



Llywodraeth Cynulliad Cymru  
Welsh Assembly Government

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## **WRITTEN STATEMENT BY THE WELSH ASSEMBLY GOVERNMENT**

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**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 21<sup>st</sup> 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 Morryston Redevelopment - to replace obsolete accommodation in support of new ways of working and clinical reconfiguration at Morryston 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 CO<sub>2</sub> 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.