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# Autumn Budget 2017 Representation

From the Institution of Civil Engineers



## Executive Summary

ICE's Autumn Budget representation 2017 sets out our vision for infrastructure and the steps the Governments can take to achieve it.

*'The UK will invest efficiently, affordably and sustainably in infrastructure assets and services that will drive the economic growth necessary to enhance the UK's position in the global economy, support a high quality of life and realise a low carbon future.'*<sup>1</sup>

Modern societies depend on infrastructure to sustain their quality of life and business competitiveness. Our advanced economy increasingly relies on connectivity to be productive – bringing people together physically and virtually to innovate and trade. Investors need confidence that our infrastructure systems are reliable and affordable.

The UK is a long way from having the modern infrastructure networks that are required by a world-leading economy. The perception of business people<sup>2</sup> is that the UK's infrastructure lags behind many of its global competitors. Infrastructure is both an economic enabler and a significant contributor to the UK's GDP. Demands on our infrastructure services are increasing and changing. In parallel the infrastructure supply chain is dealing with the impact of Brexit and working to unlock the opportunities created by innovative technology.

Infrastructure is not a series of stand-alone assets. It delivers benefits through complex networks that need to be precisely managed. If we do not take the right steps, we will lose out on the opportunities that the future holds.

To this end policy should focus on three overarching objectives:

1. Maximise the productivity benefits to the UK economy from having a high performing infrastructure system to drive economic growth.
2. To use government's purchasing power effectively to stimulate increased productivity in delivery of infrastructure.
3. Take a proactive approach to manage cross departmental policy risks which impact on the infrastructure portfolio, for example taxation and immigration policy.

To achieve these objectives government should collaborate with industry to:

- Work with the National Infrastructure Commission to integrate a framework to enable cross-sector infrastructure planning that will meet the priorities of end users.
- Implement the proposals set out in the Construction Leadership Council's proposed Construction Sector Deal.

The Institution of Civil Engineers will continue to work with the Governments to deliver a national infrastructure system that is efficient, affordable and sustainable – an infrastructure fit for an innovative and productive global trading nation.

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<sup>1</sup> ICE's National Needs Assessment; A Vision for UK Infrastructure; [https://www.ice.org.uk/getattachment/news-and-insight/policy/national-needs-assessment-a-vision-for-uk-infrastr/National-Needs-Assessment-PDF-\(1\).pdf.aspx](https://www.ice.org.uk/getattachment/news-and-insight/policy/national-needs-assessment-a-vision-for-uk-infrastr/National-Needs-Assessment-PDF-(1).pdf.aspx)

<sup>2</sup> World Economic Forum's The Global Competitiveness Report 2016-2017; [http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017\\_FINAL.pdf](http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf)

## **Maximising productivity benefits to the UK economy from having a high performing infrastructure system to drive economic growth.**

Economic infrastructure sectors are typically viewed in isolation. The result has been organisations operating in silos and decision making is often uncoordinated. This means that interdependencies between infrastructure sectors have not been considered and opportunities missed to maximise the economic benefits in investment in infrastructure.

We cannot afford to spend our way to economic growth simply by building new capacity. Nor would that be the smart choice. Governments should be working with the National Infrastructure Commission to establish a framework to enable cross-sector infrastructure planning prioritised by outcomes to the end users.

**Key recommendation 1:** ICE believes the National Infrastructure Assessment (NIA) should take an integrated cross-sectoral approach to the UK's future infrastructure needs. The NIA should consider the range of possible drivers of demand for infrastructure services and identify policy interventions that will manage and provide for those demands.

ICE recognises the Government is piloting this approach on the Oxford-Cambridge-Milton Keynes programme. Further pilots should be commissioned in other regions and rolled out nationally.

To support government in establishing this system ICE recently completed a report on *Delivering a Northern Infrastructure Strategy*<sup>3</sup> setting out the components of regional system for integrated infrastructure planning.

The key recommendations are as follows:-

### **Transport for the North**

**Key recommendation 2:** Transport for the North (TfN) should be placed on a statutory footing and empowered to determine the transport investment priorities across the region.

The strategic transport plan being developed by TfN should focus on enhancing network integration and connectivity, enabling economic development and ensuring that the region fully capitalises on the benefits available from the construction of HS2.

In addition improved east-west rail links across the North are needed to link the cities of the north and realise the economic benefits of agglomeration. Government should work with TfN to deliver plans to achieve this outcome without delay.

### **Devolved funding**

ICE supports commitments made by the U.K government to equip mayoral combined authorities with the powers to borrow against their new responsibilities. Further details on how this will work in practice are necessary, as is the chance for combined authorities – and other affected stakeholders – to provide their views on what would be the most effective approach.

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<sup>3</sup> ICE's *Delivering a Northern Infrastructure Strategy*; <https://www.ice.org.uk/getattachment/news-and-insight/policy/ices-delivering-a-northern-infrastructure-strategy/Delivering-a-Northern-Infrastructure-Strategy.pdf.aspx>

The government should also outline the next steps on its Local Infrastructure Rate consultation so that combined authorities can begin benefiting from discounted loans for funding major infrastructure improvements across the north.

### **Use government's purchasing power effectively to stimulate increased productivity in delivery of infrastructure**

ICE is fully supportive of the Construction Sector Deal being proposed by the Construction Leadership Council.

**Key recommendation 3:** For the benefits of the sector deal to be realised industry and governments will need work together on a single combined change programme to create an improved system for infrastructure delivery.

ICE is supporting the Infrastructure Client Group (ICG) to convene industry and client organization's to develop this system through a change programme, *Project 13: From Transactions to Enterprises*<sup>4</sup>. It will outline and establish a better business model for infrastructure delivery, improving productivity, performance and developing the skills needed to operate the new model.

Through Project 13, the ICE and the ICG will identify more intelligent ways to organise competition, generate more value for end users and provide the right structure for suppliers to invest in improving their capabilities.

Project 13 is an industry-led initiative but government can help by:

- Being a more demanding client that can define clearly the outcomes expected from infrastructure investments.
- Avoiding artificial fiscal constraints that create barriers to developing more effective, long term relationships. In this context ICE strongly supports the current commitment to long term funding settlements in roads, rail and flood risk management programmes. Alongside protecting these, Governments should consider providing a 'minimum funding commitment' by sector for the next 10 years in line with the GDP funding to envelop what the NIC have been asked to work within. This will allow the supply chain to benefit from stable commercial relationships and allow time to develop learning, capabilities and skills for delivery.
- Engaging the supply chain in long term informal relationships that allow it to provide advice before delivery mechanisms, timescales and costs are finalised.
- Publishing prioritised outcomes alongside spending commitments. In addition to this building awareness within public clients that change during development and construction will bring in instability and additional cost.

### **Take a proactive approach to manage cross departmental policy risks which impact on the infrastructure portfolio, such as taxation and immigration policy**

Many of the risks to the delivery of programme in the National Infrastructure Delivery Plan are common across sectors, for example construction inflation, skills constraints and the planning system. As a nation however we still primarily manage these risks on a project-by-project or programme-by-programme basis. Furthermore clients in both the public and private sector too often seek to pass these risks to supply chain partners who are not always well placed to manage them.

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<sup>4</sup> ICE's Project 13: Transactions to Enterprises; [https://www.ice.org.uk/getattachment/knowledge-and-resources/best-practice/project-13-from-transactions-to-enterprises/ICE\\_REPORT\\_V6\\_22\\_03\\_17\\_Pages\\_Digital.pdf.aspx](https://www.ice.org.uk/getattachment/knowledge-and-resources/best-practice/project-13-from-transactions-to-enterprises/ICE_REPORT_V6_22_03_17_Pages_Digital.pdf.aspx)

ICE believes that many of these risks can be more effectively managed by a cross-sector response either by Departments or the HMT in the form of a policy intervention.

There is a strong case for governments to increase their role to assess and manage risks that are too large for an individual project. This can be reinforced by the creation of governance structures, capability and spending processes which enable the supply chain to offer advice and insight on risk mitigation across the infrastructure portfolio.

The most significant risk facing infrastructure delivery presently is the risk of a deficit in skills.

The required skills blend to deliver the UK needs will change over time. Analysis by the Infrastructure and Projects Authority (formerly Infrastructure UK) suggests that we will need to retrain and up-skill around 250,000 of the existing workforce over the next decade<sup>5</sup>.

This task is additional to the need to recruit new workers. The sector is exposed to changes in the attractiveness of the UK for overseas workers. Currently a significant proportion of construction workers - 1 in 8<sup>6</sup> - are non-UK residents, significantly higher in London.

The use of more digital and manufactured solutions will be the key driver to the change in type, distribution and number of skills required to deliver the National Infrastructure and Construction Pipeline. Managing this shift effectively will be key to realising the ambitions of the Construction Leadership Council in the Construction Sector Deal<sup>7</sup>.

In this we recommend that governments work with Industry to:-

- Secure the status of existing EU workers with in-demand skills.
- Map the skills required to deliver the National Infrastructure and Construction Pipeline and prioritise them within any post-Brexit immigration system.
- Improve Labour Market Information across the 4 Nations of the UK.
- Deliver high quality apprenticeship programmes which meet the needs of industry and the UK economy. In particular we would welcome greater clarity about how the Apprenticeship Levy will operate across the UK, and its role in supporting industry upskilling.

## **Roles and Responsibilities in Central Government**

Over the last five years the Chief Secretary to the Treasury and the Commercial Secretary to the Treasury have together led on infrastructure policy and delivery. The UK's infrastructure has benefited from this and ICE is keen that this continues to be the case.

ICE provides secretariat for and hosts the Infrastructure Client Group, ICE will continue to undertake this role and is keen to facilitate productive working relationships between Government and Industry. ICE stands ready to further this facilitation role across other parts of the industry.

The ICE welcomed the Chancellor of the Exchequer's annual Mansion House speech to ensure key infrastructure projects are protected as the UK leaves the European Union, working with the European Investment Bank (EIB) to ensure access to cheap funding for projects is maintained while the UK

<sup>5</sup> Infrastructure and Projects Authority;

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/464354/NIP\\_for\\_skills\\_final\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464354/NIP_for_skills_final_web.pdf)

<sup>6</sup> The Recruitment & Employment Confederation; <https://www.rec.uk.com/news-and-policy/policy-and-campaigns/brexit>

<sup>7</sup> Construction Sector Deal; <http://www.constructionleadershipcouncil.co.uk/news/our-opportunity-the-construction-industry-sector-deal/>

remains inside the EU. We also value his personal commitment to infrastructure and previous experience of working on infrastructure policy in the Department for Transport. We also welcome the Commercial Secretary to the Treasury and the Chief Secretary to the Treasury's proactive engagement with the industry and hope to see this continue.

We recognise the bold programme by the Government to build a strong economy and invest in our infrastructure and commend the restatement in the Government's Industrial Strategy that infrastructure drives growth, supports job creation and creates thriving, sustainable societies as outlined in the Industrial Strategy Green Paper. We believe we can be a useful source of expertise to help shape the outcomes.

### **About ICE**

Established in 1818 and with over 91,000 members worldwide, ICE is a leading source of expertise in infrastructure and engineering policy and is widely seen as the independent voice of infrastructure. ICE provides advice to all political parties and works with industry to ensure that civil engineering and construction remain major contributors to the UK economy.

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