



Llywodraeth Cymru  
Welsh Government

# Annual Report on the Mutual Investment Model 2021-22



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# Executive Summary

The Mutual Investment Model (MIM) schemes will foster over a billion pounds worth of much needed investment in public infrastructure in Wales, whilst delivering wider public benefits. The MIM will support additional investment in social and economic infrastructure projects and help to improve public services in Wales.

Three schemes are currently being delivered through the MIM:

- completing the dualling of the Heads of the Valleys road
- redeveloping the Velindre cancer centre as part of a programme to transform cancer services
- delivering MIM projects as part of the Sustainable Communities for Learning Programme.

This document is the Welsh Government's first annual report on the MIM, comprising projects ongoing in Wales during the period June 2021 and June 2022.

The report covers the following:

- the key features of MIM
- details of the existing MIM projects
- identifies the parties involved in the MIM projects and their roles
- details of the published contracts
- return on investment (including equity return and Community Benefits).

Chapter 1:

# Introduction

This document provides information about the Mutual Investment Model (MIM) projects or the period June 2021 to June 2022.

Increasing transparency has been a central concern of the Welsh Government while developing the MIM. Reporting requirements that enhance transparency have been embedded in the model and incorporated as contractual commitments into the agreements. To demonstrate this commitment to transparency, the Welsh Government will report on the portfolio of MIM projects through this annual publication, published July 2022. The information<sup>1</sup> provided includes:

- name of the project
- the MIM approach adopted
- sponsoring department and the procuring authority
- sector and region
- key dates (such as the beginning and end of the procurement process)
- contract duration

- capital value
- annual service payment
- shareholders' identity
- project company name and address
- return on investment (including equity return and Community Benefits).

This publication only includes projects that are delivered or supported by the Welsh Government, and procured under the standard MIM contract terms. Other forms of public private partnerships (PPP) are not covered in this publication.

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<sup>1</sup> The MIM contracts require the parties to disclose project specific information at defined intervals. The information is provided to the Welsh Treasury by the Welsh Government departments, contracting authority and Development Bank of Wales. The Welsh Treasury collates the data, which is used in this publication.

To assist with reading this document, some key terms are defined in Table 1 below:

**Table 1**

Term	Definition
A465 Project Agreement	Project Agreement dated 28 October 2020 for the design, build, finance and maintenance of phases 5 and 6 of the A465 dualling
EBITDA	Earnings before interest, taxes, depreciation, and amortization
Environmental KPI	Environmental key performance indicators
KPI	Key performance indicators
MIM	Mutual Investment Model
NHS Trust	Velindre University NHS Trust
PFI	Private Finance Initiative
PPP	Public Private Partnerships
PSDP	Private sector delivery partner
SMEs	Small and medium-sized enterprises
SPV	Special purpose vehicle
The Construction Phase	Is the design and build stage of Sections 5 and 6 of the A465 dualling
WEPCo	Welsh Education Partnership Company
WIIS	Wales Infrastructure Investment Strategy

Chapter 2:

# The Mutual Investment Model (MIM)

## 2.1 Background

The Welsh Government's investment in public infrastructure is based on maximising the sources of publicly-available capital funding – the least expensive forms of capital – before the use of more complex and potentially more expensive forms of investment. The Mutual Investment Model (MIM) was developed in Wales as an innovative way to invest in additional public infrastructure. It was designed by the Welsh Government to finance major capital projects through longer term revenue commitments over and above the level that would be possible using capital budgets and conventional borrowing.

## 2.2 MIM v Traditional PPP/PFI

The MIM differs from traditional PPP/PFI by removing elements that did not promote the public interest whilst maintaining elements of best practice. The MIM also adopts new measures to support the public policy interest of Welsh Ministers. Other elements of PPP/PFI have been enhanced in the MIM. This includes:

- optimum risk allocation, whole-life costing, and performance-based payments – while ensuring that new investment is classified to the private sector
- private partners being obliged to help deliver the objectives of the Well-being of Future Generations (Wales) Act 2015 – including a focus on long-term sustainability and environmental efficiency
- financial and contractual remedies for non-delivery of stretching community benefits
- a mandatory commitment to the Welsh Government's ethical employment code
- value for money as a core objective
- excluding provision for soft services (e.g. cleaning and catering) and capital equipment (e.g. specialist equipment for medical facilities), which led to expensive and inflexible contracts in the traditional PPP/PFI model
- the public sector investing a small amount of risk capital in each scheme, ensuring a participation in any return on investment; and the appointment of a public sector nominated director to manage the public shareholdings
- a commitment to transparency, of which this Report forms a part.

## 2.3 MIM and the Wales Infrastructure Investment Strategy (WIIS)

The Wales Infrastructure Investment Strategy (WIIS) establishes a 10-year vision for the outcomes that investment in infrastructure should enable, and sets the framework for the allocation of capital budgets. The WIIS has a clear focus on addressing the Climate and Nature Emergencies, and delivers on the Programme for Government commitment for a 10-year infrastructure strategy to support a zero-carbon economy.

In line with the Well-Being of Future Generations Act (Wales), this strategy sets a series of outcomes, brigaded under the four well-being domains:

**Table 2**

Four domains of well-being and strategic investment outcomes			
Environmental Well-being	Social Well-being	Economic Well-being	Cultural Well-being
Decarbonisation and greenhouse gas reduction	Improving and protecting the physical health, safety and well-being of the people of Wales	Help to increase employment levels across Wales	Improve access to and increase use of the Welsh Language
Investment in Biodiversity and Natural Capital	Improving and protecting the mental health and well-being of the people of Wales	Help to improve business productivity	Encourage access to and participation in cultural activities, including the arts and heritage
Improvements in air and water quality	Reducing Social inequalities	Increase real household incomes	Improve participation level in sport and recreation
Reduction in unsustainable consumption of natural resources	Improving Access to key public services	Improve educational outcomes	Improve investment in communities across all parts of Wales

Whilst the outcomes are structured in this way, it is crucial that investment in a particular infrastructure sector should deliver benefits against multiple outcomes.

Delivering benefits against these multiple outcomes is reflected in the nature of the projects included in the MIM portfolio. The obligations and key performance indicators within the MIM contracts will drive the delivery of the outcomes.



## 2.4 “Something for Something”

MIM schemes will see private partners build and maintain public assets. In return, the public sector body will make an annual service payment, which will cover the cost of construction, maintenance, lifecycling and financing of the project.

Current MIM schemes will foster over a billion pounds worth of much needed investment in public infrastructure in Wales, whilst promoting wider public interests and delivering additional public benefits. The MIM will support additional investment in social and economic infrastructure projects and help to improve public services in Wales.

Each MIM scheme is expected to deliver the following Community Benefits:

- local job creation
- training and apprentices (including graduates, work placements, pupil placements)
- school engagement
- community initiatives
- supply chain initiatives
- social enterprises
- enhanced opportunities for small and medium sized enterprises.

The terms of the MIM contractual document will ensure that the Community Benefit requirements are bespoke to the underlying project. This ensures Community Benefits are maximised on a scheme by scheme basis.

## 2.5 The Annual Service Payment

Once an asset is completed and operational the public sector pays an annual service payment to the project company. This payment is modelled to provide for the cost of design, build, finance, maintenance, and lifecycle of the project as fixed through the procurement. The annual service payment is **not** due during the planning, development and construction phases. Such payments only commence once the asset has been delivered and is available for use.

The annual service payment includes the full costs of maintaining the asset and providing lifecycle investments over the contract period, generally between twenty-five and thirty years. It also includes the cost of transferring significant risk for these and other activities away from the public sector, thus protecting the public sector from unexpected or unplanned calls on capital funding.

## 2.6 Promoting the Public Interest

Promoting the public interest is achieved in several ways:

### 2.6.1 Community Benefits

Private partners are obliged to assist contracting authorities to deliver the objectives of the Wellbeing of Future Generations Act. To do this, they will need to deliver stretching Community Benefits in areas such as job creation for the long-term unemployed, the provision of training and apprenticeships (including graduates, work placements, pupil placements), school engagement and wider community initiatives, and supply chain initiatives in respect of social enterprises and small and medium-sized enterprises (SMEs). The non-delivery of these benefits will be subject to financial and contractual remedies.

### 2.6.2 Ethical Employment

Private partners commit to the Welsh Government's Code of Practice on Ethical Employment in the Supply Chain, embedding the principle of fair work within projects. The projects aim to demonstrate high levels of environmental sustainability.

### 2.6.3 Value for Money

The MIM models drive value for money in several ways.

The financing of capital equipment (e.g. specialist hospital equipment) and soft facility management services (e.g. cleaning or portering) is excluded from the MIM projects. Funding these discrete elements represent best value when done directly from public sector capital expenditure.

### 2.6.4 Public Sector Nominated Director

The MIM Project Agreement provides a right for the public sector to appoint a director to the board of the SPV. This ensures the public sector interest is represented in the decision making process.

## 2.7 MIM Project Delivery

The current MIM portfolio is being delivered in two ways:

- (1) directly
- (2) supported by a strategic partner.

Completing the dualling of the Heads of the Valley Road and building a New Velindre Cancer Centre to replace the current building in Cardiff will be delivered directly. The MIM projects as part of the Sustainable Communities for Learning Programme are being supported by a strategic partner.

### 2.7.1 Direct delivery

Here a single special purpose vehicle (SPV) is formed to deliver a specific project under a public private partnership 'design, build, finance, maintenance and lifecycle' contract known as the Project Agreement. This is suitable where the public sector is looking to procure a single high value asset.

### 2.7.2 Strategic Partnership

This involves the appointment of a single strategic partner to deliver several assets for a range of authorities. The SPV's purpose will be to deliver partnering services to the authorities. The strategic partner supports the delivery of a pipeline of MIM projects. Each authority will enter into a project agreement for the delivery of its asset.

Chapter 3:

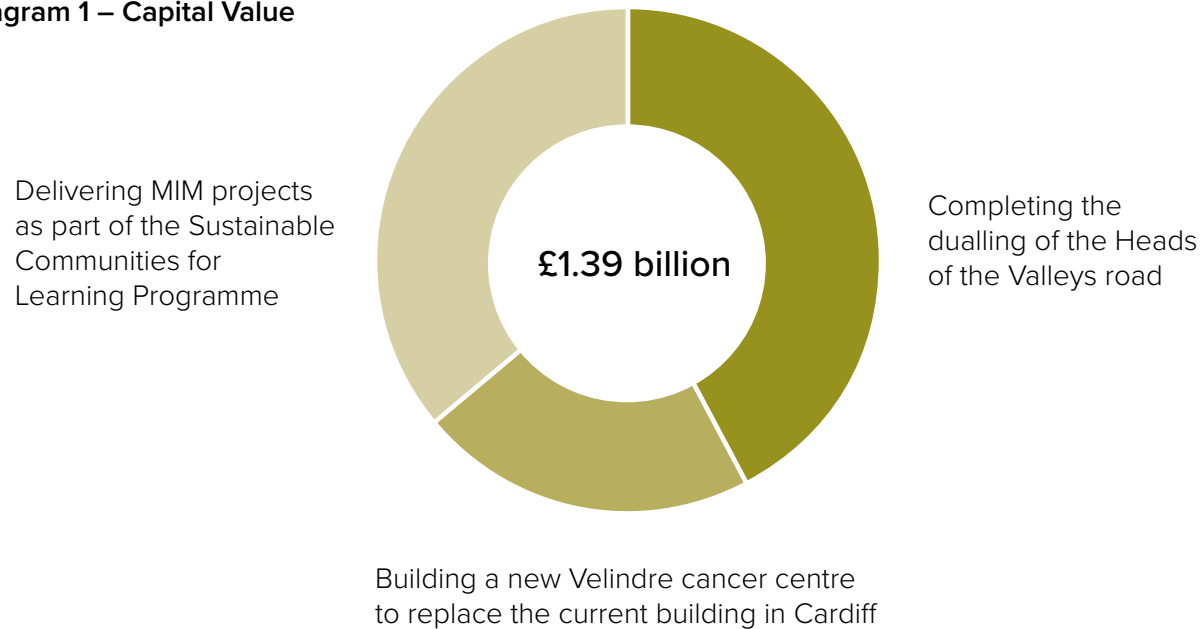
# The MIM Portfolio

Three projects are currently being delivered through the MIM:

- completing the dualling of the Heads of the Valleys road
- redeveloping the Velindre cancer centre as part of a programme to transform cancer services and
- delivering MIM projects as part of the Sustainable Communities for Learning Programme.

The total equivalent capital value of the portfolio at July 2022 is £1.39 billion.

**Diagram 1 – Capital Value**



Tables 3, 4 and 5 set out further detail relating to the current portfolio.

### 3.1 Completing the dualling of the Heads of the Valleys road

Welsh Ministers have appointed a partner to carry out the design, build, finance, maintenance and lifecycle of Sections 5 and 6 of the A465 Trunk Road between Dowlais and Hirwaun. The appointed partner has established a project company tasked with delivery.

The design, build, finance, maintenance and lifecycle of improvement works to the A465 and new road construction include the following:


- 17.7km of predominantly an on-line upgrade of the A465 trunk road between Dowlais and Hirwaun from 3 lane single carriageway to dual 2 lane carriageway
- approximately 2.2km off-line new road construction
- six full movement grade-separated junctions
- 35 widened or constructed bridges, 41 culverts and 40 retaining walls
- environmental deliverables (including introducing new wildlife habitats and migration routes, and planting 25,000 trees) and
- the operation and maintenance of the road.

Table 3 below summaries the project:

**Table 3**

<b>Name of the project:</b>	<b>Sections 5 and 6 of the A465 dualling</b>
<b>Sponsoring department and the procuring authority:</b>	Welsh Ministers (Economic Infrastructure)
<b>Sector and region:</b>	Sector: Infrastructure Region: South Wales Valleys
<b>Key dates:</b>	Agreement commencement date: 28 October 2020 Planned Completion: 30 May 2025
<b>Contract duration:</b>	30 years following completion of the asset
<b>Capital value:</b>	£590 million
<b>Contract duration</b>	30 years following completion of the asset
<b>Annual service payment:</b>	£1,149,484 (total payment over the 30 year operational period) <sup>2</sup>

<sup>2</sup> See A465 Financial Model in Appendix 1

Name of the project:	Sections 5 and 6 of the A465 dualling		
<b>Shareholders identity:</b>	(1)	MERIDIAM INVESTMENTS II SAS	42.5%
		A wholly owned subsidiary of the Meridiam Infrastructure Europe III fund. Meridiam is an independent investment firm specialising in the development and management of long term and sustainable infrastructure projects. The group currently has circa 8 billion Euros of assets under management and has been involved in over 65 billion Euros of development projects since its formation in 2005, including several UK infrastructure projects.	
	(2)	FCC CONCESIONES DE INFRAESTRUCTURAS S.L.U	42.5%
		A wholly owned subsidiary of Fomento de Construcciones y Contractas SA, a leading Spanish construction company based in Barcelona. The group is an experienced operator in the European PPP market and has been trading for over 110 years. EBITDA in FY19 was over 1 billion Euros.	
	(3)	DBW Investments (MIMS) Limited	15%
		Part of the Development Bank of Wales Group and the chosen Welsh Government investment entity.	
<b>Project company name and address:</b>  	Future Valleys Project Co Limited (registered under number 12857623) whose registered office is Fulcrum, 105 Piccadilly, Mayfair, London, W1J 7NJ		

### 3.2 Building a new cancer centre to replace the hospital at Velindre in Cardiff

Velindre University NHS Trust (NHS Trust) is procuring the design, build, finance, maintenance and lifecycle of the New Velindre Cancer Centre, which will be situated on a site, owned by the NHS Trust, at Whitchurch, North Cardiff.

The new state of the art cancer centre facility is to be designed, built, financed and maintained by the special purpose vehicle established by the economic operator who is awarded the contract to support the vision and aims of the NHS Trust.

The MIM contract to build the new centre will be one of a range of contracts to deliver the overall New Velindre Cancer Centre Programme. For example, separate contracts are being procured for enabling works and equipment which sit outside the MIM.

Table 4 below summaries the project:

**Table 4**

<b>Name of the project:</b>	<b>New Velindre Cancer Centre</b>
<b>Sponsoring department and the procuring authority:</b>	Velindre University NHS Trust, Unit 2 Charnwood Court, Heol Billingsley, Parc Nantgarw, Cardiff,
<b>Sector and region:</b>	Sector: Healthcare Region: Cardiff
<b>Key dates:</b>	Procurement process commenced: 22 April 2021 Contract award anticipated: during early 2023 Anticipated operational date: mid 2025
<b>Contract duration:</b>	To be confirmed
<b>Capital value:</b>	Circa £300 million
<b>Contract duration</b>	To be procured
<b>Shareholders identity:</b>	To be procured
<b>Project company name and address:</b>	To be procured

### 3.3 Delivering MIM Projects as part of the Sustainable Communities for Learning Programme

On 28 September 2020, the Welsh Education Partnership Company (WEPCo) was formally established. It is a joint venture between Meridiam, the Welsh Government delivery partner (PSDP), and the public sector, represented by the Development Bank for Wales, as a shareholder in the joint venture company.

WEPCo will facilitate the delivery of up to £500 million (capital equivalent) of revenue funded “additional” investment in new educational facilities by individual Local Authorities and Further Education Institutions using the MIM. There will continue to be a major programme of traditional capital funded investment in educational facilities outside of the MIM through the Sustainable Communities for Learning Programme.


The formation and operation of WEPCo represents a strategic partnering approach, whereby public and private sectors work together to identify projects for delivery via MIM that would be otherwise undeliverable due to capital constraints. These projects are identified for consideration by the public sector signatories to WEP Strategic Partnering Agreement dated 30 September 2020, who bring forward new project requests.

Each project, or group of projects, will be developed by WEPCo but the supply chain for their design, build, finance, maintenance and lifecycle elements will be separately competitively tendered.

Table 5 below summaries the project:

**Table 5**

Name of the project:	MIM projects as part of the Sustainable Communities for Learning Programme
<b>Sponsoring department and the project agreement contracting counterparties:</b>	Sponsoring department: Welsh Ministers (Education Directorate) Project agreement contracting counterparties: various Welsh local authorities and further education institutions
<b>Sector and region:</b>	Sector: Education Region: Pan Wales
<b>Key dates:</b>	Quarter 2/3 of 2022 financial close of initial projects  Quarter 3/4 of 2022 next batch
<b>Contract duration:</b>	WEP Strategic Partnering Agreement dated 30th September 2020: 10 years with an option to extend for a further 5 years. Individual projects agreements: 25 years

Name of the project:	MIM projects as part of the Sustainable Communities for Learning Programme		
<b>Capital value:</b>	Up to £500 million		
<b>Annual service payment:</b>	Project specific		
<b>Shareholders identity:</b>	(1)	MERIDIAM INVESTMENTS II SAS	80%
		A wholly owned subsidiary of the Meridiam Infrastructure Europe III fund. Meridiam is an independent investment firm specialising in the development and management of long term and sustainable infrastructure projects. The group currently has circa 8 billion Euros of assets under management and has been involved in over 65 billion Euros of development projects since its formation in 2005, including several UK infrastructure projects.	
	(2)	DBW Investments (MIMS) Limited	20%
		Part of the Development Bank of Wales Group and the chosen Welsh Government investment entity.	
<b>Project company name and address:</b>  	WEPCo Limited (Company No. 12815179) whose registered office is at One Central Square, Cardiff, Wales, CF10 1FS  Website: <a href="https://wepco.cymru/">https://wepco.cymru/</a>		



Chapter 4:

# The MIM Contract Structure

Each MIM project is intended to deliver an asset (e.g. a school) as well as the ongoing maintenance of the asset.

## 4.1 Project Agreement

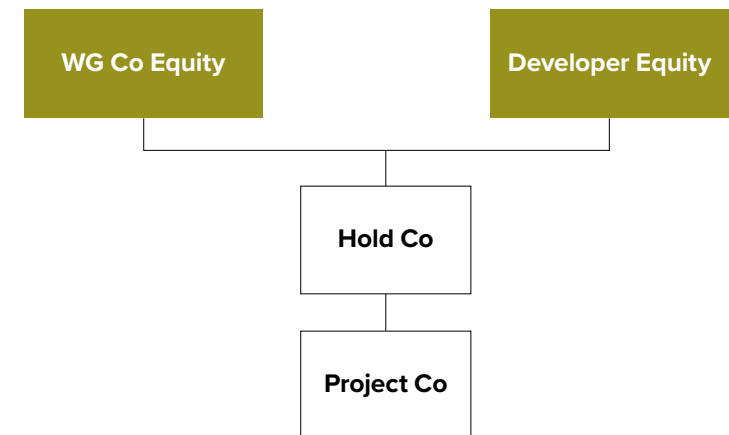
The project agreement is the contract which allows the Authority to appoint the Project Co to design, build, maintain and lifecycle the asset.

Having published template Project Agreements in 2017, which were supplemented by education specific documents in 2018 and 2019, the Welsh Government now intends to publish signed, redacted Project Agreements for the current MIM portfolio (see below for further detail).

## 4.2 Shareholders

A MIM project has, potentially, several stakeholders with an interest in the delivery of the asset. The stakeholders are usually funders (both public and private) as well as specialist developers. The usual MIM contract structure for incorporating these stakeholders into the project is shown in Diagram 2 below.

**Diagram 2: Contract Structure for incorporating shareholders**



Each MIM project requires the formation of a Project Co to deliver the project. Project Co is responsible for the delivery and ongoing maintenance of the asset.

The MIM Shareholders' Agreement regulates matters between the equity investors, Hold Co and Project Co. Investment in Hold Co will be determined on a project by project basis.

The private sector equity investors in Project Co are represented as 'Developer Equity'. The MIM enables the public sector to share in the potential profitability of investment in public infrastructure through equity investment by the Welsh Government. This minority equity stake is capped at a maximum of 20%. The terms of the MIM Standard Form Shareholders' Agreement assume the creation of a wholly owned Welsh Government investment entity, referred to in the diagram above as 'WGCo', however if a corporate vehicle is not used, Welsh Government (or another such body as it may determine) may assume the role of WGCo. Under the current MIM portfolio the Welsh Government has appointed DBW Investments (MIMS) Limited as its investment entity.

### 4.3 The role of DBW Investments (MIMS) Limited

DBW Investments (MIMS) Limited is part of the Development Bank of Wales Group. The Development Bank of Wales provides financial support for Welsh businesses. This includes loans to start up, strengthen and grow and equity investments for established businesses. The Development Bank of Wales also invests in housing equity via the Help to Buy (Wales) scheme. Given its investment expertise, the Welsh Government appointed DBW Investments (MIMS) Limited to invest in the MIM portfolio on its behalf.

In considering each MIM investment, DBW Investments (MIMS) Limited reviews the due diligence prepared for the commercial lending consortium and co-investors and assesses the key considerations and acceptable level of risk of:

- Construction Risk (principally risk of delay and cost overrun).
- Operational Risk (principally the risk deductions to the agreed annual service charge due to any non-performance during the operational and maintenance phase).
- Lifecycle Risk (principally the requirements of a useful remaining life of 10 years following 'handback' of the asset).

Any shareholder return will be largely via interest paid on the shareholder loan rather than distributing retained Project Co profits. Once DBW Investments (MIMS) Ltd has repaid all of the loan capital, any additional returns will be shared between DBW Investments (MIMS) Ltd and Welsh Government.

As a shareholder, DBW Investments (MIMS) Limited has the right to appoint a director to the Project Co Board. DBW Investments (MIMS) Limited has exercised this right in relation to Sections 5 and 6 of the A465 dualling.

Under the terms of the Welsh Government loan agreement, DBW provide update reports to Welsh Government to report on project progress and to include an assessment of any factors that may impact the original forecasted timeline and financial return, together with an assessment of potential reputational risk.

## 4.4 Published Contracts

In relation to each MIM project, the following contracts are published together with this report. The documents can be accessed by following the relevant link.

**Table 6**

	Document	Parties	Link
<b>Sections 5 and 6 of the A465 dualling</b>			
1.	Project Agreement dated 28 October 2020 for the design, build, finance and maintenance of sections 5 (Dowlais to A470) and 6 (A470 to Hirwaun) of the A465 and associated Trunk Roads and Side Roads	<ol style="list-style-type: none"> <li>1. The Welsh Ministers of Crown Buildings, Cathays Park, Cardiff, CF10 3NQ</li> <li>2. Future Valleys Project Co Limited (registered under number 12857623) whose registered office is Fulcrum, 105 Piccadilly, Mayfair, London, W1J 7NJ</li> </ol>	<a href="http://www.gov.wales/mutual-investment-model-infrastructure-investment">www.gov.wales/mutual-investment-model-infrastructure-investment</a>
<b>MIM projects as part of the Sustainable Communities for Learning Programme</b>			
2.	WEP Strategic Partnering Agreement dated 30 September 2020 as amended by a deed of adherence dated 20 December 2021 (to add five additional parties).	<ol style="list-style-type: none"> <li>1. WEPCo Limited</li> <li>2. Welsh Ministers</li> <li>3. Isle of Anglesey County Council</li> <li>4. Bridgend County Borough Council</li> <li>5. Caerphilly County Borough Council</li> <li>6. Flintshire County Council</li> <li>7. Coleg Gwent</li> <li>8. Coleg Y Cymoedd</li> <li>9. Grŵp Llandrillo Menai</li> <li>10. NPTC Group of Colleges</li> <li>11. Vale of Glamorgan Council</li> <li>12. The Council of the City and County of Swansea</li> </ol>	<a href="http://www.gov.wales/mutual-investment-model-infrastructure-investment">www.gov.wales/mutual-investment-model-infrastructure-investment</a>

	Document	Parties	Link
<b>Sustainable Communities for Learning Programme (cont'd)</b>			
		13. County Council of the City and County of Cardiff 14. Carmarthenshire County Council 15. Ceredigion County Council 16. Conwy County Borough Council 17. Monmouthshire County Council 18. Pembrokeshire County Council 19. Powys County Council 20. Rhondda Cynon Taff County Borough Council 21. Cardiff and Vale College 22. Denbighshire County Council 23. Coleg Sir Gar 24. Coleg Ceredigion 25. Wrexham County Borough Council 26. Gower College Swansea	

## Chapter 5

# Current Status of each MIM Scheme

Each of the three MIM schemes are at different stages. The following summarises the current position of each MIM scheme.

## 5.1 Sections 5 and 6 of the A465 dualling

Of the current MIM portfolio, sections 5 and 6 of the A465 dualling is the most advanced. Since the signing of the contract on 28 October 2020, there has been capital expenditure on the enabling works.



The works will proceed on the following phased basis:

- **January 22 – June 24:**  
Phase D2 – West of Prince Charles – Dowlais
- **March 22 – July 24:**  
Phase A – Hirwaun – West Croesbychan
- **May 22 – October 24:**  
Phase B – Nant Ffrwd – West of Prince Charles
- **July 22 – March 25:**  
Phase C – Prince Charles – West of Dowlais including Pant side roads
- **August 22 – April 25:**  
Phase D2 – West of Croesbychan – West of Nant Ffrwd

**Diagram 3: Sections 5 and 6 of the A465 dualling Construction Phasing Programme**



<p><b>Phase A</b></p> <p>Hirwaun – West of Croesbychan</p> <p>March 22 – July 24</p>	<p><b>Phase D2</b></p> <p>West of Croesbychan – West of Nant Ffrwd</p> <p>Aug 22 – April 25</p>	<p><b>Phase B</b></p> <p>Nant Ffrwd – West of Prince Charles</p> <p>May 22 – Oct 24</p>	<p><b>Phase C</b></p> <p>Prince Charles – West of Dowlais including Pant side roads</p> <p>July 22 – March 25</p>
			<p><b>Phase D2</b></p> <p>West of Prince Charles – Dowlais</p> <p>Jan 22 – June 24</p>

## 5.2 New Velindre Cancer Centre

The development of the New Velindre Cancer Centre is in the procurement phase. This phase commenced on 22 April 2021 with the contract award expected in spring 2023.

In readiness for contract award, the NHS Trust is carrying out enabling works to facilitate the development. The works include the main access route to the hospital.

## 5.3 MIM projects as part of the Sustainable Communities for Learning Programme

Five of the WEP Strategic Partnering Agreement signatories have issued new project requests to WEPCo. All of the Projects focus on quality build and net zero carbon during the operation phase of the asset, with an associated embodied carbon target of 800kg CO<sub>2</sub>/M<sup>2</sup>. These projects will be monitored and metered through construction and operations to measure energy performance against targets and provide lessons learnt for future social infrastructure projects.

There are currently no signed Education MIM Project Agreements.



## Chapter 6

# Equity return data

This section provides context for the equity return data. DBW Investments (MIMS) Limited is the public sector investor in the current MIM portfolio.

## 6.1 Sections 5 and 6 of the A465 dualling

On 22 October 2020, DBW Investments (MIMS) Limited took a 15% shareholding in the project and on 28 October 2020 issued a shareholder loan. At the same time, the joint venture commercial equity partners invested their equity and made their shareholder loans. The full amount of these loans has been utilised to part fund the Construction Phase, and the construction project is now being funded through commercial bank facilities.

At this point, there is no evidence to suggest any variation from the originally projected returns, and therefore overall DBW Investments (MIMS) Limited investment is performing as expected. Most contractual key performance indicators are tracking ahead of target and expectations for this stage in the project.

## 6.2 MIM projects as part of the Sustainable Communities for Learning Programme

On 30 September 2020, DBW Investments (MIMS) Limited took a 20% shareholding in WEPCo (the strategic partner) and exercised its right to appoint a director. It also issued the first tranche of a working capital loan. Subsequently, in February 2021, August 2021 and December 2021 DBW Investments (MIMS) Limited invested a second, third and fourth tranche of the working capital loan. Alongside this, the joint venture equity partner invested based on its 80% shareholding. The working capital loan is being utilised by WEPCo to progress the pathfinder projects to financial close.

DBW Investments (MIMS) Limited is anticipating some delay in progressing early pathfinder projects to financial close compared to the original programme, as a result of the global pandemic, inflation – with significantly increasing material costs – and the availability of contractors. It is possible that repayment of the working capital loan to WEPCo occurs over a longer timeframe.



## Chapter 7

# Project Data

This section provides an analysis of the non-financial data available. This includes:

- Project Progress
- Community Benefits
- Ethical Employment.

This data is reliant upon the MIM project being at least at design stage. Given that the richness of this data depends on the status of the project this section focuses on the data available for Sections 5 and 6 of the A465 dualling and Community Benefits only for the MIM projects as part of the Sustainable Communities for Learning Programme.

## Diagram 4: Sections 5 and 6 of the A465 – Timeline



This project is currently in the Construction Phase. Future Valleys Project Co Limited includes FCC Construction S.A as the main contractor during the construction phase.

## 7.1 Sections 5 and 6 of the A465

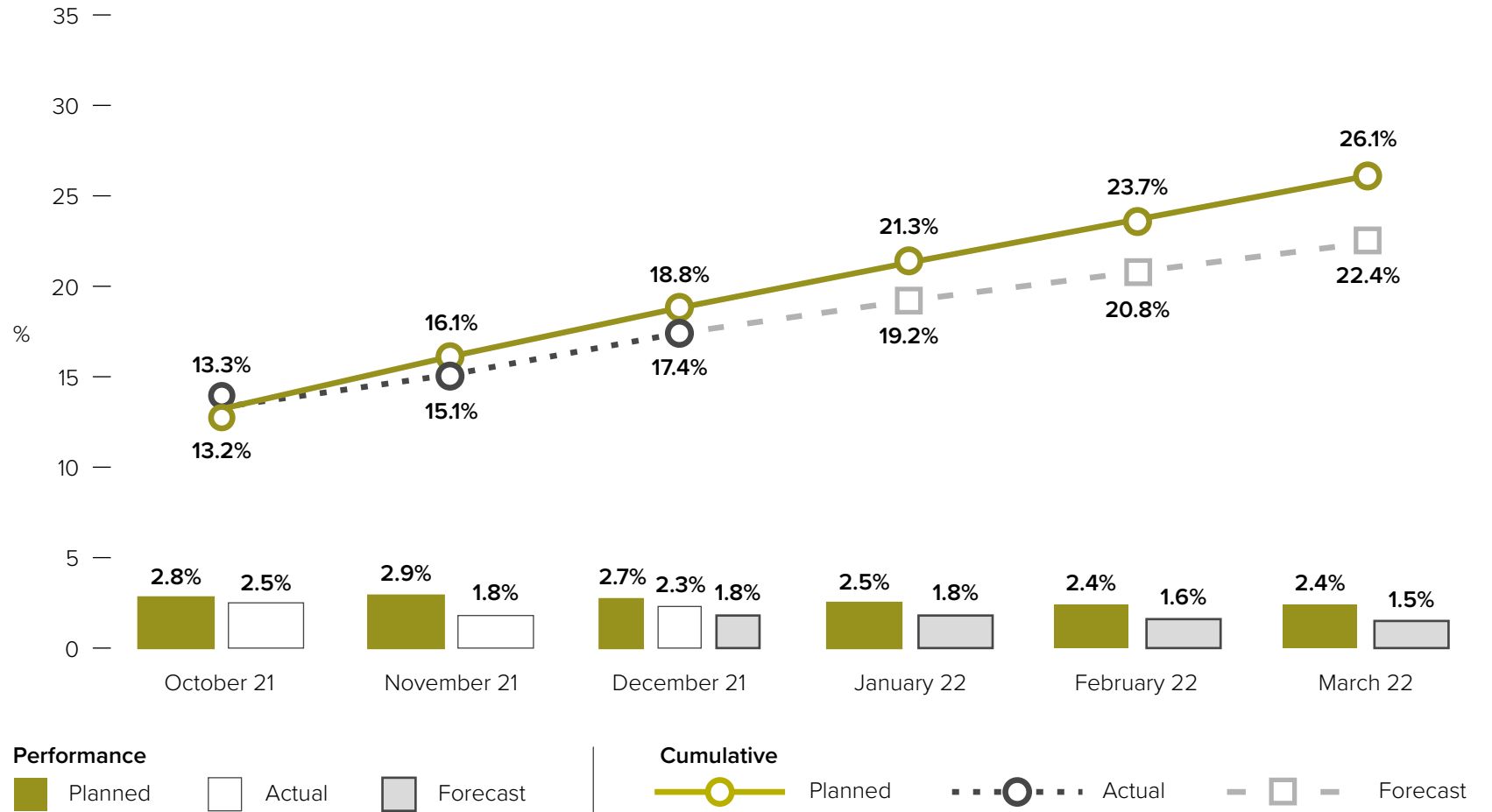
### 7.1.1 Project Progress

The Welsh Government and Future Valleys Project Co Limited entered into a Project Agreement dated 28 October 2020 for the design, build, finance and maintenance of sections 5 and 6 of the A465 dualling (the A465 Project Agreement). The A465 Project Agreement requires Future Valleys Project Co to initially fund the design and build stage (the Construction Phase) and once complete maintain the asset. The Construction Phase commenced on 28 October 2020 and is scheduled to complete on 30 May 2025. The operational period is for a further 30 years. Financing facilities and amortisation profiles have been agreed to match this overall project timeline.

The Construction Phase is currently running slightly behind programme but remains on track to complete by 30 May 2025 (see diagram 5 below):

**Diagram 5: Sections 5 and 6 of the A465 – Construction Phase Progress**

Planned vs actual progress (using weighted duration method)



## 7.1.2 Community Benefits

The A465 Project Agreement places Community Benefit key performance indicators ('KPI') on Future Valleys Project Co Limited. These KPIs range from employment focus

to community engagements. Table 7 below show progress against these KPIs.

**Table 7**

Community Engagement					
KPI	Profiled Cumulative Target	Cumulative Achieved	% Target Achieved	% Deviation From Target	Total Target
<b>School Engagement (number of pupil Interactions)</b>	1680	3143	187%	87.05%	21,550
<b>School Engagement including but not limited to attendance at career fairs or interviews (hours engaged)</b>	110	366	332%	232.35%	2,100
<b>Community Initiatives</b>	13	14	108%	7.69%	64
<b>Community Engagement</b>	30	42	140%	40.00%	85

The following are examples of Future Valleys Project Co's activities as part of achieving its KPIs above:

- **School Engagement**

- Big Bang Design Project – Pupils are continuing to progress with development of their design projects with input from the project team. This included a three-day visit to the University of South Wales, where Future Valleys Construction staff provided an update on the project and helped the pupils build prototypes of their chosen bridge designs.

- Taf Trail Bridge Project at Pen-y-Dre – The project was launched to pupils, who will work on the design of the Taf Trail Footbridge.
- Greenfield Special School Bridge Building challenge – 30 Key Stage 4 pupils took part in a bridge building challenge whilst learning about the A465 project.
- Hazard and Risk assessment sessions at Rhydywaun – Year 10 construction pupils were taught about hazard identification and risk assessment development.
- Staff hours donated – Projects and activities have been developed and specifically linked to curriculum and the A465 including a video on sustainable construction.

- **Community Initiatives and Engagement**

Future Valleys A465 Community Initiatives Programme<sup>3</sup> is part of the commitment to the communities close to the on-going build. The programme is made up of a variety of support mechanisms for not-for-profit groups and organisations to benefit from the skills and resources available through the contractors working in the locality.

The third round of applications is now under review. Having delivered 19 community initiatives so far, Future Valleys Project Co is ahead of target (119% of target), with almost £27,000 having been invested. The programme will continue further applications quarterly.

Awards (up to £3,500 each) across the Heads of the Valley have been made to:

- Merthyr Town Football Club to buy 4G pitch maintenance equipment
- Hirwaun District Gardening Club to buy a polytunnel
- Merthyr Tydfil Sailing Club to buy new safety equipment
- Heolgerrig Community After School Club to buy games, play equipment a storage shed and refrigerator.
- Merthyr Tydfil Swimming Club to buy new training equipment and diving blocks
- community Christmas event for Vaynor
- flood lights and generator for Briars Bridleways riding facility
- community arts projects for the ‘Melting Point’ at Cyfarthfa
- rugby kit and equipment for Dowlais Rugby Club Under 15s
- Hope Pantry food and essentials project at Hope Church
- new hives and stands for the Pollination Project run by Merthyr Nats.

## Case Study: Briars Bridleways

Briars Bridleways is a local access group affiliated to the British Horse Society. It promotes the safe use and access to local bridleways throughout the North of Rhondda Cynon Taf, working alongside local authorities and other groups.

In their application Briars Bridleways highlighted their need for portable lighting and a generator to allow this horse-riding group to extend their activity during the dark winter months. As they have use of a local facility that runs adjacent to the A465 the lighting is helping to ensure they can safely run events during the winter months. Importantly, the lighting also means that riders don't have to go on the highway which in the dark is hazardous for the horses and their riders.



### 7.1.3 Ethical Employment

The Welsh Government 'Code of Practice – Ethical Employment in Supply Chains' has been established to ensure workers in public sector supply chains in Wales are employed in a fair and ethical way.

Future Valleys Project Co Limited has signed up to the code, as required by the MIM contract.

Table 8 below shows progress against the employment KPI's:

**Table 8**

Employment					
KPI	Profiled Cumulative Target	Cumulative Achieved	% Target Achieved	% Deviation From Target	Total Target
<b>Jobs Created for individuals not in education, employment or training/ long term unemployed (person weeks)</b>	340	341	100%	0.40%	3,100
<b>Jobs Created for disadvantaged workers (person weeks)</b>	851	4308	508%	405.96%	6,500
<b>Apprentices (person weeks)</b>	148	256	173%	72.60%	5,200
<b>Graduates (person weeks)</b>	447	1006	225%	124.98%	2,562
<b>Training including work experience, placement and taster positions excluding apprentices and graduates (person weeks)</b>	318	428	135%	34.83%	3,550

Notable achievements include:

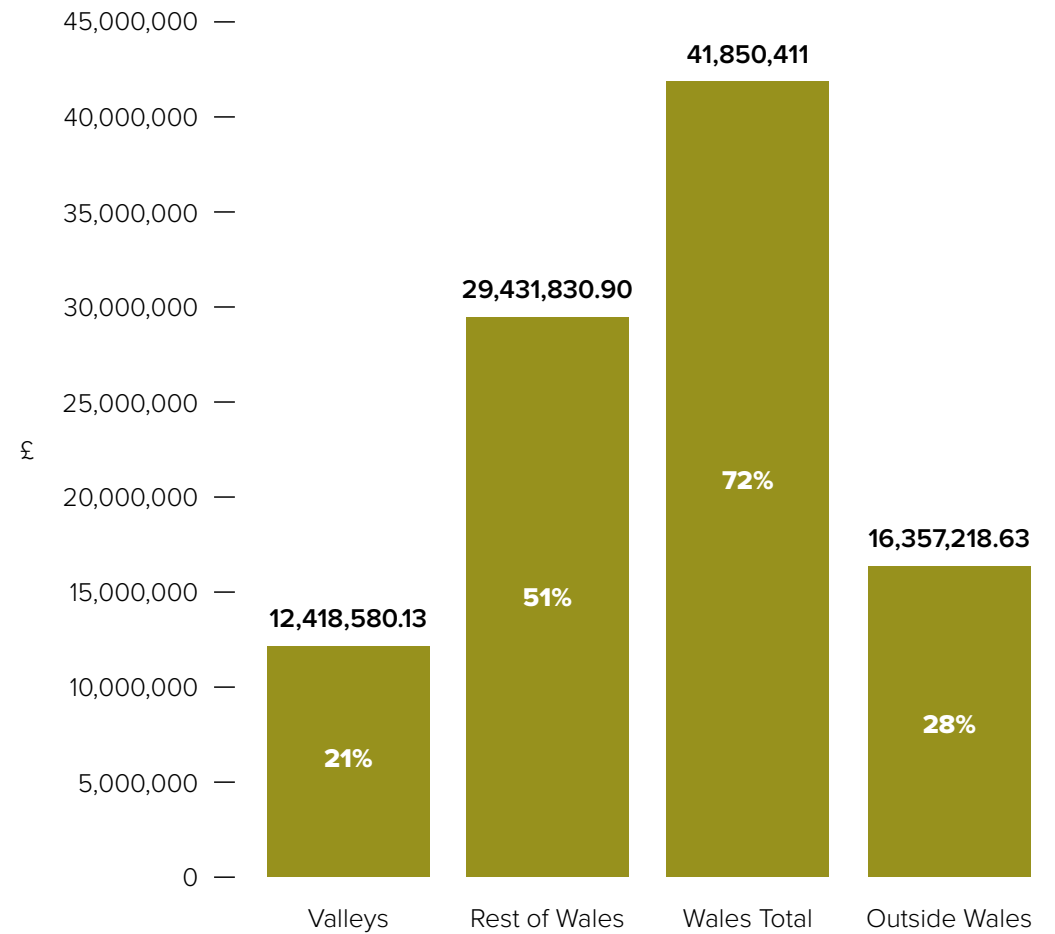
- Working closely with local job centres to identify candidates who meet the unemployed criteria to keep on target.
- The employment of disadvantaged workers is significantly ahead of target.
- Apprentices and graduate recruitment are ahead of target. This has been achieved by a combination of offering roles directly and encouraging the supply chain to do the same.

In relation to the overall workforce:

- Courses have been organised to upskill existing workers to meet role requirements.
- 142 females have worked on the project to date contributing to 13.1% of the total person weeks worked. Key roles are being delivered on the project by female staff including quality management, public liaison, site management, ecological management, commercial, management systems, archaeology management, health and safety, and legal.
- 84% of the time allocated to the project has been from people living in Wales with 40.9% of the total from the South Wales valleys region.

The majority of the supply chain spend has been in Wales (see diagram to right). The Welsh supply chain has received £41.85m of the overall project expenditure to date, which equates to 72% of the total supply chain spend. £12.42m has benefited the south Wales valley supply chain equating to 21% of the total supply chain spend to date.

**Supply Chain Spend**



### 7.1.4 Environmental Activities

The A465 Project Agreement also includes environmental key performance indicators (Environmental KPIs) on Future Valleys Project Co Limited. These Environmental KPIs focus,

for example, on carbon emission, sustainable procurement, and protecting the environment. Table 9 below identifies the Environmental KPIs.

**Table 9**

Environmental KPIs (Project Agreement)	
Contractual KPIs	Status
The Civil Engineering Environmental Quality Assessment and Award Scheme	Ongoing ●
Reduce whole life carbon emissions	Design issue
Reduce whole life noise impacts	Design issue
Reduce construction phase carbon	Design issue
Reduce waste from the project	Ongoing ●
Design to minimise waste on the project	Material management plan
Sustainable procurement of raw materials	Procurement department
Worker travel	Ongoing ●
Rainwater harvesting	Ongoing, Nant Hir
Local procurement	Procurement department
Annual Environmental Performance and Monitoring Report (AEPMR)	Ongoing ●
Quarterly environmental tracker	December 21 proposed
Environmental enhancement	Healthy Hillside, Dowlais
Protecting the environment	Champion Business – Unknown Plant 25,000 trees – planting

Examples of the environmental initiatives arising out of the Environmental KPIs include:

#### **7.1.4.1 Healthy Hillside Initiative**

Working with external stakeholders including Merthyr Tydfil County Borough Council, South Wales Fire Service, Natural Resources Wales, the Healthy Hillside Initiative supports the development of a local environmental project at Gurnos. It is aimed at improving access to the local green spaces, whilst educating young people on grass fires and the damage they can cause to biodiversity.

#### **7.1.4.2 Research and Development Project**

This project assesses the feasibility of a research and development opportunity with Aberystwyth University to study the soil DNA of translocate Waxcap mushroom turfs. The turfs are currently being relocated at Dowlais in partnership with Merthyr Tydfil County Borough Council.

#### **7.1.4.3 Tree Planting**

As part of the work to help biodiversity in the area and part of engaging with local schools, tree planting sessions have been run with Llwydcoed Primary School and Penywaun Primary School. This gave pupils the opportunity to plant Devils Bit Scabious (grown by the National Botanic Garden of Wales for the project). The plant is key to establishing habitats for the Marsh Fritillary butterfly. It also helps the children to gain a practical understanding of the interdependent relationship between plants and insects.



Opportunities to support Morlais Castle Golf Club (Merthyr) in a tree and hedge planting initiative to offset carbon, improve biodiversity and create an even more attractive course is also being considered.



### 7.1.5 Focus on Bats



Surveying for bats prior to felling trees.

Initial survey work identified that bats were present in several locations. As the construction will impact on some of the bat roosts, work has been undertaken to provide alternative habitats. This has included the construction of a new night roost shed for lesser horseshoe bats, the installation of over 70 bat boxes, and the installation of a range of concrete pipes suitable of night roosts and other roosting behaviour.



Construction of a replacement bat roost.

This work was timed to avoid disturbing hibernating bats and monitoring checks are regularly undertaken to make sure the bats remain unharmed and are still able to use the woodland, hedgerows and other habitats.



Replacement bat roost.

## 7.2 MIM projects as part of the Sustainable Communities for Learning Programme

The WEP Strategic Partnering Agreement dated 9 September 2020 places Community Benefit obligations on WEPCo. There is a requirement to commit to minimum levels of supply chain, SME and social enterprises engagement on each project being developed, as well as advertising every opportunity worth over £100,000 on sell2wales. In addition to WEPCo's obligations each individual project agreement will include Community Benefit obligations.

An example of WEPCo's activities as part of achieving its obligations is the WEP Cynefin Cymru Project. The project aims to have a positive impact in the communities where WEPCo works in Wales. It is also part of its requirement to support the Well-being of Future Generations Act and the commitment to make a difference in every community. The project is run in partnership with the Royal Institute of British Architects (RIBA) and architects. The project aims to teach children about local architecture, to enable them to design and build their own ideal neighbourhoods, and for children to learn about the redevelopment and rebuilding of their schools.

The programme is made up of workshops. The workshops focus on:

- what is meant by architecture, what architects do, and what skills and studies you need to become one
- traditional and modern architecture found in Wales
- converting design drawings into 3D models; and presenting designs to WEPCo and its school designers.

### 7.2.1 Cynefin Cymru project delivered at Argoed High School and Ysgol Mynydd Isa primary



Students taking part in Cynefin Cymru project

In the autumn term of 2021, the Cynefin Cymru project was delivered to Ysgol Mynydd Isa Primary and Argoed High School. The year 10 (Product design and engineering students) of Argoed High School and the Year 5 and 6 pupils of Ysgol Mynydd Isa Primary took part in this project consisting in the redesign of their school's village embracing the village's heritage and to highlight their aspirations for the future.

Each school participated separately in two day-long workshops, before coming together in a joint event to share their findings and to celebrate their achievements together. All 120 pupils worked together to build a new model town which represented the ideals and desires of students for their cynefin (area/habitat), whilst getting students to work together and develop new STEM skills.

The first workshops for both schools focussed on exploring what is meant by architecture, what architects do, and what skills and studies are needed to become one. Ysgol Mynydd Isa students then examined traditional and modern architecture found in Wales, designed their own Bwthyns (cottages) and created a wish list for what they wanted their ideal cynefin to be like.

Argoed High School students then used this wish list to create a design brief everyone would work to, creating a masterplan to develop thinking around where the new buildings and spaces should go.

The second workshop saw both sets of students design a specific building/space for their town, creating elevation drawings and plans to communicate their ideas. They then made these into 3D models that were based around various measurements to create buildings and spaces which were roughly in proportion to each other. These were then put together in the final workshop, which used the secondary students' masterplan to give their town shape, and which were shared with local representatives and those involved with the project.



Students' 3D models were put together in the final workshop

### 7.2.2 Cynefin Cymru project delivered at Penygawsi, Llanilltud, Pontyclun primary schools

During April and May 2022 the project was delivered to 180 pupils across three primary schools in Rhondda Cynon Taf: Penygawsi Primary School (Year 3 and 4, 60 pupils) Llanilltud Faerdref (Year 4 and 5, 60 pupils) and Pontyclun (Year 4, 60 pupils). Each school participated in three day-long workshops which again resulted in presentations to WEPCo and its local design team.

Appendix 1

# A465 Financial Model

	2025/26	2026/27-2054/55	2055/56
Annual Service Payment (Revenue) real terms £m per annum excluding VAT	31.618	38.330	6.284