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Wales Infrastructure Investment Plan

for Growth and Jobs



2015 Annual Report





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Wales Infrastructure Investment Plan

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Project Pipeline Update June 2015

(published separately)

1. Ministerial Foreword

Since its launch in 2012 the Wales Infrastructure Investment Plan (WIIP) has set a clear direction for capital investment in Wales that supports growth and jobs. In reporting progress it is evident that our approach is succeeding. Through our focus and commitment we have boosted levels of investment despite austerity and a recession and targeted this towards infrastructure that is helping to increase and sustain growth and jobs.

The financial challenges imposed on Wales by the UK Government over recent years have been unprecedented, with capital budgets reduced by over 30% in real terms since 2009-10. Reflecting this, our published budget plans for this period presented a daunting picture of declining departmental capital budgets, with all indications pointing to more cuts to come.

However we have not allowed this to constrain our ambition. To date £1.2 billion of funding, over and above core departmental budgets has been targeted specifically to projects which support our WIIP priorities and which provide real benefits to people across Wales. This has included schemes such as; the Social Housing Grant programme where funding of over £78 million has already been invested to support affordable housing in Wales; £75 million towards our 21st Century School Programme to deliver learning environments that will help to support better educational outcomes for our young people; over £153 million to improve Health infrastructure and in the region of £50 million for flood and coastal risk management programmes.

The WIIP highlighted our commitment to maximise the resources available to support infrastructure in Wales and to build on Welsh Government funds. To deliver this goal, we have implemented around half a billion pounds of innovative finance schemes, and I have announced a pipeline with a capital value of a further £1.9 billion, which will provide vital economic and social infrastructure across Wales. Existing innovative finance schemes have supported the provision of social and affordable housing, accelerated the delivery of the 21st Century Schools Programme, and provided much needed investment in our highways through the Housing Finance Grant and Local Government Borrowing Initiative.

My announcements last year made commitments to a pipeline of Non-profit Distributing (NPD) schemes, comprising development of specialist cancer care facilities that will enhance the work of Velindre NHS Trust, completing dualling of the A465 and delivery of new learning environments as part of a new wave of investment in the 21st Century Schools Programme. In addition, we are developing innovative finance schemes to address flood and coastal risk management, and to extend provision of social and affordable housing through the Housing Finance Grant. Moreover, we now have £500 million of borrowing capability which is contained within the Wales Act 2014, which I have committed to financing infrastructure delivery.

European funding has already supported projects across Wales and is helping to make a positive difference to communities. Discussions are also progressing in respect of how the European Social Fund and President Juncker's €300bn plus investment package (European Funding of Strategic Investments) might provide benefits for Wales.

Recent announcements made by the new UK Government indicate that the financial constraints look set to continue. It is now more imperative than ever to focus on steering resources towards meeting the priorities set out within the WIIP. Our commitment to growth and jobs remains steadfast and I will continue to explore opportunities to increase funding for Wales. As part of this, I shall be playing my part in exploring opportunities for a City Deal for Cardiff and will continue to press for investments in nationally significant projects such as the Swansea Bay Tidal Lagoon, the Anglesey Energy Island programme and the South Wales Metro.

The WIIP has now been in place for three years and the results of these investments are visible both in terms of economic and social benefits. I have seen a number of these benefits at first hand, including during my annual budget tour. My tour covers the length and breadth of Wales and as part of this I am privileged to meet with those working at the frontline of public service delivery – in local authorities, health, housing and the third sector. I also visit projects and service providers to meet apprentices and pupils, social housing residents and parents to listen to their views and to see the difference our investments make.

This annual report summarises the positive progress that has been made. Engagement with private and public sector delivery partners and stakeholders has been a vital element of the success of the WIIP. As part of our on-going work to develop the accessibility of information, for the first time I am also trialling the publication of the WIIP Project Pipeline on-line in an alternative format with a view to assessing the benefits by enabling the data to be interrogated in different ways that are most useful to our partners and stakeholders.

Over the past year I have engaged with broad spectrum of representatives from professional bodies and organisations and enjoyed an open and constructive dialogue. This collaboration is distinct to our approach to infrastructure investment in Wales and I look forward to building on these valued relationships during the coming year.



A handwritten signature in black ink that reads "Jane Hutt". The signature is fluid and cursive, written in a professional style.

Jane Hutt AM
Minister for Finance and
Government Business

2. Delivery of the Wales Infrastructure Investment Plan

2.1 Background

Reductions to our capital budgets over recent years have been stark. However against the backdrop of these severe cuts, the Welsh Government has remained committed to a policy of 'economic stimulus,' centred on boosting infrastructure investment.

This approach is more crucial than ever. Whilst we are emerging from the recession, we are still facing tough times. The outlook for public expenditure is challenging with further austerity over the next Spending Review period and we know that there is a need to continue to increase investment if we are to meet Wales' infrastructure needs.

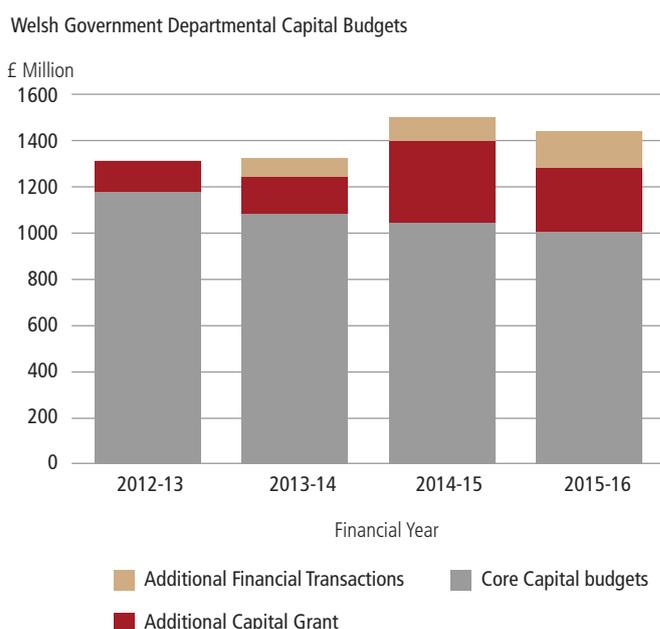
We have set out a strategy that has at its heart a focus on maximising the resources we have available and targeting these to those areas where they have the maximum impact. Our vision for high quality Welsh infrastructure is set out in the Wales Infrastructure Investment Plan (WIIP) which is the key vehicle to deliver our strategic capital investments. It informs investment decisions across both the public and private sectors and underpins our commitment to boost the resources available to Wales wherever possible.

We have achieved the aim set out within the WIIP to invest £3.5 billion over the first three years of the plan. Over the period 2012-13 to 2014-15 we have allocated a total of over £4 billion of Welsh Government funding towards capital investment with a further £1.44 billion planned for 2015-16.

Over recent years, an increasing proportion of the capital budget that the Welsh Government has received has been in the form of Financial Transaction capital. Financial Transaction capital supports lending and equity investment rather than traditional capital grants and has been used to invest in projects such as the Help to Buy Wales

scheme. This funding is ultimately repayable back to the UK Treasury. Therefore as well as ensuring that the optimum benefits are realised from our limited resources our decisions in relation to Financial Transactions are carefully considered to fully assess how this capital can stimulate the level of financial growth or efficiencies necessary to enable the primary capital investment to be recouped over time.

The graph below presents our capital budgets over recent years.



In tandem and to support this, we have focused our efforts on developing and delivering an ambitious forward looking infrastructure pipeline for Wales, working together with our partners in the public and private sectors to set out the significant investment opportunities available in Wales. Collaboration and communication has been at the forefront of this approach recognising that confidence in future investment represents a key driver in attracting vital private sector finance into Wales.

2.2 Progress against the Wales Infrastructure Investment Plan

Our Wales Infrastructure Investment Plan (WIIP) sets out our vision for the infrastructure investment and a set of strategic priorities to support delivery. These priorities are;

- Improving transport networks;
- 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; and
- Developing our Enterprise Zones.

We have structured our investments and delivery around these priorities and Section 3 of this report highlights a number of key sectorial achievements and also provides case studies which demonstrate the progress that has been made.

Our strategy for successful delivery of the WIIP identified 4 goals. We have made significant progress in implementing these:

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.

We have adopted an approach for the appraisal and prioritisation of schemes for capital allocations which is outcome-driven and evidence-based with clear prioritisation and that promotes the best use of available resources.

Focused around the WIIP priorities this approach has been further strengthened by the application of the 5 case business model to the preparation of business cases meaning that proposals are evaluated to determine their strategic fit, economic benefits and value for money, commercial attributes, affordability and deliverability.

2 Increase the resources invested in prioritised strategic infrastructure over the next ten years beyond expected budgeted levels.

To date we have allocated **£1.2 billion of additional** Welsh Government capital funds to support key projects which deliver against WIIP priorities. This additional funding adds to mainstream departmental capital budgets and has included;

- Over £300 million to improve transport networks;
- £20 million to improve telecommunications networks;
- £80 million to support the development of the energy industry in Wales;
- Over £350 million invested in housing and regeneration;
- Over £170 million to help deliver more efficient and economical public services, the majority of which has been directed towards Health Services;
- Over £120 million to improving the quality of the educational estate; and
- Over £66 million to develop our Enterprise Zones and Economic Development;

The WIIP also confirms our commitment to develop a pipeline of innovative financial solutions to deliver public sector infrastructure in Wales. Significant progress has been made, with ongoing and planned investment amounting to around **£2.4 billion** to support the strategic investment priorities set out in the WIIP.

Operational schemes comprise;

- Around £125 million of investment via the Housing Finance Grant, supporting the delivery of around 1,000 affordable homes.
- Around £340 million of investment via the Local Government Borrowing Initiative, enabling:
 - around £170 million of investment in highways; and
 - the injection of around £170 million of investment into the 21st Century Schools Programme to ensure that it is delivered by 2018-19, two years sooner than planned. This new scheme is being complemented with an additional capital injection of £30 million in 2015-16.

Schemes at the planning stage to which the Government has committed comprise:

- a £1 billion pipeline to be delivered through the Non-Profit Distributing model, including;
 - £500 million of investment to build priority schools at the forefront of the next phase of the 21st Century Schools programme from 2019,
 - New investment to complete dualling of the A465, and
 - Funding to deliver a specialist cancer care facility, enhancing the exemplary work done by the Velindre NHS Trust.
- a £250 million extension of the Housing Finance Grant – which is expected to deliver a further 2,000 housing units and create around 5,000 jobs in the construction sector. The new scheme is due to be operational from 2017-18;
- a £150 million Flood and Coastal Risk Management Programme, which should be operational from 2018; and
- Access £500 million of direct borrowing, of which the Welsh Government has already announced its intention to use up to £400 million to support the M4 Corridor around Newport.

3

Reduce the costs of maintaining and delivering infrastructure and maximising the value for money provided by our investments.

We have standardised our approach 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.

To achieve this we have:

- Established a Better Business Cases (BBC) Network for business case practitioners in the Welsh public sector. The network offers a forum for business case practitioners to convene regularly, share best practice, provide intra and cross sectorial support and develop expertise. Network membership has grown to include members from organisations across the UK.

The core group of Welsh members includes representatives from Local Health Boards, Local Authorities, Welsh Government and Welsh European Funding Office.

- Provided greater assurance and control through a risk assessment process which is applied to all Welsh Government WIIP pipeline programmes and projects by an Integrated Assurance Hub. The Hub ensures there is independent assurance of major projects through the provision of assurance products such as Office of Government Commerce (OGC) Gateway reviews. The OGC Gateway process assesses the project at key stages in its lifecycle against a number of factors including the capacity to deliver on time, within cost and quality and to realise the project's stated benefits.
- Driven the integration of community benefits policy into the WIIP to ensure procurement of these investment projects supports delivery of maximum employment and training opportunities in Wales. The community benefits approach is achieving positive outcomes across the Welsh public sector. As at June 2015, 78 projects worth £674 million have been completed using the community benefits policy approach. These projects have seen 84% of the total contract value re-invested in Wales. This includes £164 million directly on salaries to Welsh residents and £395 million with Wales-based businesses – 74% of which were Welsh SMEs. In addition over 800 people were helped into employment or training, with 22,775 weeks of training provided.
- Continued to develop our approach to asset management and increase the quantity and quality of the information about public sector assets held on the e-PIMS database which includes mapping upgrades. The scale of property information held has expanded significantly from 11,500 in March 2012 to 22,800 in April 2015 and has been developed over the last 12 months to include Social Registered Landlords as a sector and holdings from the Presbyterian Church of Wales. In January 2015 the 'Space Cymru' portal was launched, which is a publicly accessible database designed to highlight the availability of public sector land and property assets within Wales.

4

Establish and maintain a new monitoring system of major strategic infrastructure expenditure in Wales, improving control and public visibility.

Since the launch of the WIIP in 2012 there have been regular project pipeline updates published, with the latest presented as an Annex to this report. The project pipeline provides an on-going picture of planned infrastructure investment in Wales to support private and public sector investment decision making, facilitate strategic planning and promote collaboration. Importantly it also provides visibility to stakeholders.

We have looked to improve the pipeline at each update. Over the past three years, in collaboration with both public and private sector partners, the project pipeline has been strengthened and extended to include details of infrastructure investment across Welsh Government and Local Authorities and the non devolved areas of energy and rail. Most recently we have seen the addition of water infrastructure investment reflecting our commitment to extend the range of information that is available to support future planning. This year we have focused on improving accessibility of the information. The WIIP Project Pipeline will now for the first time be available on-line in a more accessible format with a view to assessing the benefits that can be achieved in partnership with our stakeholders. Engagement with our partners and stakeholders has been a vital component of the progress that has been made. The Minister for Finance and Government Business has maintained a strong dialogue across partners with engagement and collaboration at the heart of the approach to delivery of the WIIP.

2.3 Looking forward

2015-16

Building on this positive progress, the 2015-16 Welsh Government budget provided an extra £90 million to enable:

- Further additional capital funding of £10 million for Next Generation Broadband for Wales.
- A £3 million boost to investment in our Enterprise Zones.

- Investments of £40 million in key transport routes, including £10 million for strategic transport investment in North Wales.
- £32 million to extend our commitment to housing initiatives.
- £5 million to support Wales' renewable energy, resource efficiency and energy efficiency sectors through our new innovative Green Growth Fund.

The Well-being of Future Generations (Wales) Act 2015

In making our investment decisions, we will also have regard to the new Well-being of Future Generations (Wales) Act 2015 which comes into force in April 2016. The Act ensures that our actions to meet the needs of today do not compromise the needs of future generations, using a set of long-term well-being goals for the whole public sector in Wales, aimed at creating a healthier, wealthier and more sustainable country. As we develop our plans we must consider the 7 goals of a prosperous Wales, a resilient Wales, a healthier Wales, a more equal Wales, a Wales of cohesive communities, a Wales of vibrant culture and thriving Welsh language and a globally responsible Wales. To achieve the **'Wales We Want'** we must all think about the long-term implications and benefits that can result from our strategic planning, investment and delivery. We must consider how our investment now can reduce costs in the future through a preventative spend focus. We must also consider how we can do more to integrate our services, how we can work more collaboratively and how we can appropriately involve those who provide and use our services.

Beyond 2015-2016

The actions taken since the publication of the WIIP provide a firm foundation as we move into the next Spending Review period where we know that the financial challenges will require tough decisions. It will be more important than ever to maintain a strategic approach to infrastructure investment and, with our partners, take advantage of the agility and flexibility we have within Wales to create the investment opportunities that will continue to support growth and jobs.

2.4 Summary

Since its publication in 2012 the WIIP has set the direction of our Infrastructure Investment in Wales. In driving through the delivery of the WIIP we have:

- **Strengthened our approach to the appraisal and prioritisation of resource allocation** – decisions are outcome-driven and evidence-based with clear prioritisation, promoting the best use of available resources.
- **Targeted £1.2 billion of additional** Welsh Government capital funds to support our core investment priorities.
- **Developed innovative finance solutions** which are planned to boost levels of investment by £2.4 billion.
- **Standardised our approach to business assurance** and scheme delivery across the Welsh Government and wider public sector.
- **Driven through our community benefits policy** to maximise employment and training opportunities across Wales and
- **Developed and regularly publish project pipeline updates** – providing an on-going picture of infrastructure investment across Wales.

Despite significant financial constraints a number of successful major capital projects have been delivered during this period of austerity. The following section of this report highlights, by sector, some of the key achievements delivered. Importantly this demonstrates how our investments are bringing benefits across the whole of Wales.

3. Delivering outcomes for Wales

Our overarching Child Poverty Strategy and Tackling Poverty Action Plan set out clearly the changes we aim to achieve, joining up actions across Government and working with partners at all levels. Central to our strategic approach to tackling poverty is to double the number of children and families, benefiting from Flying Start, from 18,000 to 36,000 by 2016, £19 million of additional capital funding has been provided to boost this important programme which has supported schemes such as the Flying Start Centre at Bryn Deva Primary School.

Case Study – Flying Start

The development of a Flying Start Centre within the grounds of Bryn Deva Primary School has been Flintshire's most ambitious project. Funding of £825,000 was awarded to enable the Local Authority to develop a Centre which would provide childcare places as well as a work space for the Flying Start multi agency team and a venue for group work such as parenting programmes and early language development.

The new Centre has recently been completed and the childcare facility is registered for 24 children, enabling 48 children a day to benefit from the part time high quality provision. There is also a crèche on site which makes it easier for parents to take advantage of the many services on offer to them. Working in partnership with Bryn Deva School and the Jigsaw Playgroup, the new childcare provision has ensured that requests for childcare places can now be fully met.

As well as providing an accessible focal point for parents and a work base for the Flying Start locality staff team, the team have been able to expand the delivery of Flying Start services. Baby massage courses, Early Language Development and Parenting Programmes, for example, are delivered to parents who are able to bring their children with them to be cared for by qualified staff, in the onsite crèche.



Sectorial Highlights

A sectorial approach has enabled us to maintain a focus on the targeted outcomes which enable growth and jobs whilst also doing all in our power to cushion the impact of the UK Government's austerity plans on the people and public services of Wales. In line with the goals set out in the WIIP we have sought to **maximise resources** from investment and to **maximise the impact** of our investment.



3.1 Economic Development

Maximising resources for investment

Since the publication of Wales Infrastructure Investment Plan (WIIP) we have targeted investment of £170 million through our core Departmental budget to support our economic priorities of improving telecommunications networks and developing our Enterprise Zones, as well as providing wider support to business and economic growth activity.

To ensure we achieve the highest possible impact with the totality of funding available in Wales, we have worked hard to strengthen our partnership working, to align shared goals and encourage new investment. Securing additional private funding for Welsh public infrastructure investment has been central to this approach. We have also invested £66 million from additional capital allocations since the WIIP was launched to boost funding for our economic priorities. We are also making significant progress in the development of proposals for a new EU funded scheme to support delivery of infrastructure to a range of strategic employment sites, and for the provision of business premises.

Maximising the impact of investment

Through the mechanisms to attract private investment into public infrastructure, we have developed a number of new, innovative schemes. Examples of this include:

- establishing the first UK JEREMIE fund, with a capital value of £150 million, which included £75 million of European Investment Bank funding;

- delivering the £425 million **Next Generation Broadband Wales** scheme (Superfast Cymru) in partnership with BT; and
- establishing the £40 million SME Investment Fund, a joint enterprise with Barclays helping to create or safeguard up to 4,000 jobs.

Other key achievements that have been made over this last year include:

- promotion of the development of modern, high quality "Grade A" offices, such as, **Building No.1 at Capital Quarter**. Following its acquisition in March 2014, over 60 per cent of the floor space of the 80,000 square feet has been let;
- the private development of **Building No.2 Capital Quarter** by J R Smart, supported by a Property Development Grant of over £1 million from the Welsh Government to provide 84,000 square feet of Grade A office space has started and is planned to be completed by the end of 2015;
- completion of the new £2.5 million "state of the art" **Smart pedestrian bridge** which connects the Capital Quarter development scheme and the surrounding businesses with the city centre;
- completion of the sheet piling stage of the works along the existing **flood defences to the river Dee** at Deeside and commencement of planning for the road infrastructure on the Northern Gateway site, which is a major contributor to the aims of business growth in the Deeside Enterprise Zone. The £2.2 million works, funded by the Welsh Government, will allow development on the Northern Gateway site to take place, as well as enhancing flood protection for business and homes in a wider area; and



- completion of a £1 million project at **Rhyd Y Blew** in the Ebbw Vale Enterprise Zone which has provided a new access road in to the site

and the provision of electricity, gas, water and telecommunications to the entrance.

Case Study – The Haven Waterway Enterprise Zone

The Haven Waterway Enterprise Zone aims to promote growth within the renewable and traditional energy sectors as well as creating benefits for the wider regional economy. Key achievements in the last year include:

- Following the strategic acquisition of the site by the Welsh Government, the Waterston site was marketed with 5 bids received. A successful sale will result in significant additional capital investment at this key site.
- The Zone boundaries have been extended to allow more local businesses to benefit from Enterprise Zone status and increase the potential to attract more investment. The revised Zone boundary can be viewed at www.business.wales.gov.uk/enterprisezones.
- The A477 improvements costing nearly £68 million were completed in April, significantly improving road access to and from the Zone, with positive benefits for the local population and business.
- In August 2014 the DeltaStream Tidal Stream Turbine was unveiled which is the first full-scale tidal energy generator in Wales. It has been agreed to sell the electricity generated to EDF for a twelve month period. The wave demonstration zone off South Pembrokeshire will for the first time enable locally-based organisations to manage and sub-let parts of the seabed to a range of wave and tidal stream developers.
- Genpower has secured a £1.5 million finance package to create 35 jobs and support the acquisition of its 110,000 sq ft headquarters in the Haven Waterway Enterprise Zone.
- Consort Equipment Products is investing £1 million at its headquarters in Milford Haven.
- As a result of the investment in the Superfast Cymru programme, 31,372 premises can now order 'Superfast' broadband in Pembrokeshire. Work continues to focus on the Haven Waterway Enterprise Zone, as a major economic priority.





3.2 Transport

Maximising resources for investment

Since the publication of the Wales Infrastructure Investment Plan we have invested £768 million through our core Departmental budget in line with the National Transport Plan which has brought forward investment to make the transport system in Wales work better to help tackle poverty, increase well-being and assist economic growth.

We have also boosted the resources available to take forward road infrastructure with around £170 million of investment in highways improvements through the Local Government Borrowing Initiative. As part of our suite of innovative financing schemes we are also progressing a Non-profit Distributing (NPD) scheme to complete dualling of the A465 Heads of the Valleys. We are also committed to using up to £400 million of our new borrowing powers to fund improved access to Wales, through the M4 corridor around Newport. Working with the UK Government, we have also reached agreement on the electrification of the South Wales Valley lines and on the South Wales mainline to Swansea.

Maximising impact of investment

Using the investment available, we have concentrated our resources where we can add most value and have the best impact. We have delivered a number of major improvement projects to the strategic road network, including completion of:

- the A477 St Clears Red Roses scheme;
- section of A465 Heads of the Valleys;

- the Port Talbot Peripheral Distributor road;
- the A470 Gelligemlyn improvement scheme; and
- the A487 Glan Dyfi improvement scheme.

We are also continuing to develop the South Wales Metro and several phase 1 projects have been delivered which will assist in providing the infrastructure for future phases whilst delivering immediate improvements in the public transport network.

In addition to our road infrastructure programme, we have also completed significant railway station improvements under the National Station Improvement Programme, such as the new developments at Pye Corner and Ebbw Vale.

Other achievements over the last year include:-

- Public consultation carried out on the **Wales National Transport Plan 2015**. A final plan will be published following the consideration of the responses received and will sit under the Wales Transport Strategy and confirm the priorities for future investment in transport in Wales. The plan will focus on a delivery schedule which will specify the interventions that will be progressed over the next 5 years to 2020 and beyond.
- Work progressed on a number of other specific road schemes including the A465 sections 3 and 2, the A487 Caernarfon to Bontnewydd, improvements at M4 Junction 28 and the Eastern Bay Link Road in Cardiff.



Case Study – Ebbw Valley Railway

The Ebbw Valley railway re-opened for rail passenger services in 2008 following the completion of the £30 million project to bring the line back for passenger use. The hourly Ebbw Vale Parkway to Cardiff Central service has proved to be popular with passenger numbers in excess of original forecasts. The strong passenger demand has resulted in the Welsh Government providing funding for the following enhancements:

- Pye Corner Station, Newport – Opened to passenger services in December 2014, Pye Corner Station received £1.4 million of Welsh Government funding in addition to £2.15 million from the Department for Transport’s New Stations Fund. Pye Corner was the first new station opened as part of this fund and the only one in the UK that met the Department for Transport’s original funding milestones. This was achieved through an innovative procurement and project management strategy directly led by the Welsh Government that enabled the construction of the station to be completed quicker when compared to standard rail industry processes.
- Ebbw Vale Town Station and associated line extension – opened to passenger services in May 2015, Ebbw Vale Town Station and line extension are the result of an £11.5 million investment by the Welsh Government. This scheme was delivered to an accelerated timescale with the new line and station constructed within a four month period. This was made possible through close partnership working between the Welsh Government, Network Rail, Arriva Trains Wales and Blaenau Gwent Council.
- Ebbw Valley Line Frequency Enhancements – this is an on-going £35 million scheme to increase the capacity of the Ebbw Valley Line to enable additional and faster services to operate. Once complete, some 7 miles of the line will be double tracked between Aberbeeg and Cross Keys which will enable a half hourly frequency from Ebbw Vale Town, with the potential for further additional services to serve Newport as well as Cardiff.





3.3 Environment

Flood and Coastal Erosion Risk Management

Maximising resources for investment

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. Since the publication of the Wales Infrastructure Investment Plan we have invested nearly £44 million through our core Departmental budget on flood and coastal erosion risk management activity.

We have also boosted the resources available to take forward our programme for flood and coastal defence improvements across Wales with over £50 million of European funding secured over this Assembly term. We have also allocated in the region of £50 million of additional capital and we are developing a £150 million innovative finance scheme to address flood and coastal risk management. The innovative finance programme will complement the existing Flood and Coastal Risk programme from 2018-21, helping coastal adaptation, regeneration and improvement schemes, as identified by coastal local authorities.

Maximising the impact of investment

Using the investment available, we have concentrated our resources where we can add most value and have the best impact. We continue to work towards reducing flood and coastal risk to homes and businesses through the successful development and delivery of schemes such as the Borth and Corwen Flood alleviation schemes and the Colwyn Bay

Coastal restoration scheme. Through all of the flood schemes supported, over 3,500 properties in Wales are benefitting from increased protection against the risk of flooding, along with transport and other infrastructure. Other benefits include jobs created during the construction phase, jobs protected in existing businesses, habitat creation and links to tourism, regeneration and recreation.

Over the last year our main achievements have included:

- Completion of all phases of the **Borth Flood alleviation scheme, the Penclawdd NRW Flood alleviation scheme and all emergency repairs** to coastal defences which suffered damage in the 2014 winter storms.
- Significant progress in the **Dolgellau, Pondardulais, Roath & Rhymney and Crindau Natural Resources Wales flood alleviation schemes.**
- The **Natural Resource Wales Coastal Delivery Plan** has been published with recommendations on how we will continue to build coastal resilience to flooding and climate change.

Waste

Maximising resources for investment

Since the publication of the Wales Infrastructure Investment Plan we have invested £28.8 million through our core Departmental budget in work to improve the environment for waste management and prevention.



We are also boosting the resources available to help address the affordability of sustainable waste infrastructure in Wales through the unique £750 million innovative Waste Infrastructure Procurement Programme (WIPP). This innovative programme, which is delivered through Public Private Partnerships, was established in 2008 to implement the national strategy, Towards Zero Waste. Moving forward, we will also be exploring the feasibility of using other innovative funding, including EU funding.

Maximising the impact of investment

Since the launch of the WIPP, six contracts have been awarded for food and residual waste projects with four currently in operation. Three anaerobic digestion (AD) facilities have been built to treat municipal food waste in Wales and Prosiect Gwyrdd (a partnership of five authorities in South East Wales) awarded a 25-year contract to Viridor for residual waste treatment at the £230 million Trident Park Energy Waste plant in Cardiff.

Over the last year, our main achievements have included:

- The **Waen AD facility** in North East Wales was officially opened in November and is operating successfully. This public/private partnership has generated £7.5 million of capital investment to which the Welsh Government will also be making a revenue contribution of over £109,000 per annum for 15 years;
- Completion of the **Bryn Pica AD facility** in South East Wales, with full services for food waste treatment due to start in July. This public/private partnership has generated £8 million of capital investment to which the Welsh Government will also be making a revenue contribution of over £123,000 per annum for 13 years.

Case Study – Tomorrow's Valley ('Cwm Yfory') Food Waste Project

The Welsh Government's support for this £8 million project helps address the affordability of sustainable waste infrastructure in Wales, and assists Local Authorities in delivering sufficient treatment capacity to meet EU landfill diversion and statutory national recycling targets. The Tomorrow's Valley Project is a partnership between Rhondda Cynon Taf, Merthyr Tydfil, the Welsh Government and the operator Biogen. The Project has enabled the construction and commissioning of Wales' third anaerobic digestion facility, within the Welsh Government's Waste Infrastructure Procurement Programme, to treat 22,500 tonnes per annum of municipal food waste at Bryn Pica near Aberdare. This investment has directly created over 40 jobs and is estimated to generate savings in the region of £10 million over 15 years.



3.4 Energy

Tackling Fuel Poverty

Maximising resources for investment

Since the launch of the Wales Infrastructure Investment Plan (WIIP) we have invested just over £74 million from our core Departmental budget and allocated £80 million of additional capital to our Energy Efficiency Programme. The Programme has been developed to improve the energy efficiency of the homes of households on low incomes or in the most deprived areas of Wales, help tackle fuel poverty, reduce carbon emissions and deliver jobs and growth. We have used our funding to also lever in external private sector investment through the Energy Company Obligation (ECO) to operate alongside the ARBED 2 programme and expand the Nest scheme enabling even more investment to improve energy efficiency in Welsh homes.

Maximising the impact of investment

With the total funding available we have successfully improved over 20,000 homes, creating over 540 new jobs, apprenticeships and work experience opportunities and delivering over 60,000 hours of training to new and existing employers. We have also been able to provide advice and support on how to reduce energy bills to over 59,000 households and the improvements we have made have been estimated to deliver energy bill savings averaging over £470 per household per year.

Over the last year our main achievements include:

- The fourth year of the **Nest** scheme completed which has delivered modelled reductions in total lifetime carbon emissions of over 660,000 tCO₂;
- The third year of the **Arbed 2** programme completed which has achieved up to the maximum of £2 return back into the Welsh economy for every £1 invested, as measured using the Value Wales toolkit;
- Over 90 new jobs, apprenticeships and work experience opportunities created; and
- Over 20,000 hours of training delivered to new and existing employees.

Energy Generation

Maximising resources for investment

Since the launch of the WIIP we have also invested over £1 million of Departmental core capital funds in renewable energy projects in Wales and provided revenue funding that together has developed a pipeline of projects across a number of sectors. These projects are now moving into the construction phase and we expect to see significant investment over the next five years. We have also boosted resources available by allocating additional Financial Transactions funding of £5 million in 2015-16 to support Wales' renewable energy sector through our new innovative Green Growth Fund.



Maximising the impact of investment

As a result of the partnership approach we have adopted to maximise the level of investment available, we have successfully progressed with the use of both public and private sector funding since June 2014. The Ynni'r Fro programme has provided significant support to 57 community led renewable energy schemes through the development stages that are complex and difficult for non-professional developers. Some examples of the projects that have received support are the Ynni Anafon Energy, Penllgare Trust and Dyffryn Crawnon Green Energy hydro schemes. Eleven of the projects are now on

course to be constructed and generating a combined installed capacity of 5.5MW by the end of 2015.

Over the last year, we have also:

- seen over 100MW of private sector led investment in distributed scale energy schemes (up to 50MW);
- launched the Resource Efficient Wales service in October 2014, which is a Welsh Government service integrating previously separate provision, and delivers independent advice and support for people and organisations to invest in improvements that save on energy, water and waste.

Case Study – Ynni'r Fro programme – Ynni Anafon Energy Hydropower Scheme

The Ynni'r Fro Programme provides funding and advice to community groups and social enterprises to develop renewable energy schemes. It is anticipated to generate £12 million of private sector investment and has supported 57 projects. One of these projects is the Ynni Anafon Energy Hydropower Scheme, which has also received funding from the European Regional Development Fund and is expected to be generating power by the end of 2015.

This Hydro Scheme, costing approximately £1.5 million, was developed by the Abergwyngregyn Regeneration Company, which was established in 2002 to help produce an income to regenerate the local area of Abergwyngregyn in Gwynedd.

The scheme, located in the Anafan Valley above Abergwyngregyn, is expected to generate about 957 MWh of electricity a year. This is enough to supply about 230 households; and this will offset more than 19,000 tonnes of CO₂ emissions over the first 40 years of its life.

The scheme is anticipated to generate a community benefit fund of at least £30,000 per year for the first 15 years of operation. After this time all debt finance will have been repaid and the community benefit fund will increase significantly for 5 years until the Feed Tariff ends. This income will support energy efficiency and infrastructure and social initiatives in and around the community of Abergwyngregyn.



3.5 Housing

Maximising resources for investment

Since the publication of the Wales Infrastructure Investment Plan (WIIP) we have allocated £842 million through our core Departmental budget in line with our priority of increasing the supply and choice of housing in Wales and helping to support our communities and tackle poverty through our programmes for social and market housing.

We have also maximised every opportunity to boost the resources available through innovative mechanisms, such as the Housing Finance Grant and the Welsh Housing Partnership. We have also made allocations in addition to the core budget totalling £340 million since the WIIP was launched, to a range of projects to help improve the housing supply and boost the economy, including the £174 million flagship Help to Buy – Wales scheme.

Maximising the impact of investment

We have maximised the impact of the investment available, delivering a number of new and innovative projects, including investments of:

- over £250 million to develop **affordable and social housing** to deliver our target of 10,000 additional affordable homes in Wales by the end of this Assembly term;
 - over £320 million to bring the existing stock of social and affordable housing in Wales up to Welsh Housing Quality Standards. **Over 70% of social housing now meets Welsh Housing Quality Standards** and we are making excellent progress towards ensuring all social housing is of this standard by 2020;
- £15 million for the **Affordable Housing Land** scheme in conjunction with our Registered Social Landlord delivery partners. This scheme is exploring new and innovative ways of using finance to develop affordable housing schemes to help meet the shortage of affordable housing across Wales;
 - £30 million over 4 years in our **Houses into Homes** scheme, to help bring the 24,000 empty homes in Wales back into use; and
 - £15 million invested in the **Intermediate Care Fund** in 2014-15 to explore new and innovative ways of integrating health and social care in Wales.



Case Study – Social Housing Grant

Red Bank, Welshpool, Powys

This £6 million investment to build 45 new homes was made possible as a result of funding available through the Welsh Government Social Housing Grant (SHG). The SHG provides funding to Local Authorities for affordable housing. This investment not only increases housing supply, but has provided a continuing stimulus to the economy by supporting the construction industry and supply chain, with schemes providing jobs and apprenticeships for the local area, together with a variety of community benefits.

The land at Burgess Road, formally known as Red Bank was purchased from the Town Council who were acting as Trustee for the Burgess Land Trust. This scheme was developed by Mid Wales Housing Association in partnership with S J Roberts Construction and Powys County Council. Work started on site in February 2012 and was completed in July 2014. The scheme consists of 45 units, 22 of which were funded via SHG for social rent. The remaining 23 homes were privately financed through Mid Wales Housing Association. The Welsh Government provided SHG funding of £1.7 million towards a cost of £2.9 million with the balance being funded by private finance for the 22 affordable homes (social rent).





3.6 Regeneration

Maximising resources for investment

Our investment in regeneration encompasses not only the £251 million in specific regeneration programmes, such as Vibrant and Viable Places and the seven Strategic Regeneration Areas we have allocated since the Wales Infrastructure Investment Plan was published, but also forms part of wider cross sectorial infrastructure programmes, such as flood and coastal defences.

We have boosted the resources available through leveraging in EU Structural funding, providing the catalyst to deliver improved outcomes for communities, tackling poverty and promoting jobs and growth. So far, we have been able to access over £36 million of European funding to match the Welsh Government's investment, which is being used to carry out regeneration work across Wales, making numerous communities and towns better places to live, work and invest.

Maximising the impact of investment

Since the last annual report our main achievements include:

- completion of the first full year of our new £100 million regeneration strategy for Wales, **Vibrant and Viable Places**. Over the three years of the programme, Vibrant and Viable Places will support over 3,000 people into work and deliver over 3,000 affordable and market homes. This investment will provide a much needed boost to our town and coastal communities;

- completion of the final year of our investment of over £250 million in **Seven Strategic Regeneration Areas** across Wales. This programme has significantly contributed to the Welsh Government's aims of growth and jobs, tackling poverty and revitalising our town and community centres; and
- the launch of our £10 million **Town Centre Loan Fund**. This fund will use innovative finance methods to revitalise key buildings in our town and community centres and make a further significant contribution to our economy and tackling poverty agendas.



Case Study – Foryd Harbour, Rhyl

The Foryd Harbour in Rhyl is a £10.5 million regeneration project and lies on the estuary of the Afon Clwyd at the western gateway into Rhyl on the North Wales Coast. The harbour area straddles the administrative boundaries of Conwy and Denbighshire and the project is viewed as a catalyst for the regeneration of Rhyl, through the high quality redevelopment of the maritime quarter.

The newly renamed Pont y Ddraig is an iconic pedestrian and cycle bridge that spans the Clwyd Estuary linking the communities of Rhyl and Kinmel Bay and provides the final link in 15 miles of traffic-free cycling across Denbighshire and Conwy.

The Pont y Ddraig project has been funded by Denbighshire County Council, Sustrans – through a Big Lottery Fund grant – the Welsh Government, including the European Regional Development Fund and RWE npower renewables' Gwynt y Môr Offshore Wind Farm Tourism Fund.

The major development of the harbour also includes the provision of a new and extended quay wall with pontoon facilities to create a safe haven for boats, a public square and quayside building to create a hub for the harbour, the surrounding dunes and beach areas. The quayside building houses a Harbourmaster's office, as well as two units for lease – a café/restaurant, and a bicycle hire shop both run by Co-Options, a local Social Enterprise which provides opportunities for people with learning difficulties.





3.7 Education

Maximising resources for investment

Improving the quality of our educational estate across Wales has involved a significant programme of work to deliver learning environments for children and young people in Wales that will enable the successful implementation of strategies for school improvement and better educational outcomes. Since we published the Wales Infrastructure Investment Plan in 2012, we have invested £441 million through our core budget in support of delivering the overall target that 150 schools and colleges are refurbished or rebuilt over the lifetime of the 21st Century Schools Programme.

We have also taken other measures to support our investment priority of improving the quality of the educational estate and to help accelerate the delivery of 21st Century Schools, including additional Capital allocations of £128 million, the £170 million Local Government Borrowing Initiative for schools and the new £500 million Non-Profit Distributing model.

Maximising the impact of investment

As a result of the investment in 21st Century Schools that has been generated from the Welsh Government, Local Government and the private sector to date, approval has been received for 57 Business Justification Cases / Full Business Cases, construction is underway on 38 projects and 13 schemes have been completed. Our achievements include schemes to build a new 11-19 secondary school on the Ynys site in Aberdare, with community and leisure facilities funded by Rhondda Cynon Taff County Borough Council, the Penarth Learning Community and a

scheme at Llandysul, Ceredigion, to deliver the first purpose built 3-19 Welsh medium school in Wales.

Since the last annual report, our main achievements include:-

- A £40.7 million project, supported by just under £20 million of Welsh Government funding, to construct a new 1,500 capacity 3-16 school in Baglan Bay to replace three 11-16 schools and one 3-11 school. The proposal will support the existing plans to regenerate the town centre of Port Talbot.
- School Reorganisation in the Rhondda and Tonyrefail Areas – a £75 million project, supported by £37.5 million of Welsh Government funding. This strategic proposal involves the creation of a mixed economy of 3-11 schools, 3-16 schools and a 3-19 school in the Rhondda region of Rhondda Cynon Taf.
- Ysgol Arbennig Dwyfor (Hafod Lon), Gwynedd – a £13 million project, supported by £6.5 million of Welsh Government funding, for a new 100 place bilingual/Welsh medium SEN centre with a six bed residential/short break facility for the Meirion/Dwyfor area of Gwynedd. Construction is underway and the planned opening is in 2016.
- Community Learning Campus at Holywell and Post-16 Education Centre in Connah's Quay – a £45.6 million project, supported by £22.8 million of Welsh Government funding has been approved. This will deliver a new 980 place 3-16 school at Holywell, and a 600 place post-16 facility at Connah's Quay, supported by Deeside College.



Case Study – Penarth Learning Community, Vale of Glamorgan

- The construction of the new Penarth Learning Community is part of a £47 million local investment programme that has been supported with £33.3 million of Welsh Government funding.
- The new school demonstrates the innovative delivery of education within Vale of Glamorgan Local Authority, where a mainstream comprehensive school is co-located with a school providing education and care for pupils with a wide spectrum of learning needs.
- The Penarth Learning Community project provides the community with key facilities such as a hydrotherapy pool, physiotherapy suites and other specialist areas, which are used by families and carers who do not currently have access through the day to these types of facilities. It also provides a respite facility for children with continuing care and supervision needs.
- With the coming together of the schools there were inevitable synergies that have been developed, building on and improving existing relationships between the schools. The project is unique in that it combines mainstream education, with special needs education, as well as health and social community services.
- In addition, this infrastructure investment has delivered multiple local benefits. 184 previously unemployed people worked on the project, along with 83 trainees and apprentices. A total of 1,422 people were employed from within a 25 mile radius of the project.
- The Penarth Learning Community has recently won both the Project of the Year and the Integration and Collaborative Working categories of the Constructing Excellence in Wales Awards 2015. The project was described as an exceptional learning environment with a pioneering and inclusive design, delivering lasting and social benefits for the local and wider Welsh community.





3.8 Health

Maximising resources for investment

Since the publication of the Wales Infrastructure Investment Plan, we have invested over £864 million of capital funding in the Welsh health service for new infrastructure, the purchase of new and replacement equipment and the maintenance of the existing NHS estate. This in turn supports the delivery of modern, effective and high quality patient care. **Together for Health**, describes our vision of world class health services in Wales that can be delivered on a long term sustainable basis.

As a result there have been continual improvements to the NHS infrastructure and large strides taken in regards to strategic planning with Integrated Medium Term Plans being developed, reviewed and progressed.

We have also provided a capital injection boost of over £153 million in additional allocations to support our investment priority of delivering more efficient and economical public services. As part of our innovative finance package, we are also progressing through the Non-profit Distributing route, a scheme which will see the development of specialist cancer care facilities that will enhance the work of Velindre NHS Trust.

Maximising the impact of investment

Through the combination of core funding delivered through the All Wales Capital Programme and additional capital allocations, we have continued to invest in our NHS to make sure that patients have access to the latest technology and our hospitals and medical facilities are maintained.

Over the last year, our main achievements have included:

- **Welsh Ambulance Services NHS Trust** – new Ambulance Resource Centres and Make Ready Depots. The first project of this 7 year programme, a £3.7 million Make Ready Depot at Dobshill in Flintshire, was opened in May 2012 and construction commenced in September 2014 on the second project, which is a £7.9 million joint scheme with the Fire Service in Wrexham;
- **Ysbyty Glan Clwyd Emergency Quadrant** which opened in June 2014. This investment is part of a £90 million rolling programme of modernisation and refurbishment of the hospital estate to support the delivery of safe and sustainable services;
- Completion of **ABM Glanrhyd Low Secure Unit**. This £14.3 million investment provides purpose built accommodation for patients with mental illness who require “low secure” care;
- Significant progress in delivering the £88 million **Llandough Adult Acute Mental Health Facility**. The facility will provide purpose built accommodation for adult acute mental health services for individuals requiring addiction therapy, neuropsychiatry, intensive care, supportive recovery services and associated therapy and support services;
- **Health Vision Swansea Phase 1B Main Build and 1B Phase 2 clinical accommodation**. This £60 million investment will redevelop the main entrance to Morriston Hospital, improve clinical accommodation for out-patient, renal dialysis, endoscopy and maxillo-facial services and provide a new education centre.



- An additional £32.9 million of capital allocations were announced in 2014, which included £3 million to support Hywel Dda neonatal services, £6.9 million to support the first phase roll out of the Community Care information solution and £3.5 million for CT and MRI diagnostics.

Case Study – Noah’s Ark Children’s Hospital for Wales

This £64 million investment enables the Children’s Hospital for Wales to become a recognised centre for excellence in the provision of specialist health services for children in Wales and beyond. It provides dedicated facilities to support children’s surgical, diagnostic, outpatient and critical care services including:-

- A 6 operating theatre suite specialising as follows: Trauma & Orthopaedic; Dental & Day Case; dedicated to emergency activity; General Surgery; Ophthalmology & Ear Nose & Throat; and the shell accommodation for a sixth theatre for future capacity expansion.
- A Paediatric Critical Care Service with 16 paediatric intensive care beds, with the capacity to support the paediatric retrieval service.
- In-patient accommodation for 37 surgical beds and 14 ambulatory care/overnight beds.
- A Children’s Assessment Unit of 10 beds and a Clinical Investigation Unit of 6 beds.
- In-patient accommodation for 8 Renal/Cardiac beds.
- A dedicated Paediatric Outpatient Department to enable integration of specialised outpatient clinics and enhance Multidisciplinary Team working.
- A Radiology Department for imaging, ultrasound, MRI and fluoroscopy.
- Dedicated academic and teaching facilities for child health services.
- Parents’ accommodation and enhanced parents facilities on in-patient wards with increased support facilities for families including counselling and Multi-faith facilities.

This second phase of the hospital construction is fully integrated with those services established in phase one, on the University Hospital of Wales campus and has been supplemented by over £12 million of charitable donations to purchase medical equipment.





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