

**Ken Skates AC/AM**  
**Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith**  
**Cabinet Secretary for Economy and Infrastructure**



Llywodraeth Cymru  
Welsh Government

Russell George AM  
Chair - Economy, Infrastructure and Skills Committee  
National Assembly for Wales  
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15 December 2016

Dear Russell

I would like to thank the committee for allowing me the opportunity to provide evidence for your inquiry into the National Infrastructure Commission for Wales.

At the session I said I would provide the committee with a paper outlining our consideration of models for the commission. This is attached as an annex to this letter.

I hope the committee will find this paper useful and look forward to reading the report when it is published.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken', written in a cursive style.

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Cabinet Secretary for Economy and Infrastructure

**ECONOMY, INFRASTRUCTURE AND SKILLS COMMITTEE  
NATIONAL INFRASTRUCTURE COMMISSION FOR WALES  
CONSIDERATION OF MODELS FOR NATIONAL INFRASTRUCTURE  
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**Introduction**

- 1.1. The Welsh Government is committed to establishing a National Infrastructure Commission for Wales to provide expert, independent advice on strategic infrastructure issues and priorities.

In deciding the initial status and remit of a commission for Wales, we looked at current models for infrastructure bodies in the UK and internationally.

Our programme for Government, 'Taking Wales Forward', sets out how the Welsh Government will build a more confident, more equal, better skilled and more resilient Wales. It includes an ambitious set of policies which will see the country become better prosperous and secure, healthy and active, ambitious and learning, and united and connected.

- 1.2. A key part of fulfilling this ambition will be to move towards a better informed, longer-term strategy of investment in infrastructure which enshrines the principles of the Well-Being of Future Generations Act. This investment will be crucial to ensure the infrastructure that connects people and communities is fit for purpose, and is looking towards the needs of tomorrow, as well as today.
- 1.3. Many administrations have established bodies to provide expert, independent advice on infrastructure issues. The status and governance of such bodies varies. However their common key role is to support a move away from destructive stop-start investment, viewed as a product of political short-termism, to a more productive longer-term investment strategy which reflects a stronger, stable consensus enabled by such expert, independent advice.

**Key principles**

- 2.1. Our thinking on the type of model that would initially be the most beneficial for Wales has been outcome focused and based on a number of key elements:

- 2.2. :
- i. the commission needs to support the goals and principles of working established under the Wellbeing of Future Generations (Wales) Act
  - ii. it needs to have integrity and be capable of giving expert and independent advice to Welsh Ministers which is representative of the needs and views of society as a whole

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- iii. the commission should recognise budgetary constraints, as well as the government’s commitment to keep new legislation to the minimum,
- iv. the commission’s governance and funding arrangements should be proportionate to the added value it might offer to establishing a stable, longer-term infrastructure strategy for Wales.
- v. its advice needs to complement the approach to developing the new National Development Framework Development for Wales for strategic terrestrial planning under the last Planning Act
- vi. the commission’s work, based on expertise and independence, should support a faster, more streamlined decision making and consenting framework by reflecting a consensus of the needs and views of society as a whole and accelerating growth

2.3. These principles were then tested as part of an assessment of other models from various administrations in order to establish the best fit for Wales. Particular focus has been placed on the remits, membership, expertise, scope (including fiscal scope) and the benefits of a commission measured against its operating costs.

**UK and International Models**

3.3. A number of different models were identified for consideration. Both UK and international models exist in environments which are significantly different to Wales. Major differing factors include geographical constraints, political landscape, devolved settlements, legislative frameworks and financial resources and accounting.

3.4. The models under consideration included:

Name	Status	Remit
UK Infrastructure Commission	Advisory Non-Statutory	<ul style="list-style-type: none"> <li>• Initially established in non-statutory/shadow form</li> <li>• From January 2017 will be re-established as a non-statutory executive agency accountable to the Treasury</li> <li>• Mandate to analyse UK 30 year infrastructure</li> <li>• Includes non-devolved cross border infrastructure.</li> <li>• No statutory remit over devolved infrastructure, but can look at devolved needs on request</li> <li>• Infrastructure within the scope includes energy, transport, water and sewage, waste, flood defences and digital communications.</li> </ul>

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		<ul style="list-style-type: none"> <li>• Will not cover ‘social’ infrastructure - hospitals, schools and prisons etc .</li> <li>• Hard fiscal limit set by HM Treasury.</li> <li>• Long term infrastructure plans to be laid before parliament</li> <li>• To be comprised of a chair, commissioners, CEO and staffed office.</li> </ul>
The Scottish Futures Trust	Delivery Arms-Length Company	<ul style="list-style-type: none"> <li>• Independent, arms-length company established by the Scottish Government</li> <li>• In 2015/16 estimated £146m of net benefits and savings was attributed to the SFT.</li> <li>• Operational budget in 2016/17 set at £10.3m. Trust comprises 70 infrastructure financing, procurement and delivery professionals</li> <li>• Scope includes housing, low carbon, education and digital.</li> <li>• Alternative funding methods include non-profit distributing, housing joint ventures and incremental tax financing alongside local authorities.</li> <li>• Part of justification for model was finance particular infrastructure projects off of government balance books.</li> <li>• Recent changes to Eurostat rules have resulted in this borrowing debt being attributed to government</li> <li>•</li> </ul>
Northern Ireland’s Strategic Investment Board	Advisory Statutory	<ul style="list-style-type: none"> <li>• Company limited by guarantee</li> <li>• Established through secondary legislation.</li> <li>• Owned by the First Minister and financed from within departmental expenditure limits.</li> <li>• Advises government, local authorities and other bodies</li> <li>• Four key responsibilities are to prepare 10 year investment strategy, support public sector partners through providing expert staff, own asset management unit; and champion reform</li> <li>• Activities guided by the incumbent’s government’s policy goals</li> </ul>

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		<ul style="list-style-type: none"> <li>• Works within budgetary constraints of an investment pipeline.</li> </ul>
Infrastructure Australia	Statutory Advisory	<ul style="list-style-type: none"> <li>• Established through primary legislation</li> <li>• Advises Government and audits nationally significant infrastructure</li> <li>• Develops 15 year rolling Infrastructure Plan</li> <li>• Scope includes transport, energy, communications and water.</li> <li>• Independent of government</li> <li>• Ministers issue a Statement of Expectations which sets the priorities of the government to be taken into account</li> <li>• Does not fund or deliver projects</li> <li>• Board comprised of a chair and 12 members</li> </ul>
New Zealand National Infrastructure Unit	Internal Government	<ul style="list-style-type: none"> <li>• Established in 2009</li> <li>• Based within the treasury department of the government.</li> <li>• Responsible for developing and monitoring 20-year infrastructure plan, establishing cross-government frameworks for infrastructure project appraisal and asset management; and providing support to National Infrastructure Advisory Board.</li> <li>• Board comprised of members from the private sector and outside central government in advisory capacity.</li> <li>• Key role of board to engage with the private sector, local government and other stakeholders</li> <li>• Focus of NZNIU approach is to maximize opportunities for Public Private Partnerships (PPP).</li> </ul>
Singapore Urban Redevelopment Authority (SURA)	Internal, Government	<ul style="list-style-type: none"> <li>• Urban planning authority and a statutory board</li> <li>• Established in 1974 in response to increasing urban density</li> <li>• Responsibilities include land-use planning, urban design, building conservation. land</li> </ul>

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		<p>sales and carpark management</p> <ul style="list-style-type: none"> <li>• Creates 40 year Concept Plan</li> <li>• Long term planning underpinned by more detailed 10 year Master Plans</li> </ul>
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**Options for a Wales Commission**

4.1. After comparing and contrasting the pros and cons of other national and international models, the following options were considered for a national commission for Wales.

**a) A statutory non-departmental public body**

Would clearly demonstrate the serious role of a commission. However, likely to be expensive, resource intensive to introduce and set up, likely to increase bureaucracy, and potentially disproportionate to the current need.

**b) The UK model, with Welsh Ministers being bound by its advice and recommendations**

A more proportionate approach, which would benefit from a commitment to independent, expert analysis but would risk a democratic and accountability deficit.

**c) An independent public delivery company**

Potentially expensive and would cast doubt as to its proportionality, this model is essentially about delivery and not strategic advice. The focus could be diluted from helping to establish a longer-term infrastructure strategy, which is the key to unlocking a stable, investment and delivery framework which will benefit future generations in Wales. There are also potential conflicts and/or duplication between this model and other organisations, such as Transport for Wales.

**d) A statutory advisory body**

The statutory footing would elevate the seriousness of the organisation. However, this is still likely to be disproportionate towards fulfilling the objectives of the commission, and intensive to introduce.

**e) A non-statutory advisory body with non-public appointees**

Might be seen as proportionate but likely to call into question its value, seriousness and transparency without a public appointments process.

**f) A non-statutory advisory body with public appointees**

Proportionate to current need, although could be perceived as not as strong as a statutory body. The public appointments process would add credibility to those appointed. This model would also provide more

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flexibility than other models to 'scale up' should evidence emerge for the need for change.

**Conclusion**

- 5.1. There are a range of models already in existence and different ideas for the status and remit of an infrastructure body. However no single model appears to offer a perfect 'fit' , and something more bespoke will need to be created for Wales. The evidence suggests that the most workable solution in the current environment would be the establishment of an advisory, non-statutory commission. This would provide a strong step towards strengthening decision making and delivery in respect of infrastructure.
- 5.2. As well as meeting the criteria of the main principles, this model could be underpinned by an iterative approach in which periodic reviews are taken to assess its effectiveness and fit. This would provide flexibility to adapt to major changes in the external political, legal and financial environment, which could be invaluable in the current context where a high degree of uncertainty is on the horizon.
- 5.3. The benefits of this approach would best be realised through an open and transparent process, with an emphasis on collaboration towards building a consensus. The advice from the body should be expert, evidence-based and technically sound, which will require members to be appointed based on merit and experience and not by virtue of office.
- 5.4. The roles and responsibilities of the organisation should be clear from the outset. The Welsh Government should be open to changing the body's status and remit if clear benefits emerge for doing so. One way this could be achieved is through reviewing the body's status and remit before the next Assembly election in 2021.
- 5.5. Depending on feedback from public consultation, a commission under this model could be established by summer 2017.