes about 65,000 properties that are at significant likelihood of flooding. In addition, it is estimated that about 12% of all properties in Wales are currently at risk of surface water flooding. This number is likely to increase.

Looking to the future, climate change projections suggest that we can expect to see more frequent and more severe floods, with greater levels of Welsh infrastructure affected:

- The number of people and properties at risk of river and tidal flooding may increase by between 10% and 100% by the 2020s, depending on the rate of climate change, and by between 50% and 250% by the 2080s.

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<sup>5</sup> a 50:50 joint venture between the Local Government Association and HM Treasury providing a single source of commercial expertise and know-how for all local public bodies.

- It is estimated that 22km of motorways, over 2,300km of other roads and over 400km of railway lines are at significant likelihood of river and tidal flooding. These figures could increase by between 10% and 35% by the 2080s.
- Around 20% of power generation capacity in Wales is estimated to be at significant likelihood of flooding. This could rise to about 30% by the 2020s and about 50% by the 2080s if the same sites continue to be used for power generation.
- Currently around 11% of hospitals (with 10% of hospital beds) are at significant likelihood of flooding. This could rise to between 12% and 18% by the 2080s.
- The area of agricultural land at risk of river and tidal flooding is projected to increase by about 50% by the 2080s compared with the baseline. It is projected that between 0.1% and 0.2% of Welsh agricultural land could be lost to coastal erosion by the 2080s.

Welsh Government investment in flood and coastal erosion risk management seeks to manage the risks across Wales, and increase adaptive and resilience capacity. Both of these measures are intended to reduce recovery time and minimise the impacts of both flooding and coastal erosion. It is not possible to stop all flooding or erosion but we can manage their consequences.

Wales has an extensive network of flood defences and our coastal protection measures span 370km of our coastline. These are maintained by the Environment Agency and local authorities and remain an important asset to Wales. It is also important to note that other infrastructure, for example rail and road embankments and walls around industrial sites, form a key part of the flood defence network although their maintenance is the responsibility of the owner of the asset.

The Welsh Government's policy and priorities are set out in the statutory National Strategy for Flood and Coastal Erosion Risk Management published in November 2011.

### 2.4.8 Progress made in sector since 2007

In 2007 parts of the UK experienced the most devastating floods in a generation, with England particularly badly affected. The UK Government commissioned a review of the summer 2007 floods, often referred to as the Pitt Review, which made 92 recommendations for changes to the way that flood risk was identified, managed and responded to.

In parallel to the Pitt Review, the Welsh Government launched the 'New Approaches' Programme which aimed to move approaches to flooding and coastal erosion from the historical basis of defence and drainage to one rooted in the principles of risk management. This represented a fundamental change in approach, incorporating the use of natural processes in managing the risks and increasing community resilience.

This change in approach was supported by the Flood Risk Regulations 2009, which transposed the EC Flood Directive and the Flood and Water Management Act 2010. In 2011 the Welsh Government launched the first National Strategy for Flood and Coastal Erosion Risk Management in Wales, providing a national framework for managing the risks now and in the future.

Underpinning the policy and legislation refresh, Welsh Government capital investment in flood and coastal erosion risk management stood at over £87m between 2007 and 2011. This was allocated between Environment Agency and local authority-led schemes.

In 2008 the Welsh Government also made a successful bid for £30m additional financial support from the European Regional Development Fund. This was followed by a series of further bids over



the next two years, which give us a total funding commitment of £49.85m from the European Regional Development Fund. This is supporting a capital investment programme in excess of £100m over the period 2009-14.

We recently commissioned research from Cardiff Business School in relation to schemes taken forward between 2009 and 2011 to consider the impact of flood and coastal erosion risk management schemes on the Welsh economy.

In the study, we used a sample of twelve schemes representing an investment of just over £45m. As well as the obvious benefits of reduced flood risk, improved health and safety and often environmental improvements, we also found that the works had a positive effect on the Welsh economy.

The results showed a clear link between flood and coastal erosion risk management and the economic benefits concluding that the summation of construction activity and avoided economic losses might total 570 jobs (or 5,700 person years of employment) and over £80m of Gross Value Added over the lifetime of the infrastructure.

In 2011/12 the Welsh Government provided:

- £12m capital grants to local authorities for coastal protection and local flood risk management projects. Capital funding is via a specific grant and applications for funding are determined by the Welsh Government. The bulk of revenue funding for local authority flood risk management is provided via the revenue support grant but specific grants of up to approximately £2m will be paid to enable local authorities to respond to new statutory requirements under the Flood and Water Management Act and the EU Flood Directive.
- £11m of capital to the Environment Agency for flood risk management projects and £17m revenue to pay for wider flood risk management activity. The Environment Agency determines its own priorities for the project funded using this money.

In addition, the Welsh Government drew down £6.8m from the European Regional Development Fund for flood and coastal erosion risk management projects this year. The match-funding requirement for this programme is an important determinant of how the Welsh Government funding is deployed.

### **2.4.9 Summary of sectoral plans**

The National Strategy for Flood and Coastal Erosion Risk Management – a statutory requirement under the Flood and Water Management Act 2010 – sets the Welsh Government’s flood risk management objectives, the measures being put in place to the deliver those objectives and how those will be funded. We used Strategic Environmental Appraisal and Habitats Regulations Assessment as part its development. We have also published supporting guidance on sustainable development because Risk Management Authorities must consider sustainable development when exercising their flood or coastal erosion risk management functions.

A set of strategic plans define how the local risk management policies for managing different sources of flood and erosion risk management:

- **Catchment Flood Management Plans** (CFMPs) are prepared, including Strategic Environmental Assessment, by the Environment Agency set the high level policies to be followed in managing flood risk from all sources in a particular catchment or set of catchments. There are ten CFMPs covering Wales.
- **Shoreline Management Plans** (SMPs) are prepared, again including Strategic Environmental Assessment, by Coastal Engineering Groups, joint working groups led by coastal local authorities and involving the Environment Agency and others. The SMPs set the high level policies to be followed in managing flood risk and coastal erosion along a particular stretch of coast. There are four SMPs covering Wales, two of which are cross-border plans with England.
- **Local Strategies** are being prepared by lead local flood authorities and will set out how 'local' flood risks will be managed. These refer to flooding from ordinary watercourses, surface water and ground water.

In addition to these the Flood Risk Regulations 2009 require the preparation of Preliminary Flood Risk Assessments, Flood Risk Maps, Flood Hazard Maps and Flood Risk Management Plans to ensure compliance with the EU Flood Directive. Over time these will inform local policies and investment.

At present the relative priorities between the flood and erosion risks identified in these plans are not directly compared.

Providing that a proposal's business case is robust and it meets the assessment criteria, it will be funded when money is available. This does not enable the most effective deployment of the resources available. We are developing a funding policy and assessment prioritisation process to operate across all sources of flood risk and a long-term prioritised investment plan.

The number of identified schemes needed in Wales far exceeds the budget available. In 2007/08 we invited Operating Authorities in Wales to apply for funding for their priority schemes through our programme of work supported by the European Regional Development Fund. At that time, over £300m of works were identified. The demand for schemes still substantially outstrips the available funding.

Table 3 shows the capital investment made by the Welsh Government since 2007/8 and the outputs achieved. The table includes the forecast for the cost and outputs of schemes over the next three years.

It should be noted that properties may be classed as 'protected' when the scheme is substantially completed. This means that in many cases, the properties are not claimed in the same financial year that the major spend has been incurred.

Table 3

Year	Capital investment/ anticipated capital investment £m	Homes protected	Businesses protected	Wider benefits
2007/08	21.5	486	23	4 ponds created, 2 ponds restored
2008/09	18.9	882	74	0.5 hectares BAP habitat created
2009/10	23.5	520	74	2km river improvements and 8.5 hectares of BAP habitat created
2010/11	23.2	1,774	10	7.9 hectares of BAP habitat created
2011/12	19.0	2,059	72	6.5 hectares of BAP habitat created
2012/13	16.3	651	51	5 hectares of BAP habitat created
2013/14	9.7	3,083 forecast		TBC
2014/15	9.7 (estimated)	965 forecast		TBC

Although the total envelope of funding will remain broadly stable over the next three years, the balance between capital and revenue will shift, and we intend to capitalise some revenue funding, which will slightly increase the available capital. In addition, the balance of funding between Environment Agency and local authorities will change, subject to the completion of major projects part funded by the European Regional Development Fund.

#### 2.4.10 Current delivery partners and structures

The Welsh Government has overall responsibility for all matters relating to flooding and coastal erosion.

In implementing national policies, the Welsh Government is supported by a number of organisations, which are 'Welsh Risk Management Authorities', including: the Environment Agency; Lead Local Flood Authorities; certain district councils and Internal Drainage Boards; water companies; and Highways Authorities.

A Lead Local Flood Authority is the county or county borough council for an area. In effect this makes each of the Local Authorities a Lead Local Flood Authority because they are all unitary authorities. Certain Local Authorities are also designated as coastal erosion risk management authorities.

There are 31 Risk Management Authorities as follows:

- The Environment Agency.
- The 22 Lead Local Flood Authorities.
- The three Internal Drainage Boards that are wholly or mainly in Wales<sup>6</sup>.
- The five companies that variously supply water and sewerage services for Wales and the borders<sup>7</sup>.

The Welsh Government and all the Risk Management Authorities are committed to delivering a service that, for the user, has the appearance of a single body designed to meet their needs, realised through effective partnership working. The Flood and Water Management Act 2010 supports this by providing flexibility for Risk Management Authorities to work together to deliver flood and coastal erosion risk management solutions appropriate to local needs.

## Case Study: Borth



Phase One of the Borth Scheme was recently completed at a cost of £13m and formally opened by the Minister of Environment and Sustainable Development. The scheme provides coastal protection for the community at Borth and includes an innovative multi-purpose reef that has significant tourism benefits.

The community at Borth is located on the Ceredigion coastline. As well as the hundreds of homes and businesses, the village is also boasts a petrified forest and a nationally important peat bog, which has Natura 2000, SAC and SSSI designations. The proximity of the community to the sea makes it extremely vulnerable. If nothing were done much of the community would have been lost to the sea.

The construction works control the movement of the shingle bank which protects Borth village and developed a Multi Purpose Reef. Whilst primarily providing coast protection benefits, this development will also help form existing waves into a better shape for surfing, ensuring that the main source of tourism to the area is both protected and enhanced.

The scheme has reduced risk for over 400 homes and businesses and has attracted support from the European Regional Development Fund.

Our main driver for undertaking works is the reduction of flood and coastal erosion risk for homes and businesses. There is, however, a wider impact on the Welsh economy. Research we have commissioned from Cardiff University's Business School demonstrates

<sup>6</sup> The Environment Agency Wales administers a further 11 Internal Drainage Districts in North West Wales.

<sup>7</sup> Dŵr Cymru Welsh Water, Severn Trent Water, Scottish and Southern Water, Albion Water, Dee Valley Water.

a clear link between flood and coastal erosion risk management and the economic benefits. The research concluding that the summation of construction activity and avoided economic losses might total 570 jobs (or 5,700 person years of employment) and over £80m of Gross Value Added over the lifetime of the infrastructure (based on an investment of £45m).

Phase One of the scheme at Borth is part of a larger £20m scheme to reduce risk for a 6km stretch of coastline between Borth and Ynys Las. We still need funding to complete the remaining part of the scheme, which will reduce risk for homes and businesses, the Cambrian Rail link and an ecologically important peat bog.

## **2.4.11 Water**

### **2.4.12 Vision**

Our vision for water in Wales is to have a safe, clean, sustainable and affordable water supply. This includes a high standard for environmental water quality.

### **2.4.13 Opportunities and challenges**

The major ongoing challenge is balancing different drivers for investment against the impact on the bills. There are also specific issues locally, either where proposed development exceeds the capacity of the system and planned investment to support or where current use has to be changed or restricted to prevent damaging impacts on the environment and ensure compliance with the Habitats Directive.

The transfer of private sewers from individual householders to water and sewerage companies represents the addition of a significant new asset burden, which will have an impact on customer bills.

### **2.4.14 Welsh Government role in this sector**

The Welsh Government provides the strategic direction for water policy in Wales, framed within a complex set of regulatory and operational responsibilities. The Welsh Government's policy direction and priorities are set out in the Strategic Policy Position Statement on Water, published in February 2011 and we will be consulting on a detailed Water Strategy later in 2012.

The split of responsibilities between the Welsh Government and the UK Government in relation to water companies is complex. The Welsh Government has functions in respect of 'water companies wholly or mainly in Wales', which means that we deal with issues relating to Dŵr Cymru Welsh Water, Dee Valley Water and Albion Water, but the Secretary of State has functions in respect of Severn Trent Water. Given the geographical area that these companies serve, this means that Welsh Government takes decisions on matters affecting parts of England and the Secretary State take decisions on matters affecting parts of Wales.

### **2.4.15 Current picture**

There are four key distinctive features of water infrastructure:

- The significant existing asset base.
- The unprecedented (in other sectors) level of finance, at favourable rates, that has been secured from the City.

- The multitude of statutory drivers for the investment programme.
- The highly structured process for deciding future investment.

Maintaining and upgrading the existing asset base is a major undertaking and is the responsibility of regulated water and sewerage or water only companies. Key drivers for investment are ensuring compliance with statutory obligations (including many European obligations) for drinking water quality and environmental water quality, managing water resources and water availability and ensuring security and resilience requirements are complied with. The Welsh Government provides the overall policy steer but also has various statutory functions in respect of these obligations.

Making that investment has an impact on bills and there is an increasingly challenging balance to strike between investment and cost to the customer.

#### 2.4.16 Dŵr Cymru Welsh Water

Dŵr Cymru Welsh Water is a regulated company provides water supply and sewerage services to over three million people living and working in Wales and some adjoining areas of England. It has 1.2 million household customers and over 110,000 business customers and are the sixth largest of the 23 regulated water companies in England and Wales.

Its operation consists of 81 reservoirs, 105 water treatment works and it supplies an average 900 million litres of water every day through a network of 27,000km of water mains, including 532 pumping stations and 715 service reservoirs. The company also collects waste water (including surface water and highway drainage) through a network of 36,000km of sewers, incorporating 1,700 sewage pumping stations and 3,300 combined sewer overflows. It is treated at 832 wastewater treatment works located next to rivers and along the coast of Wales.

#### 2.4.17 Dee Valley Water

Dee Valley Water PLC supplies water to approximately 258,000 customers in Chester and North East Wales and North West England. The company supplies 23 million tonnes of water per year over an area of 831 square kilometres.

All the water that Dee Valley Water purifies and supplies to its customers comes from rainfall, which is stored through the wet period and these reserves are called up during dry periods. Llyn Celyn, Brenig and Bala Lake hold supplies which feed the River Dee from where Dee Valley Water draws 90% of its annual requirements.

Dee Valley Water manages the water resource of the River Dee with other abstractors (United Utilities, Welsh Water and the Environment Agency). The River Dee supplies more water for public supply than the whole of the English Lake District.

Dee Valley Water also obtains water from eight impounding reservoirs fed from collecting grounds on the local hills and around Llandegla. Water is treated to make it fit to drink at one of the six treatment works, then passes through some 1,940 kilometres of water pipes to customers' homes, offices and factories.



### **2.4.18 Albion Water**

Albion Water is an inset appointee, supplying water to Shotton Paper in North East Wales. It receives a bulk supply of potable and non-potable water from Dŵr Cymru to facilitate this.

### **2.4.19 Severn Trent Water**

Severn Trent Water is a water and sewerage company which serves approximately 27,500 customers in Mid Wales. Severn Trent Water manages water resources in Wales, but due to the geographical area it covers is “wholly or mainly in England”, the Secretary of State has functions in respect of this company.

### **2.4.20 United Utilities**

United Utilities is a water and sewerage company serving around 7 million people in North West England. United Utilities abstracts water from the River Dee in North Wales and also from Lake Vyrnwy in Powys in order to supply their customers. The Secretary of State has functions in respect of this company.

### **2.4.21 Role of the regulator**

Ongoing investment in infrastructure in the water sector is decided through a five-yearly price review process which is determined by Ofwat, the economic regulator for the water sector.

Building on its 25-year Strategic Direction Statements, and informed by priorities identified in discussion with the Drinking Water Inspectorate and the Environment Agency, water companies prepare a business plan setting out investment requirements for the five year period. Business plans are also informed by customer input and the Consumer Council for Water (CCWater) are a key player in the process.

The Welsh Government issues Social and Environmental Guidance to Ofwat and chairs a Price Review Forum which includes representatives of the companies, the regulators, CCWater and the WLGA. The Forum meets throughout the price review process and is able to influence the development of the companies’ plans and submits its view of the proposal to Ofwat to be considered alongside the output of each company’s Customer Challenge Group.

Ofwat tests submitted business plans, informed by discussion with the regulators, CCWater and companies to determine price limits and the infrastructure investment that will be funded through the five year period.

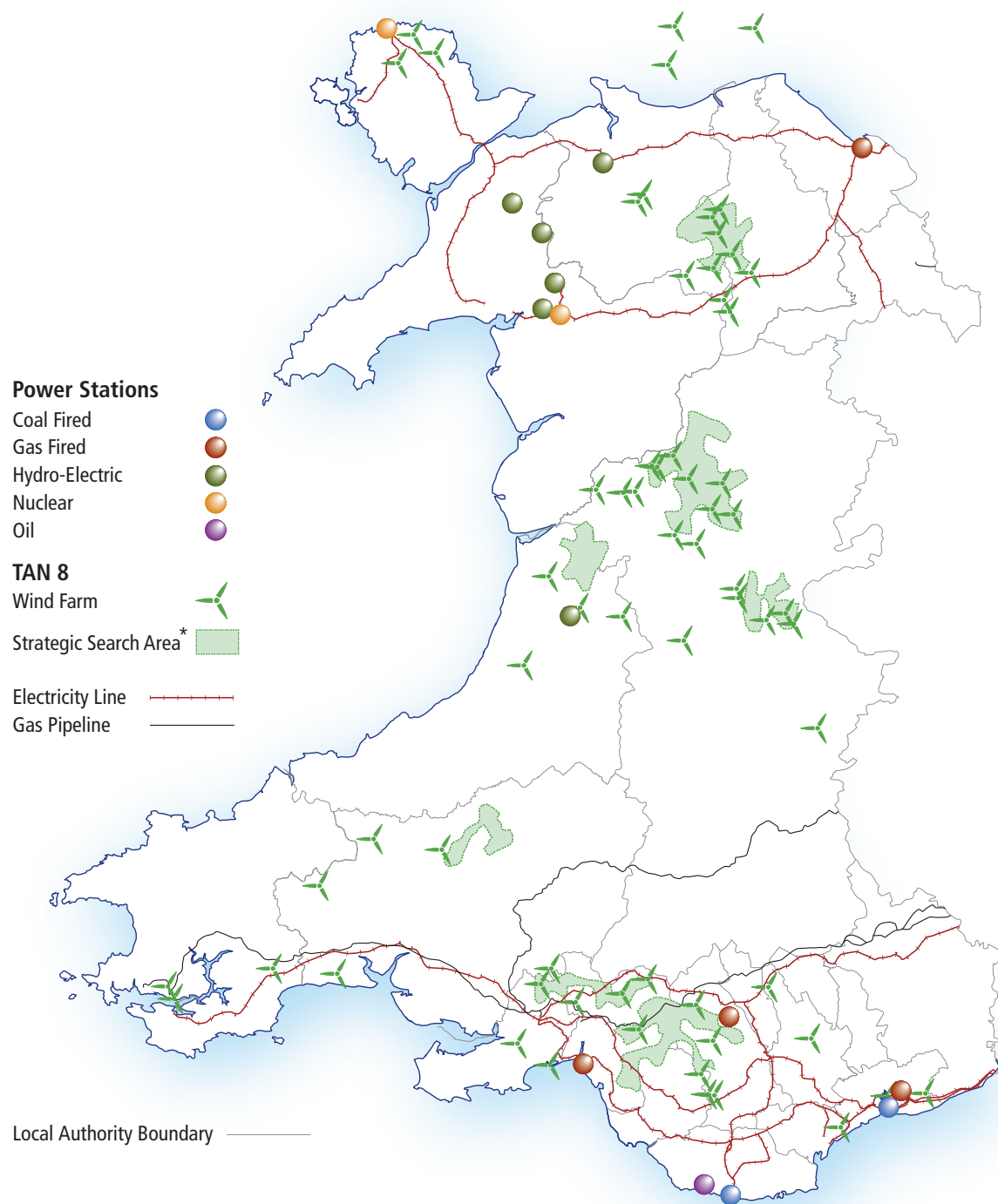
### **2.4.22 Planning investment**

In addition to their 25-year Strategic Direction Statements and the business plan governing a particular price review period, the water companies have their own operational plans for the maintenance and improvement of the water supply and sewerage networks.

For water supply, companies are required, under the Water Industry Act 1991, to produce a Water Resource Management Plan, which sets out how future water resource needs will be met including details.



## 2.5 Energy



\* Strategic Search Areas (SSA) - strategic areas in Wales capable of accommodating large scale (>25MW) onshore wind farms.

Wales has major infrastructure assets, including the electricity transmission network – the grid; deep sea ports and gas infrastructure – notably the two LNG terminals at Milford Haven. Unlocking our renewable energy and radically increasing the amount of low carbon and distributed energy in our system requires investment, reinforcement and upgrading of our energy infrastructure.

We set out in our Programme for Government, the commitment to ‘**create a sustainable, low carbon economy for Wales**’ and we aim to maximise the benefits of the transition to a low carbon economy to secure a wealthier, more resilient and sustainable future for Wales. The First Minister’s energy policy statement **Energy Wales: A Low Carbon Transition**<sup>8</sup> sets out the Welsh Government’s strategic priorities for the energy sector in Wales and the focus for investment priorities.

Energy policy is not devolved and the Welsh Government does not necessarily have control of all energy infrastructure spend within Wales, however, several key policy areas enable and impact upon delivery of our energy aspirations, including:

- Improving our planning and consenting regimes.
- Putting in place a 21st century infrastructure.
- Energy projects which maximise potential benefits through renewable energy, energy efficiency such as Anglesey Energy Island and Severn Tidal Power.

This section set out our approach to:

- Facilitating **major energy infrastructure and low carbon energy**.
- Improving **energy efficiency of buildings and processes**.

Economic development is another key energy related policy. Our approach to this is detailed in the **Enterprise, Technology and Science** section of this chapter.

In many of these areas the Welsh Government’s role is to provide the right environment in which investment will be made by others. However, there are opportunities to make significant direct capital investment in energy efficiency and performance, complemented by funding from supplier obligations and market-led mechanisms such as the Green Deal.

## 2.5.1 Delivering major infrastructure and low carbon energy

### 2.5.2 Aims and objectives of investment

The Welsh Government is committed to working with the private sector to maximise the potential investment opportunities within the low carbon energy sector. In 2009/10 the sector supported around 13,000 jobs in Wales and has increased considerably with renewable generation increasing by 58% between 2004 and 2010. For example, biomass contributed £279m and solar £338m in sales in 2009/2010.

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<sup>8</sup> [wales.gov.uk/docs/desh/publications/120314energywalesen.pdf](http://wales.gov.uk/docs/desh/publications/120314energywalesen.pdf).

We aim to make best use of commercially proven low carbon energy sources – such as onshore and offshore wind, solar and bio-energy – to contribute to wider UK and EU aims and realise Wales’ wealth-generating potential and potential to be a world-leader in these markets – as a significant generator and exporter of energy knowledge, technologies and services.

The Welsh Government does not have direct control over grid developments – essential infrastructure to support renewable energy developments – but has agreed expectations with delivery partners and has been working with them to meet those expectations, including opportunities to improve road links to enable the construction of onshore wind farms. We recognise that at present there are regulatory inefficiencies and are working to resolve such issues.

### 2.5.3 Progress made in sector since 2007

Several initiatives have been progressed, including:

- The establishment of the **Anglesey Energy Island** programme – a public/private sector working partnership to put Anglesey at the forefront of energy research and development, production and servicing.
- The **Marine Renewable Energy Strategic Framework** to enhance our understanding of Wales’ marine resources, working with industry experts to identify the infrastructure requirements of the sector and the Crown Estate to open the seas around Wales where there is potential to exploit renewable energy. The development of this framework was informed Sustainability Appraisal, contained in a published report called “The Approach to Sustainable Development”.
- **Marine Energy Pembrokeshire** – a partnership between academia, the public and private sector working in collaboration to establish Pembrokeshire as a ‘centre of excellence’ for sustainable marine energy generation.
- **Rhyl Flats** – officially opened in December 2009, the wind farm is five miles off the north Wales coast in Liverpool Bay. Its 25 wind turbines have a combined 90 megawatts (MW) capacity to power the equivalent of 61,000 households per year.

### 2.5.4 Sectoral plan

The Welsh Government’s role is largely to support, enable and enhance developments in low carbon energy. We will fully support and are engaged in:

- Developments with Energy Island and new nuclear build at Wylfa which will provide significant long-term economic benefits to Anglesey and North Wales in general, with the potential to contribute in excess of £2.3bn to the economy over the period to 2025, an estimated 5,000 construction jobs at peak and around 800 direct jobs in operation over a new facilities lifespan. When a nuclear new build is approved, enhancements to grid, transport, property and utilities’ infrastructure will be required.
- Marine Energy – exploiting Wales’ 1200km of coastline, strategically located deep sea ports, accessible grid infrastructure, and manufacturing base through:
  - Severn Tidal Power – a strategically important source of renewable energy. There are significant environmental and financial challenges associated with the harnessing of this energy. The current proposal is private sector led and is still in the early stages of

development, but if the Severn Barrage goes ahead, there will be a need for significant investment in Port Talbot port, road links, housing, manufacturing space and grid connections

- Deployment of a 1.2MW full-scale tidal energy demonstrator by Tidal Energy Ltd in Ramsey Sound, Pembrokeshire, in 2013. This fully consented £12m project received £6.94m from the Welsh Government via the EU Convergence Fund Programme towards early feasibility studies and the manufacture and installation of the device
- Plans for a 10MW pre-commercial tidal array off the Skerries, Anglesey submitted by Marine Current Turbines to DECC and the Welsh Government. This £70m project has secured a seabed lease from The Crown Estate and, if fully consented, has a target installation date of 2014
- Marine Energy has the potential to deliver an estimated generating capacity of up to 6.2GW (over 10GW including the proposed Severn Barrage).

We are also currently developing Business Cases to:

- Support of Wales' onshore and offshore wind, biomass and other large scale developments, requiring grid enhancements.
- Develop our community renewables programme, identifying and removing barriers in relation to community energy developments and in turn generating exceptionally high economic return. A perceived blocker is the cost of connection to the grid of small developments.
- Investigate opportunities to secure long-term economic benefits from our 'Smart Living' and energy efficiency ambitions.
- Encourage Wales and West Utilities to extend the gas grid where viable.

### 2.5.5 Current delivery partners and structures

There is a range of delivery partners with whom we will be working with and supporting to deliver renewable energy infrastructure:

- **In renewable generation** – current delivery partners are the National Grid, and Scottish Power Energy Networks, Western Power Distribution and Wales and West Utilities (gas) and port authorities.
- **On Anglesey Energy Island** – current delivery partners are the UK Government, local government, skills and research providers, industry (including developers and SME) and communities. These interests are being coordinated by the Energy Island Programme.
- **On Severn Tidal Power** – current delivery partners include the private sector, UK Government, regulatory bodies, communities and environmental interest groups.
- **On Marine Energy** – current delivery partners are Halcrow, the Crown Estate, Marine Energy Pembrokeshire, Tidal Energy and the UK Government.



This long term programme includes the nuclear new build at Wylfa, the Celtic Array offshore wind, tidal and other low carbon energy projects. They form a key element of the Welsh Government's 'Energy Statement: A Low Carbon Transition' which are reflected in the stated objectives and priorities of the Mon Menai Regeneration Area, and seen as a model for how major projects can be co-ordinated.

To deliver these and associated developments, including tourism, and to maximise the economic benefits to the North Wales region and beyond, there is a need for appropriate infrastructure to be in place including:

- **ICT** – Enterprise Zone status for the Energy Island will bring investment through the roll out of Next Generation Broadband Wales. Improved coverage is essential in the development stage of these projects as well as during their operation not only for communications, but health & safety and logistics. The demand generated by these projects also presents a viable business case for improved mobile reception.
- **Highways** – The A55 across the Isle of Anglesey and along the North Wales coast

is a Trans-European Network (TENs) route from Ireland to mainland Europe. There is a requirement for a third Menai crossing, replacement of roundabouts with grade separated junctions and improved lay-by facilities. With substantial new electricity coming on stream there is a need for new connections to, and enhancement of, the National Grid network. Furthermore, as a TENs route works could attract EU European Connect funding.

- **Ports, Sites & Premises** – Mostyn is an established base for offshore wind assembly and servicing, and a Masterplan is being commissioned to identify future investment opportunities at Holyhead in the light of the future developments. Highways schemes will need to improve access to these ports and congestion at the latter eased through a new lorry park at the Welsh Government's Parc Cybi industrial development site, where private sector investment in new premises will be encouraged to help meet demand for space arising from energy projects.

## 2.5.6 Improving energy efficiency of buildings and processes

Emissions from buildings in the domestic and public sectors alone account for over a quarter of total Welsh greenhouse gas emissions. The energy performance of buildings is therefore a major global focus for government, industry and academia as energy performance is absolutely crucial in both tackling fuel poverty and delivering a low carbon future. It is also a major market opportunity.

Wales has a comprehensive energy efficiency supply-chain, from manufacturing to installation, within its boundaries. Insulation measures and micro-generation technologies are made in Wales by businesses including Rockwool, Knauf, Kingspan, and Sharp. This is coupled with a strong installer base – over 80% of the businesses that delivered phase 1 of the arbed programme operate primarily, or solely, in Wales.

## 2.5.7 Aims and objectives of investment

We are seeking to drive improvements in the energy performance of buildings and processes to deliver direct and indirect social, economic and environmental benefits. For householders and businesses, using energy more efficiently can save money which helps tackle fuel poverty and keeps businesses profitable.

The Welsh Government's key energy performance improvement programmes – Nest and arbed and their predecessor schemes – represent significant and sustained investment in domestic energy efficiency improvement in Wales.

Nest is the Welsh Government's fuel poverty scheme which aims to help people in Wales reduce the impact of their fuel bills and offers a range of advice through expert partners, as well as a full home energy assessment and home improvements for the most energy inefficient homes – at no cost to the householder.

Arbed supports our commitments to reduce climate change, help eradicate fuel poverty and boost economic development and regeneration in Wales. We established the programme in 2009 and it is designed to bring environmental, social and economic benefits to Wales and coordinate investment into the energy performance of Welsh homes.

## 2.5.8 Progress made in sector since 2007

Our investments to date include:

- £3m into the establishment of the £6.4m Sustainable Building Envelope Centre – a Tata, Low Carbon Research Institute and Welsh Government funded venture in Shotton. In addition, European Structural Funds have provided £1.8m to design, model, test prototype and monitor low carbon building systems using integrated thermal and photovoltaic technologies.
- £2m into SPECIFIC – an innovation and technology centre in Port Talbot intended to accelerate academic research in functional coatings through to industrial scalability – in addition to the £10m funding over 5 years from the Engineering and Physical Sciences Research Council (EPSRC) and Technology Strategy Board (TSB).



- Investment in demand-led programmes:
  - £87.5m in the Home Energy Efficiency Scheme (HEES) between April 2007 and the end of March 2011 when the scheme closed – over 50,000 households received replacement heating systems and loft and cavity wall insulation from April 2007 to March 2011
  - £2.35m in the boiler scrappage scheme in 2010-11 which delivered 4707 replacements for old and inefficient boilers in the homes of people aged over 60
- Investment in Nest:
  - which has delivered energy improvement packages to nearly 3800 householders and will deliver economic benefits through support to SMEs, apprenticeships and training opportunities
- Investment in arbed:
  - Over £29.61m which leveraged an additional £31m from energy companies and registered social landlords in phase 1 (2009/10 – 2010/11) which has supported 28 area-based energy performance improvement projects
  - Over 6580 households have been supported as a result of this arbed portfolio of schemes plus approximately 1500 in extension funding, including: solid wall insulation to nearly 2,900 social and private homes; over 1,800 solar PV panels in social housing; solar hot water heating to 1,000 households including several sheltered housing schemes; heat pumps and improved insulation levels to 121 households off the gas network.

### 2.5.9 Sectoral plans

The Welsh Government will maintain its capital investment in its domestic energy efficiency programmes in the future and will also seek to maximise the investment available in Wales from UK-wide programmes, particularly the new Energy Company Obligation (ECO). We plan to:

- Invest £100m in the **Nest** Programme, which replaced HEES, over the five years from 2011-12 maximising the number of households receiving measures; the types of measures installed; the number of people provided with advice; the number of SMEs and apprenticeships employed by the scheme as well as the reduction in energy fuel bill cost to householder.
- Realise investment of approximately £43m over three years as we roll out phase 2 of arbed, to be primarily funded through the European Regional Development Fund with Welsh Government match funding.
- Work with the UK Government to ensure that Energy Company Obligation (ECO) funding can be used alongside investment from **arbed** and **Nest**. DECC estimates that the ECO will result in investment of £1.3bn across the UK to 2015<sup>9</sup>.

<sup>9</sup> Department of Energy and Climate Change, 'The Green Deal and Energy Company Obligation – consultation document', [http://www.decc.gov.uk/en/content/cms/consultations/green\\_deal/](http://www.decc.gov.uk/en/content/cms/consultations/green_deal/)



### 2.5.10 Current delivery partners and structures

The Welsh Government works with a range of delivery partners in the field of energy performance improvement including:

- British Gas which manages the Nest programme, supported by over 50 primarily Wales based sub contractors.
- Private sector scheme managers for the arbed programme who put in place framework contracts for installers and materials for the relevant technologies.
- Local authorities and housing associations and the energy companies who are required to invest substantially in this area as a consequence of supplier obligations imposed on them by the UK Government.
- A wide range of new private sector stakeholders through the Green Deal – a market-led mechanism that seeks to drive private sector investment in energy efficiency.

#### Case Study: arbed



The arbed project is the Welsh Government's strategic energy performance investment programme. It has been designed from the outset to have the following three goals to:

- Reduce carbon emissions.
- Help eradicate fuel poverty.
- Boost economic development and regeneration.

The initial phase of the project was funded by the Welsh Government. It was the largest programme of its kind in the UK and invested £30m in energy efficiency retrofit measures within social landlord

owned properties in deprived areas of Wales. Technologies installed included solid wall insulation, solar panels and heat pumps.

Phase I funded 28 schemes and managed to leverage an additional £31m, £20m from participating social housing providers and local authorities, with the additional £10m was from energy companies through energy supplier obligations. This additional investment enabled homes to receive multiple energy efficiency measures including; boiler upgrades and replacements, window upgrades, roof extensions, structural work and energy saving advice.

Phase I has funded measures in over 6,000 households in areas of multiple deprivation in Wales. All phase I measures were allocated through a bidding process and delivered by either local authorities or social housing partners. The following provides the breakdown of what the measures consisted of:

- Solid wall insulation on 3,000 private homes.
- Solar PV panels installed on 1,800 properties.
- Solar water heating for 1080 homes.
- Enabled 1,000 properties to access cheaper low carbon fuels through fuel switching.
- Heat pumps installed on over 100 off gas grid homes.

A focus of this initial phase was also on the development of the low carbon supply chain and the economic benefits that this would bring to the deprived areas where the measures were installed.

An example of local level impact:

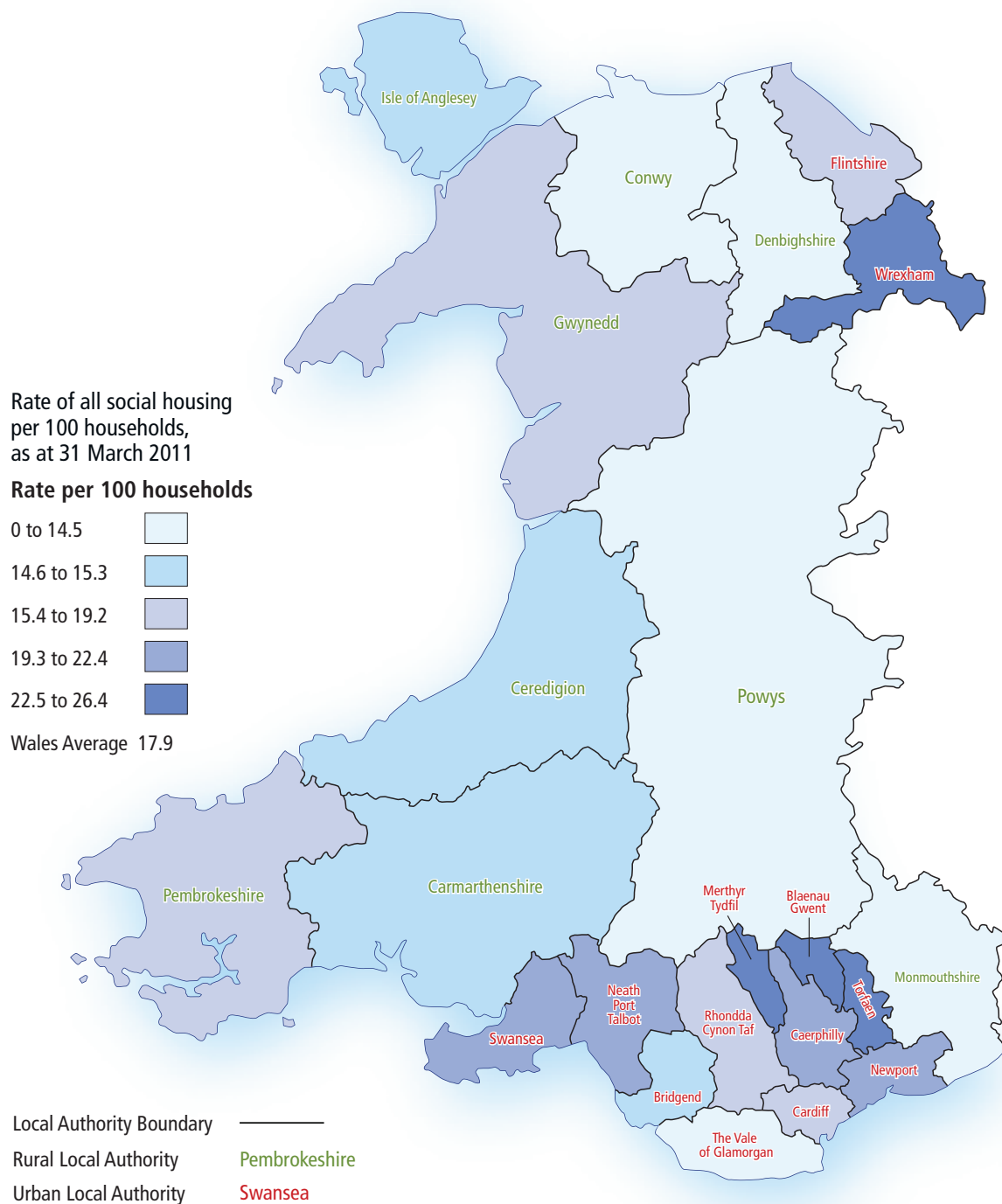
Under arbed phase one, Housing Association Cartrefi Conwy installed air source heat pumps, solid wall

insulation and solar hot water systems into 135 of their properties in 6 different areas of Conwy County Borough. Arbed one funding allowed for air source heat pumps to be fitted into 11 of Cartrefi Conwy's properties in the isolated village of St George near Abergele, within the North Wales Coast Regeneration Area. Mains gas is not available in these properties and tenants previously heated their homes with radiators running from a back boiler behind coal fires. In addition to the arbed support, additional funding was leveraged from the Cartrefi Conwy and CESP and CERT funding to install cavity wall insulation and loft insulation to further improve the energy efficiency of the properties. Benefits to residents included reduced energy bills and improved safety through the reduced need for open fires.

The second phase of the arbed scheme which is about to commence will run for 3 years between 2012 and 2015. This second phase is planned to improve the energy efficiency of 4,800 Welsh homes and reduce a minimum of 11,600 tonnes of green house gas emissions by the end of 2015 through the installation of similar measures to arbed 1.

## 2.6 Housing

### Social Housing Stock



Homes are vital – affecting health and well being, quality of life, and people’s opportunities. Investing public money in building and refurbishing homes already makes a significant contribution to national and local economies, creating and supporting thousands of jobs and training opportunities. It plays a huge part in regenerating communities and has economic benefits to Wales.

### 2.6.1 Aims and objectives of investment

The Housing strategic capital programme aims to provide a coherent and transparent investment approach to housing capital and asset investment in line with the Programme for Government, providing sustainable and high quality new housing and a suitable standard of existing housing which enables people access to a safe and secure home and maximises their chances of attainment and success in life.

The investment plan for housing is split into two key objectives to:

- **Increase the supply of good quality new affordable housing in Wales** supported through the social housing grant programme – Welsh Government commissioned research estimates that an additional 5,100 non market homes per year are required to meet anticipated need and there is a current backlog of unmet housing need of approximately 9,500 households.
- **Refurbish and improve existing housing stock** – supported through achieving the Welsh Housing Quality standard for social housing.

### 2.6.2 Progress made in sector since 2007

We have made significant progress to increase the amount of housing in Wales by:

- Allocating over £510m in Social Housing Grant and delivering a cumulative total of 9,091 additional affordable housing units between 1 April 2007 and 31 March 2011 exceeding the original “One Wales” target of 6,500 for 2011 by 40 per cent.
- Reducing Social Housing Grant rate from 58% to 25% for intermediate rent such as Rent First and an even lower grant rate for the Welsh Housing Partnership pilot this year of 19%.
- Providing guidance to local planning authorities to effectively secure affordable housing via s106 agreements that is accessible and fundable for households.
- Supporting innovative ways to provide affordable housing including:
  - the £16m Welsh Housing Partnership (WHP) which maximises the impact of public funding by drawing on the support and finances of private sector partners and financed through a combination of £3m of Welsh Government grant funding, a £12m loan from the Principality Building Society and a combined £1m from the four associations in the Welsh Housing Partnership
  - The Ely Bridge scheme in Cardiff (see case study in Chapter 3.7)
- Accelerating Land Release for housing including resourcing a dedicated team to take this forward.
- Supporting Special Purpose Vehicles being used to deliver housing on LSVT land and also Welsh Government land (e.g. Ely Bridge development in Cardiff).

- Improving administration and management in partnership with local authorities and housing associations of the Social Housing Grant (SHG) by:
  - Introducing a formula to distribute Main Programme SHG from April 2011 onwards
  - Introducing in April 2011, a new Programme Management Guide to assist in the efficient and sustainable delivery of as many high quality affordable homes via the SHG programme in conjunction with national housing policy and strategy
- Progressing the programme to deliver the Welsh Housing Quality Standard (WHQS), with significant progress being made so that tenants in much of the older social housing stock are benefitting from living in better quality, more energy efficient homes.
- Investment of £1.6bn in the Welsh Housing Quality programme has also produced a number of wider benefits:
  - Employment – as part of their maintenance and improvement programmes for example, RSLs and local authorities have created jobs, training opportunities and apprenticeships with local contractors as part of targeted recruitment and training requirement in contracts.
  - Crime – improvements to the security of homes as well as improvements to estates have helped to reduce crime and anti-social behaviour.
  - Health – one local authority is piloting a Health Impact Study the results of which have shown evidence of works having a positive impact on mental health, reduction in respiratory complaints and less GP visits.

### 2.6.3 Sectoral plans

We will continue to increase the stock of social housing in Wales through:

- Achieving 7,500 new affordable homes over the term of this Government.
- Direct capital investment through the Social Housing Grant Programme, with support of £60m in 2012/13, £48m in 2013/14 and £48m in 2014/2015 and also seek to increase the amount of Social Housing Grant by making the case for additional funding for housing.
- Developing new and innovative ways to access housing e.g. co-operative housing and mutual home ownership which has led to the establishment of a co-operative housing stakeholder group formed of key housing and co-operative experts to develop a strategic approach to this work. The co-operative housing stakeholder group is supporting a number of pioneer co-operative housing projects and is exploring new sources of funding and any legislative barriers to developing this housing.
- Supporting the development and implementation of a Welsh Housing Bond through providing revenue funding.
- Support and evaluate innovative models such as the Welsh Housing Partnership and the development at Ely Bridge, Cardiff.
- The £5m 'Houses into Homes' Wales wide fund which enables local authorities to offer interest free, recyclable loans to owners to renovate empty, run-down residential properties in the private sector and return them to use as homes for sale or rent.

- The NewBuy scheme which was recently launched in England and the options for delivery of a similar Welsh NewBuy scheme in Wales. Under the English scheme, the Government puts 5.5% of the purchase price of the new home into a fund to help indemnify losses in case of a repossession. The developer puts 3.5% of the cost of each new home into the fund, and a company has been established by the Home Builders Federation to enable the scheme to work.
- Work with local authorities to enhance their potential to build new homes.

We will continue to support the refurbishment and improvement of the housing stock in Wales by:

- Providing local authorities with Major Repairs Allowance (MRA) capital grant to help fund the backlog of repairs up to WHQS.
- Providing LSVT organisations with Dowry gap funding in support of the post transfer refurbishment programmes.
- Continue negotiations with the UK Government to enable the Housing Revenue Account Subsidy system to be dismantled in Wales. Subject to an agreement, this would enable housing revenue to remain in Wales and be used on existing and new housing stock.
- Work with those landlords that are unable to achieve full compliance with the Welsh Housing Quality Standard by exploring policy options that could help overcome the barriers to full achievement.
- Set up a Ministerial Task Force to support the achievement of the Welsh Housing Quality Standard (by Sept 2012).
- Improve the monitoring of landlords' compliance with the Standard and publish the results annually.
- Promote and evaluate the achievements of wider benefits from Welsh Housing Quality Standard.

#### 2.6.4 Current delivery partners and structures

The Social Housing Grant Programme is delivered by local authorities and housing associations. Local authorities develop and implement local housing strategies, deciding which schemes are strategically important; their relative priority and the housing association which will develop and manage the properties. This process is overseen by the Welsh Government – agreeing local authorities' multi-year development programme, allocating resources, approving scheme applications and the payment of grant.

Housing associations bring forward realistic development opportunities to meet strategic aims of local authorities and ensure that schemes meet Welsh Government design and value for money criteria.

For the Welsh Housing Quality Standards Programme, the delivery agents are all social landlords in Wales, comprising:

- Local authorities that have retained their housing stock.
- LSVTs that have been established to receive the housing stock from a LA.
- traditional RSLs.



## Case Study: Urban Village



The Welsh Government Social Housing Grant (SHG) Programme provides funding for affordable housing. Schemes that are supported with SHG are strategic housing priorities (determined by local authorities) and schemes are developed and managed by Registered Social Landlords (Housing Associations).

Coastal Housing Group's Urban Village in High Street, Swansea is an example of meeting housing need but also housing based regeneration.

The scheme, which will boost social and economic development, and improve the environment, will result in a mixed use facility combining residential, retail, and office space, a creative cluster, community resources, and a venue fronting onto the Strand. It is designed as a series of courtyards linking shops, offices, food and drink outlets and "affordable" apartments.

This project is designed to complement other actions and help transform Swansea's High Street, to create active frontages on the Strand, and to bring the Kings Lane back into use as a vibrant linkage between the High Street and the Parc Tawe site.

There are four phases of this project:

- The High Street block providing destination shopping outlets and office space with on-site parking.

- The Strand block providing 76 residential units.
- The Creative Cluster building providing space for creative industries such as advertising, marketing, architecture, video games, and more.
- The refurbished 19th century Kings Lane Warehouse.

The residential element, constructed by Mi-space UK, consists of 76 x two bedroom flats, and is due to be completed in 2012. There is already a waiting list of potential tenants keen to move in.

The non residential element will be completed by July 2012. Part of the ground floor of the block has been used as a temporary musical theatre from October 2011 to May 2012.

The Welsh Government supported the residential element of the scheme with a Social Housing Grant funding of £6.2m as part of the total scheme cost of £9.7m with the balance coming from private finance.

The £25m Urban Village represents a main thrust for Regeneration activities in Swansea. This cultural led regeneration will go hand in hand with housing led regeneration; it will home a Creative Industries Hub, designed to incubate and stimulate development of the Creative Industries within Swansea. It is based on a series of courtyards linking shops, offices, food and drink outlets and affordable apartments. The aim is



also to build a 'creative cluster' designed for a wide range of industries such as advertising and marketing, architecture, computer and video games, crafts and the media.

Coastal Housing Group have received funding of £900k from the Swansea RA programme, of which, £300k was utilised to assist with the demolition works. This initial contribution helped kick-start a flagship project that had stagnated for many years. The contribution was supplemented by a further £600k which has contributed to the development of retail and office space.

The Urban Village scheme will create 320 construction jobs plus around 400 full and part-time jobs once completed. In addition, training opportunities will be made available via the Beyond Bricks and Mortar programme.

The Regeneration Area team is leading collaborative work with the City and County of Swansea, the Arts

Council for Wales and the third sector in order to deliver a strategy for the Creative Industries Hub (CIB) in Swansea. This is linked to the Hargreaves Report and the Creative Industries Strategy currently being drafted by CCS. It is hoped that this work will induce a natural 'cluster' effect and will further act as a mechanism for the regeneration of the area.

The Regeneration Area team recognises that holistic action is needed to complement stand alone housing interventions. The RA team is working with stakeholders such as the City and County of Swansea, Coastal Housing and Swansea BID to ensure that actions take place on business support for fledgling or faltering businesses, the adoption of meanwhile uses, initiatives that tackle crime and anti-social behaviour, vinyl wrapping of disused premises and action on absentee landlords in order to ensure that there is an increased confidence, vibrancy and improved footfall to truly regenerate the High Street.

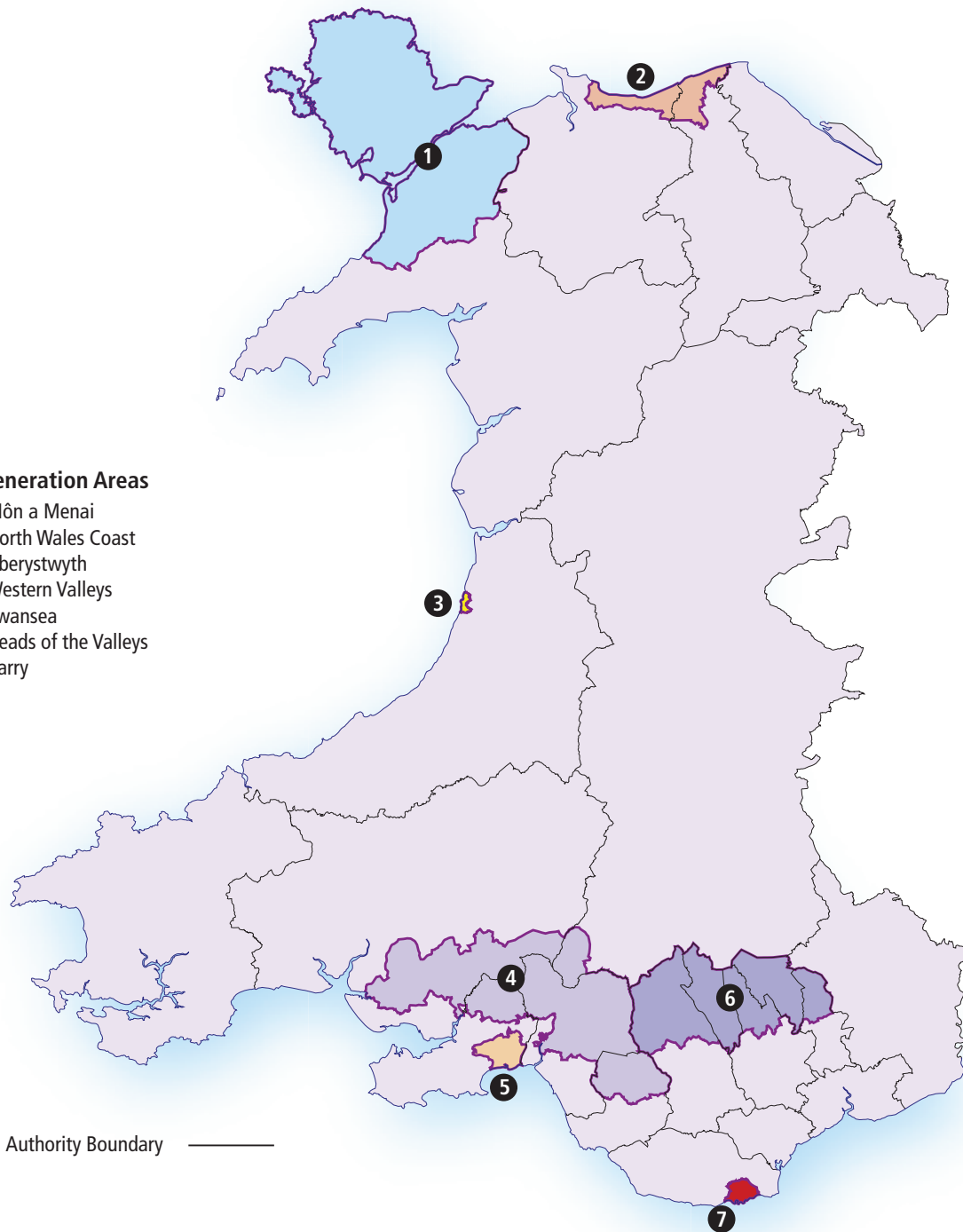
## 2.7 Regeneration

### Regeneration Areas

#### Regeneration Areas

- 1 Môn a Menai
- 2 North Wales Coast
- 3 Aberystwyth
- 4 Western Valleys
- 5 Swansea
- 6 Heads of the Valleys
- 7 Barry

Local Authority Boundary ———



The Programme for Government sets out a number of strategic aims in relation to enhancing the wellbeing of people in Wales through stimulating economic development, tackling poverty, and making communities sustainable and resilient. At local level, regeneration programmes enable the delivery of investment projects which bring partners together to achieve progress against multiple strategic aims in an integrated way.

“Regeneration” covers a range of activities, from large-scale physical renewal projects that promote economic growth to neighbourhood interventions that improve quality of life. The links between these different activities are becoming increasingly important, particularly in relation to sustainable development and community resilience. Indeed, over the past decade the focus of regeneration in Wales (and elsewhere) has moved away from physical enhancement and towards more integrated approaches linking the renewal of places to outcomes for people and communities.

In addition to the wide range of investment which has regeneration impacts across policy areas from health and housing to education and economic development, the Welsh Government targets investment at a small number of specific regeneration interventions.

The Regeneration Division budget is c£60m per year. The majority of this is currently invested in seven Regeneration Areas, with the remainder committed to other programmes.

### **2.7.1 Aims and objectives of investment**

We aim to address market failure reversing decline in disadvantaged communities, to create vibrant and sustainable places where people want to work, live and visit through holistic and co-ordinated programmes of investment.

The Regeneration Areas approach seeks to deliver outcomes relating to local challenges in ways which reinforce national priorities. By investing in these areas, we aim to improve prosperity and wellbeing in Wales.

### **2.7.2 Progress made in sectors since 2007**

The Welsh Government has contributed to regeneration, in its widest sense, through a wide range of programmes, for example, Communities First, Flying Start and 21st Century Schools.

The Regeneration Areas approach started with the Heads of the Valley programme, which established the key principles for holistic regeneration, including:

- Partnership working across geographical, organisational and sector boundaries.
- Integrated strategic planning.
- Addressing acute need by maximising opportunities.
- Levering in additional investment.
- Flexible funding to deliver tailored solutions for local challenges.

The Heads of the Valleys area covers 212 square miles, and a population of 260,000 and has invested £100m of Welsh Government funding, leveraging in an estimated £250m of additional public, private and third sector investment.

The 'Turning Heads' strategy was published in 2006, with a commitment of £140m of additional investment over 15 years, and aiming to maximise the benefits of other planned expenditure, including the dualling of the A465 Heads of the Valleys road. The strategy has five themes:

- An attractive and well-used natural and built environment.
- A vibrant economic landscape offering new opportunities.
- A well educated, skilled and healthier population.
- An appealing and coherent tourism and leisure experience.
- Public confidence in a shared bright future.

We are using our experience of the Heads of the Valleys approach in six more programmes across Wales. The approach varies between areas but covers a wide range of activities that support people and places, from tourism and leisure, to health and education, to employment and entrepreneurship. It supports both our efforts to tackle poverty, and our approach to stimulating economic development across Wales.

The six other Regeneration Area programmes are:

- **Mon a Menai – a £33m programme covering the whole of Anglesey and part of Gwynedd** to promote low carbon energy generation/carbon reduction measures; skills and technology for a low carbon economy; sustainable infrastructure and travel; the natural environment and local heritage and community assets. To date, the programme has delivered:
  - Holyhead Cruise Berth
  - Victoria Dock, Caernarfon
  - Anglesey Coastal Environment Project (£5.2m)
  - European funding levered in for over £16m of town centre improvements across the area
- **North Wales Coast – a £20m programme focusing on Rhyl and Colwyn Bay** to improve housing; health and wellbeing; education and skills; community cohesion; environment and transport; diverse and sustainable economy. To date the programme has delivered:
  - £6.5m major events arena at Parc Eirias
  - £800,000 for redevelopment of Theatr Colwyn
  - Coastal defence works and new water sports 'hotspot' centre
  - Redevelopment of Apollo Cinema, Rhyl
  - Marsh Tracks Cycling BMX and off-road facility
- **Western Valleys – a £24m programme focusing on the Gwendraeth, Amman, Swansea, Dulais, Neath, Afan, Llynfi, Garw and Ogmore Valleys** to enhance town centres and tourism infrastructure; provide marketing and collective branding; deliver environmental improvements; strategic sites development and support employment and 'Health Challenge Valleys'. To date the programme has delivered over 185 projects using £13m of Welsh Government investment to lever in an estimated £35m from the public and private sectors (including European funding).

- **Swansea – an £18m programme focusing on the City of Swansea** to promote Regional Capital; Cohesive Communities; Housing and the Environment; Sustainable Wealth. To date, the programme has delivered:
  - £32m Strategic Waterfront Convergence Programme, focusing on the redevelopment of the Cities public realm and Waterfront infrastructure
  - Development of the £25m Urban Village and Creative Hub
  - £7.3m redevelopment of Swansea Railway Station
  - Redevelopment of the Glynn Vivian Art Gallery
  - Match funding for Water Sports Centre of Excellence (£4.2m total investment)
  - Beyond Bricks and Mortar delivering targeted recruitment and training opportunities
  - £700k for the Vetch Field site to enable 4.52 acres of brown field development
- **Aberystwyth – a £10.3m programme focusing on the Aberystwyth urban area** to promote a vibrant seafront and promenade and attractive and thriving town centre; sustainable travel; provide quality housing for local people and tackle economic inactivity. To date the programme has delivered:
  - Town Improvement Grants used to enhance key properties across the town centre
  - Penparcau housing/energy efficiency improvements through the arbed programme
  - Min Y Ddôl, Penparcau recreation facilities including an Olympic legacy project
  - Over £1m for redevelopment of the Towns Transport Gateway
- **Barry – a £9.8m programme focusing on developing Barry as an attractive place to live, and Barry Island as an activity-based day trip destination** and promoting physical regeneration; tourism; health and wellbeing; housing and environment and skills and employment. To date, the programme has delivered:
  - 31 projects approved totalling almost £6m
  - Over £1m of public realm improvements
  - Over £1.5m invested in the Innovation Quarter, helping to secure a new £7.5m, 68 job hotel and restaurant development
  - Over £400k to improve wellbeing in disadvantaged areas
  - £1.8m on upgrading indoor and outdoor leisure facilities

We have also delivered the following regeneration investment programmes through:

- **The Valleys Regional Park partnership** – to co-ordinate, drive and promote activities related to the environment, heritage and tourism across the valleys of South Wales. The initiative has given approval in principle to more than 40 capital projects under its European Regional Development Fund (ERDF) project.
- **The Newport Unlimited (NU) Urban Regeneration Company**, co-owned by the Welsh Government and Newport City Council – created to regenerate the city and enable it to develop into a thriving centre for business, leisure and living.

NU delivered the full programme of land assembly that has enabled the complete transformation of the banks of the River Usk in Newport City Centre. As well as strengthening the river flood defences to facilitate the development of the land on the river. The economic downturn has necessitated a focus on the city centre and recent developments, delivered in partnership with Newport City Council, are the progression of the key retail and leisure offer at John Frost Square and the regeneration of the Cambrian Centre.

NU was also a major partner in the preparations for the Ryder Cup in 2010 and was the conduit for additional Welsh Government funding including the new station building at £8m.

- Cardiff Harbour Authority (CHA), funded by the Welsh Government and managed by Cardiff City Council, which, in addition to running and maintaining Cardiff Bay's facilities, invests in new leisure assets to enhance the offer for visitors.

CHA has been able to draw down funds from its Enhancement Fund (built up from income generation activities and efficiency savings from its Fixed Cost budget) to fund expenditure on the improvement and enhancement of infrastructure, assets, activities or services in and around Cardiff Bay. Recent examples include:

- £8.9m contribution to the construction of the Cardiff International White Water Centre (Cardiff CC contributed £3.4m and Visit Wales £1m)
- £200k for the renovation of a coal staithe in the River Ely (an historical ancient monument)
- £75k for an Adizone Fitness Facility on the Cardiff Bay Barrage.

The Enhancement Fund has now been replaced with a Harbour Contingency and Project Fund. CHA has announced plans to use £2m funding from the HC & PF for the construction of an indoor surf attraction (next to CIWW) which is expected to be completed by April 2013.

- The Regeneration Investment Fund for Wales, a £55m arms-length, commercially-operated fund owned by the Welsh Government, comprising £40m of ERDF and match funding to be invested in the Convergence Area, and £15m for investment anywhere in Wales. Investment from the Fund is repayable, in the form of senior or mezzanine debt, and equity in certain circumstances.

At this relatively early stage in its life, the Fund is still to make its first investment, although it has a significant pipeline of project proposals. Action to date has focused on (i) setting up the Fund as a working vehicle (ii) raising awareness of the Fund among local authorities and developers – events held across Wales.

### 2.7.3 Sectoral plan

As existing investment programmes are due to draw to a close, our attention is turning to future investment strategies.

In February 2012 we commenced a policy review of the Welsh Government's approaches to regeneration. The review is being undertaken in the context of:

- The Cabinet's endorsement of a whole-Government approach to regeneration.
- Specific commitments to renew seaside towns and town centres.
- The need to integrate policy and delivery across Housing, Regeneration and Heritage.

The objective of the review is to develop a methodology for regeneration investment from the Housing, Regeneration & Heritage portfolio, including:

- Where to invest and when.
- What to invest in.

It is anticipated that the review will conclude in February 2013 with a policy announcement. In advance of this, a consultation exercise will be undertaken from October 2012.

### 2.7.4 Current delivery partners and structures

Partnership working is critical to our approach and demands effective collaboration with other stakeholders from across the public, private and third sectors to ensure that through pump-priming the holistic process of reversing the economic, social and physical decline of places where market forces alone will not suffice, we enable the private sector to return to areas which have previously suffered from a lack of investment.

Partnership working is critical, at three levels:

- Strategic level: each Regeneration Area has a Partnership Board comprising key interests from the local area, from across sectors. The Partnership Boards, and in some areas Steering Groups which sit underneath the Boards, make recommendations to the Minister for Housing, Regeneration and Heritage about strategic direction and scheme funding.
- Stakeholder level: we ensure that consultation is an integral part of strategic planning and project development.
- Project delivery: we work with a range of project sponsors to deliver capital investment and other supporting activities.

A current notable example would be the Works project in Ebbw Vale, a major long-term project to reclaim the site of one of the largest and oldest ironworks in Europe. The programme is being taken forward under a Joint Venture with Blaenau Gwent County Borough Council and a master plan outlines the aspirations for the site. The programme demonstrates a pan-Welsh Government approach, with a range of sectors involved over time.



The Welsh Government has already supported significant land reclamation and a new hospital construction. Current priorities, include infrastructure projects (e.g a car park, energy centre and highway network) and delivery of high quality learning and training facilities; the new Learning Zone is expected to open to students in September 2012. Refurbishment of the General Office is underway; the first section is open to the public and the new home of the Gwent Archives, which was recently the subject of a royal visit. Contracts for these current projects are already let. As a result of the collaborative approach, the Works programme is not identified separately, but included by sector, such as the contribution from the 21st Century Schools Programme.

Further developments are also planned on site. The master plan contains aspirations for housing, job creation, leisure and further infrastructure works. Projects supported across Welsh Government will feature in the pipeline as they mature; whilst the procurement arrangements for each project will be different, all will involve collaboration between Welsh Government, Blaenau Gwent County Borough Council and/or other stakeholders.

## Case Study: North Wales Coast Regeneration Area



The North Wales Coast Regeneration Area programme was designated by the Welsh Government in October 2008 and has over the past 3 financial years received £25m in core funding to deliver a range of projects in line with the North Wales Coast 2016 Action Plan. An additional £11m of European funding is also available over the period 2009-2014 to support projects in Rhyl and Colwyn Bay.

Key projects include:

### **West Rhyl Housing Improvement Project –**

This project aims to transform the housing offer in a part of west Rhyl currently dominated by poor quality houses-in-multiple occupation. It will create new

housing with a range of house types along with an urban park in the heart of the target area.

This £23m project will be delivered through the West Rhyl Housing Improvement Co-Ordination Group which is a partnership approach between the RA team, Pennaf Housing Group and Denbighshire County Council. £10m Welsh Government capital help implement the next phase of work over the 2012-14 period.

**Bay Learning Centre, Colwyn Bay –** Coleg Llandrillo requested the assistance of the North Wales Coast RA to support the establishment of the Bay Learning Centre in Colwyn Bay, a learning and

information centre within the town's Communities First area. The Centre was designed to be pivotal in the regeneration of Colwyn Bay, providing advice, information, support and learning to those who have most need to up skill in order to improve their life prospects. Funding for the £1.4m project was provided by the Welsh Government through the RA (50%) and DfES (25%) with Coleg Llandrillo funding the balance.

**Rhyl Transport Hub** – The bus and taxi rank in Rhyl, located outside Rhyl train station were in a very poor condition until joint working through the RA enabled the Council to deliver a £3.6m improvement. The improvements along with the work currently going on to redevelop the former Bee and Station hotel and Costigan's pub nearby will ensure that the visitor will have a much improved experience on arriving in Rhyl in the near future.

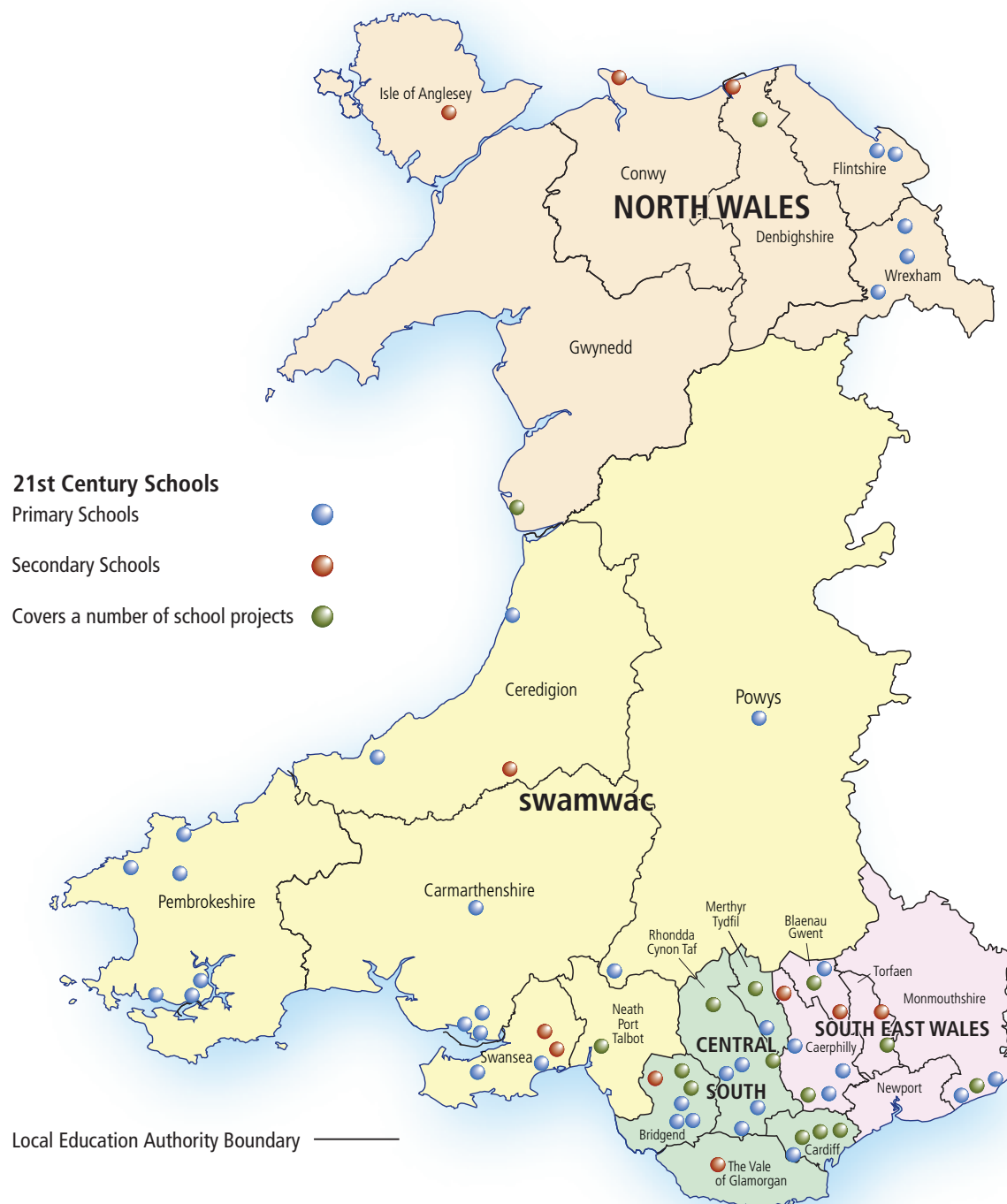
**Parc Eirias Events Arena, Colwyn Bay** – This £6.5m investment was completed in the autumn of 2011.

The newly revamped Parc Eirias Arena has since hosted three Under 20 rugby internationals and was full for each match. The Arena is also due to host a star studded concert in July to mark the opening of the Olympic Games in London and has facilities to cater for smaller indoor events from weddings to conferences. The project resulted from a collaboration between Conwy County Borough Council, the Welsh Government (the Regeneration Area and Welsh European Funding Office Teams) and the Welsh Rugby Union and is already regarded as a huge success locally.

**Community Fund** – this innovative project in collaboration with RWE npower, has established a Community Fund of almost £400,000 per annum to support small project within the RA. The fund is administered by the RA team and supported 23 projects in 2011/12.

## 2.8 Education

### ADEW Consortia Areas & 21st Century Schools



The Department for Education and Skills (DfES) is responsible for education and skills in Wales, working to raise the standards of education and training provision through enhanced services and infrastructure to deliver improved attainment.

The Capital Investment Programme supports the delivery of the necessary facilities and infrastructure, including ICT, for learners of all ages in all education sectors including **schools** (pre-16 education) and **further education** and **higher education** (post-16 education).

### 2.8.1 Aims and objectives of investment

The DfES Capital Investment Programme will deliver key Programme for Government goals and aims to provide:

- A coherent and transparent investment approach to educational and lifelong learning capital and asset investment.
- Sustainable and high quality learning opportunities that will enable learners of all ages to access high quality education supporting sustainable employment, economic and community development.

The objectives of the investment plan for the three key education sectors – schools, further education and higher education – are to:

- Achieve better educational outcomes and increase educational attainment.
- Enhance skills for jobs and adult learning.
- Secure capital investment in research.
- Accelerate reconfiguration and collaboration of education providers.
- Provide an efficient, fit for purpose, sustainable estate for education which embraces modern technology and takes account of demographic changes affecting demand.

### 2.8.2 Progress to date

Until 2007, investment in education was largely based on a sectoral and formulaic process made on a financial year basis. Since 2009 a process of transitional funding has been implemented to prepare the system for an all-Wales programme of investment in both schools and further education institutions that is prioritised and strategic.

This transition period has enabled us to more effectively target our investments where they are most required and has particularly enabled local authorities to focus on replacement of sub-standard accommodation and provision of modern and appropriate facilities.

The first tranche of transitional funding supported 32 projects across Wales with over £77m of Welsh Government grant. These projects are largely completed. Under two subsequent tranches over £337m of Government support has been committed to a further 34 projects from the Vale of Glamorgan to Anglesey and from Pembrokeshire to Monmouthshire. These projects are underway and include 26 new schools and 15 Further Education learning centres which have received grant support of £75m.

We are developing mechanisms for strategic partnerships between authorities to enable enhanced cost efficiency and value for money through improved planning, procurement, project management and delivery. A number of local authorities have developed procurement frameworks to improve delivery of their capital investment programmes. The benefits of this approach will be considered as Further Education and Higher Education sectors look to re-configure their estates.

### **2.8.3 Sectoral plan**

#### **21st Century Schools Capital Programme**

The Department has a forward programme of investment for schools. The 21st Century Schools Capital Programme is a £1.4bn was announced in December 2011. This Programme will help deliver strategic local planning for provision for 3 to 16 year olds and in collaboration with others where appropriate, provision for 16-19 year olds. The aim is to have the right provision in the right place at the right cost.

With a capital grant support intervention rate of 50% the Welsh Government will provide £700m funding support for a period of 7 years from 2014-15 to 2021-2022, with the remaining 50% balance being provided by local authorities. This first wave of investment will aim to deliver over 161 capital projects to include the remodelling and reconstruction of schools.

#### **Further Education and Higher Education Capital Programmes**

The DfES will continue to provide investment into Further Education (FE) and Higher Education (HE) in Wales to develop a system which is responsive to the needs and priorities of local communities, employers and the local and regional economy.

In line with the development of the 21st Century Schools Programme it is the Welsh Government's intention to develop forward capital investment plans for both of these sectors; with investment proposals aligned to the 21st Century Schools Programme. Where enhanced services can be facilitated and efficiencies realised the DfES will integrate investment plans across education sectors, e.g. coordinating investment in FE colleges and their local school sixth forms.

The FE and HE sectors face similar challenges of role definition, curriculum response, response to new learning styles, methods and technologies. Demographic changes will begin to impact upon the FE, although demographic pressures in the HE sector are different and more complex. Wales remains a net importer of students coming from other parts of the UK. Capital investment is prioritised to support the Transforming Education and Training Provision in Wales. Investment in both of these education sectors will also, need to ensure that we retain and attract skilled workers in Wales through investing and supporting institutions to attract talented students.

The first stage of developing a FE programme has commenced with a request to all FE Institutions to outline their priorities of investment for the next three to four years commencing from 2014-15 onwards. The value of this programme is to be determined.

Work will now commence on the development of a HE investment programme. Investment in the HE sector, will need to reflect the Professor Jones report "The Independent Review of Higher Education In Wales, 2009" and more recent developments including proposals set out in the Higher Education Funding Council for Wales' (HEFCW) report on "Future Structure of



Universities in Wales” (2011) and subsequent moves towards a smaller number of stronger universities. Capital for research enhances Wales’ capability in securing research investment that enhances the skills of people in Wales and helps attract inward investment.

### 2.8.4 Current delivery plans and structures

The DfES Capital Investment Programme will be delivered in partnership with all its major education stakeholders in Wales which is comprised of local authorities, the Diocesan Directors of the Voluntary Aided Sector and FE and HE Institutions.

#### Case study: Archbishop McGrath Catholic Secondary School



Archbishop McGrath Catholic Secondary School relocated from its current location in Tondy, north of Bridgend, to a new school in Brackla in the heart of Bridgend. The new school is jointly funded by the Archdiocese of Cardiff, Bridgend County Borough Council and the Welsh Assembly Government.

The main building spans three floors and accommodates 750 pupils aged 11-18, including 150 sixth formers. Building the school on three storeys improves efficiency of land use and energy, with natural ventilation and high density concrete floors creating thermal mass for passive temperature control.

Across the school, the core educational and social activities drive the connection between classroom areas – the main entrance foyer, sports hall, main hall and canteen tie the teaching spaces together. Flexible classrooms and workspaces

accommodate different class sizes and a range of teaching practices.

The design means that there is increased land for additional school sports and leisure facilities, which can be used by the wider local community in the evenings and at weekends.

Additionally the school has also been awarded at the Building Excellence Awards 2012, both the Best Education Building and Sustainable Project categories in these prestigious awards.

The project was praised for its design which utilised the profile of the surrounding land and also recognition for the collaborative approach undertaken by the design team. Commenting on the project’s success in the Sustainable Project category of the Excellence Awards, the judges said the scheme, which achieved an Excellent rating under the BREEAM environmental assessment method,

said the architect's approach to passive design "was crucial to the project, not only to reduce the carbon footprint of the school, but also to reduce the running costs, which is a key driver for the local authority".

Final tender stage approval was given on the 17 December 2009 to replace the existing Archbishop McGrath RC High school in Tondur

Bridgend, and enable the construction of a 750 pupil secondary school including community leisure facilities on a vacant site at Brackla Bridgend. Work commenced in early 2010 with a new purpose built school at an overall cost of £21.4m with the Welsh Government contributing £14m to the project. The school was officially opened in December 2011 by the First Minister.



2.9 Health

Local Health Boards & Hospitals



The Health, Social Services and Children (HSSC) capital allocation supports the continued provision of the necessary infrastructure, i.e. land and property, equipment, IT and vehicles. This in turn supports the delivery of modern, effective and high quality patient care.

The HSSC base capital allocation was £259m in 2011-12. This is planned to reduce over the next 2 years to circa £215m.

The allocation of capital to the NHS in Wales is managed via an All-Wales Capital Programme (AWCP) which was established in March 2007. The plan has been revised since then to take account of Programme for Government<sup>10</sup>, Together for Health<sup>1</sup> agendas and changing service needs.

### **2.9.1 Aims and objectives of investment**

The AWCP targets capital investment to support delivery of one or more of the following high level service objectives:

- Services which are accessible to patients and carers (providing the right services in the right places).
- Radical service redesign.
- Decentralisation of routine work/centralisation of complex work.
- New models in primary care and adaptation of existing primary care estate to do more locally.
- Investment in communication technology and diagnostic capability needed to enable new clinical models.
- To continuously improve and update the existing estate, address backlog maintenance, improve sustainability and maximise energy efficiency.

### **2.9.2 Progress made in sector since 2007**

Since 2007, investments have ranged from large acute hospitals to smaller primary care premises and replacement ambulance vehicles. Over £1.4bn of capital expenditure has been invested in facilities and medical equipment to support the improved provision of health services for the people of Wales.

The HSSC capital programme recognises the importance of fit-for-purpose buildings in the delivery of healthcare, which is the key element in the action plan to bring the NHS estate up to standard and it is being actively pursued.

Although capital expenditure has been significant it has had to cover a massive undertaking comprising over 120 hospitals, over 200 health centres and clinics, approximately 50 mental health units, and over 90 ambulance stations.

Capital expenditure has focused on providing fit for purpose buildings in the right places, rather than investing in backlog maintenance on an estate which will never be fit for purpose and may be sited in the wrong place. Investment has been targeted at the following key functional areas:

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<sup>10</sup> <http://wales.gov.uk/about/programmeforgovernment/>

- **Upgrading and Modernisation of Secondary Care facilities** including a large variety of schemes to bring General Hospital facilities up to modern day service and infrastructure standards. Examples of such schemes include:
  - Refurbishment of Prince Charles Hospital Merthyr Tydfil, a £53m scheme to modernise ward accommodation, nearing completion
  - A new Local General Hospital in Ebbw Vale (Ysbyty Aneurin Bevan), £56m, completed and operational
  - A new hospital for the Rhondda Valley, Ysbyty Cwm Rhondda, £38m, completed and operational
  - A new Local General Hospital in Caerphilly (Ysbyty Ystrad Fawr) at £162m, completed and operational
  - Redevelopment of Bronglais Hospital to provide new Accident and Emergency and Operating Theatre facilities at £42m, currently on site
- **Modernisation of Mental Health Services** – a number of centres in Wales are still provided from old asylums which are inappropriate for the delivery of modern mental health services. Investment is replacing existing facilities with a range of new inpatient and community based facilities including investment of:
  - £30m in new community based and inpatient provision in Bro Morgannwg
  - £26m in a new CAMHS Unit for South Wales at Princess of Wales Hospital
  - £15m in a new CAMHS Unit for North Wales at Abergele Hospital
  - £25m in a new Adult Mental Health and EMI Unit at Wrexham Maelor Hospital
  - £57m in the new EMI Unit at Llandough Hospital Cardiff which will be completed in 2012
- **Community and Primary Care Facilities** – essential to assist in the planned shift of the balance of care away from secondary care settings. Examples include:
  - £30m is being spent on the development of a Local Health and Treatment Centre In Cardiff, on the site of the old Cardiff Royal Infirmary
  - A new £33m health and well being centre at Merthyr is nearing completion
  - A new £80m Community Hospital and Primary Care Dental Unit at Cynon Valley is nearing completion
  - A new 18m community hospital in Porthmadoc, Ysbyty Alltwen is completed and operational
- **Investment in Diagnostic Equipment and Technology** – including replacement and increased provision of Linear Accelerators for cancer centres, a new PET scanner, MRI scanners, CT scanners and other diagnostic equipment in secondary care centres across Wales. Such schemes include:
  - Velindre NHS Trust has completed a £7m scheme comprising one replacement linear accelerator, a replacement CT scanner and simulator as well as an additional Linear Accelerator. A further programme of more than £6m is already underway to provide two more Linear Accelerators

- At Ysbyty Glan Clwyd, Rhyl, £13m has been invested in the provision of 1 replacement and 1 new linear accelerator
- Over £25m has been invested in 12 CT and 8 MRI scanners across Wales
- Over £8m invested in a new PET Scanner (Positron Emission Tomography) at the University Hospital of Wales in Cardiff
- **Replacement Ambulances** – since 2007 the Welsh Government has provided over £36m of capital funding which has been used to purchase 746 vehicles.
- **Provision of new Information and Communication Technology:**
  - Investing £1.5m (2011/12) in the Welsh Clinical Portal which is a computer system being designed by clinicians to support them in their day-to-day tasks, to capture the individual's health record where other systems are not available and to help capture the raw data that will help monitor and manage services
  - Investing £1.7m in 'My Health on Line' – a bilingual NHS Wales website which allows patients access to personal health records.

### 2.9.3 Sectoral plan

With constraints on public capital expected to continue for the foreseeable future there will be a continuing need to prioritise our capital allocation. Over the next five years it will be necessary to ensure sufficient capital is made available:

- For all contractually committed scheme.
- To maintain the quality of the existing estate.
- To ensure compliance of buildings, plant and equipment.
- To procure replacement and new medical equipment technology.
- To promote major service redesign in secondary, community and primary care services to ensure that the services that are being provided is effectively and efficiently as possible.

As with the investment already committed since 2007, capital investment up to 2014/15 is planned to be targeted at the following key functional areas, **subject to Business Case approval**:

- **Upgrading and Modernisation of Secondary Care facilities** with key planned major investments including:
  - £87m redevelopment of Morriston Hospital, Swansea.
  - £106m redevelopment of Ysbyty Glan Clwyd, Rhyl.
  - £120m redevelopment of Prince Charles Hospital, Merthyr Tydfil.
  - £273m development of a new Specialist Critical Care Centre in Torfaen.
- **Modernisation of Mental Health Services** with completion of the planned replacement and closure of outdated facilities at Cefn Coed Hospital Swansea and Whitchurch Hospital Cardiff. New facilities for patients with acute mental illness are planned at, Llandough Hospital, Neath/Port Talbot Hospital and Morriston Hospital at a cost of over £160m.
- **Community and Primary Care Facilities** – a range of investments is planned across Wales to develop Community Hospital facilities and to provide services closer to patients.

Over £100m is planned to be invested in schemes that will include the provision of **new hospitals** in Cardigan, Tregaron, Aberaeron, North Denbigh and Builth Wells.

- **Upgraded and modernised hospitals** at Llandudno, Llandrindod Wells, Welshpool, and Brecon.
- **Investment in diagnostic equipment and technology** – over £50m per annum will continue to be invested in Local Health Boards to allow them to, amongst things, invest in and replace outdated equipment. We also plan to continue to develop and modernise our Linear Accelerator capacity and to improve facilities at the Velindre Cancer Centre in South Wales.
- **Investment in the ambulance service/replacement ambulances** – we will continue to invest in the replacement of ambulances at circa £5m per annum. With regard to the estate over £30m is planned to be invested over the next 5 to 7 years in the development of new Ambulance Resource Centres and Make Ready Depots.
- **New Information and Communication Technology** – we will complete our £12m planned investment in a national Laboratory Information System and will develop an ICT approach to the provision of patient medical records. We will also develop new local services using telemedicine services linked to specialist centres. Over £50m is planned for further investment in ICT over the planning period.

#### 2.9.4 Current delivery partners and structures

The delivery of health services in Wales is managed via seven Local Health Boards and three NHS Trusts responsible for the delivery and implementation of individual capital schemes. Each has produced five year Strategic Delivery Plans covering future plans for service provision/reconfiguration, plans to deliver service targets and financial plans (including the capital programme).

The allocation of capital to NHS organisations requires that all investment decisions be justified by a systematic options appraisal set out in a business case. The Welsh Government and HM Treasury 5 Case Model approach is the standard for justifying all major capital investments in Healthcare in Wales.

To assist NHS organisations in the delivery and implementation of individual schemes, LHBs and Trusts utilise the NHS Supply Chain Procurement Framework. This was formally launched in July 2006 and is based on the development of long term strategic partnerships, integrated Supply Chains and collaborative working. The initiative includes a call down framework of three Supply Chain Partners who deliver the design and construction requirements of the project.

Up to October 2011 all capital projects over £5m in value were delivered by this Framework. It has delivered £363m of completed projects with £227m currently on site and £552m of projects in planning. Virtually all of the projects have been completed on time, within budget and to a good quality with many having zero defects at handover.

The Supply Chain Partners are required, as part of the Key Performance Indicator system, to keep records on the postcode residence of workers employed on individual projects. Up to the end of March 2012, 12,318 workers had been employed on construction projects under the Framework.

Of these, 9,811 construction workers, nearly 80% were resident within Wales. The use of Welsh sub-contractors on Framework projects has also been monitored and during the same period 68% of work packages for projects on site were let to Welsh based companies.

A review of the Framework in early 2010 by Constructing Excellence in Wales and the Centre for Construction Innovation, based at the University of Salford, concluded that it was moving towards achieving its objectives and should be renewed. The renewal process has introduced Regional Frameworks for South East, South West and North Wales for projects with a construction value of between £4m and £10m. This came into operation on 1st October 2011. A new National Framework for projects with a construction value over £10m is presently being procured and will be operational from September 2012.

To assist LHB/Trusts in fulfilling their requirements under the contractual arrangements, support frameworks have also been put in place for project management, construction supervisory and cost advisory roles. LHB/Trusts may draw down these services if they feel they have insufficient expertise in house.

Welsh Government works closely with the NHS to monitor progress with the implementation of schemes, commitment of expenditure and key issues that affect successful delivery. The allocation of capital is monitored on a monthly basis via formal capital resource limits, ensuring that the potential to respond to any in-year or new priorities is maximised and that capital slippage is quickly captured to be redirected.





In November last year one of the original Designed for Life: Building for Wales pathfinder projects, Ysbyty Ystrad Fawr, opened its doors to patients. Located in Ystrad Mynach, in the Rhymney valley, the new hospital is at the heart of plans developed by Aneurin Bevan Health Board and the County Borough of Caerphilly to improve health and social care for the local population. The opening of this new facility will enable plans for the rationalisation and modernisation of hospital services within the Borough to be implemented.

Sited alongside the river Rhymney, the 269-bed Local General Hospital is arranged over four levels. The requirement to address potential flood concerns has provided a unique opportunity to locate car parking under the main building thereby avoiding the traditional model of a hospital set within a landscape of parking. Central to the development of the hospital is the inclusion of 100% single en-suite bedrooms which help to ensure the provision of high quality care, and the reduction of hospital acquired infections rates and address the privacy and dignity needs of patients.

Inpatient accommodation is organised into 8-bed nursing units focussed around a nurse base. Each 32-bed ward is therefore comprised of 4 clusters

thereby providing greater flexibility for separation within, and between, wards. All bedrooms have large glazed screens with integral blinds which allow good observation from the nurse base, but also provide the patient with greater level of control over privacy.

The range of services includes:

- Local Emergency Centre providing an integrated service working 7 days a week.
- Minor Injuries Unit available 24 hours a day.
- GP out of hours service.
- Emergency Assessment Unit.
- Acute medical ward with monitored beds for emergency patients.
- Rapid access clinics for urgent patients.
- A wide range of specialist and general outpatient clinics.
- CT scanner and MRI.
- Endoscopy suite and medical day case facility.
- Operating theatres providing day case and short stay surgery.
- Consultant and midwife antenatal and postnatal care.
- Intensive rehabilitation beds.



## Chapter 3 – Delivering the Plan



## 3.1 Introduction

This chapter explains how we will deliver the Plan to achieve the goals we set out in chapter 1. It highlights the main stakeholders and their roles, including:

- The partnerships required for the successful development, delivery and maintenance of the Plan.
- The structures, responsibilities and governance processes in place within Welsh Government, including how we will manage public sector assets to get the best value from them.
- Our approach to sustainable development, the planning system and the environment in relation to infrastructure and future developments.

This chapter also outlines our approach and policy on funding infrastructure and in particular, our evolving approach to innovative financing.

## 3.2 Working with our partners

### 3.2.1 The private sector

The relationship between the Welsh Government and the private sector is multi faceted and critical to the growth of the Welsh economy. It includes a wide range of relationships:

- **Customers** – as users and economic beneficiaries of public infrastructure developments.
- **Deliverers** – as financers of large infrastructure schemes delivered through a range of innovative financing approaches, as suppliers or builders of assets, or as managers of services delivered through our infrastructure.

The private sector is a key partner in delivering the infrastructure needs of Wales over the coming decades. We aim to facilitate increased investment by ensuring that either directly or by working with partners, the supporting infrastructure networks are in place, such as transport communication and national grid linkages. Major investments such as the potential development of a Severn barrage – a proposal which is currently being explored by the private sector with no public investment – a multi £bn project which could establish a new energy industry along the South Wales coast, leading to substantial economic benefits. The development of Anglesey as an Energy Island including the new nuclear build is key to delivering large scale private investment in North Wales' infrastructure. The Welsh Government will ensure that the derived economic benefit to Wales is maximised from such large scale investment.

It is also important that in addition to the Plan providing the strategic overview of key infrastructure investment across the Welsh Government, we capture wherever possible, planned private sector infrastructure developments. This will improve our ability to coordinate and dovetail public sector developments as well as improving the visibility of the 'whole of Wales project pipeline' for private sector companies that will help deliver new Welsh infrastructure.

### 3.2.2 Utilities companies

Utility networks are fundamental arteries essential for a sustainable and prosperous economy – in the present and in the future. Telecommunications, gas, electricity and water assets are all managed by the private sector within regulatory frameworks established through Government.

In order to develop a comprehensive picture of Welsh infrastructure, assets, future demand and potential issues, we need to understand the current and future plans of utilities providers. For example the growth of the energy production sector in Wales will hinge on the ability of the National Grid network to cope with handling increased capacity. We recognise that there are collaborative opportunities to be developed between providers as well as Government.

### 3.2.3 Local government in Wales

Local government is a major stakeholder with a key interest in and responsibility for a significant element of Wales' infrastructure, including the delivery and maintenance of transport networks (non-trunk roads), schools, elements of primary care, housing, flood and waste.

In 2011-12, local authorities in Wales are forecast to have spent around £1bn on capital investment. Local government therefore holds very significant public sector assets, both in value and quantity.

The Welsh Government and local government in Wales understand the importance of working together, as part of the Public Service Leadership Group (PSLG) and delivery of the Simpson Review, to deliver key services and infrastructure, including:

- Providing education infrastructure which is fit for the future through the Transitional Schools Programme and the 21 Century Schools Programme.
- Developing an innovative and collaborative approach to waste management and treatment through the Waste Infrastructure Procurement Programme.
- Investing to improve our non-trunk road network through the Local Government Borrowing Initiative.
- Meeting the Welsh Government's commitment to deliver Flying Start with the provision of enhanced nursery facilities and care for pre-school children.

These demonstrate how we are currently developing our working relationships but there are many more potential opportunities for greater collaboration between the Welsh Government and local government, which we intend to build upon in the coming months and years. Local government is a key delivery partner and the evolution of our working relationship will be critical to success moving forward as the Plan develops and matures.

### 3.2.4 The wider Welsh public sector

The Welsh Government is committed to working collaboratively with all parts of the public sector in Wales. Key delivery partners for infrastructure investment include the NHS, the Further and Higher Education sectors, and Welsh Government Sponsored Bodies such as the Higher Education Funding Council for Wales, the Arts Council for Wales and the agencies that will form the Single Environmental Body.



### 3.2.5 Registered Social Landlords

Registered Social Landlords (RSLs) are already key partners in the delivery of housing investment – both in building new social housing but also in improving existing housing stock. We will continue to work closely with RSLs to improve housing, but we will also develop new opportunities to use RSL borrowing facilities to boost housing and wider public services investment.

### 3.2.6 UK Government

Collaboration with the UK Government wherever possible is important to maximise the opportunities for mutually beneficial infrastructure investment through:

- **Shared infrastructure** – Wales, unlike Scotland and Northern Ireland, is highly integrated with England – around 90% of the population of Wales lives less than 50 miles from the border. This creates natural opportunities for sharing services and infrastructure.
- **Working together on non-devolved infrastructure** – significant sectors of infrastructure in Wales are not devolved, in particular large scale energy and rail. We need to work closely with the UK Government in these sectors to ensure the right infrastructure is delivered for Wales. Key areas being actively addressed on this basis include Valleys Line Electrification and developments with Wylfa.
- **Identifying opportunities for Wales to meet UK infrastructure needs** – Wales could potentially meet some of the UK infrastructure capacity needs identified in the UK National Infrastructure Plan (November 2011), in particular those relating to port and airport capacity, energy generation, and water supply.

By developing the Plan as a central focal point for infrastructure investment in Wales, we will be able to provide an enhanced level of knowledge, inform more strategic decisions, raise opportunities and allow for a strong single point of informed lobbying when negotiating strategic infrastructure issues with UK Government.

We are pleased that the Chancellor signalled his intent in the 2011 Autumn Statement to work closely with the Welsh Government on developing a solution to the M4 bottleneck in South East Wales. The detailed options for releasing the pressure on this key strategic route are now being explored with the UK Government.

### 3.2.7 Other devolved administrations

Both the Scottish Government and Northern Ireland Executive have published infrastructure investment plans. We have learnt from and build on their experiences to ensure that we deliver a Plan that best meets Wales' needs. We are engaging regularly with the other devolved administrations at Ministerial and official levels to share experiences and learning as our infrastructure plans evolve.

We are engaging regularly with the other devolved administrations at Ministerial and officials' levels to share experiences and learning as our infrastructure plans evolve.

### 3.2.8 European Union

The European Commission and the Welsh Government have considerable experience of working together to deliver programmes with common goals. Building on this, the development of new EU programmes for 2014-2020 will be undertaken in consultation with partners across Wales and the European Commission, with the aim for the new programmes to start promptly on time in 2014.

The Welsh Government will work with partners across Wales to ensure that we maximise the impact of EU programmes in Wales, including through the use of innovative financial instruments such as JESSICA and increasing Welsh organisations' access to other EU programmes such as **Connecting Europe** (EU network infrastructure) and **Horizon 2020** (research and innovation).

### 3.2.9 Social partners and the Third Sector

Social partners and the third sector have a key role in championing the interests of employees and businesses in Wales, enhancing the well-being of our communities and promoting community level engagement in and understanding of, wider local and national level issues. Levering in Trust Funding and innovative sources of investment as part of co-operative and community development is a key feature of this Sector.

## 3.3 Welsh Government structures, responsibilities and governance processes

### 3.3.1 Allocation of resources for infrastructure investment

Welsh Ministers determine the strategic priorities of the Welsh Government, which inform the spending decisions set out in the annual Budget. Our strategic priorities for the future are detailed in the Programme for Government<sup>11</sup>, published in September 2011.

Capital budgets are allocated to Ministers as part of the budget process, which is subject to scrutiny and approval by the National Assembly for Wales. Portfolio Ministers are responsible for authorising spending from their budgets and ensuring that they are committed appropriately to delivering our Programme for Government objectives.

<sup>11</sup> <http://wales.gov.uk/about/programmeforgovernment/>



Capital allocations for 2012/13, as set in the Final Budget of December 2011, are set out below.

	£m
Department for Health and Social Services	240.6
Local Government and Communities (including Transport)	261.6
Business, Enterprise, Technology and Science	89.5
Education and Skills	161.3
Environment and Sustainable Development	61.6
Housing, Regeneration and Heritage	294.6
Central services and Administration	28.4
Reserve <sup>12</sup>	94.3
<b>Total Welsh Government Capital Budget</b>	<b>1232.0</b>

Historically, decisions on investment projects in the Welsh Government have largely been made within the relevant department. Capital budgets have been determined in the annual budgetary process and each department has then used its own procedures to evaluate and decide on specific projects.

Since 2008-09, there has been a cross-departmental process for allocation of capital reserves directly to projects and programmes, initially via the Strategic Capital Investment Fund (SCIF) – two ‘tranches’ covering 2008-09 to 2010-11 – and then via the Centrally Retained Capital Fund (CRC) – two phases covering 2011-12 to 2013-14. Total allocations via SCIF and CRC since 2008-09 have been around £700m, which represents 7.4% of the total allocated Welsh Government capital budget in that period of around £9.5bn.

### **New procedures to support more strategic allocation of resources**

We will be supplementing departmental processes and building on previous mechanisms by strengthening cross-departmental procedures, including more rigorous, consistent evaluation and ranking of investment options and establishing a new Strategic Investment Committee to support Ministerial decisions. These new procedures will be used to inform decisions on allocating around £250m of capital reserves available in 2013-14 and 2014-15, details of which will be set out in the Autumn. The Strategic Investment Committee will also play a key role in advising Ministers on the development of new innovative funding mechanisms.

### **3.3.2 Our approach to Business Assurance and Programme and Project Management (PPM)**

Achieving optimal value for money is the core aim in managing the development and delivery of our investments. To achieve this, we will use robust best practice approaches to scope and plan our investments with clarity over what we want to achieve and ensure the smooth delivery of those investments. We describe our approach to this as two distinct but overlapping elements – Business Assurance and Programme and Project Management Assurance.

<sup>12</sup> £50m of the capital reserve has already been allocated to Ministerial budgets, as announced in November 2011. Details of how the remainder of the 2012-13 capital reserves will be allocated are set out alongside this document.

**Business Assurance** means ‘doing the right things at the right time’ and is the process of scoping, planning and procuring our investment programmes and projects and providing assurance to the Accounting Officer responsible for the spend.

**The 5 Case Model** is the best practice tool adopted by the Welsh Government for the preparation of spending proposals. It requires the detailed consideration of:

- The strategic case – strategic fit and clear investment objectives.
- The economic case – value for money.
- The commercial case – attractiveness to the market and procurement arrangements.
- The financial case – affordability.
- The management case – deliverability and plans for delivery.

Large, complex proposals are developed in 3 iterations through:

- The Strategic Outline Case (SOC) – which makes the case for change.
- Outline Business Case (OBC) – building on the SOC to confirm the solution which offers optimal value for money.
- Full Business Case (FBC) – building on the OBC, taking the chosen option through procurement, putting in place delivery plans and providing the final detailed costing of the scheme.

Each of these stages represents a break point at which the developing proposal can be stopped if it no longer fits strategically; is found not to offer value for money or is unaffordable or undeliverable.

As part of developing the Plan, we will be rolling out this standard approach to Business Assurance across the Welsh Government and the wider public sector, providing training and guidance and support to improve capacity. New guidance on best practice Business Assurance, developed with HM Treasury will be published shortly.

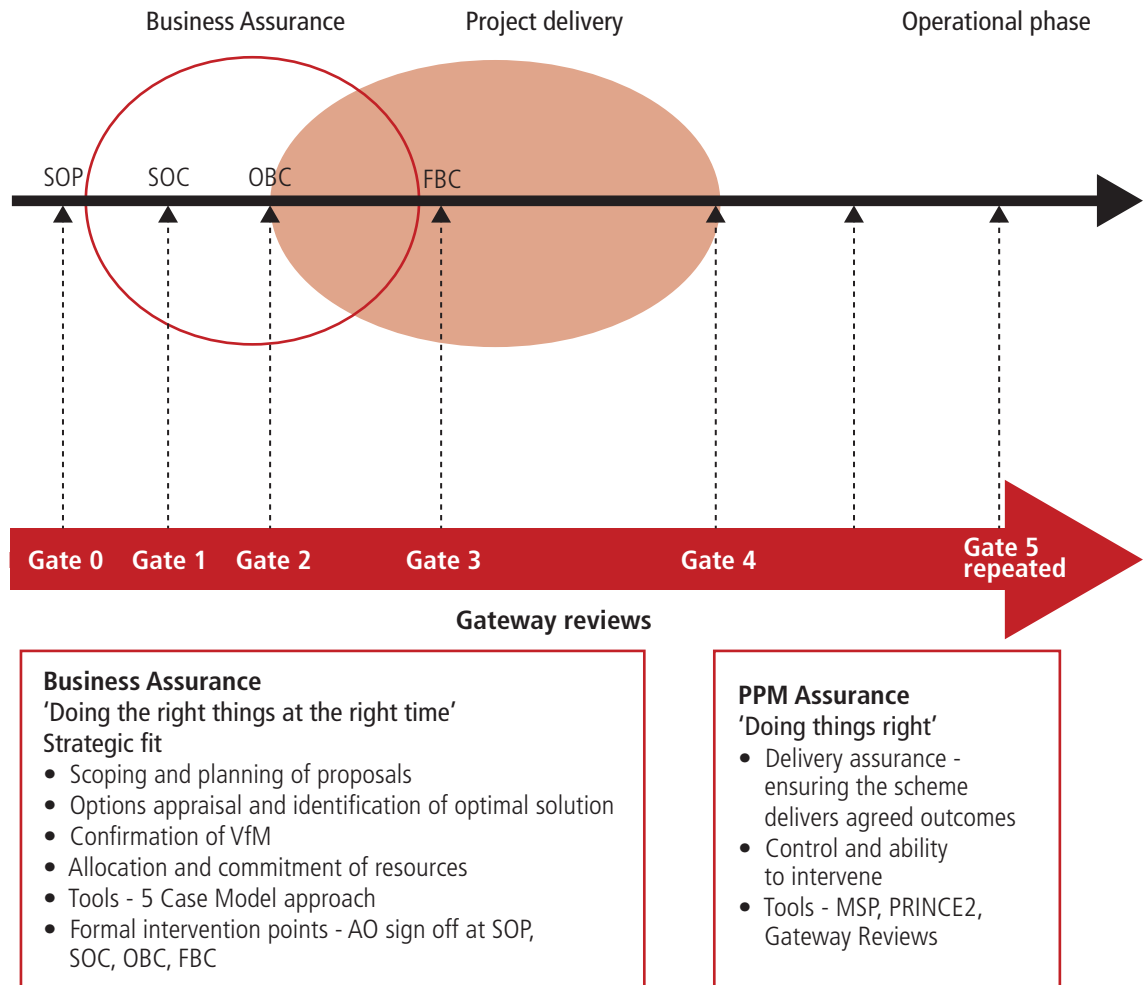
**Programme and Project Management Assurance (PPM)** means ‘doing things right’ and is the process of delivering our programmes and projects and providing assurance to the Senior Responsible Owner (SRO) leading the delivery of the scheme.

Best practice PPM Assurance tools include:

- Managing Successful Programmes (MSP) for programme delivery a best-practice framework for delivering complex programmes in accordance with long-term strategies.
- PRINCE2 for project delivery – to provide a defined organisation structure for the management of a project and project management team, emphasising dividing the project into manageable and controllable stages.
- Gateway Reviews and health checks for programme and project assurance – to provide an assessment of the health of a policy, programme or project at key stages of development from inception to reviewing benefits that are being realised.

High quality Business Assurance and PPM Assurance are critical if we are to gain the most out of the diminished resources we have and achieve our ambitions for Wales. Diagram 2 shows the relationship between the best practice tools and key stages of delivery.

Diagram 2 – Best practice tools and key stages of delivery



The Welsh Government has professional leads for Business Assurance and PPM Assurance, responsible for championing these approaches and providing guidance and support to departments as appropriate.

Details on next steps from improving Business Assurance and PPM Assurance in the Welsh Government are set out in Chapter 4.

### 3.4 Making better use of our assets

We are currently in a period where the public sector may be described as being cash poor but asset rich. The effective management of property assets is increasingly important during these times of constrained budgets and we must better align our asset base to support the business and push hard for efficiency savings – investing where appropriate, rationalising where necessary and optimising savings through better estate utilisation.

A recent Wales Audit report stated that the Welsh public sector spends over £500m each year running land and buildings worth approximately £12bn. It found that most organisations' land and buildings were not keeping pace with changing demands or delivering best possible value for money.

Strategic property asset management means aligning our asset base with corporate goals and objectives and ensuring that our land and buildings asset base is optimally structured. We aspire to be responsible stewards for all public infrastructure in Wales – working to develop centralised knowledge of all Welsh public assets, including those not managed by the public sector – their condition and associated obligations and liabilities. We can improve the management and control of our national asset base through such collaboration.

### 3.4.1 Benefits of Good Asset Management

Through good asset management we can realise the following benefits:

- Better public service provision through improved property and co-location of services and bringing together similar uses into the same property, rather than providing them separately.
- Improved productivity, changes in corporate culture and facilitation of corporate changes.
- Maintaining property in good condition.
- Release of capital for reinvestment or debt reduction.
- Innovative strategic procurement.

### 3.4.2 Benchmarking

The Welsh Government publishes an annual report – **State of the Estate**<sup>13</sup> – which reports on the efficiency and sustainability performance of the administrative estate. The discipline of compiling the information contained in the report has enabled us to develop a detailed and informative picture of the estate and has allowed us to reflect on our performance as estate managers.

In order to measure and drive improvements, accurate data on the performance of the estate is required. Possession of such data enables a comparison of the Welsh Government administrative estate on a year on year basis and against the private sector and other public sector bodies.

### 3.4.3 Collaboration

There is a clear need for the public sector in Wales to collaborate around the property estate in order to meet financial targets and service delivery aspirations, through collaboration around both delivery of services and asset management.

Public sector property plays a key role in delivering public services and can be used as a catalyst for service rationalisation. There is potential for public sector organisations to improve jointly the planning and operation of their property and aid service delivery across Wales generating more benefits and using less resource.

Collaborative asset management in Wales is being led by the Asset Management and Procurement work stream of the Public Service Leadership Group, chaired by the Minister for Local Government and Communities.

The **National Assets Working Group** operates across the Welsh public sector to improve services by identifying, facilitating and supporting the delivery of efficiencies and innovation in the operation of the public estate and its corresponding assets.

<sup>13</sup> <http://wales.gov.uk/about/civilservice/facts/ourbuildings>.

The National Assets Working Group aims to develop a structure to help ensure that the public estate, including land, is utilised to its maximum efficiency to support service delivery and value for money across a wide range of assets by:

- Encouraging and supporting collaborative working between public sector property organisations in order to identify strategic opportunities.
- Encouraging the sharing of data and future plans to help drive the analysis of information which underpins strategic and operational planning across the Welsh public sector.
- Promoting the potential opportunities for the public sector in sharing asset information (i.e. assets with potential for shared service, community usage or co-ordinated disposal).
- Securing public sector engagement for a programme to develop a comprehensive land and property information resource for Wales through the adoption of easily accessible asset data, via e-PIMS.
- Identifying pilot projects to help support in scoping and delivering collaborative property focussed projects, which will facilitate improvements in service delivery.
- Introducing tools to facilitate more efficient use of public sector assets e.g. the Land Transfer Protocol.

The National Assets Working Group has been successful in delivering:

- The **All Wales Public Sector Land & Property database** – developed with a remit to enable high-level property information to be recorded by and accessible to all public bodies in Wales. This provides the ability to view the entire public sector estate across Wales, including assets in the ownership of the UK Government and will facilitate identification of key contacts, potential partners and opportunities for co-development, co-location, asset sharing and strategic asset rationalisation.
- The **Vacant Space property register** – including the ability to search and list current, future or potential vacant space property holdings is available through the e-PIMS database alongside monthly vacant space bulletins issued to all bodies formally registered on the database. It is expected that when public sector organisations identify an asset as being surplus they initially market the property to the public sector via ePIMS, however, we recognise there are opportunities to further improve the database by encouraging its use as a tool to support public sector collaboration and improved value for money.
- **The Land Transfer Protocol**<sup>14</sup> – a best practice guide for the transfer or disposal of land between public bodies in Wales. Its use will increase efficiency and reduce time and cost associated with the transfer, use and disposal of the public estate between public bodies in Wales by identifying budgeting/accounting issues and barriers that could arise from such transfers. This includes having a clear understanding of specific constraints various bodies have over asset disposal. The expectation is that when a property is 'marketed' on ePIMS, where there is interest from another public sector organisation, the transaction will then be conducted via the Land Transfer Protocol. The Protocol is in its infancy and we will be focusing on ensuring it develops and evolves to be of optimal benefit.

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<sup>14</sup> <http://new.wales.gov.uk/topics/improvingervices/pslg/nwp/assetprocure/landtransfer>

## Case Study: Cardiff Local Service Board Assets Group



Originally established under the Cardiff Local Service Board (LSB) as part of a mix of activities to integrate services, the Asset Group was set up to realise public benefits from a co-ordinated approach to managing public property and assets.

It was adopted as one of the pilot projects under the former National Asset Working Group as part of the Welsh Government's Efficiency and Innovation Programme. The twelve partner public organisations set out to plan an integrated approach to asset rationalisation, disposal, accommodation sharing and the identification of economic and social development opportunities. The aim was to create and deliver value for the LSB at a higher level than can be achieved by the individual organisations working in isolation.

Partner organisations include – Cardiff City Council, Welsh Government, South Wales Police, South Wales Fire and Rescue Service, Welsh Ambulance Service Trust, Cardiff and Vale UHB, Velindre NHS Trust, Cardiff University, Cardiff Metropolitan University, Public Health Wales, Glamorgan University (now resigned as involved in Cwm Taf Project), Cardiff Voluntary Sector Project.

As a first stage pilot review, the district of Canton (an inner-city district and community in the west of Cardiff) was identified to review the public sector assets. The initial findings are detailed below.

- Back office function – likely to be the most fruitful and least complex area for

opportunities. The pilot indicates that there is the potential to achieve significant efficiencies across the public estate.

- For the identified 5 partners who may have an on-going requirement for representation within Canton either in an administrative (back-office) or service delivery (front-line) capacity. Indicative analysis has shown that through collaboration and rationalisation, savings in running costs in the order of 26% could be achieved.
- A number of potential surplus assets were also identified, which again could realise significant capital receipts.
- There will be opportunities to add value through collaboration, including bringing forward development and regeneration.
- Expectations must also be managed. A significant public sector asset base does not automatically translate into immediate efficiency outcomes. At present this is in part due to different service delivery functions and a review of the partner organisations 'Asset Plans and Estates Strategies' highlighted that none included a section on 'collaboration'. Given the above efficiencies will be incremental.
- The development of 'integrated service delivery plans' would accelerate the efficiencies to be achieved from the asset base.



## 3.5 Better procurement

Procurement is defined as the acquisition of goods, works and services which meet the customers and service users needs, whilst ensuring value for money throughout the life of the product including disposal.

### 3.5.1 Procurement policy

Welsh public sector procurement policy seeks to drive maximum value from the collective expenditure of the is obtained from every pound spent. This means obtaining value for money in its broadest sense by considering social, economic and environmental factors as part of the procurement process.

Key policy initiatives are:

- Community Benefits policy.
- “Opening Doors – the Charter for SME Friendly Procurement” and the associated guidance on working with the Third Sector and engagement with Supported Businesses.
- Sustainability Risk Assessment.
- Construction Procurement Strategy Steering Group.
- Supplier Qualification Information Database (SQulD).
- Promotion of visibility and accessibility of contract opportunities.

The work of the Value Wales Policy Team focuses on embedding good practice into public sector procurement in Wales, supporting Programme for Government commitments to embed the ‘community benefits’ approach into public sector procurement and to simplify public procurement processes to make contract opportunities open to all.

### 3.5.2 Community benefits policy

We are working with other Welsh Government Departments and other stakeholders such as Constructing Excellence Wales, Construction Skills and public sector organisation to agree measures to strengthen the Community Benefits Policy. By identifying a pipeline of work the market will gain early notification of up coming contract opportunities. This closely aligns to the Wales Infrastructure Investment Plan and the 21st Century Schools Programme.

Measures also include:

- Identifying levers, such as grant funding, to ensure wider adoption of community benefits approach on all construction and service contracts over £2m.
- ‘One Stop shop’ support for potential contractors to locate unemployed/ disadvantaged persons.
- Providing guidance on training and employment priorities in Wales.
- Reviewing the scope of the new EU directives to strengthen policy and developing further legal advice and guidance.
- Monitoring outcomes, looking at trends and best practice and comparing relative outcomes.



We will ensure that Community Benefits policy is embedded within the delivery of the Plan projects to optimise the realisation of social and economic benefits from this investment.

To help develop this policy further we will apply the Community Benefits measurement tool across all projects. This will identify the effectiveness of the policy and will help outline our future strategic priorities.

To date seven projects have completed the Measurement Tool to capture the value of their contracts:—

Project Title	Contract Value	Income to Welsh Residents	Revenue to Welsh Based Businesses	Contribution to Welsh SMEs	Disadvantaged Persons helped into employment	Training weeks Provided to disadvantaged persons
RCT Church Village Bypass	£67m	£26.4m	£35.6m	£29.2m	71	536
Welsh Government A465 Road Scheme (Section 3)	£3.9m	£2.6m	£850,000	£550,000	0	0
Carmarthenshire Quality Homes Framework	£53.5m	£16.2m	£33.9m	£29.9m	62	8951
Welsh Government A40 Road scheme	£31.2m	£10.2m	£16.2m	£11.8m	0	129
Glamorgan Capita Consultancy Project Year 2009	£8.4m	£3.7m	£113,627	£113,672	8	62
Glamorgan Capita Consultancy Project Year 2010	£11.1m	£5m	£225,211	£225,211	9	108
The Works – Ebbw Vale Records Office	£10.4m	£0.6m	£8.7m	£8.2m	30	66
<b>Total</b>	<b>£185.5m</b>	<b>£64.7m</b>	<b>£95.5m</b>	<b>£79.9m</b>	<b>180</b>	<b>9852</b>

## Notes

- i) Total contract cost paid by public sector organisation.
- ii) The amount of the contract value that was spent on staff and labour costs to people living in Wales.
- iii) The amount of the contract value that the main contractor went on to spend with Wales based businesses.
- iv) Of the amount spent with Wales based business, the value spent with Wales based SMEs.
- v) The number of unemployed persons helped back into work.
- vi) The number of weeks of training provided to unemployed persons recruited, plus other disadvantaged persons in the local communities. Training includes apprenticeships, NVQs, work trials, work experience, etc.

### 3.5.3 Construction Procurement Strategy Steering Group

The Construction Procurement Strategy Steering Group was established in December 2010. The Group contains representatives of the Welsh public sector and construction industry and is progressing the following initiatives:

- Development of a common procurement strategy for construction that is based on maximising value for money through public construction projects.
- Establishing a forward programme of planned construction projects across the public sector in Wales that fall below the WIIP threshold.
- Embedding common processes approaches including the SQuID approach to pre-qualification and the recommendations of the Lessons Learned review of framework agreements in construction.
- Enhancing capability and capacity of public sector procurement teams by providing access to relevant training and resources.
- Improving Fair Payment throughout the supply chain in order to protect the interests of our smaller, local contractors.
- Using the collective public sector investment in construction as a lever for delivering Community Benefits.

The role of the Department for Business, Enterprise, Technology and Science is key to provide the supply-side with access to appropriate support so that contract opportunities can be accessed and won. The setting up of a Construction Sector Panel by the Minister for Business, Enterprise, Technology and Science has enhanced focus on supply side support in the Construction Sector.

We will embed all of the outputs of the Steering Group into the delivery of WIIP projects to ensure that procurement is based upon:

- An agreed strategy.
- Delivery of Community Benefits.
- Common, simplified processes.
- Intelligent, skilled procurement teams.

## 3.6 Our approach to Sustainable Development and Planning

**Sustainability** – healthy, productive people in vibrant, inclusive communities, with a diverse and resilient environment and an advanced and low carbon economy

Sustainable development is the central organising principle for Welsh Government and lies at the heart of the Programme for Government. Our approach to sustainable development is set out in our statutory scheme **One Wales: One Planet**.

We see sustainable development as the principle that helps us define the best development path for Wales. Sustainable development can be summarised as the maximisation of wellbeing or quality of life in Wales over the longer term, within environmental limits.

This means:

- Investing for the 'long-term' and providing the conditions for development that will be resilient to future change and will contribute to people's economic, social and environmental wellbeing.
- Seeking investment that brings economic, social and environmental benefit.
- Ensuring those who will be affected are engaged in shaping investment and can share the benefits.

Wales is already one of the few countries in the world to have a statutory duty relating to Sustainable Development. We will further strengthen our approach by introducing a **Sustainable Development Bill** to place a sustainable development duty on ourselves and organisations delivering devolved public services and to create an independent Sustainable Development body for Wales. This body could act to champion and promote Sustainable Development in public sector activities and decision-making.

### 3.6.1 Spatial Planning

Our Programme for Government commits us to developing a national plan for our use of Wales' vital natural resources, including energy, waste, water and flood risk. This will be developed in the light of the consultation on the proposals in **Sustaining a Living Wales** in order to provide a clear basis for future investment decisions. In the meantime, the 2008 Wales Spatial Plan (WSP) continues to be the Welsh Government's spatial expression of its aims for people, places and futures.

A key purpose of spatial planning is to integrate across Ministerial portfolios and to recognise that policies and their delivery should reflect economic, social and geographical differences across Wales – one size does not fit all. We will ensure that this ethos of spatial planning is integrated into the Plan from the outset when developing the knowledge required to inform nationally strategic infrastructure investment decisions.

### 3.6.2 Planning reform

Since devolution, national planning policies have been put in place which influence delivery of: sustainable development, economic renewal and affordable homes. We have introduced a new local development plan system to improve the planning application process. We are also currently consulting<sup>15</sup> on proposals to strengthen the role of sustainable development within the planning system, by introducing a clear statement on the presumption in favour of sustainable development, within Planning Policy Wales.

Historically our legislative levers have been UK Bills, secondary legislation and policy. The competence to create our own primary legislation is an important new opportunity for Wales and we are committed to bringing forward a Planning Bill during this Assembly term.

An Independent Advisory Group (IAG) has been set up to identify future options for the institutional structures to deliver the planning system in Wales taking into account Welsh Government policy priorities. It will:

- Identify key policy objectives that the planning system is required to deliver now and in the future.
- Assess existing institutional delivery arrangements, noting areas of good practice and areas in need of improvement.
- Propose options for the future delivery of the planning system, including plan making and development management services.

The results of this review will inform the production of a Planning White Paper during 2013.

Alongside the work of the IAG, the Welsh Government has also commissioned a review the consenting process of all renewable energy projects in Wales granted since 2005. The first phase of the work will scope out the consenting timelines for the projects in Wales, the second (final) phase of the work will involve detailed case study analysis of projects which have passed through the consenting process since 2005. The results of the study are intended to help identify any bottle-necks and potential improvements to the consenting process, (not just planning permissions). Recommendations which fall to the Welsh Government for implementation will be addressed through a variety of mechanisms including the Single Environment Body working arrangements and Planning Bill.

### 3.6.3 The Living Wales Programme

Traditionally, the impact of various activities on the environment have been managed through a series of separate approaches which limit the scope to reach the most economical and effective solutions for the environment and society as whole, to address complex cumulative pressures or to tackle the fundamental causes of environmental problems effectively. We are taking the following legislative action to address these barriers:

- The **‘Sustaining a Living Wales’** Green Paper, concerns our approach to the management of our natural resources – focusing on managing them as a whole, securing a more integrated approach that provides a clear basis for investment.

<sup>15</sup> This consultation ends on 25 May 2012.

- The **Single Body** – consolidating the functions of the Countryside Council for Wales, the Environment Agency Wales and Forestry Commission Wales to manage Wales’ natural resources and to provide a ‘one stop shop’ for advice and decisions.

### 3.6.4 Delivering Wales’ climate change strategy

In planning our future infrastructure, we increasingly need to consider how it can be resilient to future pressures. Changes to our climate in the decades ahead will present major challenges – globally and for Wales. Over the next fifty years we expect to experience higher summer temperatures, changing rainfall patterns, rising sea levels and more frequent extreme weather events ranging from droughts, floods and freezing winters. We need to plan for this now and consider what steps are needed to ensure that our infrastructure is more resilient and can continue to effectively deliver public services in future.

**The Climate Change Strategy** sets out the commitments and actions the Welsh Government is taking to reduce greenhouse gas emissions and adapt to the impacts of climate change.

Action to cut emissions is needed to avoid the worst impacts of climate change. The Welsh Government is committed to an annual reduction in emissions of 3% per year, and the **Emission Reduction Delivery Plan** sets out the policies being delivered to increase energy efficiency, make low carbon transport a reality and build the skills necessary to ensure that Wales can make the most of opportunities from a low carbon economy.

The Welsh Government also recognises that the earlier Wales starts to prepare for the impacts of climate change the better equipped we will be to manage a changing climate. **The Adaptation Delivery Plan** sets out the actions we are taking to achieve this. The focus of our strategic approach is on the development of Sectoral Adaptation Plans, and Wales’ infrastructure has been identified as a key theme.

Developing future infrastructure assets with sustainable development and climate change knowledge embodied from the start will ensure we have networks that are fit for purpose, reduce asset management costs over the long term and deliver future infrastructure networks which complement a sustainable way of life. The considerations outlined in this chapter will be core to the prioritisation process we apply to the selection of investment proposals.

### 3.6.5 Strategic Environmental Assessment (SEA)

In terms of this Plan’s environmental assessment under the Environmental Assessment of Plans and Programmes (Wales) Regulations 2004, Section 5(5)(b) of the Regulations states that ‘Financial or budgetary plans and programmes’ are outside the scope of the Act. As a budgetary plan, the 2004 Regulations do not therefore apply to the Wales Infrastructure Investment Plan. Further, this Plan is not a plan required by any legislative, regulatory or administrative provision pursuant to Section 2(1)(c) of the Regulations. However, although the Wales Infrastructure Investment Plan falls outside the scope of the 2004 Regulations, Welsh Ministers are committed to Strategic Environmental Assessment (SEA). We have set out where we have already used Strategic Environmental Assessment (and other assessment techniques) to inform the development of plans and programmes in this Plan. Future individual plans and programmes identified within this Plan will have to be considered on their own merit. Future national natural resource planning will be subject to SEA.

## 3.7 Our approach to funding delivery and innovative financing

### 3.7.1 Financial reform

The independent Commission on Finance and Funding in Wales<sup>16</sup>, which concluded in July 2010, made a compelling case for reform of the way in which the Welsh Government is funded. The Commission demonstrated that Wales is underfunded, relative to need, and recommended that in the future, funding arrangements for Wales should be based on an objective assessment of relative need. The Commission also recommended that the Welsh Government should acquire the power to borrow to finance capital expenditure.

In October 2011, the UK Government established the Silk Commission<sup>17</sup> to review the present financial and constitutional arrangements in Wales. Alongside the Silk Commission, the Welsh Government and UK Government are engaged in talks on the case for:

- Introducing a floor into the formula used to set the Welsh Government's overall budget to prevent worsening of underfunding.
- The Welsh Government being able to exercise its existing borrowing powers to finance capital investment.

These talks are due to conclude in time to inform the outcome of Part 1 of the Silk Commission, which is due in November.

The Welsh Government believes that there is a strong case for a floor and for immediate access to borrowing for capital investment, and will continue to press this case with the UK Government.

### 3.7.2 Innovative finance

The Welsh Government's view is that, primarily, public infrastructure investment should be funded through direct government capital expenditure. All forms of investment have to be financed and any borrowed funds – regardless of the source of that borrowing – have to be repaid with interest. In general, therefore, direct government capital expenditure will deliver public infrastructure more cheaply than other forms of investment.

However, there is a strong economic and value for money case in some circumstances for boosting the resources available for investment in public infrastructure in Wales over and above the level of government capital budgets. We have already demonstrated our commitment to maximising investment by switching almost £100m of our revenue budget into capital in 2011-12. But in the current economic and public spending environment we need to go further.

This case is particularly strong now because of:

- The huge 40% plus cuts in our capital budget imposed by the UK Government.
- The arbitrary way in which the Welsh Government's capital budget is set through the Barnett formula, with no account taken of the need to invest in Wales.
- The imperative for investment to boost jobs and growth in both the short and the long term.

<sup>16</sup> <http://wales.gov.uk/funding/financereform/report>.

<sup>17</sup> <http://commissionondevolutioninwales.independent.gov.uk>.



- The economic and other benefits of bringing forward much needed infrastructure projects which would otherwise be delayed by many years, or possibly not happen at all.
- The relatively low cost of borrowing.

As stated above, we believe the Welsh Government should be able to borrow directly to finance infrastructure investment and we are pressing this case with the UK Government through the ongoing intergovernmental talks. Borrowing would enable an immediate boost in investment to offset the worst of the UK Government's cuts and support jobs and growth. We are also committed to working with local government and other partners, like Registered Social Landlords, to use their borrowing capacity to increase investment in priority infrastructure. In addition, we are actively developing vehicles which use public assets to boost investment, such as the Ely Bridge development.

Where these financing routes are not appropriate or are not sufficient to deliver our ambitions as a Government, we are also exploring other innovative means of financing infrastructure investment. As set out in our Programme for Government, we are considering the full range of potential funding partners – both public and private – and a wide range of instruments and delivery mechanisms, including development of non-dividend vehicle. We aim to complete this work in the autumn.

The Welsh Government already has a strong track record of delivering innovative financing approaches to support the delivery of priority infrastructure, and this section provides details of the key initiatives. Together, these initiatives will generate more than £1bn of capital investment in Wales.

### **The Local Government Borrowing Initiative (LGBI)**

The LGBI was launched on 31 January, as a means of securing additional investment in Welsh highways. In the current economic climate, falling capital budgets and mounting revenue pressures affect local authorities as well as national governments. The LGBI was designed as an initiative to provide support to local authorities to address revenue shortfalls, allowing them to identify additional resources with which to undertake prudential borrowing. The funding arrangements will enable up to £170m of capital investment to be made in Welsh highways improvements, across all 22 local authorities, over the next 3-years. This innovative approach has helped make these improvements affordable and provides a model for further schemes.

### **Housing initiatives, including the Welsh Housing Partnership (WHP) and NewBuy**

In August 2011, the Welsh Government implemented the WHP. The initiative is a partnership of four Welsh Registered Social Landlords (RSLs) with funding from the Welsh Government and the Principality Building Society. The partnership is providing quality, affordable rented homes to people living in north and south Wales. The WHP has purchased nearly 150 properties, leasing them back to the Housing Associations for a period of 10-years. The WHP has a capital value of £16m – a combination of £3m of Welsh Government grant funding, a £12m loan from the Principality Building Society's commercial division and a total of £1m from the four Housing Associations in the partnership. As stated in Chapter 1, we are building on this and increasing the size of the WHP by £30m.

New models of financing which give the private sector confidence to invest are essential to boosting infrastructure investment. The Welsh Government is exploring options for a possible new national mortgage guarantee scheme to help people in Wales purchase a house by reducing the deposit required and is considering a Welsh version of NewBuy, the model used by England and Scotland.

NewBuy is aimed at those who only have funds for a 5-10% deposit and lenders participating in the scheme will therefore provide a 90-95% loan-to-value mortgage. It is based on both private sector construction companies and the Government setting aside a small percentage of the purchase price of every new property they build to cover the risk of mortgage default and repossession. This protects lenders against the losses of repossession and the risk is shared between the public and private sector. This type of model provides banks and building societies with the confidence to make high loan-to-value mortgages and it provides construction companies with the confidence to invest in new housing.

The Welsh Government is also making progress with innovative approaches in the housing sector that use public sector assets to attract private investment, including land-backed vehicles like the Ely Bridge development (highlighted in the case study below). This model could see the delivery of significantly more social housing and affordable homes than would otherwise have been the case, given the current economic climate and financial constraints without social housing grant.

### Case Study: Ely Bridge, Cardiff



Ely Bridge, Cardiff, is a 56 Acre former employment site located in close proximity to the city centre and has been vacant for a number of years.

Principality Building Society (PBS) submitted an innovative proposal for the Ely Bridge site which envisages a project comprising 700 housing units of which 300 would be for intermediate rent, 100 for social rent and 300 open market sale units, representing 57% affordable housing, without requirement for Social Housing Grant (SHG), subject to future Planning Permission.

The Welsh Government supported the development of the initiative working with PBS developing an innovative investment model to unlock capital funding and build much-needed housing.

The Welsh Government and Principality Building Society established a new a social enterprise “not for profit” company, Ely Bridge Development Company (EBDC), which will be responsible for the development. Ely Bridge is in parts, heavily contaminated and remediation is necessary. As such £6m of funding was identified from the Economic

Stimulus package and made available to DevCo on a repayable loan basis to enable the contamination to be dealt with as early as possible, and allowing development to commence without delay.

It is proposed that this company will be wound up on completion of the development and the rented stock transferred to an investment company (InvestCo). Freehold ownership of the affordable homes will remain with (Investco) and a lease agreed with RSL. The appointed RSL would also be responsible for the management and insurance of the properties.

The Social rented units would be let at benchmark rents, with the intermediate rent properties being let at a maximum 75% of private market rent, which will not exceed local Housing allowance (LHA).

Any profits resulting for the development of the site (in particular the sale of the open market housing land), it is fully intended that any sums would be reinvested in looking at alternative affordable housing delivery sites and increasing the scalability of the model.

## **Supporting enterprise**

In the area of small business enterprise, the Welsh Government has established a number of bespoke investment funds. The largest of these is the JEREMIE fund, the first to be established in the UK, with a capital value of £150m, which includes £75m of European Investment Bank (EIB) support. The JEREMIE (Joint European Resources for Micro to Medium Enterprises) fund will support the expansion of more than 800 businesses and create up to 15,000 jobs across Wales. Over £80m has already been invested in more than 390 businesses in just over two years, and it is proving to be the best performing fund of its type in the UK.

In March, the Welsh Government's SME investment fund, jointly funded by Barclays Bank with a capital value of £40m, opened for business. The fund, which will provide access to finance for business growth and job creation for SMEs not eligible for funding under the JEREMIE initiative, will run for 4-years and is intended to create up to 4000 jobs. We have also established a new Micro Business Fund with a capital value of £6m, and a Life Sciences Investment Fund, providing dedicated equity funding for life sciences businesses located in Wales.

Each of these funds will create a lasting legacy of funding, to be recycled and reinvested over the long term in support of number of projects for the benefit of regions and people of Wales.

## **Waste Infrastructure Procurement Programme**

This programme – details of which were provided in Chapter 2 – will deliver waste treatment capacity across Wales. The Waste Procurement Programme Office (WPPO) provides advice and funding to local authorities, managing two sub-programmes: the food and organic waste treatment programme; and the residual waste treatment programme. In each programme, local authorities have joined together as procurement consortia. The long term provision of gate fees provides the incentive for the private sector to invest in and deliver the required infrastructure. The total capital value of the projects is in the region of £780m.

## Securing private finance

Securing private finance is central to the Welsh Government's objective of boosting investment in Wales's infrastructure. Indeed, a number of the schemes above rely to a lesser or greater extent on the provision of private capital.

However, the Welsh Government has not favoured the use of the Private Finance Initiative (PFI) and welcomed the announcement last year of a fundamental review of PFI following critical reports from both the Treasury Select Committee and the Public Accounts Committee. One consequence of the Welsh Government stance regarding PFI is that Welsh budgets are not burdened with large revenue liabilities. For example, the liability for PFI schemes in Wales is about one tenth of the level in Scotland – £100m per year in Wales compared to some £1bn per year in Scotland.

This relative lack of indebtedness provides policy space for the Welsh Government to consider an optimal level of revenue support for investment. With that in mind, the Welsh Government is actively exploring the development of new, innovative mechanisms to attract private investment into public infrastructure in the coming years. This includes development of 'non-dividend' vehicles to finance and deliver public infrastructure projects in Wales.

Like the rest of the UK and other countries, Wales will face challenges over the coming years in attracting private investment into public infrastructure. Instability in financial markets and the implications of Basel III – which requires banks to match fund liabilities with assets as a means to ensure they maintain sufficient capital to absorb losses in the future – are likely to have an adverse impact on banks' appetite for long term lending for project finance. In this climate, the Welsh Government recognises that new investment models need to be developed and new investors attracted to public infrastructure, including institutional investors, particularly pension funds, and the European Investment Bank.

### 3.7.3 Invest-to-Save

The Welsh Government's Invest-to-Save Fund is helping public service organisations make the transition to more efficient and innovative forms of public service delivery.

Invest-to-Save support is also backing the Public Service Leadership Group's asset management work programme that aims to realise efficiency and effectiveness opportunities from proactive, strategic estate management. Specifically, funding has been provided towards estates pilot projects that will accelerate activities at three levels: corporate asset rationalisation; local area collaboration; and opportunities from the use of surplus assets.

The fund has provided a fresh approach to taking forward public service improvement projects and will continue to be made available over the next three years with a minimum of £45m for investment in new projects being available. In addition, the scope to provide greater levels of capital support through the Fund over future years will be explored during the course of 2012.

## Case study: Investing-to-Save



Funding through Invest-to-Save has already supported a number of public service improvement projects involving capital investment, including:

- One Newport's information station. A multi-agency face-to-face centre where local people can access a range of modern public services. Through partnership working and the sharing of resources public sector agencies are able to deliver better services whilst using less resource.
- Bridgend County Borough Council – **Improving Your Space**. The project has led to the delivery of sustainable, affordable office space and the release of recurrent annual efficiency savings from a reduced maintenance backlog, running costs and energy usage.
- Galw Gofal/Care Connect: North Wales Regional Telecare Monitoring Service provides a 24-hour bilingual call service to support people using assistive technology in their own homes. Wider benefits include cost effective, bi-lingual disaster recovery, service accreditation and more effective use of ICT and property assets.
- Cardiff Metropolitan University (UWIC) – **i-zone**, one-stop-shop for students. Provision of enhanced student administrative support services from new facilities developed at the Llandaff campus. The initiative has led to the delivery of services that are professional, consistent, co-ordinated, proactive, accountable and more efficient.



## Chapter 4 – What to expect next



## 4.1 Introduction

This chapter sets out:

- A summary of the engagement we have undertaken so far with key stakeholders and the conclusions we have drawn from this process.
- How we intend to evolve and mature the pipeline to be of maximum benefit to delivery stakeholders.
- The next steps and actions that we will take to achieve the WIIP goals we set out in Chapter 1.

## 4.2 Stakeholder engagement

Developing the Plan is a step change in the Welsh Government's approach to infrastructure investment.

The external engagement we have undertaken to date is just the start of an ongoing process and has helped to shape this first version of the Plan. We will continue this stakeholder dialogue, tapping into knowledge and expertise across all sectors, in particular core utilities and managers of Wales' strategic infrastructure assets (for example, ports, airports and energy generation facilities) to shape and refine our approach as the political and economic environments evolve.

Key themes from our stakeholder engagement so far include:

- Confirmation of the importance of the project pipeline, particularly details on the timing, cost and funding for priority projects and programmes to provide market confidence and to help sectors plan and align accordingly – a view shared by both the private and public sectors.
- The value of openness and transparency of decisions and, a consistent approach to the evaluation of priority projects.
- The importance of developing and improving transport connectivity across Wales, both road and rail, as well as improvements to ports, ferry and freight infrastructure were recognised as key investment areas to support the growth of Wales' economy, as was investment in renewable energy, housing stock and Wales-wide high speed broadband access.
- An increase in infrastructure investment above current planned levels would be welcomed to boost the construction industry, and assist to attract inward investment to improve the economy of Wales.
- Investment should be targeted not only at new infrastructure but also on the maintenance of existing assets, highlighting the importance of an all Wales Asset Management Plan.

Our approach has been shaped by the valuable feedback we have received and our approach to delivering the Plan addresses all of these key themes. We will be continuing stakeholder engagement and looking to develop our processes over the coming year.



## 4.3 Pipeline

There is strong evidence that improved transparency of planned infrastructure investment can lead to significant reductions in the cost of infrastructure delivery – IUK's Infrastructure Cost Review published in December 2010 identified potential savings of £2bn – £3bn per annum from reducing the costs of delivery of the UK's economic infrastructure projects and programmes.

The report identified that the savings could be made through better engagement across the public and private sectors, simplifying processes and working with industry to improve procurement, raise productivity, promote innovation and secure better industry integration. In the recently published first annual report on progress of the Cost Review programme<sup>18</sup>, it is suggested that as identified issues are addressed, cost savings are starting to become apparent.

The Welsh Government has recognised that by improving visibility and providing the private sector with a delivery pipeline of approved investment, we will create the opportunity for private sector companies to plan and align with our investments. Crucially this will provide the time to tool-up and collaborate, ensuring they are in the best position when bidding in to the procurement process.

We will be developing and improving our pipeline by:

- Updating it annually, reviewing and highlighting nationally significant schemes.
- Soliciting feedback through our engagement process to refine the data and ensure it is of maximum value to benefit delivery stakeholders.

## 4.4 Delivering the objectives of the Infrastructure Plan

We outlined our vision in Chapter 1, setting out our strategy for the successful delivery of the Plan. The actions we will be taking to achieve each goal are as follows:

**Goal 1:** create a system that identifies and prioritises nationally significant infrastructure schemes across departmental responsibilities, focusing resources on the highest priority investments which deliver the most benefit in line with sustainable development

Delivering a system which prioritises infrastructure investments with the most significant economic benefits for the Nation requires a structured and consistent, centralised approach to the evaluation and ranking of departmental investment proposals. Over the next 12 months we will:

- Develop a centralised Welsh Government approach to the prioritisation and assessment of investment proposals.
- Proactively engage with stakeholders to develop and refine the definition of 'nationally significant infrastructure' for Wales.

<sup>18</sup> [http://www.hm-treasury.gov.uk/iuk\\_cost\\_review\\_index.htm](http://www.hm-treasury.gov.uk/iuk_cost_review_index.htm)

- Encourage and facilitate cross-cutting collaboration between infrastructure delivery partners where there are opportunities to maximise the economic benefits to Wales, for example, where there is the prospect for 'infrastructure bundling'.

**Goal 2: increase the resources invested in prioritised strategic infrastructure over the next ten years beyond expected budgeted levels**

The case is clear for the need to supplement traditional capital funding with innovative approaches to lever in significant additional investment where it offers value for money. In addition to progressing the crucial intergovernmental talks, over the next 12 months, we will:

- Deliver phase 2 of the Local Government Borrowing Initiative which will result in further investment of around £60m on highways improvements (as part of the £170m LGBI total investment package).
- Re-capitalise the Welsh Housing Partnership to enable further investment.
- Deliver new initiatives, including:
  - An extension of the successful Ely Bridge model within the housing sector and across other sectors
  - Vehicles to raise finance including bonds to leverage in additional investment in infrastructure.

**Goal 3: reduce the costs of maintaining and delivering infrastructure and maximising the value for money provided by our investments**

We are standardising our approaches to Business Assurance and scheme delivery across the Welsh Government and wider public sector. This includes taking a more consistent approach to business case development and appraisal, better monitoring of investments and a new approach to management and control of major schemes. Over the next 12 months, we will:

- Publish Welsh Government best practice guidance on the scoping and planning of business cases using the 5 Case Model.
- Introduce a requirement for all schemes receiving Welsh Government support to:
  - Have appropriate governance structures with clear lines of responsibility
  - Proportionately utilise best practice for the planning and scoping and delivery of schemes – even where Welsh Government is not the key funder
  - Ensure benefits realisation is monitored and reviewed to capture lessons learnt and feed back into continuous improvement
- Continue to develop our approach to asset management described in Chapter 3.4 and increase the quantity and quality of the information about public sector assets held on the ePIMS database.

**Goal 4:** establish and maintain a new monitoring system of major strategic infrastructure expenditure in Wales, improving control and public visibility

At any one time, the Welsh Government is involved in over 1000 capital schemes and it is important we keep our finger on the pulse of delivery and ensure that stakeholders can clearly see how these schemes are progressing. Over the next 12 months, we will:

- Continue to develop the Plan as a 'central point of knowledge' to include local and national public infrastructure investment as well as current and future private sector investment plans where possible.
- Continue to develop the project pipeline through ongoing engagement, publishing 12 monthly updates.
- Scope and plan a unified system to capture and improve visibility of the current status of ongoing schemes.



## Annex 1 – Project Pipeline

### Introduction

This pipeline will provide greater clarity and certainty to our delivery partners, and is a list of all Welsh Government programmes and projects where total scheme value exceeds £15m and if not already started, are due to begin within the next three years. We have provided a snapshot of all relevant schemes including those that are currently underway and planned for the future and will refine and update the pipeline over time to reflect planned and prioritised schemes – particularly where there is an opportunity for our delivery partners to tender. Whilst pipeline schemes presented here are our priority projects and have a high probability of being delivered as described, this does not represent a formal commitment from the Welsh Government, to reflect the potential for future uncertainties. This is intended to be a living document, through continuous engagement with the private, public and third sectors, we intend to shape and refine the form of future information in this pipeline ensuring maximum value for delivery partners.

### Sectors

### Economic Development

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance and delivery	Additional information
Next Generation Broadband for Wales project	£400m	tbc	Start 2012 Completion by 2015	£57m allocated by UK Government; £70m European Regional Development Fund; competitive process to secure supplier(s).	This will enable and underpin the development of the digital economy and support digital service delivery across the Welsh Government.
Enterprise Zone delivery	£125m	tbc	2012 to 2015	BETS	Enterprise Zones will be an important lever for economic development and will align to key sectoral and strategic priorities. We are currently looking, for example, at a major capital flood mitigation scheme to facilitate the development of the enterprise zone at Deeside.

## Transport

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Local Authority Highway Maintenance		£12m pa revenue support to local government	Start 2012 Business cases from Local Authorities approved.	Under the Local Government Borrowing Initiative, the Welsh Government will provide funding of £240m over the period of twenty two years – £4m in 2012-13, £8m in 2013-14 and £12m in 2014-15. The funding will be allocated to local authorities by means of an in-year grant in 2012-13, reverting to the Revenue Support Grant thereafter.	Planned Local Government expenditure on highways improvements over the medium-term would be brought forward to 2012-13. Without this proposal, many highways improvements would remain unaffordable.
A465 Heads of the Valleys Dualling Project – Section 3	£148.5m	£148.5m	Start 2012 Completion by 2015 + 5 year aftercare. Final business case to be submitted for approval June 2012	A blend of: <ul style="list-style-type: none"> <li>• WG capital budget: £65.1m</li> <li>• ERDF Funding: £83.4m</li> <li>• Lead Contractor Carillion appointed 10/03/10. Sub contractors to be tendered late 2012.</li> </ul>	The A465 trunk road is designated as part of the Trans European Transport Network (TEN-T) that links mainland Europe with the United Kingdom. It is an important strategic route for the urban area of South Wales, and connecting South and West Wales to the English Midlands.
A477 St Clears to Red Roses Trunk Road Improvement	£51m	£51m	Construction started in February 2012. Completion by winter 2014	To be financed via Transports capital budget.	The A477 is a main east-west corridor in Wales. The trunk road is designated as part of the TEN-T that links mainland Europe and the United Kingdom with Ireland via Pembroke Dock.



Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Rail Improvement for West of Swansea – Gowerton to Lougher	£25m	£25m	Start July 2012 Completion by 2015. Business case approved	To be financed via a combination of: <ul style="list-style-type: none"> <li>WG capital: £25m</li> </ul> Delivery Agent Network Rail.	The route from Swansea to Carmarthen is mainly a twin track railway, except for a five mile section from Cockett West Junction to Duffryn West Junction. This single line section, with Gowerton Station at its mid point is a capacity pinch point, restricting capacity. This investment will benefit commuters and widen accessibility to jobs and training for those living along the line.
North South Journey Time & Capacity Improvements	£45m	£45m	2012 – 2015	To be financed via a combination of Transport capital budget + SCIF Funding. Delivery Agent Network Rail.	Part of the strategic objective to improve north-south links, to provide track and signalling improvements and redouble the single line between Wrexham and Saltney Junction.
CASR – Cardiff Area Signalling Renewal	£200m	£14.5m	2012 – 2015	To be financed via a combination of Transport capital budget + WEFO Funding. Delivery Agent Network Rail.	Track & signalling + other infrastructure enhancements in the Cardiff area in order to meet future growth in train services from, currently, 12 trains per hour to up to 16 trains per hour. This project is a key pre-cursor to the electrification of the Valley Lines network.

## Environment – Flood and Coastal Risk Management

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Programme of Capital Investment supported by the European Regional Development Fund	£44m	£24m	Start 2009 Completion by 2015	The programme of projects is agreed. Funding is primarily WG capital, with a contribution from ERDF.	Strong emphasis on partnership working and awareness raising plus substantial economic benefits are aligned with the Flood Strategy and the aspirations of the Programme for Government.
Programme of non-European supported Capital Investment	£36m	£36m	Over period ending 2014/15	Projects are led by the Environment Agency/ Local Authorities. Projects in the European-supported Programme are prioritised due to the time-limitations of the funding.	As above.

## Environment – Waste Infrastructure Investment Programme

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Central Wales Food Waste Project	£6.5m (Part of Food Waste programme Total Value £54.6m)	£1.28m capital £162k revenue pa (15 years)	November 2012	Capped WG funding offer – payable on successful commissioning.  The final WG funding offer based on the project's FBC is likely to be converted to a revenue-only contribution due to the merchant nature of the solution.  Contract to secure a long-term, sustainable treatment solution for 10,400 tonnes pa of food waste. The Preferred Bidder is proposing to treat the waste at an existing AD facility in Oxfordshire.	Hub formed of Powys and Ceredigion.
Prosiect GwyrriAD (Food Waste)	£6.2m (Part of Food Waste programme Total Value £54.6m)	£1.03m capital £118k revenue pa (15 years)	June 2013	Final, approved WG funding offer based on FBC – payable on successful commissioning.  Contract to secure a long-term, sustainable treatment solution for 8,900 tonnes pa of food waste. The Preferred Bidder is proposing to build an AD facility on the publicly available site at Llwyn Isaf.	Gwynedd Council.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
North East Wales Food Waste Project	£7.3m (Part of Food Waste programme Total Value £54.6m)	£1.45m capital £164k revenue pa (15 years)	August 2013	Capped WG funding offer – payable on successful commissioning. Contract to secure a long-term, sustainable treatment solution for 11,000 tonnes pa of food waste. The Preferred Bidder is proposing to build an anaerobic digestion (AD) facility on the publicly available site at Rhualt, Denbighshire.	Hub formed of Denbighshire, Conwy and Flintshire.
South West Wales Food Waste Project	£10.0m (Part of Food Waste programme Total Value £54.6m)	£3.6m capital £275k revenue pa (15 years)	March 2014	Capped WG funding offer – payable on successful commissioning. Contract to secure a long-term, sustainable treatment solution for 43,000 tonnes pa of food waste. Two bidders remain in dialogue, who propose to build merchant AD facilities on sites at Pwllfawatkin, NPT, and New Inn, Pontypool.	Hub formed of Pembrokeshire, Swansea, Carmarthenshire, Neath Port Talbot and Bridgend.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Tomorrow's Valley Food Waste Project	£8.2m (Part of Food Waste programme Total Value £54.6m)	£1.6m capital £213k revenue pa (15 years)	March 2014	Capped WG funding offer – payable on successful commissioning. Two bidders remain in dialogue, who both propose to build an AD facility on the publicly available site at Bryn Pica, RCT. The facility will be able to treat c. 20,000 tonnes pa of food waste.	Hub formed of Rhondda Cynon Taf, Merthyr Tydfil and Newport.
Heads of the Valleys Food and Organic Waste Project	£8.2m (Part of Food Waste programme Total Value £54.6m)	£1.48m capital £253k revenue pa (15 years)	June 2014	Capped WG funding offer – payable on successful commissioning. Contract to secure a long-term, sustainable treatment solution for 22,000 tonnes pa of food waste. Two bidders remain in dialogue, who propose to build merchant AD facilities on sites at New Inn, Pontypool and in Somerset.	Hub formed of Blaenau Gwent, Torfaen and Caerphilly.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Cardiff Food and Organic Waste Project	£8.2m (Part of Food Waste programme Total Value £54.6m)	£1.63m capital £239k revenue pa (15 years)	December 2015	Capped WG funding offer – payable on successful commissioning (subject to sign off by Full Council).  Contract to secure a long-term, sustainable treatment solution for 20,000 tonnes pa of food waste. OJEU was published in December 2011. The council is currently completing the pre-qualification stage.	Cardiff Council.
Prosiect Gwyrdd (Residual Waste)	£150m	£0m (zero) capital £9.12m revenue pa (25 years)	April 2016	Capped WG funding offer – payable on successful commissioning.  Contract to secure a long-term, sustainable treatment solution for 175,000 tonnes pa of residual waste. Two bidders remain in dialogue, who propose to build merchant Energy from Waste (EfW) facilities on sites in Cardiff and Newport.	Consortium formed of Cardiff, Newport, Caerphilly, Vale of Glamorgan and Monmouthshire.



Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
North Wales Residual Waste Treatment Project	£150m	£0m (zero) capital £5.71m revenue pa (25 years)	September 2016	Capped WG funding offer – payable on successful commissioning.  Contract to secure a long-term, sustainable treatment solution for 195,000 tonnes pa of residual waste. Three bidders remain in dialogue, who propose to build EfW facilities at Deeside while considering other options.	Consortium formed of Gwynedd, Anglesey, Conwy, Flintshire and Denbighshire.
South West Wales Residual Waste Treatment Project	£200m	tbc	tbc	Developing Outline Business Case to determine optimum way forward.	Consortium formed of Pembrokeshire, Swansea, Carmarthenshire, Neath Port Talbot and Bridgend.
Central Wales Residual Waste Treatment Project	£50m	tbc	tbc	Developing Outline Business Case to determine optimum way forward.	Consortium formed of Powys and Ceredigion.
Heads of the Valleys Residual Waste Treatment Project	£100m	tbc	tbc	In partnership discussions.	Consortium formed of Blaenau Gwent and Torfaen.
Tomorrow's Valley Residual Waste Treatment Project	£100m	tbc	tbc	In partnership discussions.	Consortium formed of Rhondda Cynon Taf and Merthyr Tydfil.

## Energy

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Arbed Phase 2 – European Regional Development Fund Convergence and Competitiveness projects. Funding area- based energy performance improvements in the most energy inefficient homes in the most deprived communities in Wales	£43m	£11m	Start 2011 Completion by 2015.	To be financed via arbed ERDF Convergence and Competitiveness. Match funding provided by Department for Environment and Sustainable Development and the Department for Housing, Regeneration and Heritage. Scheme Manager yet to be appointed but should be confirmed by 31 March 2012. Three funding rounds: Bids for projects in 2011, 2012 and 2013; with work undertaken in 2012, 2013 and 2014.	Arbed is a cross-cutting programme designed to maximise the environmental, social and economic benefit of this investment, and help deliver commitments to tackle climate change, reduce fuel poverty and boost economic development and regeneration.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Nest – demand-led energy performance improvement programme. Funding energy performance improvements across Wales in the homes of those likely to be vulnerable to fuel poverty living in highly energy inefficient homes	£100m	£100m	April to March 2016	Financed via Nest capital budget. Scheme Manager was appointed in Jan 2011 following a procurement exercise.	Nest has been developed to provide targeted support to fuel poor households who have been unable to benefit from domestic energy efficiency schemes in the past as well as maximising the environmental, social and economic benefit of this investment.
Ynni'r Fro – Community Scale Renewable Energy Generation	£15m	£0	2009/10 to be completed by 2015/16	To be funded by ERDF and private sector funding.	The aim of the Ynni'r Fro is to promote sustainable business growth and new business opportunities in relation to future environmental challenges and opportunities by enabling the establishment or further development sustainable social enterprises based on new community scale renewable energy installations.

## Housing – Social Housing Grant (SHG) Programme

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Main Programme 2012/13 – 2014/15	£188m	£109.5m	On-going (Rolling programme of development)	Funded from the Social Housing Grant programme. Grant is paid to associations who are responsible for appointing contractors.	Investment in housing provides support to the Welsh economy maintaining and supporting jobs in the construction and also the supply chain.
Extracare Programme 2012/13 – 2013/14	£30.5m	£17.7m	Funding is available for all schemes in the current Extracare Programme	Funded from top-slice element of the SHG Programme. Grant is paid to housing associations responsible for appointing contractors.	Providing good quality housing helps tackle poverty, and improves educational achievement.

## Housing – Welsh Housing Quality Programme

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Major Repairs Allowance (MRA) BEL	£108m	£108m The MRA BEL is in two parts: <ul style="list-style-type: none"> <li>• MRA</li> <li>• Dowry</li> </ul>	<p>Payments for MRA capital grant are made to individual local authorities (LAs) in ten instalments between May and February each year</p> <p>Payments for Dowry are made to Large Scale Voluntary Transfer (LSVT) organisations at the beginning of April each year, subject to annual review of the LSVT's business plan</p>	<p><b>MRA – £60.4m – (see table one)</b> indicative allocation of capital grant for 2012/13. Paid to LAs to fund capital repairs to their housing stock.</p> <p><b>Dowry – £47.6m</b> – allocation for 2012/13. Paid to LSVTs as gap funding in support of the stock transfer business plan.</p> <p>Dowry budget includes a provision of £3.8m to fund a LA's pre-ballot costs in the event that tenants vote against transfer.</p> <p>The amount of dowry paid in 2012/13 and indicative MRA amounts for 2012/13 are set out in the separate table below which are also indicative for 2013/14.</p> <p>The MRA BEL has been flat-lined since its inception at £108m and has been protected in full. The split between MRA and dowry may vary each year, subject to future transfers. The amount of MRA paid to LAs may also vary, subject to the agreed allocation methodology and stock numbers.</p>	<p>Investment in housing provides support to the Welsh economy in terms of maintaining and supporting jobs in the construction industry and also the supply chain.</p> <p>Providing good quality housing helps tackle poverty (including fuel poverty), and improves educational achievement.</p> <p>Individual dowry gap funding agreements will vary but dowry support is generally agreed on a two year rolling basis, subject to annual review of the business plan. There is an expectation for dowry to be paid for up to a period of 30 years. However, the Welsh Government is only legally committed to the two year rolling agreement.</p>





## Regeneration

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Merthyr Town Centre	£21.8m	£4.6m	Started 2011/12 Ends 2014/15	Balance of funding through WEFO, Merthyr CBC and private sector.	This investment is enhancing Merthyr and has encouraged other private sector projects to be developed.
Redevelopment of Old Town Dock, Newport	£20.8m	£0.8m	Started 01/08/2011 Ends 01/05/2012	Potential for £20m of private sector funding on development of the land.	This investment will open up sites for development in areas that the private sector would not previously have considered in Newport.
Swansea Strategic Waterfront EU Convergence Match Funding	£32.3m	£6.0m	Starts 01/05/2011 Ends 01/03/2015	WEFO and WG capital.	This investment will enhance areas of Swansea Waterfront and has encouraged other private sector projects to be developed.

## Education

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
New City centre Post-16 campus in Cardiff	£40m	£20m	Start date 2013/2014 Completion by 2016 At SOC stage	Finance: WG capital. College's own resources/ borrowing. Delivery: Cardiff and the Vale College.	Improvements for learners. Development of employment and learning opportunities. Improvements to equality and diversity. Community Services Enhancing skills for jobs. Enhancement of Welsh Language and bilingual provision.
Acceleration of 21 <sup>st</sup> Century Schools programme, transitional and early flagship models	£50m	£50m	At SOP stage	Financing through DfES capital budget for the period 2013-12 to 2014-15.	WG capital for the period 2013-12 to 2014-15.
BRIDGEND – Gateway to the Valleys – New Secondary School	£38.9m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£26.0m	Start date 2011, completion on/by-2014 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
CARDIFF – St Teilos Cŵ High School – New Build and Welsh Medium refurbishment	£46.7m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£35.5m	Start date 2012, completion by/on-2015 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
CARMARTHEN – DINEFWR	£69.0m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£44.7m	Start date 2011 completion by/on-2015 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
CEREDIGION – Lampeter School – 3-19 Provision	£5.5m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£3.5m	Start date 2011, completion by/on-2015 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
PEMBROKESHIRE – Llangwm Area School – New primary school	£6.0m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£4.2m	Start date 2011, completion by/on-2014 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
RHONDDA CYNON TAF – Abercynon New Area Community Primary School – New Build Primary School	£11.5m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£8.0m	Start date 2011, completion by/on-2013 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
TORFAEN – Digital Learning 14-16 – 19 Secondary Schools	£14.0m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£9.8m	Start date 2010, completion by/on-2013 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
DENBIGHSHIRE – North Denbighshire Welsh Medium Provision – Extension and remodeling of 3 primary schools	£4.3m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£3.0m	Start date 2011, completion by/on-2013 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
FLINTSHIRE – Shotton Infants/ Taliesin Juniors – amalgamations	£6.4m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£4.5m	Start date 2012, completion by/on-2015 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
CARMARTHEN – Ysgol Ffwrnes – New Welsh Medium Primary School	£14.4m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£10.2m	Start date 2011, completion by/on-2015 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
GWYNEDD – Primary Reorganisation – Tywyn Region – New Build to replace 4 schools	£7.8m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£5.5m	Start date 2012, completion by/on-2014 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
CONWY – Ysgol y Gogarth – Demolish existing and rebuild major extension	£21.9m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£15.3m	Start date 2011, completion by/on-2015 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
SWANSEA – Morriston Comprehensive School – Major remodelling and rebuild	£21.9m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£15.3m	Start date 2012, completion by/on-2014 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
WREXHAM – New Welsh Medium School in North Wrexham	£5.9m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£4.1m	Start date 2011, completion by/on-2013 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
ANGLESEY – Ysgol-y-Bont – New School	£10.9m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£7.6m	Start date 2011, completion by/on-2014 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
VALE OF GLAMORGAN – Penarth Learning Community – New build to incorporate SEN facilities	£47.6m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£33.3m	Start date 2011, completion by/on-2015 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	
The College@ Merthyr Tydfil	£33.0m (Part of 21 <sup>st</sup> Century School programme. Total value in this SR period £160m)	£33.0m	Start date 2011, completion by/on-2013 At FBC stage	WG capital budget for the period 2013-12 to 2014-15.	

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Ysbyty Glan Clwyd, Rhyl, Redevelopment	£106m (Approved sum inc. estimated inflation)	£106m	Started on site early 2011 Completion by March 2018	WG capital budget. The contract has been procured via the Designed for Life: Building for Wales Framework as defined by WHC (2006) 049.	Glan Clwyd is key to the Health Board's overall service strategy as set out in its 5 year plan. This investment will improve the quality of care and efficiency; allow the Trust to meet legislative obligations in relation to health and safety.
Bronglais General Hospital, Aberystwyth, Front of House (main scheme)	£42m (Approved sum)	£42m	Main build started October 2011 with completion programmed for December 2015	WG capital budget. The contract has been procured via the Designed for Life: Building for Wales Framework as defined by WHC (2006) 049.	Bronglais is key to Hywel Dda Health Board's overall service strategy as set out in it's 5 year plan. This investment will provide new facilities for the provision of emergency care services and elective surgery and refurbished accommodation for maternity, out-patient and pathology services.
Llandough Hospital, Cardiff, Elderly Mental Infirm Unit	£57m (Approved sum inc. estimated inflation)	£57m	Construction started May 2010 and is expected to finish August 2012	WG capital budget. The contract has been procured via the Designed for Life: Building for Wales Framework as defined by WHC (2006) 049.	This investment will modernise and replace outdated, inadequate mental health facilities; provide purpose built accommodation for elderly mentally infirm patients on the Llandough General Hospital site, and replace redundant and outdated accommodation at Whitchurch Hospital.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Children's Hospital Phase II, University Hospital of Wales, Cardiff	£64m (Approved sum inc. estimated inflation)	£64m	Construction started August 2011 and is expected to finish September 2015	WG capital budget. The contract has been procured via the Designed for Life: Building for Wales Framework as defined by WHC (2006) 049.	The investment will enable the Children's Hospital for Wales to be a recognised centre for excellence for the provision of specialist health services for children in Wales and beyond. Phase 2 will provide dedicated facilities to support surgical, diagnostic, outpatient and critical care services fully integrated with those services established in Phase 1 on the University Hospital of Wales campus.
Prince Charles Hospital, Merthyr Tydfil, Refurbishment – Phase 1 (wards 1 – 12)	£53m (Approved sum inc. estimated inflation)	£53m	Construction started July 2008 and is expected to finish January 2013	WG capital budget. The contract has been procured via the Designed for Life: Building for Wales Framework as defined by WHC (2006) 049.	Prince Charles Hospital is key to Cwm Taff LHB's service strategy as set out in its 5 year plan, This investment will refurbish the inpatient environment to meet Health & Safety standards; improve standards of inpatient facility design and infection control; address environmental risks and inadequacies, and enable co-location of all acute inpatient wards into the main ward block.
Prince Charles Hospital, Merthyr Tydfil, Emergency Care Centre (ECC/DSU)	£28m (Approved sum)	£28m	Construction started September 2009 and is expected to finish May 2012	WG capital budget. The contract has been procured via the Designed for Life: Building for Wales Framework as defined by WHC (2006) 049.	This investment will modernise and replace outdated emergency/unscheduled care facilities and construct supporting assessment and treatment facilities.



Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Merthyr Tydfil Health Park	£33m	£33m	Construction started April 2011 and is expected to finish June 2012	WG capital budget. The contract has been procured via the Designed for Life: Building for Wales Framework as defined by WHC (2006) 049.	Th new Health Park is key to Cwm Taff LHB's overall service strategy set out in it's 5 year plan. This investment will improve secondary, community and primary and social care services delivered on an outpatient and day service basis.
Wales Ambulance Service Trust, new Ambulance Resource Centres & Make Ready Depots	£30m	£30m	Business Case is not yet approved (SOC awaiting approval)	WG capital budget subject to capital availability.	This programme will modernise the estate to be in the right place with the right facilities. A number of schemes are proposed throughout Wales which will replace existing outdated ambulance stations with purpose built Ambulance Resource Centres and Make Ready Depots.
Llandudno Hospital Redevelopment	£49m	£49m	Business Justification Cases being developed (Potentially 8 separate schemes in total) Schemes are anticipated to commence on a phased basis with completion by 2018-19	WG capital budget subject to capital availability.	Llandudno Hospital redevelopment is to the Health Board's overall service strategy set out in it's 5 year plan. This investment will expand 'core' services for the local catchment population as well as the development of more specialist services for a wider catchment population. The development will consist of several relatively small schemes which will be taken forward on a phased basis.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Reconfigure North Denbighshire – Royal Alexandra	£22m	£22m	SOC yet to be developed.	WG capital budget subject to capital availability.	The Health Board is current undertaking a service review and as part of that will identify the preferred way forward for the North Denbigh locality. This will be followed by a SOC.
Prince Phillip Hospital, Llanelli, Development of Elective care services	£20m	£20m	Revised SOC being prepared but scheme is anticipated to commence in 2014/ 15 and be complete in mid 2016	WG capital budget subject to capital availability.	The Health Board is currently revisiting the assumptions underpinning this scheme to ensure the right solution is developed for the needs of patients in Hywel Dda in the context of a wider reconfiguration of services  The scheme is likely to support the further development of the hospital as an elective care and treatment centre.
Cardigan, New Health and Social Care Centre	£23m	£23m	OBC being prepared, scheme planned to commence in 2013/14 and be completed in 2015/16	WG capital budget subject to capital availability.	The Health Board is currently revisiting the assumptions underpinning this scheme to ensure the right solution is developed for the needs of patients in Hywel Dda in the context of a wider reconfiguration of services.  The planned new facility will replace Cardigan Hospital and nearby Primary Care/GP facilities.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Morriston Hospital, Swansea, Redevelopment Phase 1B, Scheme 1	£63m	£63m	FBC being finalised and construction expected to start August 2012 and is forecast to finish December 2015	WG capital budget subject to capital availability.	The key role of Morriston ABM LHB's overall service strategy is set out in it's 5 year plan, and is fully in line with "Together for Health", the Welsh Government's Five Year Vision for the NHS in Wales.  This investment will redevelop the main entrance; improve clinical accommodation for out-patient, renal dialysis, endoscopy and maxillo-facial services and provide a new education centre.
Morriston Hospital, Swansea, Redevelopment Phase 1B, Scheme 2	£24m	£24m	SOC yet to be developed but scheme is anticipated to start in 2015 and be complete in 2017	WG capital budget subject to capital availability.	This is the second and final phase of the scheme identified above.  The Health Board are yet to commence development of the OBC for this scheme which will be the final phase of the Health Vision Swansea strategic programme.
Neath/Port Talbot Hospital, New Adult Acute Mental Health Unit	£20m	£20m	OBC in development but scheme is expected to start in 2014 and complete by mid 2016	WG capital budget subject to capital availability.	This investment will modernise and replace outdated and inadequate mental health facilities; provide purpose built accommodation for adult acute mental health services on the Neath/Port Talbot hospital site and replace redundant and outdated accommodation at Cefn Coed Hospital.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Morriston Hospital, Swansea, New Adult Acute Mental Health Unit	£16m	£16m	OBC in development but scheme is expected to start in 2015 and complete by mid 2017	WG capital budget subject to capital availability.	This investment will provide purpose built accommodation for adult acute mental health services on the Morriston hospital site, replacing redundant and outdated accommodation at Cefn Coed Hospital.
ABM Mental Health Services – Low Secure Unit	£16m	£16m	OBC in development but scheme is expected to start in 2013 and complete by end of 2014	WG capital budget subject to capital availability.	This investment will provide purpose built accommodation for patients with mental illness who require “low secure” care, replacing redundant and outdated accommodation at Cefn Coed Hospital.
Velindre Hospital Redevelopment	£38m	£38m	SOC being prepared	WG capital budget subject to capital availability.	Velindre will continue to be the centre for the delivery of specialist cancer services to the residents of South East Wales.  The Trust is developing a SOC for the redevelopment of the existing Velindre Hospital site, parts of which are outdated and in need of modernisation.  This will be a phased development over a number of years, subject to capital availability.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Rookwood Hospital, Cardiff, Replacement	£18m	£18m	SOC has been submitted, currently going through scrutiny process. Scheme is expected to start in 2013 and complete by end of 2014	WG capital budget subject to capital availability.	This investment will relocate services from the Rookwood site to Llandough Hospital, into new fit for purpose facilities.
Llandough Hospital, Cardiff, New Adult Acute Mental Health Unit	£108m (Approved sum inc. estimated inflation)	£108m	FBC in development but work is expected to start in January 2013 and complete in December 2015	WG capital budget subject to capital availability.	This investment will provide purpose built accommodation for adult acute mental health services on the Llandough General Hospital site, replacing redundant and outdated accommodation at Whitchurch Hospital.
Torfaen – New Specialist Critical Care Centre (SCCC)	£273m	£273m	Revised OBC being progressed by LHB but work is expected to start in 2014 and complete in 2017-18	WG capital budget subject to capital availability.	This major new hospital combine emergency, critical care and specialist services in the Gwent area onto one site in Torfaen.  This will involve a substantial reconfiguration and remodelling of existing services and the subsequent retention of Nevill Hall and Royal Gwent hospitals as Local General Hospitals.

Project/ programme	Total scheme value (est.)	WG support	Timetable	Finance & delivery	Additional information
Prince Charles Hospital, Merthyr Tydfil, Refurbishment, Ground and 1 <sup>st</sup> Floor	£120m	£120m	SOC recently approved. Scheme anticipated to start in 2013 and complete in 2017-18	WG capital budget subject to capital availability.	<p>Prince Charles Hospital in Cwm Taff is key to the LHB's overall service strategy is set out in it's 5 year plan.</p> <p>This investment will ensure compliance with Health and Safety standards.</p> <p>improve service efficiency, quality and productivity in line with the wider Cwm Taf LHB clinical and financial strategic direction and redesign clinical areas, to provide flexible, safe and welcoming accommodation.</p>

## Annex 2 – Sectoral plans

### Introduction

This section provides a 10 year indication of our 'direction of travel' for each sector. The appearance of a project or programme in this section does not represent a commitment to funding at this stage. The degree of commitment and quantity of programmes highlighted in this section vary by sector due to differing planning cycles and legislative requirements and current departmental methodologies, however all listed programmes' will be the subject of further debate and detailed consideration.

### Economic Development

Spending Review Period:		
2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24
Next Generation Broadband for Wales project	Not yet defined.	Not yet defined.
Enterprise Zone delivery	Not yet defined.	Not yet defined.

### Transport

Spending Review Period:		
2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24
Wales Road improvement programme. Value £400m – £450m	Wales Road improvement plan. Value £500m – £550m.	Yet to be defined.
National station improvement programme. Value £10m	Yet to be defined.	Yet to be defined.
National station improvement programme plus (NSIP+). Value £39m total		
Regional Transport Consortia Grant – Capital: £25m 2011-12 £22m 2012-13	Future years – allocation to be determined.	Future years – allocation to be determined.



## Increased detail of long term projects and programmes where available.

Project/ programme	Total Project Capital value (estimate)	Welsh Government Capital value	Timetable	Finance & delivery	Strategic links & consideration
A487 Caernarfon to Bontnewydd	£90 to 105m	£90 to 105m	Construction programmed to start at the end of 2015/ early 2016	To be financed via Transports capital budget. Procurement of a KS3-6 Employer's Agent planned for the summer of 2012. Procurement of an ECI summer 2013.	Strategic east – west route linking the A55 to Llyn Peninsula. Scheme would relieve the traffic congestion that occurs in Bontnewydd, improve journey times and safety.
A483 Llandeilo	£30m to £40m	£30m to £40m	Construction could start 2016	To be financed via Transports capital budget.	Part of WG Strategic Road Network for South Wales (North South Road Corridor) the Swansea to Manchester Trunk Road).
A483/A489 Newtown Bypass	£75m to £80m	£75m to £80m	Construction programmed to start at the end of 2014/ early 2015	To be financed via Transports capital budget. Currently in the process of procuring an ECI contractor.	Strategic north – south and east – west route. The current traffic problems in Newtown are seen as stifling economic development in the town.
A470/A483 Builth Wells	£30m to £35m	£30m to £35m	Construction could start 2016	To be financed via Transports capital budget. Procurement of a KS3-6 Employer's Agent is programmed for autumn 2012. Procurement of an ECI contractor autumn of 2013.	Part of WG Strategic Road Network for Mid Wales (North South Road Corridor).
A470 Pentrefelin to Bodnant West Lodge	£15m to £20m	£15m to £20m	Construction could start in 2016	To be financed via Transports capital budget.	Strategic north – south route. Links the A55 to the Conwy valley and Snowdonia. Major safety improvement.

## Increased detail of long term projects and programmes where available.

Project/ programme	Total Project Capital value (estimate)	Welsh Government Capital value	Timetable	Finance & delivery	Strategic links & consideration
A470 Plas Maenan to Bodhyfryd	£10m to £25m	£10m to £25m dependant on route option chosen.	Construction could start in 2017	To be financed via Transports capital budget.	Strategic north – south route. Links the A55 to the Conwy valley and Snowdonia. Major safety improvement.
A487 Dyfi Bridge	£10m to £40m	£10m to £40m dependant on route option chosen.	Construction could start in 2017	To be financed via Transports capital budget. Procurement of KS2 consultants programmed for summer 2012.	Strategic coastal north – south route. New bridge would improve network resilience and reduce community severance.
A465 Heads of the Valleys Dualling – Section 2 Gilwern to Brynmawr	£190m to £200m	£190m to £200m	Construction scheduled to start in early 2014	To be financed via a combination of Transport capital budget and ERDF/WEFO Funding (no application submitted as yet) so assume full cost met by capital budget.	Part of wider A465 Dualling Abergavenny to Hirwaun Project. A465 is part of WG Strategic Road Network for South Wales and part of the Trans European Transport Network (TEN-T).
A465 Heads of the Valleys Dualling – Section 6 A470 to Hirwaun	£166m	£166.3m	Construction scheduled to start in 2018	o be financed via a combination of Transport capital budget and ERDF/WEFO Funding (no application submitted as yet) so assume full cost met by capital budget.	Part of wider A465 Dualling Abergavenny to Hirwaun Project. A465 is part of WG Strategic Road Network for South Wales and part of the Trans European Transport Network (TEN-T).
A465 Heads of the Valleys Dualling – Section 5 Dowlais Top to A470	£155m	£155m	Construction scheduled to start in 2017	To be financed via a combination of Transport capital budget and ERDF/WEFO Funding (no application submitted as yet) so assume full cost met by capital budget.	Part of wider A465 Dualling Abergavenny to Hirwaun Project. A465 is part of WG Strategic Road Network for South Wales and part of the Trans European Transport Network (TEN-T).

## Increased detail of long term projects and programmes where available.

Project/ programme	Total Project Capital value (estimate)	Welsh Government Capital value	Timetable	Finance & delivery	Strategic links & consideration
A40 Llanddewi Velfrey – Penblewin	£50m to £55m	£50m to £55m	Construction could start in 2016	To be financed via Transports capital budget. Procurement of a KS3-6 Employer's Agent is programmed for the summer of 2012. This will be followed by the procurement of an ECI contractor currently programmed for the summer of 2013.	Second of two phases of improvements to the A40 west of St Clears announced in the prioritised NTP. First phase completed in 2011. A40 part of TEN-T serving Fishguard and ferry link to Eire.
M4 J28 Improvements	£20m to £30m	£20m to £30m	Construction scheduled to start in late 2014	To be financed via Transports capital budget. Procurement of a KS3-6 Employer's Agent is programmed for the summer of 2012. Procurement of ECI contractor planned for the spring of 2013.	Part of Strategic Road Network for South East Wales. The solution is one of a package of measures to deal with resilience, safety and reliability issues on the M4 around Newport.
A55 Britannia Bridge	£110 to £150m	£110 to £150m	Construction could start in 2017	Finance package to be developed. Procurement of KS3-6 Employer's Agent programmed for summer 2012. Procurement of ECI contractor planned spring 2013.	Strategic east – west route (TERNs).

## Environment

### Flood & Coastal Risk management

Spending Review Period:			
2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24	
Programme of Capital Investment to construct flood and coastal defences, raise awareness of the risk of flooding and build resilience within our vulnerable communities. Supported by the European Regional Development Fund. Value £44m.	We are currently working to develop a bid for European Funding to continue and expand the works carried out to date should funding be available for environmental risk management initiatives beyond 2013.	Yet to be defined.	
Programme of non-European supported Capital Investment to construct flood and coastal defences that will reduce risk for homes and businesses in Wales. Value £36m.	At present, we have identified a significant number of schemes that require investment. We currently assume that our capital budget will remain static for the foreseeable future. This means a decreasing level of service.	A number of major schemes have been identified that would take us into this period. These priorities can change dependent on the impact of severe weather events/existing schemes reaching the end of their design life etc.	

## Waste

### Infrastructure Investment

Spending Review Period:		
2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24
Programme of Capital Investment for food and residual waste treatment facilities. Potential value £46m.	Programme of Capital Investment for food and residual waste treatment facilities. Potential value £758m.	Yet to be defined

## Energy

Spending Review Period:		
2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24
Nest – demand-led energy performance improvement programme. Funding energy performance improvements across Wales in the homes of those likely to be vulnerable to fuel poverty living in highly energy inefficient homes.	Anticipate that Welsh Government will continue to directly invest in an energy performance improvement scheme focused on those in fuel poverty – detail to be defined.	Yet to be defined.
Arbed phase 2 – demand-led energy performance improvement programme. Funding energy performance improvements across Wales in the homes of those likely to be vulnerable to fuel poverty living in highly energy inefficient homes.	Intend to develop proposals to extend arbed under the next round of European funding – detail to be defined.	Yet to be defined.
Nest/arbed variant programmes – further programmes targeting different individuals and communities and potentially linking with other incentive schemes are being scoped.	Intend to develop proposals to extend arbed under the next round of European funding – detail to be defined.	Yet to be defined.

## Housing

Spending Review Period:			
2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24	
Increasing affordable housing supply – Social Housing Grant (SHG) Programme	Yet to be defined	Yet to be defined	
Improving the quality of existing social housing stock Welsh Housing Quality Programme Budget for 2011/12 and indicative budget for 2012/13 – 2014/15 is; MRA capital grant of £60.4m, Dowry of £47.6m	Yet to be defined	Yet to be defined	

## Regeneration

Spending Review Period:			
2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24	
The Regeneration Division capital budget for this period is £203m; currently, the majority of investment is directed towards the seven Regeneration Area programmes.	Under Review.	Under Review.	
Regeneration Investment Fund for Wales: £55m of repayable investments.	In Phase 2, the Fund's target is to raise £55m from the private sector.	The aim of the Fund is to create a long term pool of capital for investment in regeneration projects across Wales.	

## Education

Spending Review Period:			
2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24	
Delivery of School Buildings Transitional Projects/ Commencement of 21 <sup>st</sup> Century school programmes. Total Value of schemes £403,768,138. Commencement of 21 <sup>st</sup> Century Schools programme £160m.	21 <sup>st</sup> Century Schools programme/spend programme  £1 bn  FE/HE sector to be determined.	21 <sup>st</sup> Century Schools programme/spend programme – yet to be defined.  FE/HE sector be determined.	



## Spending Review Period:

2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24
<p><b>Upgrading and Modernisation of Secondary Care facilities</b> – £492.6m – includes the following facilities – Prince Charles, Bronglais, Morriston, Children’s Hospital, Torfaen SCCC and redevelopment of Ysbyty Glan Clwyd.</p>	<p><b>Upgrading and Modernisation of Secondary Care facilities</b> – £594.6m – includes the following facilities – Prince Charles, Bronglais, Morriston, Children’s Hospital, Torfaen SCCC and redevelopment of Ysbyty Glan Clwyd.</p>	<p>Yet to be defined.</p>
<p><b>Modernisation of Mental Health Services</b> – £184.8m – includes new facilities planned to replace Whitchurch and Cefn Coed Hospitals, adult acute services will be developed at Llandough, Neath and Morriston. Elderly Mental Health services will be developed at Llandough.</p>	<p><b>Modernisation of Mental Health Services</b> – £20.8m – includes new facilities planned to replace Whitchurch and Cefn Coed Hospitals, adult acute services will be developed at Llandough, Neath and Morriston. Elderly Mental Health services will be developed at Llandough.</p>	<p>Yet to be defined.</p>
<p><b>Community and Primary Care</b> – £232.4m – new Community facilities will be developed at Cardigan, Aberaeron, Tregaron, Builth Wells and North Denbigh. Upgraded facilities will be developed at Llandrindod, Welsphool and Brecon.</p>	<p><b>Community and Primary Care</b> – £196.4m – new Community facilities will be developed at Cardigan, Aberaeron, Tregaron, Builth Wells and North Denbigh. Upgraded facilities will be developed at Llandrindod, Welsphool and Brecon.</p>	<p>Yet to be defined.</p>
<p><b>Investment in Diagnostic Equipment and Technology</b> – £19.9m – including replacement/ increased provision of Linear Accelerators for cancer centres and MRI and CT scanners and other diagnostic equipment in secondary care centre in Wales.</p>	<p><b>Investment in Diagnostic Equipment and Technology</b> – £27.5m – including replacement/ increased provision of Linear Accelerators for cancer centres and MRI and CT scanners and other diagnostic equipment in secondary care centre in Wales.</p>	<p>Yet to be defined.</p>
<p><b>Replacement of Ambulances</b> – £15.7m – facilitating replacement of vehicals within 350 strong fleet, which are beyond their useful life.</p>	<p><b>Replacement of Ambulances</b> – £18.1m – facilitating replacement of vehicals within 350 strong fleet, which are beyond their useful life.</p>	<p>Yet to be defined.</p>

Spending Review Period:			
2011/12 – 2014/15	2015/16 – 2019/20	2019/20 – 2023/24	
<p><b>Replacement ICT</b> – £33.5m – funding also supports the development of new Information Systems.</p> <p><b>Discretionary capital allocations to NHS Local Health Boards and Trusts</b> £190.3m – annual allocation made directly to NHS bodies for: essential backlog maintenance; meeting statutory obligations such as health and safety, environmental and fire-code issues; and the replacement of outdated and obsolete equipment that is beyond its useful life.</p>	<p><b>Replacement ICT</b> – £29.9m – funding also supports the development of new Information Systems.</p> <p><b>Discretionary capital allocations to NHS Local Health Boards and Trusts</b> £216.9m – annual allocation made directly to NHS bodies for: essential backlog maintenance; meeting statutory obligations such as health and safety, environmental and fire-code issues; and the replacement of outdated and obsolete equipment that is beyond its useful life.</p>	<p>Yet to be defined</p> <p>Yet to be defined.</p>	



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