Window closing on infrastructure catch up, warn government advisers

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Failure to go further, faster over the next five years on plans for infrastructure delivery could constrain economic growth and threaten climate targets, according to the government's official infrastructure advisers.

Noting the UK has faced several years of disruption from COVID and the cost-of-living crisis, the National Infrastructure Commission's (NIC) annual review charts a mixed picture of progress towards key infrastructure goals:

- Five-year funding settlements for local transport have been devolved to more city regions
- Funding diverted from the cancelled northern leg of HS2 has been earmarked for local transport budgets, but without a detailed replacement plan for improving train services in the North and Midlands the decision risks future capacity challenges

- The share of electricity generated from renewable sources has grown to a record 47 per cent in 2023 and there have been welcome moves to accelerate the rollout of transmission infrastructure to get electricity where it is needed, but changes to the planning system for onshore wind developments are not sufficient for this source to meet its potential
- Last minute changes to policy have created uncertainty and reduced the incentives to install a heat pump, which risks slowing the transition from fossil fuel heating. Government is currently off track to meet its target of 600,000 heat pump installations by 2028
- Demand for water has plateaued rather than fallen, compounding risks to future supply, while network leaks are not being fixed at the rates required to meet the industry's own targets, with weather conditions leading to a rise in leakage levels for most companies during 2022/23
- Updated National Policy Statements for energy, national networks and water resources should ensure faster decision making on major projects, but opportunities remain to go further by expanding community benefits for hosting infrastructure and reducing duplicative environmental assessments.

The Commission's *Infrastructure Progress Review 2024* calls for a concerted catch up programme accelerating policy implementation and delivery to ensure the country's infrastructure is fit for the future.

In its recent National Infrastructure Assessment, the Commission calculated that public investment in infrastructure will need to reach around £30 bn a year over the coming decades (from around £20 bn a year in the past decade), alongside an uplift in private investment to around £50 bn a year.

Writing in the report's foreword, Commission Chair Sir John Armitt bills the next five years as a "a critical period for making decisions on things that are of immediate concern to the public – the three Ps of prices, potholes and pollution".

Addressing these areas, the report calls for:

- Coherent policy backed by long term public funding to boost the transition to low carbon home heating that should help to reduce household bills over the longer-term
- Continued progress on devolution, expanding its reach to give all local authorities with responsibility for local transport five-year funding settlements to enable more stable planning for road maintenance and other priorities
- Transformational change in the water sector, that will require some bill increases, to address interconnected sewage and drainage problems.

The report also includes new analysis on the railway network in the North and Midlands in light of the decision last autumn to cancel work on High Speed 2 north of Birmingham.

Offering an initial assessment of how current plans will impact connectivity and capacity, the Commission notes "government's plans might address a number of issues, but greater specificity is needed regarding the scope, cost, benefits and schedule for the schemes individually and as a package".

The Commission believes "existing infrastructure is a constraint on future passenger and freight growth. Capacity and connectivity cannot be materially improved north of Birmingham without further infrastructure investment."

To enable passenger growth in the future, the report says, "a 'do nothing' scenario north of the proposed [Handsacre junction] is not sustainable", while also nothing that major improvements to both inter-urban transport and local transport networks are affordable within indicative spending limits set for the Commission by government.

Sir John concludes: "A window remains to ensure that practical delivery plans are in place, backed up by the necessary public and private funding, to help achieve economic and environmental goals that will improve life for British households. But the window is closing, at least if we don't want to delay those benefits and compound the disruption of recent years."

Responding, Railway Industry Association (RIA) Chief Executive Darren Caplan said: "The National Infrastructure Commission Commission's findings fire a warning shot to both current and future governments about the need for more investment in rail capacity in the decades ahead.

"The report clearly says that without investment in transport infrastructure like rail, growth in cities around the country – particularly the North and Midlands – would be constrained, and it cites the recent RIA-commissioned Steer report forecasting that rail passenger demand will grow between 37 per cent and 97 per cent to 2050, depending on which policies are adopted in the coming years. RIA has consistently warned that the absence of a strategy for north-south rail capacity and regional connectivity risks holding the country back, whether the economy, connectivity, local growth, or the UK's ability to deliver Net Zero.

"The Commission rightly calls out the lack of a coherent long-term plan for rail along with a steady and delivery pipeline. Its analysis shows how a visible long-term pipeline of rail renewals and enhancements is crucial for local authorities and the supply chain, to be able to plan and attract private investment. The report also says the Government had not met its objective to make decisions and stick to them, with changes such as cancelling the later stages of HS2 exacerbating uncertainty for both businesses and investors. RIA has been regularly calling for a clear long-term strategy and full pipeline information, and we urge policy makers both now and in the future to heed this call, make decisions and stick to them."

Jordan Cummins, CBI UK Competitiveness Director, said: "Investment in physical and digital infrastructure, as well as improving connectivity within and between our key economic centres, is a critical enabler of economic activity. It's also absolutely vital if we want to capitalise on green growth opportunities, particularly those involving low carbon technologies.

"The National Infrastructure Commission is right to identify speed of delivery as essential to success. Without a significant injection of pace, economic growth could be hamstrung, critical climate targets missed, and commercial opportunities lost to international rivals.

"That's why we need business working in partnership with government at all levels, national, regional and devolved, to scope major projects more effectively, accelerate action and remove barriers to investment – like cumbersome planning processes and inadequate grid capacity.

“Establishing a clear Net Zero Investment Plan would also provide certainty of pipeline over the mid-term, giving firms the confidence they need to source essential finance and unleash large-scale investment that can transform the UK economy.”

Andrew Baldwin, Head of Policy and Public Affairs at Association for Project Management, said: “Years of instability have reduced confidence in investment, but drastic policy U-turns like on HS2 are simply aggravating the issue. We must now assume instability is a given in project planning to enable us to prepare and gain more control over fluctuations.

“Under-resourced project teams limit project delivery across the country, so we want to see a drastic increase in the supply, and training, of project professionals.

“Transparency is needed across the sector to champion accountability, enable effective decisions, and achieve value for money in projects.”

“APM backs the NIC’s call for an effective long-term plan, which builds confidence, strategizes delivery, and places project professionals at the forefront, enabling the UK to deliver essential projects which meet critical targets.”

Peter Hogg, UK Cities Director at Arcadis: “Like most people interested in the performance of the UK as a society and economy, Arcadis fully agrees with the National Infrastructure Commission infrastructure progress review.

“Despite the review being on the money, the reporting of it causes us some concerns. The issue is that the reporting makes it sound as if the review is advocating infrastructure for its own sake; as if it is a document of special pleading on behalf of a delivery industry that wants to protect it’s own interests and – most insidious of all – as if the review advocates expenditure rather than investment that delivers a clear and measurable return to each and every one of us.

“This is not what the review says at all. The review makes a robust and compelling case for investment in infrastructure. It makes clear the benefit that this delivers to the UK economy, how it enables sustainable & equitable growth and how it creates opportunities for a whole new generation soon to join the workforce to make a better life for themselves, their community and the nation as a whole.

“We should all energetically cheer-lead the key messages in the review. In particular, it is important to promote the clear messages in the review around the need for long-term funding settlements for organisations like TfL and the importance of getting behind nationally important programmes such as Northern Powerhouse Rail and the Midlands Rail Hub – commitments that Arcadis have been advocating for some years now.”