HM Treasury

Interim Response to the National Infrastructure Assessment

Budget 2018

October 2018

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ISBN 978-1-912809-25-7

PU2218

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Chapter 1

The National Infrastructure Assessment

1.1 The government established the **National Infrastructure Commission (NIC)** to provide independent, expert advice on the UK's long-term infrastructure needs. Since it was established, the NIC has published detailed studies into key issues, including strategic transport in the north of England and smart energy systems.

1.2 Earlier this year, the NIC published its flagship **National Infrastructure Assessment (NIA),** a comprehensive report on the UK's biggest infrastructure challenges. The NIC concluded that to meet the infrastructure needs of the 21st century, we must harness the potential of data and digital connectivity, build a low-cost, low-carbon energy system, and revolutionise our road networks to increase the use of electric and autonomous vehicles. The NIC also highlighted the need to invest in cities to unlock growth and productivity gains, and to act decisively to tackle flood risk and water shortages.

1.3 The government is grateful to the NIC for this report. The NIA is an ambitious, credible and long-term vision for the UK's infrastructure, with wide ranging and significant recommendations across all areas of economic infrastructure. These deserve proper consideration. The government will **respond formally to the NIA in 2019, by publishing a first of its kind, comprehensive National Infrastructure Strategy**. This strategy will set out the government's priorities for economic infrastructure and respond in depth to the NIC's recommendations. Much infrastructure policy is devolved. The strategy – in line with the NIA – will only cover areas that are the responsibility of the UK government.

1.4 In many areas the government is already acting on priorities identified by the NIC, including through measures announced at the Budget. The rest of this document sets out the government's track record of investment and the new steps the government is taking to support the NIC's vision, in line with the Industrial Strategy. This includes:

- a National Roads Fund worth £28.8 billion from 2020-2025
- extending the Transforming Cities Fund and increasing it to £2.5 billion. This includes £90 million to establish new Future Mobility Zones
- allocating £200 million from the National Productivity Investment Fund to pilot new approaches to deploying full fibre broadband in rural locations
- extending the Housing Infrastructure Fund for an additional year, and increasing it to £5.5 billion
- providing an additional £420 million for road maintenance, such as potholes

Chapter 2
Our interim response

Public investment

Increasing investment

2.1 The government is taking action to address historic underinvestment in the UK. Overall public capital investment is set to reach levels not consistently sustained in 40 years.[1] Much of this increase is driven by a step-change in infrastructure spending – in 2021 we will spend £9 billion a year more than in 2015 on the transport networks, digital infrastructure and flood defences our country needs.[2]

2.2 This investment is not only larger than before, but is focused on areas critical to the economy. In 2016 the Chancellor established a new **National Productivity Investment Fund (NPIF)** to provide additional productivity-enhancing investment. At the Budget **the NPIF has been extended by another year and increased to over £37 billion.**

2.3 The government's increased investment means:

- **rail –** Crossrail will transform journeys across the South East, while the government is also investing £55.7 billion in HS2 and up to £780 million in upgrading the East Coast Mainline to improve rail links with the North
- **roads** – giving long term planning certainty for our road network[3], with a National Roads Fund worth £28.8 billion from 2020-2025, cutting congestion and adding capacity on our larger roads
- **digital** – over £1 billion of investment in the next generation of mobile and broadband infrastructure, preparing the country for technological change
- **flood defences –** investing £2.6 billion in more than 1,500 flood defence projects, which will better protect over 300,000 homes by 2020-21
- **supporting housing development** – £5.5 billion for the Housing Infrastructure Fund, providing infrastructure to catalyse home building

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1 Public sector net investment will average 2.2% of GDP over the forecast period. Excluding the exceptional financial crisis years of 2008-09 to 2010-11, the last time there was a similar level of public sector net investment was in 1978-79 to 1980-81. Source: HMT Treasury analysis; Public Finances Databank, Office for Budget Responsibility, September 2018; 'Economic and fiscal outlook', Office for Budget Responsibility, October 2018.

2 HMT Analysis; 'Congestion, Capacity and Carbon', National Infrastructure Commission, October 2017; 'National Infrastructure Assessment: Technical Annex', National Infrastructure Commission, July 2018

3 'Action for Roads', Department for Transport, 2013.

Sustaining this investment

2.4 Infrastructure investment is a long-term solution to the UK's long-term productivity problem, so the government has put in place a framework for sustained investment.

2.5 The National Infrastructure Commission has been given a fiscal remit, enabling it to make recommendations on economic infrastructure consistent with government spending of **1-1.2% of GDP each year from 2020 to 2050**.[4]

2.6 In strategic roads and rail, the government is committed to a system of multi-year budgets. This provides certainty for Highways England, Network Rail, the supply chain and businesses and allows for better planning and allocation of capital.

Regional investment

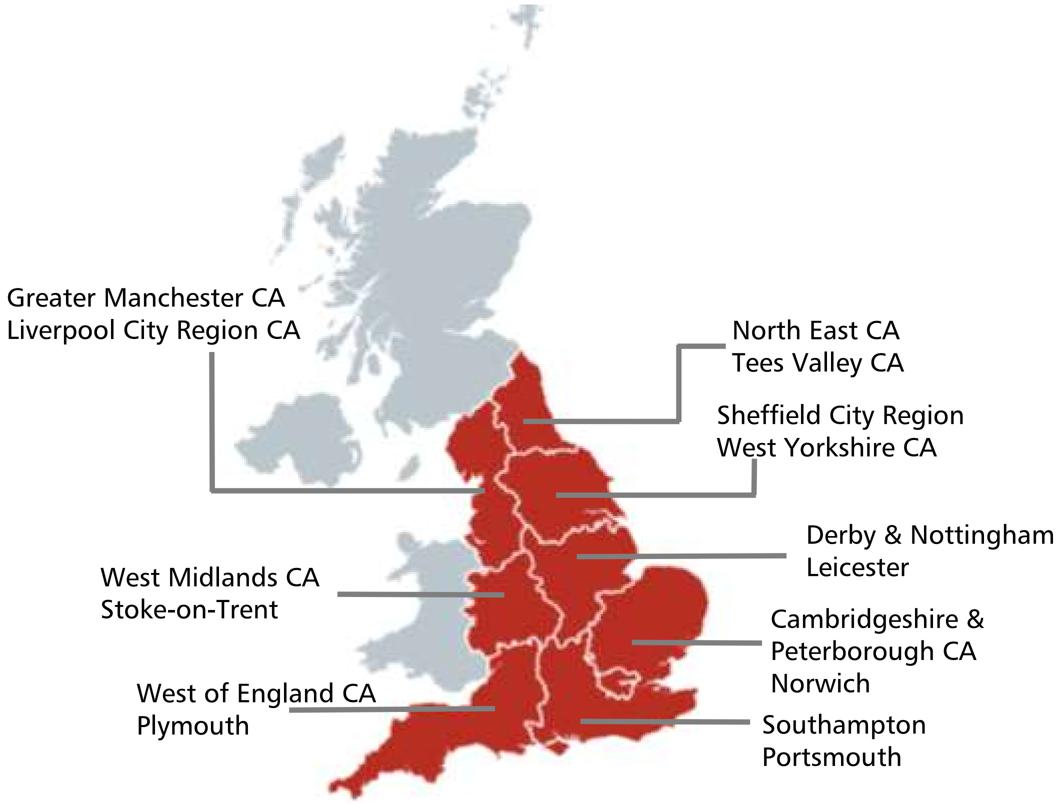
2.7 Every region in the UK has a role to play in boosting the national economy. Most public infrastructure investment is in transport – given other major infrastructure sectors are privatised. Most transport policy is devolved, with devolved administrations taking decisions on how to target funding, so the UK government is primarily responsible for investment that affects England.

2.8 The government is taking decisions to ensure transport investment benefits every region in England. **Across the north, the government is delivering more than £13 billion of transport investment,** delivering projects like the Manchester to Ordsall Chord rail link and new trains on the Tyne and Wear Metro. **In the Midlands, we are spending £2 billion on road schemes**, and in the south and east, the **East West Rail link** will make direct Oxford-Cambridge rail travel possible for the first time since the 1960s.

4 Remit Letter to the National Infrastructure Commission, November 2016

2.9 At the Budget, the government **announced an increase to the Transforming Cities Fund,** meaning £2.5 billion will now be spent on improving intra-urban connectivity within some of England's largest cities. £1.1 billion will be allocated to Mayoral Authorities on a per capita basis, and £1.3 billion will go into a competitive fund for ten cities announced in September with two further eligible areas to be added shortly.

Sixteen areas across all regions of England will benefit from the Transforming Cities Fund



Private investment

2.10 The private sector has a critical role in delivering our infrastructure and investing to meet future challenges. Almost half of the investment in our £600 billion infrastructure pipeline is projected to come from the private sector.[5]

2.11 The government plays a major role in supporting this investment, by:

- **maintaining a stable regulatory environment** – the energy, water and telecoms sectors attract investment through independent regulation and long-term planning
- **laying out clear, long-term plans** – through our National Infrastructure and Construction Pipeline
- **ensuring stable and predictable revenues** – through tools such as Contracts for Difference in renewable energy

[5] 'National Infrastructure and Construction Pipeline 2017', December 2017, Infrastructure and Projects Authority

- **supporting projects to raise finance** – through the £40 billion UK Guarantees Scheme

2.12 This approach is delivering major investments. The **world's largest offshore wind farm, the Walney Extension,** opened off the coast of Cumbria in September, and over half of all new offshore wind capacity in Europe last year was in the UK.[6] In the water sector, the **Thames Tideway tunnel** will cope with demand well into the 22nd century, regulated under a bespoke regime by Ofwat. In energy, **Hinkley Point C** will be the first new nuclear power station in a generation; and in aviation, the proposed **Heathrow Airport North-West Runway** scheme would be the first full-length runway in the South-East since the Second World War.

2.13 In the utilities sectors, the UK has established strong, independent economic regulators that protect the interests of consumers and encourage high levels of investment. The government wants to ensure that the regulatory system is fit for the challenges of the future, and has **already commissioned the NIC to undertake a study on economic regulation,** reporting next year.

2.14 In the immediate term, **the government is launching a consultation exploring what more can be done to encourage more innovation in the utilities sectors,** in order to further improve consumer outcomes.[7]

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6 'WindEurope Annual Statistics 2017', WindEurope, February 2018

7 Encouraging Innovation in Regulated Utilities: consultation. HM Government, October 2018

Building a digital society

NIC priorities

The Commission recommended that government should set out a nationwide full fibre connectivity plan by spring 2019. This should ensure that full fibre connectivity is available to 15 million homes and businesses by 2025, 25 million by 2030 with full coverage by 2033.

To achieve these targets, Ofcom should promote network competition where viable to drive the commercial rollout of full fibre and government should support rollout to rural and remote areas by 2020, starting with the hardest to reach. Government and Ofcom should also allow for copper switch off by 2025.

Broadband and mobile telecoms

2.15 In the coming decades our digital infrastructure will be key to driving economic growth. This is why the government is committed to achieving a nationwide full fibre broadband network by 2033, and for the majority of the population to be covered by a 5G signal by 2027.

2.16 The government recently published its **Future Telecoms Infrastructure Review (FTIR)**. This built on the NIC's recommendations for upgrading our telecoms networks, and agreed with the NIA's recommendations that network competition is the key driver for rapid fibre rollout, and new "barrier-busting" measures were needed to reduce the cost of deployment. The FTIR was clear that the switchover from copper to full fibre networks should be led by industry, working closely with the government and Ofcom. The government has committed to set up a mechanism to plan switchover.

2.17 We have already committed over £1 billion to developing the next generation of digital networks, including a £200 million Local Full Fibre Networks programme, the £67 million Gigabit Voucher Scheme, the £400 million Digital Infrastructure Investment Fund, and £200 million for trialling new 5G technology.

2.18 At the Budget, **the government is committing £200 million from the NPIF to pilot new approaches to deploying full fibre connectivity to rural locations** to ensure no region is left behind when it comes to connectivity.

2.19 We are also launching two consultations reflecting NIC recommendations. These will improve certainty for investors in the UK's digital infrastructure by helping remove barriers to rollout, reduce deployment costs, and make investment more attractive for the industry.[8]

[8] 'Ensuring tenants access to gigabit capable connections', Department for Digital Media, Culture and Sport, October 2018

'New Build Developments: Delivering gigabit-capable connections', Department for Digital Media, Culture and Sport, October 2018

Low cost, low carbon

Low carbon energy

NIC priorities

The Commission recommended that government should set out a pipeline of pot 1 Contracts for Difference auctions, to deliver at least 50% renewable generation by 2030, as part of the transition to a highly renewable generation mix. Government should not agree support for more than one new nuclear power station before 2025.

2.20 The UK has combined a steep reduction in carbon emissions with continued economic growth. Carbon dioxide emissions from the power sector have fallen 58% over the last 10 years, driven by a shift from coal to gas and the rapid deployment of renewable power, with annual support for renewables reaching a forecast £10 billion by 2020, establishing the UK as a world leader in the deployment of offshore wind.

2.21 The government will continue to promote renewables, with up to £557 million (2011-12 prices) available for future Contracts for Difference auctions. The next auction round, due to be opened by May 2019, will keep us on track to deliver on our commitment for one to two Gigawatts of offshore wind to be built annually through the 2020s. In committing to holding further auctions around every two years, as set out in July, the government is providing the certainty to industry necessary to continue to drive efficiency and achieve cost reductions.

2.22 Nuclear has an important role to play in achieving a diverse, low-carbon energy mix and the Nuclear Sector Deal sets out how the government will continue to work alongside industry to reduce the costs of future nuclear projects. The government has also entered negotiations with Hitachi in relation to the proposed Wylfa Newydd project, and is engaging with a range of other developers. It remains a government objective that future new nuclear projects should be sustainably financed by the private sector. To enable this, we are reviewing the viability of a regulated asset base model for new nuclear.

Heating and energy efficiency

NIC priorities

The Commission recommended that government needs to make progress towards zero carbon heat, through developing the evidence base on the different options, identifying areas for potential future cost reduction and progressing towards trialling low carbon hydrogen supply and manufacture at scale, including carbon capture and storage.

Government should set a target for the delivery of energy efficiency measures to increase to 21,000 a week by 2020, and £3.8 billion should be allocated to improving the energy efficiency of social housing in the period to 2035.

2.23 The government agrees with the NIC that reducing emissions from the burning of natural gas and other fossil fuels used for heating and hot water is crucial to meeting our long-term targets under the Climate Change Act. Energy efficiency can play an important role both by delivering cost effective carbon and bill savings, and by making the transition to low carbon heat sources easier. But, as the NIA notes, driving uptake of energy efficiency and making the transition to low carbon heat is challenging.

2.24 The government recognises the scale of the challenge and will publish a review of evidence on the options for decarbonising heat in due course. The Clean Growth Strategy set out the government's intention to raise the energy efficiency of all homes to EPC C by 2035 where practical, cost-effective and affordable; and the Prime Minister has announced an Industrial Strategy mission to at least halve the energy use of new buildings by 2030.

2.25 The government has a growing programme of ambitious policies to drive forward low carbon heating and major improvements in the energy efficiency of our homes and workplaces. These include investments in renewable sources of heat – including heat pumps – through the Renewable Heat Incentive, the Heat Networks Investment Project to stimulate the UK's heat networks sector, and the 'Hy4Heat' pilot scheme to investigate the technical feasibility of replacing natural gas with hydrogen in heating.

2.26 In addition, the government has committed to extend support for home energy efficiency improvements until 2028, with at least current levels of funding under the Energy Company Obligation (ECO). This extension will stimulate more than £3 billion of investment to further improve household energy efficiency, building on the installation of 2.3 million energy efficiency measures in around 1.8 million homes already achieved since ECO was launched in 2013.

2.27 Building on these commitments to progress energy efficiency in the household sector, at Budget 2018, the government is announcing further steps to support energy efficiency in businesses:

- to help improve industrial energy efficiency and support industry to invest in ground-breaking clean technologies, the government will establish a **new Industrial Energy Transformation Fund**, backed by up to £315 million of government investment
- the government will also launch a call for evidence on introducing a new **Business Energy Efficiency Scheme** to help smaller businesses reduce their energy bills and lower their carbon footprint

Waste

NIC priorities

The Commission recommended that government should set a target for recycling 65% of municipal waste and 75% of plastic packaging by 2030. Government should set individual targets for all local authorities and provide financial support for transitional costs.

2.28 The NIC set out that reducing waste is essential to decreasing the UK's greenhouse gas emissions. It also generates wider environmental benefits. Driving up recycling rates is essential to unlocking these benefits.

2.29 In recognition of this, **the Budget announced that the government will introduce a tax on plastic packaging which, subject to consultation, will apply to plastic packaging with less than 30% recycled content.** This, together with forthcoming reforms of the Packaging Recovery Note (PRN) system will transform the economic incentives of producers to encourage more use of recycled plastic and drive up recycling rates.

2.30 Future revenues from the packaging tax and from PRN reform will enable investment to address plastic, waste and litter to meet the government's ambitions for resources and waste.

2.31 The government is also investing at the Budget to support a circular economy, providing £10 million more for plastics R&D and £10 million to pioneer innovative approaches to boosting recycling and reducing litter.

2.32 The government will soon be publishing a Resources and Waste Strategy that will set our plans to deliver other waste and recycling ambitions where the NIC has made recommendations.

Revolutionising road transport

NIC priorities

The Commission recommended that government, Ofgem and local authorities should enable the roll out of charging infrastructure sufficient to allow consumer demand to reach close to 100% electric new car and van sales by 2030. Government should address the implications of technological innovation in long term transport planning processes, including the next rail control period and road investment strategy.

Road investment

2.33 The vast majority of journeys are made on the road: cars, vans and taxis make up 83% of all passenger kilometres[9]. The government is committed to investing to improve our roads, and we are meeting our commitment to hypothecate English Vehicle Excise Duty to roads spending, **creating the National Roads Fund, which will be £28.8 billion from 2020-2025**.

2.34 The Budget announces the draft **Roads Investment Strategy 2, building on the success of Roads Investment Strategy 1 (RIS1)** and continuing to invest in the UK's strategic road network (SRN). This will be funded by the National Roads Fund, with the government expecting to spend £25.3 billion on the SRN from 2020 to 2025. This is the largest ever investment in our strategic roads and will enable us to build on the successes of RIS1, such as the A1(M) link to Newcastle, and progress

[9] Transport Statistics Great Britain 2017, Department for Transport, November 2017

transformative projects like the A66 Trans-Pennine, the Oxford-Cambridge Expressway, and the Lower Thames Crossing.

2.35 The Budget also announces that an **additional £420 million for road maintenance** will be made available to Local Highway Authorities in 2018/19. This means they can tackle more potholes, repair more damage and defects to roads, and keep more bridges safe and open. A further £150 million will fund small roads improvements.

Ultra-low emission vehicles

2.36 This government agrees with the NIC that a revolution in road transport is on the horizon. The shift towards ultra-low emission vehicles is a necessary change to help clean up our air. The government supports the NIC's assessment that the government needs to support the rollout of ultra-low emission vehicles to put the UK at the forefront of their design and manufacture.

2.37 The NIA highlighted the importance of government support to enable the uptake of electric vehicles. We have already made progress: there are more than 160,000 ultra-low emission vehicles and around 14,500 public chargepoints across the UK, and in the first half of 2018, 1 in every 5 zero emission cars bought in Europe was built in the UK.

2.38 We are investing £1.5 billion to support the uptake of ultra-low emission vehicles, including support for the chargepoint network. Along with measures in the **Road to Zero Strategy**[10], and the regulatory powers we are taking through the Automated and Electric Vehicles Act, this adds up to one of the most comprehensive support packages in the world for the transition to zero emission vehicles.

The future of mobility

2.39 **The Budget also announces an additional £90 million to create Future Mobility Zones,** funded through the Transforming Cities Fund. This will trial future transport options such as shared and on demand travel, autonomous shuttle services, and integrated ticketing and digital payments.

2.40 This will help meet our Future of Mobility Grand Challenge by allowing UK companies to develop and display new mobility systems and services at scale and transform the mobility experience for transport users in these areas. The West Midlands has already been announced as the first Future Mobility Zone and has been allocated £20 million of funding.

2.41 The government agrees with the NIC that connected and autonomous vehicles could have a significant positive impact on interurban connectivity, as well as delivering safety, accessibility and productivity benefits. At Autumn Budget 2017 we set out our ambition to see fully self-driving cars on the UK roads by 2021. A £250 million investment programme for collaborative R&D to accelerate the safe development of the technology is underway and the UK continues to set the pace on regulatory reform for self-driving vehicles as part of our Future of Mobility Grand Challenge. Subject to business case, the government is also providing up to £20 million to create a new UK Data Mobility Institute, a research centre to collect,

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10 The Road to Zero, Department for Transport, July 2018

process and analyse transport data generated by new mobility technologies including CAVs.

Freight

2.42 Our roads also enable commerce and business. This is why at Autumn Statement 2017 the **government commissioned the NIC to undertake a study into the future of freight**[11], looking specifically at the upcoming challenges to the sector of decarbonisation, adoption of new technology, and dealing with congestion. The NIC will publish an interim report before the end of the year, and the final report next Spring.

Transport and housing for thriving city regions

> ### NIC priorities
>
> The Commission recommended that cities should have the powers and funding they need to pursue ambitious, integrated strategies for transport, employment and housing. Government should legislate for devolved, five-year city infrastructure budgets by 2020, confirm budgets for 2021-2026 by mid-2019 and allocate significant long-term funding for major projects in the fastest growing, most congested cities. The Commission recommended that government should make £500 million a year of funding available from 2025-26 to 2034-35 for local highways authorities to address the local road maintenance backlog.

Long-term city funding

2.43 This government is committed to using infrastructure to boost regional growth. To ensure the government's multi-billion-pound investment is tailored towards local priorities, **we have given Mayoral Combined Authorities control of consolidated, multi-year transport budgets**. The government supports the NIC's continuing work with selected city-regions to support the development of infrastructure strategies, and help develop a long-term approach, greater coherence and better prioritisation.

2.44 The NIA highlighted the importance of investing in our cities. In 2017 the government established the £1.7 billion Transforming Cities Fund (TCF). **At the Budget, the government is extending the fund for an extra year, providing an extra £240 million** to six metro mayors and a **further £440 million to the competitive fund**, benefitting the 10 shortlisted cities announced in September 2018 and enabling an additional two cities to be selected.

Catalysing housing development

2.45 Thriving city regions not only need the right transport infrastructure to get people to where they need to be, but also infrastructure to support housing. At the Budget, the government **is increasing the Housing Infrastructure Fund to £5.5**

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[11] Letter from the Chancellor commissioning a new National Infrastructure Commission study on freight, November 2017

billion, and extending it for an additional year to 2023-24. This will continue to unlock more homes in high demand locations.

Northern Powerhouse Rail

2.46 We remain committed to Northern Powerhouse Rail and are providing up to a further £37 million to support the development of NPR at this Budget. NPR will connect cities across the North with faster, more frequent rail services to improve journeys and enhance productivity across the region

2.47 This builds on £60 million already provided to develop the case for NPR, and £300 million committed at last year's Budget to help ensure HS2 infrastructure can accommodate future Northern Powerhouse Rail services.

2.48 We look forward to receiving the Northern Powerhouse Rail Strategic Outline Business Case from Transport for the North by the end of the year, and will be in a position to take decisions on next steps following receipt of this.

The Oxford-Cambridge Arc

2.49 At the Budget, the government also **responds in full to the NIC's Oxford-Cambridge Arc report.**[12] The response sets out significant progress, with key milestones delivered on road and rail schemes, support for key centres to unlock further housing growth, and work with local partners already underway to improve planning and governance. The government has endorsed the majority of the NIC's recommendations and agrees that it is in the national interest to see quick progress. We are providing £20 million to develop a Strategic Outlines Business Case for the central section of the East West Railway between Bedford and Cambridge.

Reducing the risks of flooding and drought

Flooding

NIC priorities

The Commission recommended that government should put in place a rolling 6-year funding programme for a strategy to deliver a nationwide standard of resilience to flooding with an annual likelihood of 0.5% by 2050 where this is feasible. A higher standard of 0.1% should be provided for densely populated areas where the costs per household are lower.

2.50 The NIA highlighted how the effects of climate change and population growth will increase the likelihood of both flooding and drought. The government is already investing **£2.6 billion over six years** to better protect the country from flooding. This will improve the resilience of communities, and is set to provide **£30 billion in benefits** for the national economy, and better protect over **300,000 homes** by 2020-21. Together with more than £1 billion to be spent on maintaining flood

12 Government response to 'Partnering for Prosperity: a new deal for the Cambridge-Milton Keynes–Oxford Arc', HM Treasury, October 2018

defence infrastructure, this is projected to reduce overall flood risk to the economy by 5%.

2.51 In 2019, we will be publishing a policy statement setting out the government's flood and coastal erosion risk management policy, and explaining how we will rise to these future challenges. The Environment Agency will also be updating its national flood and coastal erosion risk management strategy for England.

2.52 At the Budget, the government announces an **additional £13 million of investment** to help communities at risk of floods across England access the information they need to protect homes and lives. The funding will result in:

- an expansion of the flood warning service to an additional 62,000 properties, enabling coverage of 100% of those at high-risk
- regional pathfinder pilots to drive the take-up of property level resilience
- improvements to mapping, forecasting and management of surface water flood risk

Drought

NIC priorities

The Commission recommended that government should ensure that plans are in place to deliver additional supply and demand reduction of at least 4,000 Ml/day. Action to deliver this twin-track approach should start immediately and include plans for new water supply infrastructure, halving leakage by 2015 and enabling companies to implement compulsory metering by the 2030s.

2.53 As our climate changes, the risk of drought is likely to rise. The government's current 'twin-track' approach of increasing supply and reducing demand, recommended by the NIC, is designed to secure a resilient water supply and to protect the environment. Increasing the resilience of public water supplies is essential to reduce the likelihood of having to resort to emergency measures when significant drought occurs.

2.54 The water industry is beginning to rise to the challenge. Many water companies are planning to meet or exceed a higher level of resilience to drought than in previous rounds of water resources planning. This is an important step on the path set out by the NIC. Regulators are currently assessing water companies' draft business plans to review whether they are in line with government expectations.

2.55 Looking to the future, the government will be laying the statutory **water conservation report** in Parliament later this year. This will set out the steps taken and propose future actions to challenge and support the industry to reduce water demand. We will also be consulting on a **National Policy Statement for Water Resources Infrastructure** and working with the industry to further improve regional planning supported by a national framework.

Choosing and designing infrastructure

NIC priorities

The Commission recommended that government should publish good quality data on infrastructure costs and performance. All public bodies taking decisions on strategic economic infrastructure should publish the forecast costs and benefits of their major infrastructure projects at each appraisal stage and at a suitable point after completion, by the end of 2019.

The Commission recommended that design should be embedded into the culture of infrastructure planning, to save money, reduce risk, add value, support environmental net gain and create a legacy that looks good and works well. All Nationally Significant Infrastructure Projects should have a board level design champion and use a design panel.

Design and delivery

2.56 This government recognises the importance of infrastructure design, project appraisal and performance measurement as highlighted by the NIC.The government set up the Infrastructure and Projects Authority (IPA) as a centre of excellence at the heart of government to support delivery of major projects and programmes. The IPA provides commercial expertise, monitors delivery, and ensures investment is delivered efficiently.

2.57 In December 2017, the IPA launched **Transforming Infrastructure Performance** (TIP), the government's long-term plan to improve the delivery and performance of infrastructure, working with industry.

2.58 TIP seeks to: benchmark performance and select the right projects; improve integrated planning across sectors, including to support effective delivery of the Oxford-Cambridge Arc; promote effective commercial relationships; and increase uptake of technologies and innovations, both for new and existing infrastructure. As part of the TIP, the government is developing benchmarking standards, which will help to improve data quality and enable more robust cost comparisons across projects in different sectors.

2.59 The IPA's Annual Report on Major Projects and the National Infrastructure and Construction Pipeline[13] publications set out data on infrastructure costs and performance.

2.60 The government has used design panels for many major projects, including High Speed 2 and the A14 improvement schemes. The government acknowledges that design panels can be a good tool to help maximise the value of infrastructure projects and that projects can use them as a source of vital challenge and guidance.

[13] National Infrastructure and Construction Pipeline, Infrastructure and Projects Authority, December 2017

Funding and financing

NIC priorities

The Commission recommended that government should deliver long-term certainty over infrastructure funding by adopting the funding profile set out in the 'fiscal remit' table in Spending Review 2019 and other future spending plans.

The Commission recommended that government should maintain access to the European Investment Bank if possible. If access is lost, a new, operationally independent, UK infrastructure finance institution should be established by 2021. To enable this, government should consult on a proposed design of the new institution by Spring 2019. The Commission recommended that local authorities should be given further powers to capture a fair proportion of increases in the value of land from planning and infrastructure provision.

Financing

2.61 The government is committed to ensuring projects continue to be able to raise the finance they need, and has a range of existing tools to support investment, including the £40 billion UK Guarantees Scheme, which provides Treasury backing for loans to major infrastructure projects, and the Digital Infrastructure Investment Fund, which is helping to develop the next generation of broadband.

2.62 The European Investment Bank (EIB) has been a major lender to UK projects, and the government will continue to explore options for a future relationship with the EIB Group. But we will be prepared in case we do not maintain that relationship. Starting in late 2018, we will **review how the government supports infrastructure finance, to ensure we continue to have the right tools in place.**

Land value capture

2.63 The Budget confirmed that the government will introduce a simpler system of developer contributions that provides more certainty for developers and local authorities, while enabling local areas to capture a greater share of uplift in land values for infrastructure and affordable housing. The reforms include simplifying the process for setting a higher zonal Community Infrastructure Levy in areas of high land value uplift, and removing all restrictions on Section 106 pooling towards a single piece of infrastructure. The government will also introduce a Strategic Infrastructure Tariff for Combined Authorities and joint planning committees with strategic planning powers.

Future investment plans

This government's investment record is detailed earlier in this document. Long-term plans will be set out following the Spending Review in 2019.

Chapter 3

NIC next steps

3.1 The government will **respond formally to the NIA in 2019, with a comprehensive National Infrastructure Strategy**. This strategy will set out our priorities for economic infrastructure and respond in depth to the NIC's recommendations.

3.2 The NIA highlighted that the future success of our economy will be dependent on whether our infrastructure is able to respond to future challenges, such as those expected as a result of climate change. We need to ensure our systems can cope with future shocks, threats, and the increased interdependence of infrastructure systems and networks. **The government has therefore commissioned the NIC to undertake a new study on the resilience of economic infrastructure systems.**[1]

3.3 The government has **also commissioned the NIC to carry out a study on economic regulation,** and the NIC will publish its interim report on freight infrastructure later this year, looking at decarbonisation challenges, new technologies and opportunities to reduce congestion.

[1] Letter from the Chancellor to the National Infrastructure Commission on the government response to the National Infrastructure Assessment and commissioning a new study on resilience, October 2018

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This document can be downloaded from www.gov.uk

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