

# Comprehensive spending review

25 October 2010

## Overview

The 2010 Comprehensive Spending Review saw the Government set out infrastructure as one of the top four priorities for the national exchequer. Alongside education, health care and national security, the Chancellor of Exchequer stated that in order to facilitate economic growth and competitiveness, the Government sought to minimise cuts and support targeted investment in projects where possible.

**“Without civil engineers it is impossible to build or maintain the infrastructure upon which our modern economy depends”**

### ICE Manifesto for Infrastructure 2010

ICE has been working with Government and political parties over a long period to ensure that this case is heard in Westminster and Whitehall. Though the United Kingdom faces difficult and unparalleled economic circumstances, ICE is encouraged that the Government appears to be listening to the case for a long-term, strategic and sustainable approach to infrastructure delivery to support economic growth.

## ICE Reaction

Given the scale of the budget deficit ICE expected that a number of infrastructure projects would face cutbacks in the Spending Review. At the same time, making the argument that economic growth depended on investment in infrastructure, ICE remained hopeful that Government would recognise the value of continued investment in our transport, energy, waste, flooding and water infrastructure.

ICE believes that Government has accepted this argument; the Comprehensive Spending Review demonstrates that – despite budget reductions across almost all departments – the temptation to further reduce or compromise key projects which would deliver growth and drive the low carbon agenda have been avoided.

**“We have chosen to spend on the country’s most important priorities... the infrastructure that supports our economic growth.”**

**Rt Hon George Osborne MP,**  
Chancellor of the Exchequer  
Comprehensive Spending Review

## Green Investment Bank

The Institution of Civil Engineers has led the debate surrounding the creation of a national institution to better facilitate private finance in certain infrastructure projects, including its well received discussion paper ‘A National Infrastructure Investment Bank’.

The Comprehensive Spending Review did continue the Government commitment to the establishment of a Green Investment Bank (GIB). Such a body could have huge potential, however ICE is concerned that the expected initial fund has been halved from £2 billion to just £1 billion and that such a body may not begin operating for years. In all, ICE accepts that discussions between industry and Government on the precise role of the bank are continuing and will seek to ensure its views are continued to be firmly represented so that the GIB has capacity.

## Renewable and Low Carbon

Included in the spending review was a welcome addition of £200 million for the development of offshore wind technology and manufacturing at port sites. However, in order for industry to push forward with these vital programmes further clarity is needed as to how this money will be allocated.

**“Our economy needs infrastructure to maintain our quality of life, to ensure the UK remains competitive, and to move towards a low carbon future”**

**Professor Paul Jowitt,** ICE President

## Transport

The acknowledgement that efficient transport infrastructure is key to our economic recovery is also welcomed. However, the yet to be announced detail on precisely how the overall 21% reduction to transport spend will affect project delivery and maintenance funding will reveal the real picture.

## A post-CSR World

The Comprehensive Spending Review has set out the framework for Government spending for the next five years; however the document must be considered alongside the National Infrastructure Plan and the forthcoming announcement regarding the constitution and role of the Green Investment Bank.

The Institution of Civil Engineers will continue to work closely with Government to help shape these and other future Governments’ announcements in the interest of our economy, society and the profession.

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ICE Call	Comprehensive Spending Review	ICE Assessment
<p><b>Infrastructure Investment</b> Call for a National Infrastructure Investment Bank to increase the availability of infrastructure funding and reduce its costs.</p> <p>Providing capital or guarantees where private financial markets are unwilling or unable to provide all the funds required for projects which have high social, environmental and economic benefits</p>	<p>The Government has committed £1 billion to capitalise a UK-wide Green Investment Bank (GIB) as a way of unlocking significant new private investment in green infrastructure projects, such as offshore wind. Additional proceeds will have to come from Government asset sales and private finance. Final approval for the GIB will be subject to a final design which meets the tests of effectiveness, affordability, and transparency, and is scheduled to become operational in the financial year 2013-2014.</p> <p>The Treasury will not provide any further funding for the Infrastructure Finance Unit, other than to meet its contractual obligations. However, the GIB will be able to reinvest the proceeds of its investments.</p> <p>Capital funding from all departments to local authorities will fall by around 45% over the Spending Review period.</p>	<p>While ICE is fully behind the Bank we believe it requires larger financing and more powers. With over £40bn per annum required for infrastructure investment, Government must open up new vehicles to attract private investment into infrastructure projects.</p> <p>Further details will be required to determine where the cuts will be made by local authorities on local services and assets, e.g. local road maintenance.</p> <p>Could threaten lower-profile but locally-invaluable projects.</p>
<p><b>Low Carbon Economy</b> Commitment to a guaranteed floor on carbon price and the development of standard measures for counting carbon in all phases of infrastructure projects.</p>	<p>The Government plans to complete a reform of the climate change levy to provide support to the carbon price by spring 2011. The Government plans to publish a consultation in November this year.</p>	<p>The carbon price is crucial to change investment and design criteria for infrastructure. ICE will continue to pursue this goal to ensure that infrastructure has an effective role in the move to a low carbon economy.</p>
<p><b>Skills</b> Support Apprenticeships and Increase number of university places for STEM students</p>	<p>The Government will spend £250m on adult apprenticeships over the next four to five years.</p>	<p>ICE welcomes the support for extra apprenticeships.</p>
<p><b>Research and Development</b> Continue with Government action to support commercialisation of research ideas and the development of new products and services.</p>	<p>The Government will maintain the existing science budget at £4.6 a year in cash terms, equalling a 9% real terms cut, up to 2014-15 over the same period. The Government also pledged to increase the efficiency of the science budget, saving £324 million a year by 2014-15. These efficiency savings will be reinvested in science.</p> <p>The Government has also prioritised current spending which helps deliver outcomes that support growth, including a strong science and research base, which the private sector would not provide.</p>	<p>Though ICE regrets what is in effect a cut to the science budget; it welcomes the fact that Government has recognised the importance of scientific research and has resisted additional pressures to implement further cuts.</p>

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<p><b>Transport</b> Provide investment in the existing rail network to increase capacity, maintain reliability and reduce journey times.</p> <p>Tackle chronic congestion and improve resilience by using managed motorways, and investing in widening and junction improvements to increase capacity at pinch-points. Improve the condition of the local road network through good asset management and sufficient funding.</p> <p>Provide alternatives to private car use by integrating local transport modes and improving connections to the national network.</p> <p>High Speed Rail 2</p>	<p>The Government has committed over £14 billion of funding during this parliament to Network Rail to support vital maintenance and capacity improvements. This includes major improvements in the East Coast Mainline and journey reliability on the Great Western Mainline to Wales, station upgrades at Birmingham New Street station and network improvements in Yorkshire, around Manchester and the Barry to Cardiff corridor.</p> <p>An additional £6 billion will go to maintaining and upgrading the London Underground Network over the next four years to support growth by improving reliability and reducing journey times. Funding for Crossrail will go ahead.</p> <p>The cap on regulated fares will rise from 1% above the Retail Price Index to 3% above RPI for three years from 2012 to support investment in new rolling stock.</p> <p>Over £10 billion will be directed toward the maintenance and investment new high value road, regional and local transport schemes. Projects will include:</p> <ul style="list-style-type: none"> <li>▪ widening the remaining section of the A11 to provide a continuous dual carriageway link between Norwich and the M11</li> <li>▪ improving the junction between the M4 and M5</li> <li>▪ easing congestion on the M1 between junctions 28 and 31</li> <li>▪ extending the route and increasing capacity on the Midland Metro</li> <li>▪ constructing a new suspension bridge over the River Mersey</li> <li>▪ upgrades to the Tyne and Wear Metro</li> </ul> <p>The bus subsidy (rebate on fuel duty) will be reduced by 20% between 2012 and 2015. Protection of the statutory entitlement for concessionary bus travel will be upheld.</p> <p>The Government is proceeding with its plans to deliver a new high speed rail network from London to Birmingham, and then to both Manchester and Leeds.</p>	<p>ICE believes that continued enhancements of the rail network are essential to reduce road congestion and reduce carbon emissions and welcomes these investments.</p> <p>Investment in London underground networks, and Crossrail in particular are welcomed as they are essential to maintain London's role as an economic centre, reducing road congestion and carbon emissions.</p> <p>Significant increases in passenger rail fares have used for investment in new rolling stock would be positive, such high increases might also price passengers off rail and back into their cars. This would exacerbate already high levels of congestion and add further to the already high carbon emissions from road transport.</p> <p>ICE welcomes what has been announced but will require further information from the Department of Transport as to what projects and schemes have not been guaranteed.</p> <p>ICE is concerned that cuts in local transport budgets will severely impact on local road maintenance – an area highlighted in ICE surveys as being of greatest concerns to the public after road conditions deteriorated significantly in winter 2009/10.</p> <p>Reduction of the subsidy will not help modal shift on public transport.</p> <p>ICE welcomes the continuing commitment to investment in high speed rail networks to encourage a modal shift from road and domestic air travel.</p>

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<p><b>Energy</b> Support for combined heat and power (CHP) schemes.</p> <p>Take urgent decisions on nuclear power, renewable energy and carbon capture and storage for coal fired power stations</p>	<p>No commitment for new CHP schemes, although the Government will carry out an improvement review of the Renewable Heat Initiative in 2011. Increased incentives for low carbon energy generation through the Renewable Heat Incentive (funded from Annually Managed Expenditure - £860 million of new support over the Spending Review period). The Warm Front programme to be phased out, saving £345m by 2014/15.</p> <p>The efficiency of Feed-In Tariffs will be improved at the next formal review (currently scheduled for 2012), rebalancing them in favour of more cost effective carbon abatement technologies.</p> <p>Up to £1 billion will be invested from general public spending to create one of the world's first commercial scale carbon capture and storage (CCS) demonstration plants. Over £200 million will be allocated to the development of low carbon technologies including offshore wind technology and manufacturing at port sites.</p> <p>A Green Deal will be established enabling households to improve the energy efficiency of their homes at no upfront cost.</p> <p>The Carbon Reduction Commitment (CRC) Energy Efficiency scheme will be simplified but revenue from allowance sales will now be directed to the public finances, rather than recycled to participants.</p>	<p>ICE supports the Renewable Heat Allowance and welcomes its continuation and improvement.</p> <p>ICE supports Feed-In Tariffs and will feed into and respond to the upcoming Government review.</p> <p>Industry will require clarity and detail as to how the £200m set aside for offshore wind technology and manufacturing at port sites will be allocated.</p> <p>Further details are required, but this is potentially a significant step towards greater energy efficiency.</p> <p>This seems unlikely to encourage business to seek greater efficiencies.</p>
<p><b>Flooding</b> Support strategic approach to flood risk management and increase funding</p>	<p>£2bn will be spent on flood and coastal defences, protecting 145,000 households</p>	<p>ICE is concerned that the £2bn funding may include water companies likely expenditures on protection from sewer flooding – if this is the case then the investment is wholly inadequate. It is important that the Government provides the private sector the confidence to invest in sustaining our existing defence systems and building new ones. Otherwise the cost of not protecting our coasts and communities will be high.</p>
<p><b>Waste Management</b> Deliver the facilities required, through collaboration between the public and private sectors, to meet waste management, energy, materials and climate change policy goals.</p>	<p>Seven projects which would have used PFI credits for waste infrastructure are being withdrawn. The Government has justified this decision by stating that the projects "on reasonable assumptions, will no longer be needed to meet landfill diversion targets set by the European Union". DEFRA stressed that the other 11 waste PFI projects currently in procurement would retain their provisional allocation of PFI money, adding that it was also "committed" to supporting the 21 other deals that had already been signed.</p>	<p>ICE would want further clarification and detail on DEFRA's assessment that these waste treatment facilities are no longer required to meet landfill diversion targets.</p>
<p><b>International Development</b></p>	<p>Increase in Official Development Assistance (ODA) to 0.7% of GNI from 2013. Part funding of the £2.9bn in International Climate Finance with DECC and DEFRA</p>	<p>ICE welcomes this continued commitment to developing nations, where effective water, waste, transport and energy can transform the lives of millions of people in the poorest of nations.</p>