



Llywodraeth Cymru
Welsh Government

Mutual Investment Model Report 2022-2024



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Executive Summary

The Mutual Investment Model (MIM) schemes will foster approximately £1.4 billion worth of much needed investment in public infrastructure in Wales, whilst delivering wider public benefits. The MIM will support additional investment in social and economic infrastructure projects and help to improve public services in Wales.

Three schemes are currently being delivered through the MIM:

- completing the dualling of the Heads of the Valleys road (A465 Section 5&6)
- redeveloping the Velindre cancer centre as part of a programme to transform cancer services
- delivering MIM projects as part of the Sustainable Communities for Learning Programme.

This document is the Welsh Government's report on the MIM, comprising projects ongoing in Wales during the period July 2022 to March 2024.

The report covers the following:

- the key features of MIM
- details of the existing MIM projects
- identifies the parties involved in the MIM projects and their roles
- details of the published contracts
- return on investment (including equity return and Community Benefits).

1. Introduction

This document provides information about the Mutual Investment Model (MIM) projects for the period July 2022 to March 2024.

Increasing transparency has been a central concern of the Welsh Government while developing the MIM. Reporting requirements that enhance transparency have been embedded in the model and incorporated as contractual commitments into the agreements. To demonstrate this commitment to transparency, the Welsh Government will report on the portfolio of MIM projects through this publication. The information¹ provided includes:

- name of the project
- the MIM approach adopted
- sponsoring department and the procuring authority
- sector and region
- key dates (such as the beginning and end of the procurement process)
- contract duration

- capital value
- annual service payment
- shareholders' identity
- project company name and address
- return on investment (including equity return and Community Benefits).

This publication only includes projects that are delivered or supported by the Welsh Government and procured under the standard MIM contract terms. Other forms of public private partnerships (PPP) are not covered in this publication.

¹ The MIM contracts require the parties to disclose project specific information at defined intervals. The information is provided to the Welsh Treasury by the Welsh Government departments, contracting authorities and Development Bank of Wales. The Welsh Treasury collates the data, which is used in this publication.

To assist with reading this document, some key terms are defined in Table 1 below:

Table 1

Term	Definition
A465 Project Agreement	Project Agreement dated 28 October 2020 for the design, build, finance and maintenance of phases 5 and 6 of the A465 dualling
ASP	Annual Service Payment
EBITDA	Earnings before interest, taxes, depreciation, and amortization
KPI	Key performance indicators
MIM	Mutual Investment Model
NHS Trust	Velindre University NHS Trust
PFI	Private Finance Initiative
PPP	Public Private Partnerships
PSDP	Private sector delivery partner
SMEs	Small and medium-sized enterprises
SPV	Special purpose vehicle
The Construction Phase	Is the design and build stage of a MIM scheme
WEPCo	Welsh Education Partnership Company
WIIS	Wales Infrastructure Investment Strategy

2. The Mutual Investment Model (MIM)

2.1 Background

The Welsh Government's investment in public infrastructure is based on maximising the sources of publicly-available capital funding – the least expensive forms of capital – before the use of more complex and potentially more expensive forms of investment. The Mutual Investment Model (MIM) was developed in Wales as an innovative way to invest in additional public infrastructure. It was designed by the Welsh Government to finance major capital projects through longer term revenue commitments over and above the level that would be possible using capital budgets and conventional borrowing.

2.2 MIM v Traditional PPP/PFI

The MIM differs from traditional PPP/PFI by removing elements that did not promote the public interest whilst maintaining elements of best practice. The MIM also adopts new measures to support the public policy interest of Welsh Ministers. Other elements of PPP/PFI have been enhanced in the MIM. This includes:

- optimum risk allocation, whole-life costing, and performance-based payments – while ensuring that new investment is classified to the private sector
- private partners being obliged to help deliver the objectives of the Well-being of Future Generations (Wales) Act 2015 – including a focus on long-term sustainability and environmental efficiency
- financial and contractual remedies for non-delivery of stretching community benefits
- a mandatory commitment to the Welsh Government's ethical employment code
- value for money as a core objective
- excluding provision for soft services (e.g. cleaning and catering) and capital equipment (e.g. specialist equipment for medical facilities), which led to expensive and inflexible contracts in the traditional PPP/PFI model
- the public sector investing a small amount of risk capital in each scheme, ensuring a participation in any return on investment; and the appointment of a public sector nominated director to manage the public shareholdings
- a commitment to transparency, of which this Report forms a part.

2.3 MIM and the Wales Infrastructure Investment Strategy (WIIS)

The Wales Infrastructure Investment Strategy (WIIS) established a 10-year vision for the outcomes that investment in infrastructure should enable and sets the framework for the allocation of capital budgets. The WIIS has a clear focus on addressing the Climate and Nature emergencies

and delivers on the Programme for Government commitment for a 10-year infrastructure strategy to support a zero-carbon economy.

In line with the Well-Being of Future Generations Act (Wales), the Strategy sets a series of outcomes, brigaded under the four well-being domains:

Table 2

Four domains of well-being and strategic investment outcomes			
Environmental Well-being	Social Well-being	Economic Well-being	Cultural Well-being
Decarbonisation and greenhouse gas reduction	Improving and protecting the physical health, safety and well-being of the people of Wales	Help to increase employment levels across Wales	Improve access to and increase use of the Welsh Language
Investment in Biodiversity and Natural Capital	Improving and protecting the mental health and well-being of the people of Wales	Help to improve business productivity	Encourage access to and participation in cultural activities, including the arts and heritage
Improvements in air and water quality	Reducing Social inequalities	Increase real household incomes	Improve participation level in sport and recreation
Reduction in unsustainable consumption of natural resources	Improving Access to key public services	Improve educational outcomes	Improve investment in communities across all parts of Wales

Whilst the outcomes are structured in this way, it is crucial that investment in a particular infrastructure sector should deliver benefits against multiple outcomes.

Delivering benefits against these multiple outcomes is reflected in the nature of the projects included in the MIM portfolio. The obligations and key performance indicators within the MIM contracts will drive the delivery of the outcomes.

2.4 “Something for Something”

MIM schemes will see private partners build and maintain public assets. In return, the public sector body will make an annual service payment, which will cover the cost of construction, maintenance, lifecycling and financing of the project.

Current MIM schemes will foster over a billion pounds worth of much needed investment in public infrastructure in Wales, whilst promoting wider public interests and delivering additional public benefits. The MIM will support additional investment in social and economic infrastructure projects and help to improve public services in Wales.

Each MIM scheme is expected to deliver the following Community Benefits:

- local job creation
- training and apprentices (including graduates, work placements, pupil placements)
- school engagement
- community initiatives
- supply chain initiatives
- social enterprises
- enhanced opportunities for small and medium sized enterprises.

The terms of the MIM contractual document will ensure that the Community Benefit requirements are bespoke to the underlying project. This ensures Community Benefits are maximised on a scheme by scheme basis.

2.5 The Annual Service Payment

Once an asset is completed and operational the public sector pays an annual service payment to the project company.

This payment is modelled to provide for the cost of design, build, finance, maintenance, and lifecycle of the project as fixed through the procurement. The annual service payment is not due during the planning, development and construction phases. Such payments only commence once the asset has been delivered and is available for use.

The annual service payment includes the full costs of maintaining the asset and providing lifecycle investments over the contract period, generally between twenty-five and thirty years. It also includes the cost of transferring significant risk for these and other activities away from the public sector, thus protecting the public sector from unexpected or unplanned calls on capital funding.

2.6 Promoting the Public Interest

Promoting the public interest is achieved in several ways:

Community Benefits

Private partners are obliged to assist contracting authorities to deliver the objectives of the Wellbeing of Future Generations Act. To do this, they will need to deliver stretching Community Benefits in areas such as job creation for the long-term unemployed, the provision of training and apprenticeships (including graduates, work placements, pupil placements), school engagement and wider community initiatives, and supply chain initiatives in respect of social enterprises and small and medium-sized enterprises (SMEs). The non-delivery of these benefits will be subject to financial and contractual remedies.

Ethical Employment

Private partners commit to the Welsh Government's Code of Practice on Ethical Employment in the Supply Chain, embedding the principle of fair work within projects. The projects aim to demonstrate high levels of environmental sustainability.

Improving Value for Money

The MIM model drives value for money in several ways.

The financing of capital equipment (e.g. specialist hospital equipment) and soft facility management services (e.g. cleaning or portering) is excluded from the MIM projects. Funding these discrete elements represent best value when done directly from public sector capital expenditure.

Public Sector Nominated Director

The MIM Project Agreement provides a right for the public sector to appoint a director to the board of the SPV. This ensures the public sector interest is represented in the decision-making process.

2.7 MIM Project Delivery

The current MIM portfolio is being delivered in two ways:

- (1) directly
- (2) supported by a strategic partner.

Completing the dualling of the Heads of the Valley Road and building a New Velindre Cancer Centre to replace the current building in Cardiff will be delivered directly. The MIM projects as part of the Sustainable Communities for Learning Programme are being supported by a strategic partner.

Direct delivery

Here a single special purpose vehicle (SPV) is formed to deliver a specific project under a public private partnership 'design, build, finance, maintenance and lifecycle' contract known as the Project Agreement. This is suitable where the public sector is looking to procure a single high value asset.

Strategic Partnership

This involves the appointment of a single strategic partner to deliver several assets for a range of authorities. The SPV's purpose will be to deliver partnering services to the authorities. The strategic partner supports the delivery of a pipeline of MIM projects. Each authority will enter into a project agreement for the delivery of its asset.

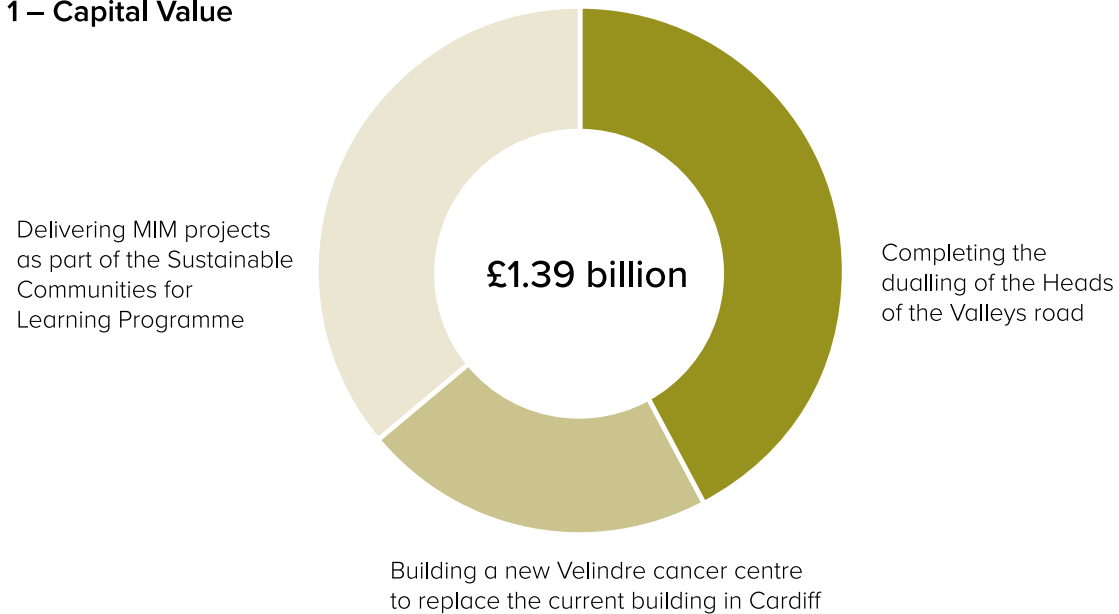
3. The MIM Portfolio

Three projects are currently being delivered through the MIM:

- completing the dualling of the Heads of the Valleys road (A465 Section 5&6)
- redeveloping the Velindre cancer centre as part of a programme to transform cancer services and
- delivering MIM projects as part of the Sustainable Communities for Learning Programme.

The total equivalent capital value of the portfolio at February 2024 is £1.39 billion.

Diagram 1 – Capital Value



Tables 3 – 6 set out further detail relating to the current portfolio.

3.1 Completing the dualling of the Heads of the Valleys road (A465 Section 5&6)

Welsh Ministers have appointed a partner to carry out the design, build, finance, maintenance and lifecycle of Sections 5 and 6 of the A465 Trunk Road between Dowlais and Hirwaun. The appointed partner has established a project company to deliver the project.

The design, build, finance, maintenance and lifecycle of improvement works to the A465 (Section 5&6) and new road construction include the following:

- 17.7km of predominantly an on-line upgrade of the A465 trunk road between Dowlais and Hirwaun from 3 lane single carriageway to dual 2 lane carriageway


- approximately 2.2km off-line new road construction
- six full movement grade-separated junctions
- 35 widened or constructed bridges, 41 culverts and 40 retaining walls
- environmental deliverables (including introducing new wildlife habitats and migration routes, and planting 25,000 trees) and
- the operation and maintenance of the road.

Table 3 below summaries the project:

Table 3

Name of the project:		Sections 5 and 6 of the A465 dualling
Sponsoring department and the procuring authority:	Welsh Ministers (Economic Infrastructure)	
Sector and region:	Sector: Infrastructure Region: South Wales Valleys	
Key dates:	Agreement commencement date: 28 October 2020 Planned Completion: Summer 2025	
Contract duration:	30 years following completion of the asset	
Capital value:	£590 million	
Annual service payment:	£38.33 million ²	

2 See A465 Financial Model in Appendix 1

Name of the project:		Sections 5 and 6 of the A465 dualling	
Shareholders identity:	(1)	MERIDIAM INVESTMENTS II SAS	42.5%
		A wholly owned subsidiary of the Meridiam Infrastructure Europe III fund. Meridiam is an independent investment firm specialising in the development and management of long term and sustainable infrastructure projects.	
	(2)	FCC CONCESIONES DE INFRAESTRUCTURAS S.L.U	42.5%
		A wholly owned subsidiary of Fomento de Construcciones y Contractas SA, a leading Spanish construction company based in Barcelona. The group is an experienced operator in the European PPP market and has been trading for over 110 years.	
	(3)	DBW Investments (MIMS) Limited	15%
		Part of the Development Bank of Wales Group and the chosen Welsh Government investment entity.	
Project company name and address:		Future Valleys Project Co Limited (registered under number 12857623) whose registered office is Fulcrum, 105 Piccadilly, Mayfair, London, W1J 7NJ	
 <p>FUTURE VALLEYS CYMOEDD Y DYFODOL Driving Wales forward Yn gyrru Cymru ymlaen</p>			

3.2 Building a new cancer centre to replace the hospital at Velindre in Cardiff

Velindre University NHS Trust (NHS Trust) is procuring the design, build, finance, maintenance and lifecycle of the New Velindre Cancer Centre, which will be situated on a site in Whitchurch, North Cardiff.

The new state of the art cancer centre is to be delivered by a special purpose vehicle established by the economic operator who is awarded the contract to support the vision and aims of the NHS Trust.

The MIM contract to build the new centre will be one of a range of contracts within the wider New Velindre Cancer Centre Programme. For example, separate contracts are being procured for enabling works and equipment which sit outside the MIM.

On 28 March, the Acorn Consortium³ was appointed to develop the new Velindre Cancer Centre. The Consortium has established a project company to deliver the project.




3 The Acorn Consortium is made up of Sacyr Infrastructure UK Ltd, Kajima Partnerships Ltd and Aberdeen European Infrastructure IV Ltd.

Table 4

Name of the project:	New Velindre Cancer Centre
Sponsoring department and the procuring authority:	Sponsoring department: Welsh Minister (Health and Social Services Directorate) Project agreement contracting counterparty: Velindre University NHS Trust
Sector and region:	Sector: Healthcare Region: Cardiff
Key dates:	Financial Close: 28 March 2024 Construction phase commencement anticipated: Late April 2024 Operational phase commencement: March 2027
Contract duration:	3 years (construction phase), 25 years (operational phase)
Capital value:	£312 million
Annual service payment:	£33.57 million ⁴
Shareholders identity:	<ol style="list-style-type: none"> <li data-bbox="723 900 1211 932">1. Sacyr Infrastructure UK Ltd (30.6%) Equity sponsor, design and build contractor and 100% owned by Sacyr Concesiones SL, the investment arm of Sacyr S.A. ("Sacyr Group"). Over the last 20 years, the Group has developed and financed more than 100 PPP projects in 16 different countries, representing £26bn in investment. <li data-bbox="723 1086 1167 1118">2. Kajima Partnerships Ltd (27.2%) Equity sponsor and a wholly owned subsidiary of Kajima Corporation, one of the world's largest contracting organisations and a global leader in development, civil engineering and construction projects. Since 2002, Kajima has developed and invested in 30 PPP projects in UK and Ireland with an aggregate capital value of over £800m.

4 See new Velindre Cancer Centre Financial Model in Appendix 1.

Name of the project:	
	<p>New Velindre Cancer Centre</p> <p>3. Aberdeen European Infrastructure IV Ltd (27.2%) Equity sponsor and wholly owned subsidiary of Abrdn plc (formerly Standard Life Aberdeen plc), which is one of the largest listed fund managers in Europe and a FTSE 100 company with a market cap of £5.7bn and assets under management of over £532bn (Sep 21).</p> <p>4. DBW Investments (MIMS) Ltd (15%) Part of the Development Bank of Wales Group and the chosen Welsh Government investment entity.</p>
<p>Project company name and address:</p> 	<p>Acorn Velindre Ltd (Company Registration Number 14526572. Registered office address: 10 St. Giles Square, London, WC2H 8AP)</p>

3.3 Delivering MIM Projects as part of the Sustainable Communities for Learning Programme

On 28 September 2020, the Welsh Education Partnership Company (WEPCo) was formally established. It is a joint venture between Meridiam, the Welsh Government delivery partner (PSDP), and the public sector, represented by the Development Bank of Wales, as a shareholder in the joint venture company.

WEPCo will facilitate the delivery of up to £500 million (capital equivalent) of revenue funded “additional” investment in new educational facilities by individual Local Authorities and Further Education Institutions using the MIM. There will continue to be a major programme of traditional capital funded investment in educational facilities outside of the MIM through the Sustainable Communities for Learning Programme.

The formation and operation of WEPCo represents a strategic partnering approach, whereby public and private sectors work together to identify projects for delivery via MIM that would be otherwise undeliverable due to capital constraints. These projects are identified for consideration by the public sector signatories to WEP Strategic Partnering Agreement dated 30 September 2020, who bring forward new project requests.

Each project, or group of projects, will be developed by WEPCo but the supply chain for their design, build, maintenance and lifecycle elements will be separately competitively tendered.

Table 5

Name of the project: MIM projects as part of the Sustainable Communities for Learning Programme	
Sponsoring department and the project agreement contracting counterparties:	Sponsoring department: Welsh Ministers (Education Directorate) Project agreement contracting counterparties: various Welsh local authorities and further education institutions
Sector and region:	Sector: Education Region: Pan Wales
Key dates:	The initial two projects, schools in Flintshire and RCT reached financial close in Quarter 4 of 2022 (details in the tables below). It is expected the next batch of projects will financially close in Quarter 4 of 2024.
Contract duration:	WEP Strategic Partnering Agreement dated 30th September 2020: 10 years with an option to extend for a further 5 years. Individual project agreements: 25 years

Name of the project: MIM projects as part of the Sustainable Communities for Learning Programme		
Capital value:	Up to £500 million	
Annual service payment:	Project specific	
Shareholders identity:	1) MERIDIAM INVESTMENTS II SAS	80%
	A wholly owned subsidiary of the Meridiam Infrastructure Europe III fund. Meridiam is an independent investment firm specialising in the development and management of long term and sustainable infrastructure projects.	
	2) DBW Investments (MIMS) Limited	20%
	Part of the Development Bank of Wales Group and the chosen Welsh Government investment entity.	
Project company name and address:	WEPCo Limited (Company No. 12815179) whose registered office is at One Central Square, Cardiff, Wales, CF10 1FS Website: wepco.co.uk	

3.4 WEPCo Project 1: Flintshire Schools Ltd

Flintshire County Council in partnership with WEPCo are delivering an 'all-through school' combining Argoed High School and Ysgol Mynydd Isa in to one new building on the existing high school site.

The new building will have capacity to accommodate over 1,300 full-time learners from ages 3-16 (600 primary, 700 secondary plus a 42 place nursery) and will achieve Net Zero Carbon in operations in part through Air Source Heat Pumps and non mechanical ventilation.

Table 6

Name of the project:	Flintshire, Mynydd Isa Campus	
Sponsoring department and the project agreement contracting counterparty:	Sponsoring department: Welsh Ministers (Education Directorate) Project agreement contracting counterparty: Flintshire County Council	
Sector and region:	Sector: Education Region: Flintshire (North East Wales)	
Key dates:	Agreement commencement date: 2 November 2022 Planned Completion: November 2024	
Capital value:	£65 million	
Capital duration:	25 years following completion of the asset	
Annual service payment:	£6.96 million ⁵	

5 See Flintshire Schools Financial Model in Appendix 1

Name of the project:	Flintshire, Mynydd Isa Campus	
Shareholders identity:	1) MERIDIAM INVESTMENTS II SAS	80%
	A wholly owned subsidiary of the Meridiam Infrastructure Europe III fund. Meridiam is an independent investment firm specialising in the development and management of long term and sustainable infrastructure projects.	
	2) DBW Investments (MIMS) Limited	20%
	Part of the Development Bank of Wales Group and the chosen Welsh Government investment entity.	
Project company name and address:	Flintshire Schools Ltd (registered under number 14226164) whose registered office is Temple Court, 13a Cathedral Road, Cardiff, CF11 9HA	

3.5 WEPCo Project 2: RCT 1 Ltd

Rhondda Cynon Taf County Borough Council in partnership with WEPCo is delivering 3 new primary schools:

- Pontyclun Primary School
- Llanilltud Faerdref Primary School
- Penygawsi Primary School

This 'cluster' project RCT Primary Batch will provide three new English language primary schools, each located as replacements for the current buildings on the three existing sites. The project will comprise the demolition of one building at Pontyclun prior to construction commencement, with demolition of all other redundant buildings following completion of each facility, along with the creation of sports fields and landscaping works. Temporary accommodation will be provided to allow the sites to be developed whilst minimising disruption to the education of pupils.

The three new buildings will have a capacity for 1,165 full time learners plus capacity for nursery spaces and will achieve Net Zero Carbon in operation through high performing building fabric, Air Source Heat Pumps and non mechanical ventilation.



Pontyclun Primary School



Llanilltud Faerdref Primary School



Penygawsi Primary School

Table 7

Name of the project:		RCT Primary School Project
Sponsoring department and the project agreement contracting counterparty:	Sponsoring department: Welsh Ministers (Education Directorate) Project agreement contracting counterparty: Rhondda Cynon Taf County Council	
Sector and region:	Sector: Education Region: Rhondda Cynon Taf	
Key dates:	Agreement commencement date: 1 December 2022 Planned Completion: March 2025	
Contract value:	£53 million	
Contract duration:	25 years following completion of the asset	
Annual service payment:	£5.61 million ⁶	
Shareholders identity:	1) MERIDIAM INVESTMENTS II SAS	80%
	A wholly owned subsidiary of the Meridiam Infrastructure Europe III fund. Meridiam is an independent investment firm specialising in the development and management of long term and sustainable infrastructure projects.	
	2) DBW Investments (MIMS) Limited	20%
	Part of the Development Bank of Wales Group and the chosen Welsh Government investment entity.	
Project company name and address:	RCT 1 Ltd (registered under number 14223937) whose registered office is Temple Court, 13a Cathedral Road, Cardiff, CF11 9HA	

6 See RCT Primary Schools Financial Model in Appendix 1.

4. The MIM Contract Structure

Each MIM project is intended to deliver an asset (e.g. a school) as well as the ongoing maintenance of the asset.

4.1 Project Agreement

The project agreement is the contract which allows the Authority to appoint the Project Co to design, build, finance, maintain and lifecycle the asset.

The Welsh Government initially published template Project Agreements in 2017, which were supplemented by education specific documents in 2018 and 2019.

In 2022, the Welsh Government published a signed, redacted Project Agreement for the A465 Section 5&6 MIM Project and the template Project Agreement for projects delivered via WEPCo. These are all available on the Welsh Government website (see published contracts section below).

4.2 Shareholders

A MIM project has, potentially, several stakeholders with an interest in the delivery of the asset. The stakeholders are usually funders (both public and private) as well as specialist developers. The usual MIM contract structure for incorporating these stakeholders into the project is shown in Diagram 2.

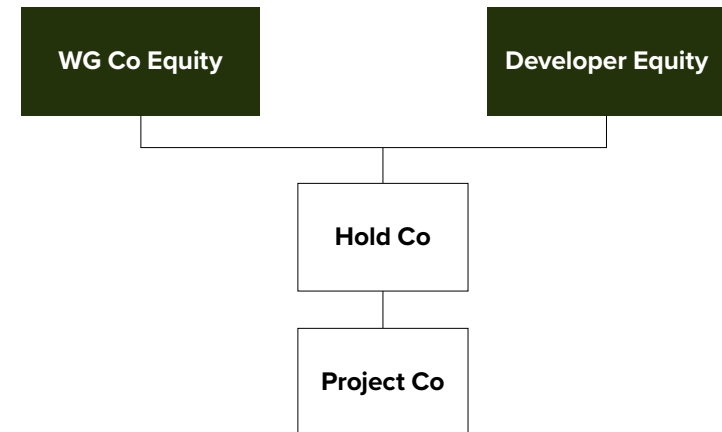


Diagram 2: Contract Structure for incorporating shareholders

Each MIM project requires the formation of a Project Co to deliver the project. Project Co is responsible for the delivery and ongoing maintenance of the asset.

The MIM Shareholders' Agreement regulates matters between the equity investors, Hold Co and Project Co. Investment in Hold Co will be determined on a project by project basis.

The private sector equity investors in Project Co are represented as ‘Developer Equity’. The MIM enables the public sector to share in the potential profitability of investment in public infrastructure through equity investment by the Welsh Government. This minority equity stake is capped at a maximum of 20%. The terms of the MIM Standard Form Shareholders’ Agreement assume the creation of a wholly owned Welsh Government investment entity, referred to in the diagram above as ‘WGCo’, however if a corporate vehicle is not used, Welsh Government (or another such body as it may determine) may assume the role of WGCo. Under the current MIM portfolio the Welsh Government has appointed DBW Investments (MIMS) Limited as its investment entity.

4.3 The role of DBW Investments (MIMS) Limited

DBW Investments (MIMS) Limited is part of the Development Bank of Wales Group. The Development Bank of Wales provides financial support for Welsh businesses. This includes loans to start up, strengthen and grow and equity investments for established businesses. The Development Bank of Wales also invests in housing equity via the Help to Buy (Wales) scheme. Given its investment expertise, the Welsh Government appointed DBW Investments (MIMS) Limited to invest in the MIM portfolio on its behalf.

In considering each MIM investment, DBW Investments (MIMS) Limited reviews the due diligence prepared for the commercial lending consortium and co-investors and assesses the key considerations and acceptable level of risk of:

- Construction Risk (principally risk of delay and cost overrun).
- Operational Risk (principally the risk deductions to the agreed annual service charge due to any non-performance during the operational and maintenance phase).
- Lifecycle Risk (principally the requirements of a useful remaining life of 10 years following ‘handback’ of the asset).

Any shareholder return will be largely via interest paid on the shareholder loan rather than distributing retained Project Co profits. Once DBW Investments (MIMS) Ltd has repaid all of the loan capital, any additional returns will be shared between DBW Investments (MIMS) Ltd and Welsh Government.

As a shareholder, DBW Investments (MIMS) Limited has the right to appoint a director to the Project Co Board. DBW Investments (MIMS) Limited has exercised this right in relation to all Project Co Boards to date.

Under the terms of the Welsh Government loan agreement, DBW provide update reports to Welsh Government to report on project progress and to include an assessment of any factors that may impact the original forecasted timeline and financial return, together with an assessment of potential reputational risk.

4.4 Indexation

A proportion of the annual service payment for a MIM Project is indexed to reflect the fact that certain costs such as maintenance and lifecycle expenditure are exposed to inflation over the term of the contract. Different MIM schemes have different proportions of the ASP index-linked to reflect the relative amount of maintenance and lifecycle costs (compared to fixed costs such as construction) in the respective contracts. For the A465 Section 5&6, 16% of the ASP is index-linked. For Flintshire and RCT it is approximately 30%, and approximately 9% of the ASP is index-linked for the new Velindre Cancer Centre.

5. Current Status of each MIM Scheme

Each of the three MIM schemes are at different stages. The following summarises the current position of each MIM scheme.

5.1 Sections 5 and 6 of the A465 dualling

The overall completion date for sections 5 and 6 of the A465 is expected to be Summer 2025. Further details of progress can be found in Chapter 7.

5.2 Sustainable Communities for Learning Programme

All MIM Projects under the Sustainable Communities for Learning Programme are reviewed, managed and delivered by individual LAs and FEIs via the Welsh Education Partnership Company (“WEPCo”) which is a Joint Venture formed by DBW Investments Limited on behalf of the Welsh Government and Meridiam Investments II SAS.

There are currently two projects in Construction:

- Flintshire, Mynydd Isa Campus
- RCT, Primary Batch

Flintshire, Mynydd Campus

The project achieved Financial Close in November 2022 and is now under construction. The Project will deliver the construction of a new 3-16 Campus in Mynydd Isa. The contractor, Roberston Construction Group (RCG) is currently on target with the programme and in line with a practical completion of the works in November 2024.

RCT, Primary School Batch

The project achieved Financial Close in December 2022 and construction is now well underway. The contractor, Morgan Sindall Construction (MSC) is currently on programme to complete construction on the first MIM Primary School as part of this batch (Llanilltud Faerdref) in April 2024. Penygawsi Primary School works are also on programme for completion in July 2024 with Pontyclun Primary School works having incurred some delay being programmed to complete in Spring 2025.

Projects under development

WEPCo is currently developing a range of other projects with its partners via the programme.

These projects are in early stages of planning submissions and deliverables. Engagement is underway but no final plans or full business cases have been received for consideration by the Welsh Government.

5.3 New Velindre Cancer Centre

The project reached Financial Close on the 28 March 2024. The new Velindre Cancer Centre will deliver a vital world-class facility within which care and treatment for patients can be delivered today and for future generations as more people are diagnosed with cancer.

This marked a significant milestone for the NHS Trust and cancer care in Wales. Construction will start in late April 2024 at the site in Whitchurch, Cardiff, with the opening scheduled for 2027.

The new Velindre Cancer Centre represents a significant investment in healthcare infrastructure and reflects the Welsh Government's commitment to improving cancer care and advancing medical research in Wales and beyond. The award-winning design of the new cancer centre is both patient and staff-centred and aims to be one of the most sustainable hospitals in the UK. It will combine a state-of-the-art facility for treatment and research alongside an outdoor space that is calming, encourages improved biodiversity, and gives back to the environment and community.

6. Equity return data

This section provides context for the equity return data. DBW Investments (MIMS) Limited is the public sector investor in the current MIM portfolio.

6.1 Sections 5 and 6 of the A465 dualling

On 22 October 2020, DBW Investments (MIMS) Limited took a 15% shareholding in the project and on 28 October 2020 issued a shareholder loan. At the same time, the joint venture commercial equity partners invested their equity and made their shareholder loans. The full amount of these loans has been utilised to part fund the Construction Phase, and the construction project is now being funded through commercial bank facilities.

At this point, there is no evidence to suggest any variation from the originally projected returns, and therefore overall DBW Investments (MIMS) Limited investment is performing as expected.

6.2 MIM projects as part of the Sustainable Communities for Learning Programme

On 30 September 2020, DBW Investments (MIMS) Limited took a 20% shareholding in WEPCo (the strategic partner) and exercised its right to appoint a director. It also issued the first tranche of a working capital loan.

Alongside this, the joint venture equity partner invested based on its 80% shareholding.

DBW Investments (MIMS) Limited has experienced some delays in progressing projects to financial close compared to the original programme.

6.3 New Velindre Cancer Centre

On 28 March 2024, DBW Investments (MIMS) Ltd took a 15% shareholding in the project and issued a shareholder loan. At the same time, the joint venture commercial equity partners invested their equity and made their shareholder loans. Construction phase is due to commence in late April 2024

7. Project Data

This section provides an analysis of the non-financial data available. This data is reliant upon the MIM project being at least at design stage and therefore is only relevant to the A465 Section 5&6, RCT and Flintshire projects. The Velindre project commences design phase in April 2024 and therefore project data has not been included in this section.

As a condition of the award of contracts, the projects are contractually obliged to generate a targeted range of Community Benefits. There is a wide range of benefits targeted, including job creation, interaction with local schools and communities, local supply chain expenditure and local environmental and wellness initiatives (such as tree planting).

7.1 Sections 5 and 6 of the A465

Project Progress

The Welsh Government and Future Valleys Project Co Limited entered into a Project Agreement dated 28 October 2020 for the design, build, finance and maintenance of sections 5 and 6 of the A465 dualling (the A465 Project Agreement). The A465 Project Agreement requires Future Valleys Project Co to initially fund the design and build stage (the Construction Phase) and once complete maintain the asset.

The Construction Phase commenced on 28 October 2020 and is scheduled to complete in Summer 2025. The operational period is for a further 30 years. Financing facilities and amortisation profiles have been agreed to match this overall project timeline.

Timeline



The pictures below show just some of the significant progress that has been made on the A465 Section 5&6 project during 2023:



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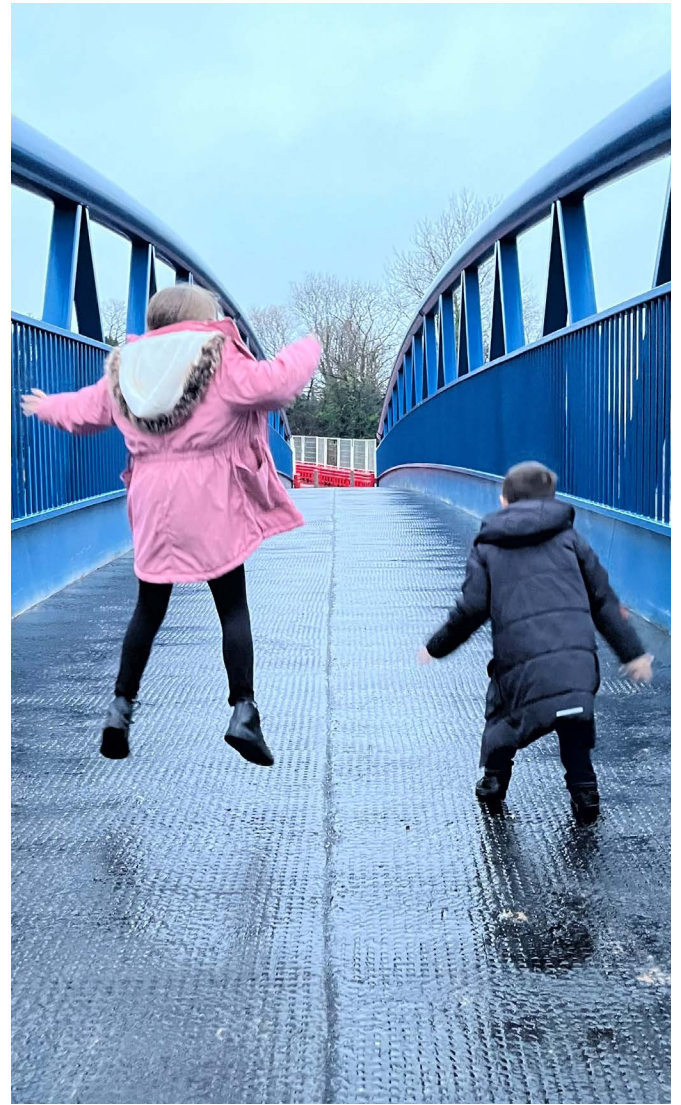
Pentwyn Cynon Bridge



Trewaun West Bridge



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Community Benefits

The A465 Project Agreement places Community Benefit key performance indicators ('KPIs') on Future Valleys Project Co Limited. These KPIs range from employment focus to community engagements. Table 7 below shows progress against these KPIs.

Table 8

Employment					
KPI	Profiled Target	Cumulative Achieved	% of Profiled Target Achieved	% of Total Target Achieved	Total Target
School Engagement (number of pupil Interactions)	10920	17898	164%	83%	21,550
School Engagement including but not limited to attendance at career fairs or interviews (hours engaged)	1024	993	97%	47%	2,100
Community Initiatives	43	59	137%	92%	64
Community Engagement	66	226	342%	266%	85

Community Benefits Key achievements include the following:

- Long Term Unemployed/NEET – The project have now achieved 2065 weeks of employment for LTU/NEETs over 66% of the overall project target. They are now within 2% of planned target and continue to remain on track with the monthly planned target. Should the staff and workforce in this category be retained at current levels the project company will continue to progress towards 100% achievement. The total of inducted individuals in this category is 57 since commencement.
- Disadvantaged workers – The project has exceeded the project target for disadvantaged workers (26,174 weeks achieved against 6,500 weeks target), with a total 627 new starts on the contract. Despite exceeding the target, the project company continue to promote opportunities to this group.
- Graduates – Having achieved 3,211 weeks of employment, the project company now exceeded the total project KPI target by 649 weeks.
- Apprentices – Project company have achieved 2,317 weeks of apprentice employment having utilised 100 apprentices on the project, 47 of which are from the Valleys region. They are now 14% under the planned target.
- Training – 3019 weeks of training have been delivered to date resulting in remaining ahead of target for training (116% of target), having achieved 85% of the total project target.
- STEM (Pupil Interactions) – Five STEM activities have taken place. The events delivered included: presentations and site visits for pupils from Tredgar Comprehensive Schools Idris Davies High School and St John the Baptist Sixth Form. Careers event and mock interview sessions. Having now delivered a total of 19,011 pupil engagement hours the project company remain ahead of planned target (151% of planned target & 88% of total project target).
- Community Initiatives – The project company achieved the overall project target and have closed the community initiatives programme to new applications. Over £100,000 has been invested.
- Community Engagements – 258 engagements have been delivered against the total project target of 85. We have therefore exceeded the total project target for community engagements.
- Environmental Project – The Forest Schools Project in Hirwaun Primary School is complete. This has been delivered within the grounds of Hirwaun Primary School and incorporates log seat teaching areas, new butterfly habitat, tree planting, a willow tunnel and a bug hotel. The project has been completed with support from our supply chain and staff volunteers.
- Tree Planting – The project company planted circa 2600 new trees within the grounds of Morlais Golf Club with the help of staff volunteers. Plans have been developed which will result in the planting of a further 12,000 trees during the 2023/2024 winter planting season. A total of circa 10,000 trees have also been planted to improve habitat within the dormice mitigation area. This has achieved 84% of the project KPI.
- Valleys supply chain – Gross spend on supply chain in the Valleys has exceeded £120m equating to 34% of the total spend. If maintained at this level this will exceed the KPI target of 30% local supply chain spend.
- Elite Paper Solutions – The project company continue to utilise Elite Paper Solutions for the storage, collection, and secure disposal of sensitive documents.

Non KPI Community Benefit Achievements

New jobs created – 1,433 new start employment placements have been provided on the project of which 875 are for people living within the Valleys region.

Diversity and Inclusion – 211 females have worked on the project to date. Key roles are being delivered on the project by female staff including HR, quality management, public liaison, site management, ecological management, commercial, material analysis, archaeology management, health and safety, and legal.

Local workforce – 99.7% of the time allocated to the project has been from people living in Wales with 59.2% of the total from the Valleys region (27,953 weeks).

Supply chain payment – The average supply chain payment time from application this period is only 21 days.

Long Term Unemployed/NEET – Although the project remains behind target (98% of target), the project company are continuing to work with local employment partners to identify new opportunities. If those currently working on the project can be retained, they will continue reduce this deficit as the planned monthly targets start to reduce.

Community Initiatives Programme

The A465 Community Initiatives Programme (A465 CIP) has now been fully operational for over two years. It uses an on-line application portal, where applications for support can be submitted by local groups. All applications are reviewed via a scoring matrix and determination of funding allocation is made by the project company Community Initiatives Review Panel.

The 26 initiatives supported this year have helped a diverse range of community groups and are shown in Table 9:

Table 9 – Community initiatives delivered in 2023.

No:	Title and details of Initiative	Beneficiary
1	Science Fair Gift Voucher Donation – for Science and Engineering Fair	Rhydywaun High School
2	Ground Improvements – safety improvements and equipment	Aberdare Football Club
3	Operation Regenerate Rhigos – materials and equipment to build an outdoor learning area allowing the school to develop and incorporate the new curriculum	Rhigos Primary School
4	MTDHS 50th anniversary Exhibition – funds requested to support exhibition equipment, history book contribution and refreshments	Merthyr Tydfil and District Historical Society
5	Child Bereavement Support service – supporting U18s who have lost a loved one and current services are unable to support in the time and way they need. The service also supports children through the pre-bereavement period. Funds will cover new outreach work that is being developed.	Hospice of the Valleys, The British Heart Foundation & The Brain Tumour Charity
6	254 Squadron (Aberdare) Marching Band – the funds would allow the cadets to set up a marching band, covering costs of instruments and ceremonial equipment.	254 (Aberdare) Air Cadets
7	Angling Participation Days – equipment to support the alliance to grow its membership and encourage young people to participate.	MT Angling Alliance
8	Christmas event – provision of a Christmas Tree	Vaynor Community Group
9	Wellbeing space – funding for improvements and equipment	Gelideg Foundation
10	Welsh Language Event – ‘Noson Lawen’ concert event for the secondary and primary schools of Merthyr Tydfil	MTCBC
11	Community restoration courses, bat detection evenings and litter picking	South East Wales River Trust

No:	Title and details of Initiative	Beneficiary
12	Cyfarthfa Cluster STEM project – resource funding	5 x Cyfathfa Primary Schools – Heolgerrig, Caedraw, Coed y Dderwyn, Cyfarthfa,
13	Bryn Bach Park Race – segregation Cones	Park Bryn Bach
14	Llwydcoed Band Music – funding for new equipment	Llwydcoed Band
15	Growing with Art – materials for photography and art workshops Aberdare	Cynon Artsy Lens
16	Merthyr Town Women walking football club -support tournament costs and promotion to attract new members	Merthyr Town women walking football club
17	Ready Steady Read & See – funding for new reading books and guest readers	H Factor Group Cyf.
18	Cynon Linc CCTV – funding to improve security of premises and reduce ongoing costs due to vandalism and theft	Age Connects Morgannwg – Aberdare
19	Hirwaun & Penderyn Garden Show – funding for promotional banners	Hirwaun & Penderyn Community Council
20	Oasis Pantry – new storage facilities in Hirwaun	Oasis Community Church
21	Tiroedd Gwyrddach – funding for outdoor learning shelter for Eco Committee members	Ysgol Gynradd Gymraeg Santes Tudful
22	Reach for the Stars – funds to set up a STEM programme linked to the dark skies /light pollution in the area.	Llwydcoed Primary School PTA
23	Outdoor learning spaces – funding for an outdoor learning area which would include a construction site replicating the work going on around the school.	Goetre Primary School

No:	Title and details of Initiative	Beneficiary
24	Penderyn Community Centre Eco Regeneration – funding for equipment that will reduce their running costs as well as their carbon footprint	Penderyn Community Centre
25	Park Run Equipment Trolley – provision of trolley to help volunteers move equipment along the course	Park Run Aberdare Park
26	Trophy and Signage – school environmental competition	Rhydywaun High School

Case Study

Activity Date: February 2023 – ongoing

Location: Rhigos Primary School

Activity: Operation Regenerate Rhigos

Pupils at Rhigos Primary School have set-up an Eco-Committee as part of Operation Regenerate Rhigos. The aim is to transform the school grounds to improve biodiversity, set-up an allotment, introduce new pathways and create outdoor quiet areas that can be used by members of the community.

With pupils of all ages being involved the project is helping the children to think about their environment and how they can play a positive role to improve it.

As part of the A465 Community Initiatives Programme, the team are able to support Operation Regenerate Rhigio. In addition to financial support, environmental consultants TACP have visited the school and have developed a plan to help the school bring Operation Regenerate Rhigos to life.

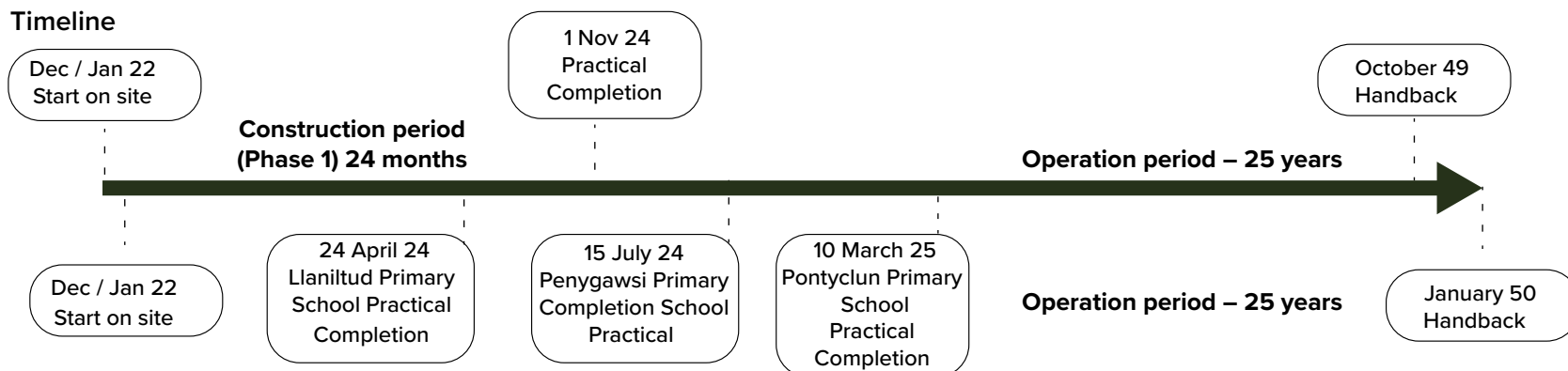
7.2 Sustainable Communities for Learning Programme

Project Progress

Flintshire County Council and Rhondda Cynon Taff County Borough Council each entered into a Project Agreement with separate MIM Project Cos on the 2nd November and 1st December 2022 respectively, for the design, build, finance and maintenance of new schools described below. Each Project Agreement requires Flintshire Schools Limited and RCT1 Limited to initially fund the design and build stage (the Construction Phase) and once complete maintain the asset.

The Construction Phase commenced shortly after financial close (Q4 2022) and 3 projects are scheduled to complete in 2024 with Pontyclun to follow in Q1 2025. The operational period is for a further 25 years. Financing facilities and amortisation profiles have been agreed to match this overall project timeline.

Flintshire (Mynydd Isa Campus)



RCT Primary Cluster

Flintshire Project progress

The contractor, Roberston Construction Group (RCG) is currently on target with the programme and in line with a practical completion of the works in November 2024.



Mynydd Isa – drone view

RCT Project progress

The schools are progressing well. The contractor, Morgan Sindall Construction (MSC) is currently on programme for the works' practical completion of the first MIM Primary School (Llanilltud Primary School) in April 2024. Penygawsi Primary School works are also on programme for a practical completion in September 2024. Pontyclun Primary School works, however, were delayed due to further asbestos found in the site's ground.

Llanilltud Primary School – work is progressing well, cladding works are completed to the natural ventilation shafts on the roofing system, with the windcatchers also installed. Internal walls have been installed and roof work is well underway.

Penygawsi Primary School – The final section of a reinforced concrete retaining wall is being formed to the southern section of the site. Roof and chimney construction is well underway with gutters and roof standing seam top sheets almost complete. The Chimneys are designed to provide a supply of fresh air directly into the classrooms below and also expel excess heat, therefore minimising the need for energy intensive air conditioning.

Pontyclun Primary School – Although there have been delays to the project work construction of reinforced concrete building foundations for the new school steel frame is nearly complete. Building is now progressing well.



Llanilltud Primary School – drone view

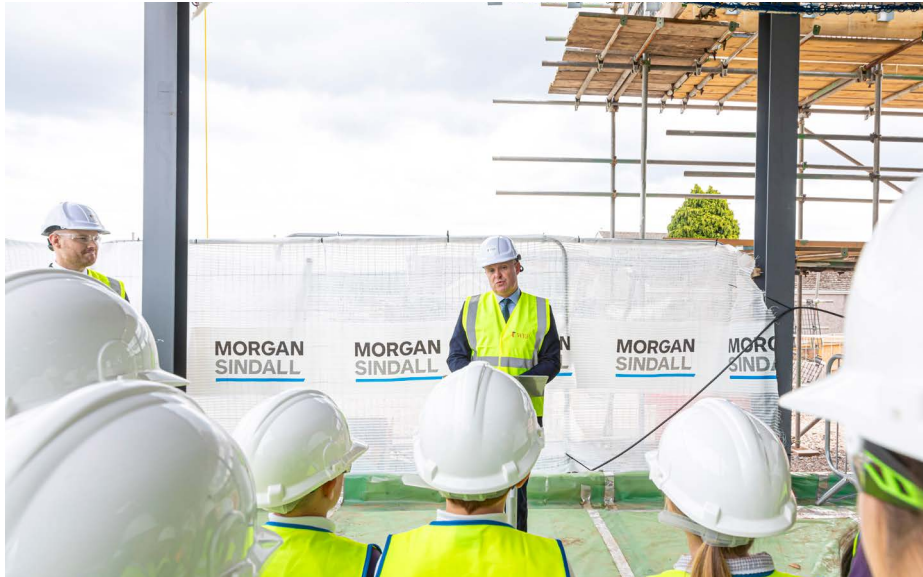


Penygawsi Primary School – drone view

Table 10

Mynydd Isa & RCT Primary Cluster Employment KPIs					
KPI	Profiled Target	Cumulative Achieved	% of Profiled Target Achieved	% Total Target Achieved	Total Target
Jobs Created for individuals not in education, employment or training/ long term unemployed (person weeks)	1000	1557	156%	76%	2060
Apprentices (person weeks)	310	427	138%	46%	924
Graduates (person weeks)	144	245	170%	60%	408
Training including work experience, placement and taster positions excluding apprentices and graduates (person weeks)	278	566	203%	72%	783

On Thursday 6th of July 2023, the Minister for Education and Welsh Language attended the beam steel signing ceremony at both Llanilltud and Penygawsi Projects (RCT Primary Batch). Minister Jeremy Miles demonstrated strong support to the RCT schools and to the future projects of the Welsh Education Partnership.



MfEWL attends Beam signing

7.3 Sustainable Communities for Learning Programme Community Benefits

- September 2021 SPB Board included a presentation of 30mn on Net Zero Carbon Strategy by professionals. During this presentation, innovative solutions were presented to reach NZC in operation for the first two projects
- Provided new and innovative reporting on the value for money offer the project company provide in comparison to a traditional capital scheme. This assists with the WG and Participants understanding of the risk sharing and value the scope currently demonstrates
- RCT's Primaries batch contractor (Morgan Sindall Construction) launched their own Knowledge Quad. The purpose of the facility will be to drive forward quality of construction and engagement with the end users of the schools.
- On Mynydd Isa Campus, VR Headsets were used to provide an immersive view of the finished school to project's stakeholders including local communities. The participants were able to appreciate the future internal spaces and had the opportunity to participate to educational games created to educate the pupils about the construction of the project.
- The WEP Academi website is now live with sessions currently being scheduled for the next 6 months. WEP Academi training requirements are included in tender documents and incorporated to D&B and FM contracts. This is a platform designed by WEP to deliver meaningful STEM engagement and other courses for all companies and individuals throughout Wales and beyond. As such it means a difference can be made further than the projects themselves and reach those that wish to learn about key topics such as net zero carbon design, joining a Tier 1 contractor supply chain, or delivering value through school construction.

In 2023 the whole WEPCo team continued its commitment to Ty Hafan by volunteering at a memorial garden in Barry. Ty Hafan is a charity which provide comfort, care, and support to children with life-shortening conditions and their families who live in Wales.



Annual Service Payments

A465 Sections 5&6

	2025/26	2026/27-2054/55	2055/56
Annual Service Payment (Revenue) real terms £m per annum excluding VAT	31.62	38.33	6.28

Flintshire

	2024/25	2025/26-2048/49	2049/50
Flintshire Schools Ltd – Annual Service Payment (Revenue) real terms £m per annum excluding VAT	2.87	6.96	4.09

RCT

	2024/25	2025/26-2048/49	2049/50
RCT 1 Ltd – Annual Service Payment (Revenue) real terms £m per annum excluding VAT	1.30	5.61	0.37

Velindre

	2027/28	2028/29-2050/51	2051/52
Annual Service Payment (Revenue) real terms £m per annum excluding VAT	33.03	33.57	32.10

N.B. As set out in section 4.5, a portion of the ASP for a MIM project is index linked.