

Quick guide

Strategic Capital Investment Framework

May 2010

1. What is the Strategic Capital Investment Framework?

The Strategic Capital Investment Framework (SCIF) is a method by which the Welsh Government prioritises competing demands for capital expenditure. SCIF was established after a commitment was made in the *One Wales*¹ agreement to:

...establish a Strategic Capital Investment Board to ensure that best use is made of capital funds and to develop all opportunities to access capital finance consistent with an accountable, citizen-centred public service.

According to the Welsh Government, implementation of the SCIF will:²

Result in greater collaborative working across boundaries, drive efficiency and provide value for money in delivering our capital investment projects and programmes.

There have been two rounds ('tranches') of SCIF funding to date, during which over £450 million has been provisionally allocated. However, it is expected that projects funded by SCIF will also obtain financial support from other sources.³

2. How is the SCIF administered?

1: Strategic Capital Investment Board. The Welsh Government established the Strategic Capital Investment Board in 2008.⁴ This Board was a Cabinet Committee that would take decisions on investment proposals and oversee the delivery of capital investment programmes. Details of membership and the Board's terms of reference can be found on the Committee's webpage.⁵ From January 2010, the work of the Board has been taken forward by the Cabinet Committee on Budget and Performance.⁶

2: Strategic Capital Investment Panel. A Strategic Capital Investment Panel was established in 2008 to provide advice to the Board to enable the best decisions to be made

¹ Welsh Government, *One Wales*, 27 June 2007

² Welsh Government, *Andrew Davies (Minister for Finance and Public Service Delivery), Strategic Capital Investment Fund*, Written Statement, 12 May 2008

³ Welsh Government, *Andrew Davies (Minister for Finance and Public Service Delivery), Final Budget 2009-2010*, Written Statement, 2 December 2008

⁴ Welsh Government, *Andrew Davies (Minister for Finance and Public Service Delivery), Strategic Capital Investment Fund*, Written Statement, 12 May 2008

⁵ Welsh Government, *Strategic Capital Investment Cabinet Committee*

⁶ Welsh Government, *Cabinet Sub - committees that no longer meet*

when allocating SCIF funds.⁷ The Panel has six members with expertise in corporate finance, construction and procurement. They were appointed for a three year period.

3: Strategic Capital Investment Fund. Funds disbursed by the Strategic Capital Investment Framework are drawn from the Strategic Capital Investment Fund. In November 2007, the Minister for Finance and Public Service Delivery stated that this Fund amounts to ‘*more than £400 million over the next three years*’.⁸

During scrutiny of the Draft Budget 2008-09, the Minister for Finance and Public Service Delivery stated that the £400 million fund is ‘*new capital spend that had been allocated by flat lining capital allocations*’ across the various portfolios.⁹

In a letter to the Finance Committee,¹⁰ the Minister stated that the SCIF fund established in the 2008-09 budget would be drawn from capital reserves (£339 million) and end year flexibility¹¹ (£145 million), amounting to some £480 million over the three financial years from 2008-09 to 2010-11. He also stated that the actual profile of investment would vary depending on ‘*the profile of suitable projects and unanticipated capital pressures*’.

3. What is the application process?

Details of the process used during the first tranche of SCIF are not available. However, the process for the second tranche was outlined by the Welsh Government in June 2009.¹²

Project sponsors were encouraged to develop their project bids using the 5 Case model.¹³ The model represents best practice in public sector performance in accordance with HM Treasury’s **Green Book**.¹⁴ Local authorities were asked to bring forward proposals through the Wales Spatial Plan core groups on which they were represented.

Project bids needed to meet the following criteria:

1. Readiness to start, including planning consent where appropriate;
2. Direct links to the One Wales Agenda;
3. Evidence of cross-cutting collaboration;
4. Strong fit with the Wales Spatial Plan;
5. Provision of an economic stimulus through the creation or safeguarding of jobs during construction; and

⁷ Welsh Government, [Andrew Davies \(Minister for Finance and Public Service Delivery\), Appointment of the Strategic Capital Investment Panel](#), Written Statement, 17 September 2008

⁸ Welsh Government, [Andrew Davies, \(Minister for Finance and Public Service Delivery\), A Progressive Budget for Wales](#), Written Statement, 5 November 2007

⁹ National Assembly for Wales, [RoP \[para 107\]](#), Finance Committee, 8 Nov 2007.

¹⁰ Welsh Government, [Response to report on draft budget 2008-09](#), 15 January 2008

¹¹ National Assembly for Wales, Members’ Research Service [End Year Flexibility \(EYF\) Quickguide](#)

¹² National Assembly for Wales, [Correspondence from the Minister for Finance and Public Service Delivery in response to the Finance Committee session on 2 November 2009](#)

¹³ National Assembly for Wales, Finance Committee Paper [FIN\(3\)-01-09 Paper: Welsh Government response to the Draft Budget Report 2009-10](#), 2 December 2009

¹⁴ The Green Book is the central point for access to guidance on the economic assessment of spending and investment and to related guidance including the preparation of business cases for the public sector.

6. An 'invest to save' approach, leading to efficiency savings over the life of the project.

Project bids were assessed in two stages: ¹⁵

1. A primary assessment against the six criteria to shortlist bids; and
2. The application of four tests to the shortlisted bids. These comprised:
 - Is there confidence that the project is ready to spend?
 - Scoring on 'strategic', 'exemplar' or 'model';
 - Scoring on the 'robustness of the project team'; and
 - Scoring on the 'risk' associated with the project.

Final provision of funding was subject to the approval of a full business case.

4. What projects have been supported to date?

Tranche 1: The first tranche of SCIF projects were announced in December 2008. ¹⁶

Table 1: Tranche 1 projects

Project	£ (up to)
Construction of Newport schools and community regeneration	15.0
Capital investment programme All Wales 21st century schools	5.0
Wrexham secondary schools	5.0
Construction of Blaenavon education and community campus	4.0
Development of A465 dualling between Tredegar and Brynmawr	9.2
Enhancements to rail infrastructure (Shrewsbury, Wrexham and Chester)	27.0
Enhancements to rail infrastructure (Swansea, Gowerton and Llanelli)	20.0
Creating a low carbon region in the heads of the Valleys	12.0
All Wales low carbon building programme	26.0
Delivery of anaerobic digestion plants across Wales	4.0
Delivery of 400+ affordable houses across Wales	42.0
Acceleration of the flood and coastal defence programme	8.0
All Wales pandemic influenza preparedness programme	59.0
Health vision Swansea - reconfiguration of healthcare services	70.0
Delivering the all Wales primary care programme	16.4
Welsh Ambulance Services hazard area response teams	3.0
Construction of Merthyr Health and Wellbeing centre	8.0
All Wales cultural heritage initiative	2.0
National Library of Wales on-line digitisation project	2.0
South East Shared Services Centre - HR, payroll and training	10.4
Corporate graphical information systems	1.0
Total	349.0

Source: National Assembly for Wales, *Correspondence from the Minister for Finance and Public Service Delivery in response to Finance Committee session on 2 November 2009 Annex A*

¹⁵ National Assembly for Wales, *Correspondence from the Minister for Finance and Public Service Delivery in response to Finance Committee session on 2 November 2009*

The amounts in Table 1 are indicative sums across the financial years 2008-09 to 2010-11, and are referred to in the Minister's statement as being 'up to' the stated amount. These statements do not constitute a formal allocation of funding, as funds must be authorised via the budgetary process. SCIF allocations are normally brought forward in the budgetary process through the supplementary budget. ¹⁷

Tranche 2: Details of the second tranche of SCIF projects were announced in October 2009. Ten projects were supported, with total indicative allocations of some £118 million. Within this tranche, a second round of funding was also announced, involving a further £10 million. Projects to be assessed in this round include the South East Wales Transport Corridor, Sustainable Travel Centres and the Media Capital project in Roath Basin.

Table 2: Tranche 2 projects

Project	£m (up to)
Ebbw Vale Learning Works	35.0
Taf Ely Learning Campus	12.0
21st Century School Buildings for Gwynedd	5.3
Prince Charles Emergency Care Centre	8.5
Affordable Housing and Housing Support Package	20.0
Eco Lighting	1.0
Glyn Vivian Art Gallery	3.5
Strategic Co-ordination Centres	10.0
Children's Hospital for Wales	8.0
Da Vinci Arts and Innovation centre	15.0
Total	118.3

Source: Welsh Government [Tranche 2 of the Strategic Capital Investment Programme.](#)

The amounts in Table 2 are indicative for the financial year 2010-11 only, with all funding expected to have been spent by the end of that financial year. As was the case in Tranche 1, the statement does not constitute a formal allocation of funding, as funds must be authorised via the budgetary process.

¹⁶ Welsh Government, Andrew Davies, Minister for Finance and Public Service Delivery, [Final Budget 2009-10](#), Written Statement, 2 December 2008

¹⁷ National Assembly for Wales, [RoP p14](#), Finance Committee, 8 October 2009.

5: Will there be a third tranche of SCIF?

According to the Welsh Government in November 2009: ¹⁸

No announcements have been made on future tranches of SCIF funding.

We will be reviewing the use of SCIF funding allocations and potential future funding on a regular basis and where schemes have scored well that will be taken account of should additional resources be made available.

We will shortly launch a lessons learnt exercise in relation to the bidding process for Tranche 2. This provides the opportunity to improve the transparency and quality of future bids.

6. Further information

For further information on aspects of the Strategic Capital Investment Fund), please contact **Eleanor Roy** (Eleanor.Roy@Wales.gsi.gov.uk) or **Leon Goberman** (Leon.Goberman@Wales.gsi.gov.uk), Members' Research Service.

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¹⁸ National Assembly for Wales, [Correspondence from the Minister for Finance and Public Service Delivery in response to Finance Committee session on 2 November 2009](#)