

Will the next spending review mean cuts for UK infrastructure?

ICE Presidential Roundtable summary

March 2024

Background

The UK Treasury uses regular spending reviews to allocate trillions of pounds of public money. These reviews help bring certainty, flexibility, and forward planning to UK fiscal policy. The last UK spending review took place in 2021, covering the period until the end of the 2024/25 financial year. Beyond this, spending limits across the government are in question.

The recent UK Budget indicated that the next spending review will happen after the next UK general election, which is due before the end of January 2025. With an increasingly challenging economic backdrop, whoever leads the next government faces difficult but crucial financial choices.

This roundtable, chaired by ICE President Anusha Shah, examined what the next spending review could mean for infrastructure investment in the UK and what should be prioritised if public investment is reduced.

Last year, the UK government decided to maintain capital budgets in cash terms from 2025. Inflation means this is effectively a cut in infrastructure investment. However, economic infrastructure is crucial for achieving all the UK's national ambitions.

Whether the next spending review covers just one year or three, the decisions taken about infrastructure investment will be pivotal for the country's future. They will determine the UK's ability to meet its net zero targets, secure its energy supply, and accelerate growth in all regions – all in a manner that's just, fair, and fit for future generations.

Expect higher demand for investment in public services

Participants suggested that the government's current spending plans are implausible as they are not sufficient to deal with even day-to-day demands, let alone address the UK's long-term challenges. This will likely create more demand for capital spending on social infrastructure and public services at the next spending review.

A scenario that presents social infrastructure needs as more urgent increases the challenge of making the case for economic infrastructure investment. But doing so is crucial because so many of the UK's economic infrastructure needs are essential to its public services and future prosperity.

In terms of public sector investment needs, participants highlighted clarifying the projects in Network North and getting on with delivering them will be key. Better access to high-speed data is also an essential enabler for many sectors and outcomes.

Securing and protecting long-term infrastructure investment

The UK election does present an opportunity to make the case for the next government to take a longer-term view of infrastructure spending than has often been the case. Whatever level of investment and priorities the government decides, the supply chain and other stakeholders need clarity and commitment to deliver.

Participants in the roundtable discussed the potential for a post-election change of approach to increase the protection of long-term infrastructure investment. For example, Labour has signalled that it would be more inclined to adopt fiscal rules that make a clearer distinction between day-to-day spending and capital investment. Other options, such as 5+5-year funding settlements for subnational authorities, could also be introduced to provide the clarity which has been lacking.

Stronger ring-fencing of funding would improve major project delivery. Giving approved major infrastructure projects explicit standalone budgets, as was the case with the Olympics, would create more transparency and improve decision-making.

The UK could also learn from other governments' approaches to redirecting finance into infrastructure. For example, Norway took control of its oil revenues away from its treasury and put them into a sovereign wealth fund. On a smaller scale, the UK could similarly allocate windfall taxes from North Sea oil and gas for investment in sustainable infrastructure.

Participants highlighted the UK Infrastructure Bank as a valuable addition to the funding landscape. However, its impact has been limited to date, so a priority for the next government should be working with it to unlock funding.

Despite the need for longer-term certainty, participants also suggested that the next government should not rush into a multi-year spending review. An initial one-year review would allow time for a proper assessment before a multi-year commitment. And while there would also be benefits to governments setting five-year spending plans, to be reviewed every three years, getting governments to stick to those five-year plans would be difficult.

Governance reform is needed too

Participants also highlighted two governance issues undermining UK infrastructure investment: the lack of strategic clarity and the lack of long-term commitment to projects from central government.

The government needs to be clearer about its priorities for decision-makers to be able to assess trade-offs between investment options and drive projects through the system. The lack of certainty from the centre of government has also increased the influence of HM Treasury (HMT) over investment decisions.

Regarding longevity, the cancellation of HS2 Phase Two highlighted weakness in the UK's governance and stewardship of major infrastructure projects. HS2 Phase Two was a major strategic project with a broad parliamentary consensus in favour of delivering it, but it was cancelled by a single prime ministerial decision. To ensure confidence in future major projects, parliament will need to take its responsibilities for overseeing them more seriously than it currently does.

There was a range of views on whether a minister for infrastructure should be established. Doing so would dilute HMT's power – which could explain why it has not happened yet – but this could also reduce infrastructure's significance in central government.

An alternative would be establishing a Cabinet committee for infrastructure for relevant secretaries of state to drive cross-departmental working and curb short-term decision-making. This could also help integrate infrastructure with other sectoral spending, particularly health, reflecting the cross-sectoral benefits of infrastructure investment rather than positioning it as a competitor.

Participants also highlighted the role of independent advisory bodies in infrastructure governance. In particular, the National Infrastructure Commission (NIC) has already provided some answers to these challenges. It works within a fiscal remit set by the government and takes a long-term view of infrastructure needs through its national infrastructure assessments. Its role could be strengthened by placing it on a statutory footing, although governments may be reluctant to give independent bodies additional powers.

Getting devolution right

With elections taking place in May across England's Mayoral Combined Authorities, participants also discussed the role of devolution and subnational bodies in future infrastructure investment decision-making.

Polls suggest most or even all current mayoral officeholders will remain in post, making them some of the longest-serving political leaders in the country. This stands in contrast to the high turnover in key infrastructure-related ministerial positions, which has undermined long-term planning in recent years.

England's regional mayors are, therefore, well positioned to provide more stability and certainty about infrastructure investment. But to do so, government needs to enable them to access sufficient funding. A further suggestion was for government funding to subnational authorities to be contingent on progress against wider objectives, such as the Sustainable Development Goals.

There were concerns about subnational bodies' current capacity to deliver infrastructure projects. Strengthening the interface between national and regional planning would also help manage the impact of decisions by national or subnational bodies to ensure they work in the interests of both regional and UK-wide transport networks.

More honesty, smarter delivery

Alongside more certainty and long-term planning, participants also emphasised the need for more honesty and realistic thinking about infrastructure needs and delivery in the UK.

Politicians, supported by organisations like the ICE, must be open with the public about why they are being asked to pay more for some services, such as water. Trust has been undermined because the government too often has over-promised, often cheered on by industry, and under-delivered. In the future, it is better to have clear, smaller, achievable plans than large plans that are over-ambitious and undeliverable.

Civil engineers and others involved in UK construction also need to persuade the government and the public that they can build infrastructure faster and at a lower cost. Infrastructure costs more to plan and build in the UK than in comparable countries, but the challenging economic environment means the next government will have to achieve more with less. Tangible proposals for how civil engineering can help, and investment proposals that cost little but can make a significant impact, will be welcomed.

Civil engineers have a positive story to tell

Gaining HMT and public support for investment in net zero and climate resilience is also difficult when seen as competing with other priorities, such as the NHS. HMT would also be more comfortable making investments if it was confident it would get the promised returns. Public support for infrastructure investment depends on the perception that it is a key part of the solution to national challenges and improving their lives.

Other countries have more explicit links between infrastructure development and national development. The ICE and other similar bodies can help drive this change in mindset in the UK with better messaging that highlights how sustainable infrastructure is the backbone of a healthier, fairer and more productive society and lessens demands on the NHS and other vital public services. This would make it more difficult for the government to cancel projects.

However, there needs to be a balance between pursuing short-term infrastructure investment benefits, such as improved productivity boosts, and the investments required to meet longer-term strategic needs. Some participants also cautioned that overpromising how many outcomes each infrastructure project can contribute to could reduce the impact of investment and undermine trust. It is important to be focused and realistic about what each project can actually achieve.

Civil engineering has delivered a lot. However, those involved in delivering infrastructure too often fail to celebrate successes and promote the benefits after projects are done. In future, the case for infrastructure investment needs to be based on a commitment to reduce costs and a strong argument about the wider benefits of investment backed up by certainty of planning and delivery.

Questions to take away

- How could Parliament strengthen its oversight of major infrastructure projects?
- Would a new infrastructure minister or committee in central government help boost infrastructure investment and improve delivery?
- What more can civil engineers do to build a strong case to persuade the government and the public about the need for infrastructure investment?

Further reading:

- ICE briefing paper: [What should the 'day 1' priorities be for a new UK Parliament?](#)
- ICE blog: [3 takeaways from the UK government's 2024 Budget](#)
- ICE Presidential Roundtable summary: [Presidential Roundtable summary: HS2 – what went wrong? Learning lessons for infrastructure policymaking and the profession](#)

- ICE Presidential Roundtable summary: [The UK's second National Infrastructure Assessment – what needs to happen next?](#)