

## Committee for the Scrutiny of the First Minister

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Meeting Venue:  
**Stiwt Theatre**

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Meeting date:  
**19 July 2013**

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Meeting time:  
**09:45**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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### Agenda

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#### **1 Introductions, apologies and substitutions (9:45 – 9:50)**

#### **2 Major Infrastructure Projects in North Wales – Ministerial Scrutiny Session (9:50 – 11:30) (Pages 1 – 8)**

- Carwyn Jones AM, First Minister
- James Price, Director General, Economy, Science and Transport
- Michael Hearty, Director General, Strategic Planning, Finance & Performance

#### **3 Open Mic Session (11:30 – 12:00)**

Opportunity for members of the public to put questions to Members of the Committee

# Agenda Item 2

## **Committee for the Scrutiny of the First Minister CSFM(4) 03-13 – Paper 1**

### **WRITTEN EVIDENCE TO THE COMMITTEE FOR THE SCRUTINY OF THE FIRST MINISTER: MAJOR INFRASTRUCTURE PROJECTS IN NORTH WALES**

#### **Introduction**

1. The purpose of this paper is to set out written evidence on major infrastructure projects in North Wales to the Committee for the Scrutiny of the First Minister. It covers the national strategic initiatives that are benefiting the whole of Wales and specific infrastructure investment activity in North Wales.

#### **Investment in Welsh infrastructure**

2. Appropriately targeted infrastructure investment is one of the main ways government can contribute to growth and jobs. It is also vital to delivery of modern efficient public services. For this reason, as a government we have placed infrastructure investment at the forefront of our plans to stimulate and strengthen the economy and tackle poverty, focusing our limited resources through the Wales Infrastructure Investment Plan.
3. The Welsh economy suffered greatly following the global economic recession. Sluggish growth has been compounded by significant cuts to our capital budget by the UK Government – a third lower in real terms by 2015-16. Over the ten years from 2012-13 to 2021-22, we estimate that the Welsh Government will have up to £4 billion less capital available for investment than was available in the previous ten years. It is likely that economic conditions will continue to be tough and budgets will continue to be tight. So our priority remains to do all we can to strengthen the Welsh economy and create an environment for growth and jobs.
4. The Welsh Government approach to investment planning recognises both Economic and Social infrastructure:
  - Economic Infrastructure – we define as physical networks that sustain and develop economic activity, such as roads, rail, airports, shipping ports, electricity, ICT, water supply and sanitation.
  - Social Infrastructure – we define as physical assets that sustain and develop people within Wales, such as schools, hospitals and housing.

#### **The Wales Infrastructure Investment Plan (WIIP)**

5. Launched in 2012 by the Finance Minister, the plan sets out a new approach where we are clear about:
  - our priorities for infrastructure investment to stimulate the economy and support jobs, increasing transparency with a detailed project pipeline for the next three years and providing a 'direction of travel' for the longer-term;
  - how we will pay for infrastructure investment through more efficient use of existing resources and exploring and implementing innovative finance approaches; and
  - our approach to developing and delivering proposals that optimise public value through the use of best practice.
6. The first WIIP Annual Report was published on the 11 June 2013. A notable area of progress highlighted in the report is improved collaboration across Government and wider afield to develop a shared strategic understanding of infrastructure needs and opportunities. The report also provides details of strengthened cross-Government appraisal and prioritisation of infrastructure investments, European Programmes and wider Welsh Government delivery priorities.
7. The investment framework set out in the WIIP is now being applied to the allocation of our capital funding. Since publication of the WIIP last year, additional infrastructure investment of around £1.3 billion has been steered by this process. This £1.3bn includes additional investment from capital reserves totalling over £460 million, financed in part through switching funds we have saved – through prudent management in other areas of spending – into capital investment.
8. These additional capital allocations have been made in line with our seven core investment priorities:
  - £88.7m to improve the Welsh transport network, plus £29m to protect infrastructure networks from flood and coastal erosion;
  - an extra £10m to improve telecommunications networks;
  - £15m to support the development of the energy industry in Wales;
  - £46m to develop our Enterprise Zones and wider business support activity;
  - £99.7m to support further investment in housing;
  - £98m to improve the quality of the educational estate, particularly schools; and

- £75.3 to deliver more efficient and economical public services
9. In the short term we estimate that these investments will create around 8,000 jobs during construction phases. In the longer term, they will boost growth and support the delivery of more efficient public services. Plans for additional capital investment will be detailed in the Budget in the Autumn.

### **Innovative Funding of major infrastructure**

10. We are making significant progress with the development of new and innovative financing options in support of the strategic infrastructure priorities set out in the WIIP. These collaborative approaches have delivered around £900m of additional investment in priority areas over the next few years.
11. In 2012 we launched the Local Government Borrowing Initiative (LGBI), which will enable around £170 million of investment in highways improvements over the next three years. This is a good example of what we can achieve when the public sector works together in support of projects that will both benefit local communities and deliver the kinds of outcomes that we need to underpin the growth of our economy. In North Wales, this will result in an additional £45m of investment in local roads between 2012-13 and 2014-15 - investment that simply would not have happened without our intervention.
12. Increasing the supply of Social Housing is another key investment priority. That is why we are implementing a new mechanism which will deliver an additional £100m of investment to deliver over 1,000 affordable homes across Wales over the next three years. This investment will result in the delivery of almost 200 new homes in North Wales.
13. The 21st Century Schools Programme will see £1.4bn invested in educational infrastructure across Wales. Through application of the LGBI model we are boosting investment by around £200m which will result in the delivery of the programme by 2018-19, two years ahead of schedule.
14. We are continuing the development of these and other initiatives in collaboration with public and private sector stakeholders. In addition we continue to press the UK Government for acceptance of the Silk Commission's recommendations. This is essential to strengthen our levers for boosting growth and jobs. Gaining the ability to borrow for key strategic investments is paramount if we are to develop sustainable infrastructure networks for the future.

## **Planning infrastructure investment**

15. Planning national infrastructure investment is a complex issue, even more so in Wales, where the Welsh Government only directly controls certain networks, with others partly or wholly non devolved. This includes utility distribution networks, such as water and energy as well as key assets, such as ports and the foreshore and seabed around Wales. In addition where Welsh entities own the land asset the consenting regime for infrastructure investment can also be out of Welsh control, with large scale energy projects and rail being two of the most notable.
16. All energy investments over 50MW require approval by the UK Government. The Renewable Energy sector is a key example, where the complexities of a consenting regime that is largely non devolved can hinder investment, adding extra time, cost and risk to what are already challenging projects. We continue to call on the UK Government to extend Welsh Government powers to include consenting of Energy projects, bringing us in line with the other devolved nations. Whilst there are tremendous prospects for low carbon energy investments in Wales, we are severely disadvantaged by current UK energy policy.
17. In the case of non devolved or partially devolved sectors, we continue to work in collaboration with network and service providers as well as the UK Government to maximise the benefits to Wales. Most notably, through strengthened engagement with the UK Government we successfully secured electrification of the Valleys and Great Western main lines as part of Network Rail's investment plans. However whilst this is a welcome step forwards and recognises Welsh infrastructure in wider UK plans, we are continuing to press strongly for modernisation of North Wales rail infrastructure as a priority for future rail investment.
18. Where authority is devolved, the Welsh Government develops investments in collaboration with delivery partners. We have worked closely with local transport consortia, such as Taith in North Wales to recognise key local priorities and develop collaborative solutions. At a regional level we are committed to ensuring continued stakeholder dialogue, accessing the knowledge and expertise across all regions and sectors to shape and refine our approach as we move forward.
19. As part of the ongoing development of the WIIP a comprehensive understanding of current and future investment plans across Wales is being developed. This will better inform strategic decisions and maximise the impact of limited funding, including through community benefits and supply chain opportunities. The third iteration of the WIIP investment Pipeline, published last month, includes for the first time a view of investment schemes across both national government and local

government (<http://wales.gov.uk/funding/wiipindex/pipeline>). There are 46 Local Government schemes in North Wales included in the pipeline involving investment of almost £450m, demonstrating the significant role Local Government schemes play in infrastructure investment.

### **Specific infrastructure investment in North Wales**

20. Examples of key infrastructure investments in North Wales are set out below:

21. The **Superfast Cymru** initiative - Through collaboration with BT we are facilitating a £425m scheme (the largest partnership of its kind in the UK), which will transform the broadband landscape across Wales, becoming one of the most connected countries in Europe. It will mean 96% of businesses and homes in Wales will be able to access the services and opportunities provided by digital technologies through a fibre-based broadband service by the end of 2015. North Wales has been the first region in Wales to benefit from this investment, with new fibre broadband cabinets installed in Bangor this February. Further areas to benefit from the first phase of investment include Caernarfon, Dolgellau and Menai Bridge.

22. **Transport** - We are investing in the A55, a key transport artery in North Wales. We have allocated an additional £25m over the next 2 years to ensure this infrastructure asset remains fit for purpose.

In addition we are investing £45m in the Wrexham - Saltney Redoubling rail scheme. This investment will see line speeds improved between Wrexham and Gobowen and signalling enhanced at Ty-Croes on the Isle of Anglesey. This is part of our wider strategic objective to improve north-south links.

23. **Environment** - We are investing £160m to protect our infrastructure assets from flood damage. Over the past 12 months we have allocated an additional £25m to improve flood and coastal defences across Wales, including projects at Colwyn Bay and Borth. This investment has reduced risk to over 520 homes, businesses and significant infrastructure such as the A55, the North Wales Coast and Cambrian Coast Railways.

24. **Energy** - Offshore wind farms at North Hoyle, Liverpool Bay, Rhyl Flats and Gwynt y Mor, will provide opportunities for the North Wales economy. This significant new low carbon energy generation will also require an upgrade to the existing electricity grid, providing an opportunity not only to future proof the network but encourage an innovative approaches to community led schemes.

The Energy Island Programme comprises a mix of energy generation projects – the Horizon Nuclear new build, the Rhiannon Offshore

windfarm and the next phase of the Marine Current Turbines tidal array. These, together with other proposed schemes, and the redevelopment of the former Anglesey Aluminium site and adjoining land, have the potential to transform the economy of Anglesey and significantly benefit economic prosperity across North Wales. In total proposed schemes could bring over £20bn of private sector investment to the region.

The scale of investment and potential outputs are such that a strategic and coordinated approach by the public and private sector stakeholders is essential. We are working closely across Welsh Government departments, Local Authorities, the WLGA and the wider public / private sector, to identify key enabling strategic investments and to optimise existing economic initiatives such as Deeside and Anglesey Enterprise Zones.

In February we granted a Marine Licence to SeaGeneration Wales Ltd for a 10MW pre-commercial tidal array off the coast of Anglesey. The £70m project will move us closer towards hosting the first pre commercial tidal array in the UK by 2015. Once operational the array will provide electricity for up to 10,000 homes. We are working closely with The Crown Estate to identify other areas for wave and tidal testing to establish a new marine energy sector in Wales.

25. **Housing** – The Welsh Housing Quality Standard ensures that all existing social housing offers tenants a decent affordable home. Over the next five years it is estimated that a further £2.5bn will be spent by social landlords on improving peoples' homes.

Cartrefi Cymunedol Gwynedd is delivering £136m of WHQS investment in Gwynedd, ensuring maximum benefit to local skills and jobs is gained. This investment has secured 62 traineeships across the programme with 36 undertaking level 2 or 3 NVQ apprenticeships. They work closely with Coleg Menai and encourage contractors to use their services when recruiting apprentices.

In addition we have provided a £16.5m funding package to improve housing standards in West Rhyl and create a more balanced housing offer through changed house type and tenure. Working in partnership with Denbighshire County Council and Pennaf Housing Group, the project will see the clearance of 34 unsatisfactory properties, the remodelling/ refurbishment of a further 46 properties and the creation of much needed quality green space.

26. **Regeneration** – In the Môn a Menai Regeneration Area we have facilitated a £38m European funded programme to support Coastal and Town Centres across the region. Funding has been provided for town centre enhancement schemes in many towns across the region including Colwyn Bay, Caernarfon, Bangor and Holyhead.

In the North Wales Coast Regeneration Area, in combination with EU funding £7.8m has been invested to develop "Porth Eirias", as part of the multi-million pound Waterfront Project in the town, which also includes a new coastal defence scheme. Not only is this a significant investment in local infrastructure, but in addition, our work to maximise community benefits has resulted in 63% of the workforce employed on the scheme coming from communities within a 35 mile radius.

27. **Education** – The collaborative 21st Century Schools Programme is an initiative worth £1.4bn across Wales. In North Wales this scheme will deliver more than £220m of priority capital investment in local education infrastructure by 2018-19.

28. **Health** - Within the health sector we are investing over £105m in the redevelopment of Ysbyty Glan Clwyd Hospital, enabling the hospital to improve the quality of its care provision, whilst safe guarding and creating much needed local employment opportunities.

## **Conclusion**

29. The Welsh Government plays a critical role in delivering major infrastructure projects across Wales. At the highest level our strategic approach to the provision of major infrastructure projects is proving successful, boosting investment in Welsh infrastructure, forging new lines of collaboration and improving the knowledge and visibility of planned investment both in North Wales and across the whole of the country. We will continue to engage with key stakeholders to facilitate future investment ensuring we make the most of financing opportunities such as European Structural Funds and the development of our assets including the potential for energy production.

**Rt. Hon. Carwyn Jones AM**  
**First Minister for Wales**