

Finance Committee

FIN(3)-06-11 paper 1

Capital Expenditure – Discussion with the Minister for Business and Budget

The Welsh Government published a Cabinet Statement on Capital Expenditure on 15 March. The statement is attached as an annex to this paper.

Committee Service



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

WRITTEN STATEMENT BY THE WELSH ASSEMBLY GOVERNMENT

Title: Capital Spending Plans 2011-12

Date: 15 March 2011

By: The First Minister, Deputy First Minister and the Minister for Business and Budget

This Statement announces further details of the Welsh Assembly Government's £1.3bn capital spending plans for 2011-12 including:

- the additional capital investment of £105 million in 2011-12 from the Centrally Retained Capital Fund over and above the Final Budget capital allocations; and
- the major Assembly Government funded projects which Ministers have approved to go ahead in 2011-12 and those which will be delayed or re-profiled.

Since 2007, the Assembly Government has invested almost £6.8 billion in capital infrastructure in Wales. This has enabled us to make major strides towards ensuring Wales has the social and economic infrastructure we need for the 21st Century.

The UK Government's Spending Review set our capital Budget for the next four years. We have received the worst capital settlement of any part of the UK with a 42.6% real terms cut in the Wales Capital DEL over that period. This means over the next four years our capital Budget will be £4.6 billion. The challenge of managing this reduction is particularly difficult in 2011-12, when our Capital DEL faces a cut of more than 25%.

We have been working since last summer to make the most of this difficult settlement and have made a number of decisions in the current financial year to help us prepare for the challenge ahead. Our effective use of EYF stocks has meant that we were able to maintain our capital investment at planned levels this year, in the face of the UK Government's cuts. This is the equivalent of boosting our capital

programmes by £49 million and has allowed us to continue our focus on supporting the economic recovery as well as progressing our priorities for public services.

We have also effectively managed our spending in-year and have fully utilised under spends by bringing forward capital projects to maximise delivery in 2010-11. The UK Government's abolition of the current EYF system has provided an added impetus, as any money not spent this year will be lost to Wales. We have ensured that this has not happened and that the maximised capital spend this year will benefit the services and economy of Wales.

Looking forward, we know that managing the disproportionate reduction to our capital Budget is one of the greatest challenges arising from the Spending Review. Ministers have made difficult choices about priorities in developing their capital spending plans. This is why the development of options for a national infrastructure plan, a key commitment within *Economic Renewal: A New Direction* is so important in terms of providing long-term clarity over our capital programme. This work will continue in the next Assembly Government. In the meantime there is still a need for surety over the short term and we are keen to provide clarity about our capital spending plans for 2011-12 to our partners in local government, the third sector, the private sector and elsewhere, as soon as possible.

Information about capital spending at programme level was published in the Draft and Final Budget. That set out which programmes are being protected and which capital programmes are being reduced over the next three years, but did not provide detail on individual projects, where the Assembly Government funds specific projects directly. Since then, Ministers have been working on delivery plans, for both grant allocations and individual projects. This Written Statement sets out, at Annex A, which major Assembly Government funded projects they have decided will be going ahead in 2011-12. It also sets out, at Annex B, which major projects they will have to delay or re-profile as a result of the reductions to our Capital DEL in the Spending Review.

The capital spending plans outlined in annex A and B provide clarity about the approach that Departments have taken to allocating their core capital funding. It is important that, despite the capital reductions, Departments and our partners are able to continue to plan their activities with a degree of certainty. However, at the same time it is important that we take a strategic view of capital spending plans across Government to ensure that support for projects which meet Assembly Government strategic objectives are not lost – especially those that might have benefits wider than a single portfolio.

That is why the Business & Budget Minister announced the Centrally Retained Capital Fund in the Budget, with an allocation of £50 million in each of the next three years. The Fund supports the public sector in moving to lower budgets and in the longer term, that might mean funding initiatives to achieve revenue savings. For 2011-12, the focus must be on cushioning the capital reduction as much as possible. We are a responsible Government and we are intent on managing a difficult settlement in the best way we can. This approach allows us to provide funding for projects which otherwise might not go ahead as well as projects which support the achievement of living within lower budgets.

In the Final Budget, it was highlighted that careful planning and sound financial management in the current year meant that we could find the full balance of cuts imposed by the UK Government in 2010-11. This means we have an additional £57 million available in 2011-12, over and above our Spending Review settlement. We have decided to use some of this money to support the Centrally Retained Capital Fund and further mitigate the effects of the UK Government's cuts on the Welsh economy and public services. As a result of this decision, we will be providing an additional £37.4 million through the Centrally Retained Capital Fund.

In addition to our spending plans outlined in Annex A, I am announcing today the projects that will be supported by the Centrally Retained Capital Fund in 2011-12. The capital projects we will be funding are:

- £2.96 million for Enhancements to the railways infrastructure on the Cardiff Valleys network;
- £5.19 million for the A470 Maes yr Helmau to Cross Foxes Improvement – to upgrade a 2.1km length of the main North South Trunk road 2km to the south of Dolgellau in Gwynedd;
- £6 million for the A470 Gelligemlyn - to upgrade a 2km length of the main North South Trunk road 2km to the north of Dolgellau in Gwynedd;
- £4.01 million for Integrated Health and Social Services for Communities of Builth Wells. This will support Phase 1 of the scheme to provide a building for community based services and a 12 bed care home;
- £18.43 million for Merthyr Health Park. This will support the development of a multi-agency Health Park in Merthyr Tydfil;
- £3.75 million for HART - to develop a workable and affordable Hazardous Area Response Team capability for Wales;
- £22.23 million for Morriston Redevelopment - to replace obsolete accommodation in support of new ways of working and clinical reconfiguration at Morriston Hospital;
- £3 million to provide additional funds for the Physical Adaptation and Disabled Facilities Grants;
- £2 million for the Waste Infrastructure Programme - to support the Anaerobic Digestion procurement programme;
- £8 million for Dinefwr Cluster Tri-Level reform - to reorganise learning provision for people aged 14-19 in the Dinefwr area of Carmarthenshire.;
- £7 million for Transforming Post 16 Education in Merthyr Tydfil – to reconfigure post-16 education and training in Merthyr Tydfil through the development of a tertiary college;

- £7.3 million for Bridgend –Gateway to the Valleys 11-18 Schools – to support the consolidation of education services resulting in a new build school;
- £1 million for Eco Cadw - to achieve savings of at least 50% in utility and maintenance costs and CO₂ emissions by investing in renewable and low-energy technology;
- £0.97 million for National Library of Wales to pave the way for the transfer the ITV Wales television archive into the public ownership of the National Screen and Sound Archive of Wales, based at the National Library of Wales in Aberystwyth;
- £4 million for Merthyr Tydfil Old Town Hall – to facilitate the restoration of the building, bringing it back into beneficial use as a new contemporary arts centre serving Merthyr Tydfil, the Heads of the Valleys and South Wales;
- £7.95 million for Online Services for Rural Payments - to develop and implement an on-line system for applying for rural and agricultural subsidy payments.

We will also be making available an additional £15 million for the New Growth Capital Fund which will provide the initial investment for a fund to support small and medium sized enterprises (SMEs) pending the outcome of our market testing exercise and £3 million to provide support to the Tourism Investment Support Scheme to expand the scope of the current scheme subject to business case completion.

This means that the total capital allocated to Ministerial portfolios in 2011-12 will be more than 8% higher than the level set at Final Budget. This vital additional capital investment of up to £105.4m in 2011-12 (plus an additional £8.32 million in 2012-13 and £8.07 million in 2013-14) provides much needed support for the Welsh construction industry and the Welsh economy.

Going forward, the Centrally Retained Capital Fund will also potentially fund an additional capital investment of £41.68 million in 2012-13 and £41.93 million in 2013-14. Work to develop future capital spending plans is ongoing but this capital investment will be used to support capital projects which are strategic, cross-cutting and collaborative.

Annex A – Capital Spending Plans 2011-12¹

This annex sets out the detail of the specific capital projects that the Assembly Government funds directly which are planned to progress in 2011-12².

Health and Social Services

This funding will enable projects that have already begun, to continue and elsewhere for work to progress on planned developments. The planned Health and Social Services schemes listed below remain subject to the submission and approval of appropriate business cases. Separate announcements will be made as the schemes progress through the Welsh Assembly Government's business case approval system for capital investment in the NHS.

Abertawe Bro Morgannwg UHB:

- Spend to Save
- Modernising Mental Health Services East SW Bridgend EMI Unit
- Morriston Hospital Redevelopment
- Princess of Wales CAMHS (Inpatient Unit)
- Pencoed Primary Care Resource Centre
- Modernisation of Mental Health Services in Swansea

Aneurin Bevan LHB:

- Spend to Save
- Specialist Critical Care Centre (SCCC) (Preliminary works only)
- Ysbyty Ystrad Fawr (Caerphilly Local General Hospital)
- Royal Gwent Infrastructure Improvement

Betsi Cadwaladr UHB:

- Spend to Save
- Bryn Y Neuadd Completion of Learning Difficulties settlement (incl. Continuing Health Care Units, Infrastructure and Boiler House)
- Ysbyty Glan Clwyd Redevelopment
- Ysbyty Glan Clwyd A & E Modernisation
- Ysbyty Gwynedd A & E Modernisation
- Ysbyty Alltwen Expansion of Renal Dialysis
- Llangollen Reprovision of Community and Primary Care services
- Llandudno Hospital Redevelopment

Cardiff and Vale UHB:

- Spend to Save
- Children's Hospital Phase II
- Cardiff Royal Infirmary Redevelopment
- Llandough new EMI unit

¹ The Assembly Government predominantly funds capital programmes which allocate funding through a formula or bid process. The Draft and Final Budget 2011 set out in detail the approach the Departments have taken to allocate funding to capital programmes.

² This annex contains projects which are either funded or part-funded from the Centrally Retained Capital Fund for the portfolio areas listed.

- Cardiff & Vale Integrated Stroke Unit at Llandough
- Development of Rehabilitation Services Phase I
- University Hospital, Wales Neurosciences ITU
- Cardiff and Vale Modernisation of Adult Acute Mental Health services

Cwm Taf LHB

- Spend to Save
- Cynon Valley Neighbourhood Hospital
- Prince Charles Hospital Emergency Care Centre/Day Surgery Unit
- Prince Charles Hospital Refurbishment – Phase 1 (wards 1-12)
- Prince Charles Hospital Refurbishment (Phase 2)
- Merthyr Health Park

Hywel Dda LHB

- Spend to Save
- Prince Phillip Hospital Breast Care Phase 2
- Prince Phillip Hospital Elective Short Stay Surgery
- Bronglais Rural DGH redevelopment
- Cardigan new Community Hospital
- Tregaron Health & Social care centre
- West Wales General Hospital Engineering Infrastructure scheme D-G
- West Wales General Hospital Critical Care Centre
- West Wales General Hospital Mortuary

Powys LHB

- Spend to Save
- Bronllys Site Rationalisation
- Brecon War Memorial Modernisation
- Powys Welshpool Renal Dialysis
- Builth Wells new Health and Social Care Centre

Public Health Wales Trust:

- Modernisation of Mammography Services

Velindre Trust:

- Velindre Linear Accelerator No.5 Replacement
- Velindre Phase 1 – Bunkers 7 & 8, 7th Linear Accelerator Replacement

Welsh Ambulance Service Trust:

- North Wales Control
- North East Wales Ambulance Resource Centre and Make Ready Depot
- Ongoing vehicle replacement
- Hazardous Area Resource Team

Economy and Transport

Trunk Road Schemes/Projects:

- A487 Porthmadog, Minffordd and Tremadog
- A483 Four Crosses
- A470 Cwmbach to Newbridge
- A470 Gelligemlyn
- A470 Maes yr Helmau to Cross Foxes
- A477 St Clears to Red Roses
- A465 Brynmawr to Tredegar Section 3
- Queensway : M4 to Castleton – Corridor Enhancement Measures
- A40 Llanddewi Velfrey

Local Road Schemes / Projects:

- Ysbyty Ystrad Fawr
- NPT PDR Stage 2
- Wrexham Industrial Estate Section 2

Rail Schemes / Projects:

- Newport Station Footbridge
- Easy Access Programme (platform humps)
- National Station Improvement Programme
- Wales Station Improvement Programme Plus
- Cardiff Central - Capacity Improvement/New Platform
- Gowerton – Loughor Redoubling
- North – South Journey Time Reduction
- Hourly Services from Ebbw Vale
- Rhymney Valley Park and Ride Programme
- Rail Reopening Programme (e.g. Hirwaun and Llangefni)
- Second North – South Wales Express Service
- Service enhancements to the Cambrian route
- Progressing design for the Maesteg to Bridgend half hourly service
- Enhancements to the railways infrastructure on Cardiff Valleys network

ICT Broadband:

- Next Generation Broadband (NGB) Wales (contract let)
- Broadband Support Scheme
- Fibrespeed – Pwllheli Infrastructure

Children, Education, Lifelong Learning and Skills

Schools:

- Brackla Primary School - adaptations & extension /refurbishment (Bridgend)
- Gateway to the Valleys - Strategic programme to rationalise secondary schools and rebuild Archbishop McGrath (Bridgend)
- Litchard Primary School - Adaptations & new build (Bridgend)
- Gateway to the Valleys -New Secondary School (Bridgend)
- St James Primary - Replacement primary school / new build (Caerphilly)
- Cwm Ifor Primary School - Replacement School (Caerphilly)

- Castle Park Primary - Phase 2 remodelling - extension/refurbishment (Monmouthshire)
- Green Lane Primary - New primary school (Monmouthshire)
- Trefonen CiW Primary School - New replacement primary school (Powys)
- Maesydderwen High School - Replacement of 10 primary schools with 4 new community schools (Powys)
- Rhosymedre CP Primary (Wrexham)
- Llay Park School - Refurbishment & Extension (Wrexham)
- Name to be confirmed - New Welsh Medium School (North Wrexham)
- Learning Campus in Ebbw Vale - Area regeneration (Blaenau Gwent)
- Abertillery Comprehensive - Classroom extension/improving dining, toilet and staff room facilities (Blaenau Gwent)
- Bishop of Llandaff CiW High - Autistic Centre (Cardiff)
- Brynhoffnant Area School - Area primary school & community hall (Ceredigion)
- Lampeter School - 3-19 Provision (Ceredigion)
- Custom House Junior/Dee Road Infants - New build (Flintshire)
- Dwr y Felin Comprehensive - Relocation (Neath Port Talbot)
- Neyland School - Replacement of existing building with new school (Pembrokeshire)
- Letterson Primary School - New School (Pembrokeshire)
- Llangwm Area School - New primary school (Pembrokeshire)
- Williamstown Primary - New School (Rhondda Cynon Taf)
- Penywaun Primary School – Extension (Rhondda Cynon Taf)
- Abercynon New Area Community Primary School - New Build Primary School (Rhondda Cynon Taf)
- Morriston Comprehensive School - Major remodelling and rebuild (Swansea)
- Cefn Hengoed Community School – Refurbishment (Swansea)
- Crownbridge Special School - New SEN secondary school (Torfaen)
- Digital Learning 14-16 - 19 Secondary Schools (Torfaen)
- DINEFWR - Tri level reform in Tywi, Amman & Gwendraeth Valley's - Dyffryn Amman, Ysgol Gwendraeth, Maes Yr Yrfa, Pantycelyn, Tregib (S). (Carmarthen)

Voluntary Aided Schools:

- Archbishop McGrath - New School
- Pendoylan CIW School - Redevelopment
- St Richard Gwyn

Further Education:

- Merthyr Tydfil College - Merthyr Learning Quarter
- Coleg Morgannwg - Taff Ely Learning Campus
- Coleg Llandrillo - Glynliffon Learning Village

Higher Education:

- IBERS (Aberystwyth University) - Works to support Biosciences and Environment Alliance

Heritage

- St. Fagans
- Eco Cadw
- ITV Wales Television Archive

Targeted Match Funding

- Anglesey Coastal Environment
- Furnace Farm
- Heritage Tourism
- Ebbw Vale Town Centre Regeneration
- Bridgend Town Centre Regeneration
- Bargoed Regeneration Programme
- Pontypridd Town Centre Regeneration
- Taff Bargoed Regeneration Project
- Merthyr Tydfil Town Centre Regeneration
- Llanelli Town Centre Regeneration
- Felindre Strategic Business Park
- The Works
- National Sailing Academy
- Butetown Regeneration
- Newbridge Regeneration
- Aberdare Regeneration
- Abertillery Town Centre Regeneration
- Pontypool Settlement Area Project
- Pillgwenlly Regeneration Project

Annex B

This annex sets out the detail of the specific capital projects that the Assembly Government funds directly which will be deferred or reprofiled³ from 2011-12 as a result of the UK Government's Spending Review.

Health and Social Services

Aneurin Bevan LHB:

- Specialist Critical Care

Hywel Dda LHB:

- Withybush Renal Unit
- Aberaeron Community Hospital (pending land issues)

Velindre Trust:

- Velindre Radiotherapy Centre Redevelopment

Cwm Taf LHB:

- Prince Charles Hospital Renal Dialysis
- Prince Charles Hospital Refurbishment (Phase 2)

Cardiff and Vale UHB:

- Cardiff Royal Infirmary further development

Economy and Transport

Trunk Road Schemes/Projects

- A470 Erwood to Glanwye*
- A470 Pontrefelin to Bodnant West Lodge*

*Proposals for these schemes will continue to be developed in line with the National Transport Plan. Reduced Capital allocation will mean that major works will not be able to be accelerated.

Rail Schemes / Projects

- Energlyn New Station
- Cardiff Queen Street Station Improvement
- New Platform Pontypridd
- New station at Ebbw Vale Town

Children, Education, Lifelong Learning and Skills

³ In this annex, the term 'defer' is used in relation to *delaying the start of projects to a specified later date*. The term 're-profile' is used in relation to *spreading projects over a longer period, without necessarily starting later*.

The following projects are progressing and will be funded in 2012-13. These projects are part funded by Local Authorities who may wish to begin implementation earlier. Officials will continue to meet with Local Authorities to discuss the implications of future capital budget pressures.

- Ysgol-y-Bont - New School (Anglesey)
- St Teilos CiW High School - New Build and Welsh Medium refurbishment (Cardiff)
- Ysgol Ffwrnes - New Welsh Medium Primary School (Carmarthen)
- Ysgol y Gogarth - Demolish existing and rebuild major extension (Conwy)
- North Denbighshire Welsh Medium Provision - Extension and remodeling of 3 primary schools (Denbighshire)
- Shotton Infants/Taliesin Juniors – amalgamations (Flintshire)
- Primary Reorganisation – Tywyn Region - New Build to replace 4 schools (Gwynedd)