

## Paper for Council for Economic Renewal

### Delivery of the Wales Infrastructure Investment Plan for Growth and Jobs

1. This paper responds to the paper presented to the Council for Economic Renewal by 'social partners' in February: *priorities for an improved Welsh economy* and provides the Council with an update on the next steps to deliver the Wales Infrastructure Investment Plan for Growth and Jobs ('the Plan').
2. The Plan, published on 22 May, sets out the detail of how we will concentrate our resources where we can add the most value, acting as an enabler of growth in the economy to help generate employment. This is a core principle for future investment in infrastructure and will help to put us on the path to a Wales with 21<sup>st</sup> Century networks for transport, IT and energy; a Wales that is low carbon with sustainability at its core; a Wales that is skilled and efficient, where businesses thrive and where our expertise is globally renowned; and a Wales which invests in its public sector infrastructure for education, health and housing for the wellbeing of the Nation.
3. The executive summary of the Plan is attached at annex 1 and electronic copies of the Plan are available at:  
<http://wales.gov.uk/funding/wiip2012/?lang=en>
4. The social partners' paper discussed and made recommendations in a number of areas, in particular in relation to 'creating and enhancing opportunities for economic growth', including specific recommendations to develop an infrastructure plan, maintaining a dialogue with the UK Government and financing of infrastructure investment. Responses to these and related points and recommendations are outlined below.
5. Producing a long-term infrastructure plan and a pipeline of projects to facilitate business planning
6. The Plan fully accords with the stakeholder dialogue we have had, tapping into knowledge and expertise across all sectors. We have used the feedback from this dialogue to shape and refine our approach and will continue to do so as the political and economic environments evolve. In particular, we:
7. Provide a detailed project pipeline, providing details on the timing, cost and funding for priority projects and programmes – to give market confidence and help sectors plan and align accordingly
  - Detail the approach we will be taking to evaluate and prioritise schemes, setting out 7 high level investment priorities which we will use to focus our investment efforts for the remainder of the current spending review period

- Detail how we will increase investment in infrastructure above current planned levels to improve the economy of Wales

### ***Maintaining a dialogue with the UK Government***

8. We recognise the importance of collaboration with the UK Government to maximise the opportunities for mutually beneficial infrastructure investment. In particular, we need to work with the UK Government on:
  - **Significant non-devolved infrastructure** – particularly large scale energy and rail. We are already actively addressing these matters and creating the conditions for Wales to be a place where major projects can thrive – taking the lead on Valleys Line Electrification and the Energy Island Programme on Anglesey
  - **Meeting key UK infrastructure needs** – particularly those recognised in the UK Government in its National Infrastructure Plan (November 2011) relating to port and airport capacity, energy generation and water supply
9. For example, Energy Island could provide significant long-term economic benefits to Anglesey and North Wales with the potential to contribute in excess of £2.3bn to the economy to 2025, generating around 5,000 construction jobs at its peak and around 800 direct jobs for the lifespan of the facility. To optimise these benefits, the Energy Island Programme will focus on ensuring the grid, transport, property and utilities' infrastructure is fit for purpose.
10. Maintaining this Plan also provides us with a strong basis on which to lobby the UK Government in a focused and informed way when negotiating strategic infrastructure issues, such as developing a solution to the M4 bottleneck in South East Wales.

### ***Financing infrastructure investment***

11. Whilst the Welsh Government's view is that, primarily, public infrastructure investment should be funded through direct capital expenditure, we recognise the strong economic case for boosting resources available for infrastructure investment over and above the level of our capital budgets, where it is appropriate to do so. Borrowing costs are currently low and leveraging in additional funding enables us to bring forward investments and realise the subsequent economic and social benefits sooner.
12. The most flexibility and best value borrowing would be afforded to us if we had the capacity to borrow directly. HM Treasury does not currently allow us to do this. However, we continue to push the UK Government for a funding floor and for immediate access to borrowing for capital investment.
13. We have been exploring innovative approaches to finance additional investment and have already put in place initiatives to generate well over

£1bn of additional capital investment in Wales between now and 2020 through:

- The Local Government Borrowing Initiative (LGBI) – enabling up to **£170m** of additional capital investment to be made in Welsh highways' improvements across all 22 local authorities over the next 3 years
- The Welsh Housing Partnership which was recently expanded with an additional **£6m** to lever in a total investment of **£30m**, delivering 280 family homes for intermediate rent
- Support for a **£100m** Welsh Housing Bond which will finance delivery of more than 1,000 affordable homes over the next four years
- The Waste Infrastructure Procurement Programme to deliver waste treatment capacity across Wales with a total capital value of around **£750m**

14. We are currently considering the scope to extend the LGBI model to other appropriate sectors and actively exploring the opportunities to build on the experience of the Waste Programme through non dividend vehicles which may be appropriate to develop infrastructure investment in Wales. We expect to complete this work in the autumn.

15. The Plan also included a commitment to establish a Welsh Mortgage Guarantee Scheme which could offer up to 1,500 individuals, couples or families the opportunity to purchase a new build home.

### ***Procurement policy***

16. The Plan sets out our approach to better procurement, key to which is our community benefits policy to provide early notification to the market of up coming contract opportunities, simplifying the process and making contract opportunities open to all.

### ***Wales Infrastructure Investment Plan – next steps***

17. The Plan sets out 4 Goals, underpinned with specific actions, as set out in the table at Annex 2.

## **Annex 1 – Wales Infrastructure Investment Plan Executive Summary**

The Wales Infrastructure Investment Plan 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 Wales Infrastructure Investment 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.**
- **Developing our Enterprise Zones.**
- **Investing in housing.**
- **Improving the quality of the educational estate.**
- **Delivering more efficient and economical public services.**

**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, 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;
- lever more funding into public capital and infrastructure investment to boost jobs and growth;
- drive better value from the money we are investing; and
- 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; and
- continuing to develop our approach to asset management and procurement; and
- 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.

## Annex 2 – Wales Infrastructure Investment Plan Goals and Actions Over the next 12 months

Goal	Actions
<b>1. To create a system that identifies and prioritises nationally significant schemes</b>	Over the next 12 months we will: <ul style="list-style-type: none"> <li>- develop a centralised approach to prioritisation and assessment of investment proposals</li> <li>- proactively engage with stakeholders to develop and refine the definition of ‘nationally significant infrastructure’ for Wales</li> <li>- encourage and facilitate cross-cutting collaboration between infrastructure delivery partners (e.g. where there is the prospect of ‘infrastructure bundling’)</li> </ul>
<b>2. Increase the resources invested in prioritised strategic infrastructure over the next ten years</b>	Over the next 12 months, we will: <ul style="list-style-type: none"> <li>- deliver phase 2 of the LGBI which will result in further investment of around £60m in highways improvements</li> <li>- re-capitalise the Welsh Housing Partnership</li> <li>- Extend the successful Ely Bridge model within the housing sector and across other sectors</li> <li>- Deliver new vehicles to raise finance including bonds to leverage in additional investment</li> </ul>
<b>3. Reduce the costs of maintaining and delivering infrastructure, maximising value for money</b>	Over the next 12 months, we will: <ul style="list-style-type: none"> <li>- publish Welsh Government best practice guidance on the scoping and planning of Business Cases using the 5 Case Model</li> <li>- introduce a requirement for all WG supported schemes to have appropriate governance structures with clear lines of responsibility; proportionately use best practice to scope and plan schemes even where WG is not the key funder; ensure benefits realisation is monitored to capture lessons learnt</li> <li>- continue to develop our approach to asset management, increasing the quantity and quality of information held</li> </ul>
<b>4. Establish and maintain a new monitoring system of major strategic infrastructure expenditure</b>	Over the next 12 months, we will: <ul style="list-style-type: none"> <li>- 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</li> <li>- continue to develop the project pipeline through ongoing engagement, publishing 12 monthly updates</li> <li>- scope and plan a unified system to capture and improve visibility of the current status of ongoing schemes</li> </ul>