

Paper for Council for Economic Renewal

The Wales Infrastructure Investment Plan

1. This paper provides the Council for Economic Renewal with information on the development of the Wales Infrastructure Investment Plan (WIIP).
2. The investment needs of public sector infrastructure over the next decade include significant capital investment in our Programme for Government priorities, in addition to investment required to meet the backlog of maintenance works and to replace obsolete facilities and equipment. However, our capital spending power is reducing rapidly – by 2014-15, the Wales capital Budget will be more than 40% lower in real terms than in 2010-11 and almost 50% lower than its peak in 2009-10. This means we have to act now, not only to seek innovative ways of financing infrastructure investments but being very clear about our priorities and driving greater economy and efficiency.
4. The objectives of the plan are: to make better use of our assets; ensure our investment is aligned with our strategic priorities; drive better value from the money we are investing and lever more funding into public sector infrastructure investment to boost jobs and growth.
5. Specifically, the WIIP will:
 - **identify and prioritise nationally significant infrastructure investment across the Welsh public sector**, including social as well as economic infrastructure, focusing resources on the highest priority schemes which will deliver the most benefit;
 - **provide a 10 year indication of the Welsh Government's 'direction of travel' and a rolling pipeline of approved investments.** This will provide greater clarity and certainty to our delivery partners, particularly the private sector, over our medium and longer-term priorities. The pipeline will focus on Ministerially approved projects and programmes with a total project value greater than £15m and will be updated regularly; and
 - **utilise innovative financing approaches** wherever appropriate to increase resources available to invest in our infrastructure priorities.
6. Over the next couple of months, we will be engaging with the business community and delivery partners in the public sector and third sectors – on future infrastructure challenges, opportunities and priorities for Wales. This engagement will help to shape the approach and emerging project pipeline to be included in the initial version of the WIIP.
7. An ongoing programme of external engagement after publication of version 1 of the WIIP will continue – to develop and refine our investment plans.

Prioritising investment

8. The initial WIIP will be a combination of key projects from existing, Ministerially approved sectoral investment plans and a small number of new priorities for additional investment, funded either through innovative approaches or from our capital reserves. As this approach develops over time, it is intended that the number of additional investments – and hence the overall WIIP pipeline – will grow.
9. The development of the WIIP will provide the strategic context for the future allocation of resources and for identifying where we should deploy the innovative financing mechanisms we need to boost investment over the coming years. This will ensure that we focus resources on investments which are most closely aligned with Welsh Government objectives and deliver the best returns.
10. Maximising the economic benefit of public infrastructure investment is at the core of the WIIP as it can provide an important and much needed stimulus to the Welsh economy and also help provide the conditions for growth. We are reviewing the evidence on what types of investment have the biggest economic benefit – in the short and long term – and this will form a key input into our future prioritisation and appraisal mechanism.
11. We are also focusing on the procurement aspects of infrastructure investment to ensure that Welsh supply chains benefit as much as possible from public infrastructure investment in Wales, while ensuring that we comply with legal requirements and maximise value for money. We will develop procurement strategies that identify and strengthen opportunities to apply community benefits policy to secure the best local benefits from our investments – an update on procurement developments is being discussed on the agenda today.

Innovative financing

12. Developing potential opportunities to lever in additional funding to public infrastructure investment is vital to development of the WIIP. Work is currently focused on the three areas set out below. Initial work has also begun on the case for developing innovative new Public Private Partnership (PPP) models, including:
 - not for profit special purpose vehicle(s) for Wales
 - the Local Government Borrowing Initiative which will see the Welsh Government providing local authorities with additional revenue funding, over twenty years to enable them to raise finance for investment in capital projects in agreement with Welsh Government

- Exploring other innovative mechanisms, including housing finance initiatives and potential partnerships with Welsh Registered Social Landlords

Recommendation

To deliver a successful Infrastructure Investment Plan it is very clear that we need the support of our key stakeholders. That is why your views on the approach set out in this paper and specifically what our infrastructure investment priorities should be, are essential. It would particularly be useful to understand how we can maximise the usefulness of the WIIP and project pipeline to the private sector such as:

- How should we present our plans?
- In which fora?
- How frequently should they be refreshed?
- What level of detail would be appropriate?

We would be grateful for your feedback over the coming weeks to shape the first version of the WIIP in May this year.

Please contact Stefan Sanchez or Matthew Pizii to provide feedback or discuss further.

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