ICAEW
REPRESENTATION 25/25

UK 10 YEAR INFRASTRUCTURE STRATEGY

Issued 4 March 2025

ICAEW welcomes the opportunity to comment on the *10 Year Infrastructure Strategy* working paper published by HM Treasury on 26 January 2025, a copy of which is available from this link.

We support the development of a comprehensive infrastructure strategy for the UK

- A joined-up plan is essential to address the legacy of underinvestment in UK infrastructure.
- We welcome the inclusion of social infrastructure as well as economic infrastructure.
- Public investment combined with planning reform can unlock significant private capital.
- Spending Review 2025 four-year capital budgets need to align with the 10-year strategy.
- Stability will be key to removing the uncertainty that has hampered investment.

There is a need for a strategic pipeline that provides sector-by-sector visibility

- Private investors tell us there is a need for clarity about the government's priorities for infrastructure overall and by sector.
- The pipeline should set out funding allocations by sector, rather than be a list of agreed projects.
- For example, the pipeline should set out a 10-year plan for tram investment.

The planning and delivery of public sector infrastructure projects needs to change

- The way projects are planned and delivered needs to improve if the strategy is to succeed.
- Budget certainty and planning reform must be used to speed up existing projects.
- Recurring programmes and standard designs should be key components of the strategy.
- Departments should allocate multi-year capital budgets so that projects can get started.

Private capital is willing and able to invest where the conditions are right

- Risks need to be shared to encourage new investment while also protecting the taxpayer.
- No return to PFI, but public private partnership arrangements can work if designed well.
- Regulatory asset base and concession agreements could be used more widely.

The strategy will only work if it results in action on the ground

- Lessons from the failure of the levelling up strategy must be avoided.
- Outputs and outcomes are what counts.

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INTRODUCTION

1. This response of 4 March 2025 has been prepared by the Corporate Finance Faculty and the Public Sector team of the Institute of Chartered Accountants in England and Wales (ICAEW).
2. ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 166,000 chartered accountant members in over 146 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.
3. The Corporate Finance Faculty is ICAEW's centre of professional expertise in corporate finance. It contributes to policy development and responds to consultations by international organisations, governments, regulators and other professional bodies. It provides a wide range of services, information, guidance, events and media to its members, including its highly regarded magazine Corporate Financier and its popular series of best-practice guidelines. The faculty's international network includes member organisations and individuals from major professional services groups, specialist advisory firms, companies, banks and alternative lenders, private equity, venture capital, law firms, brokers, consultants, policy makers and academic experts. More than 40 per cent of the faculty's membership are from beyond ICAEW.
4. ICAEW's Public Sector team supports members working in and with the public sector to deliver public priorities and sustainable public finances, including over 14,000 in ICAEW's Public Sector Community. ICAEW engages with policy makers, public servants, and others to promote the need for effective financial management, audit and assurance, financial reporting and governance and ethics across the public sector to ensure public money is spent wisely.
5. In 2019, we submitted evidence to HM Treasury's Infrastructure Finance Review. Many of the points we raised in 2019 remain relevant today.
6. In January 2025, we submitted evidence to HM Treasury's consultation on Phase 2 of the Spending Review 2025. Our evidence contains several recommendations for the Spending Review 2025 that are also relevant to the 10-year infrastructure strategy.
7. In February 2025, we submitted evidence to the Business and Trade Committee's inquiry on the UK's industrial strategy. Our evidence supports the sectoral approach adopted by the government, calls for prioritising investment in infrastructure and skills, and for clear measurable targets to track progress.
8. We would also draw your attention to the ICAEW chart of the week: the end of year capital rush, which highlights how capital expenditure in the public sector is not delivered on a consistent basis during the course of each financial year.

KEY POINTS

WE SUPPORT THE DEVELOPMENT OF A COMPREHENSIVE INFRASTRUCTURE STRATEGY FOR THE UK

A joined-up plan is essential to address the legacy of underinvestment in UK infrastructure

9. The lack of a comprehensive strategy has contributed to decades of underinvestment in the UK's infrastructure, which in turn has led to an underperforming economy and to underperforming public services.
10. We therefore support the development of the proposed 10-year infrastructure strategy. Such a strategy is needed to provide a foundation for both the public and private sectors to invest with confidence and so drive economic growth and improve the quality and value for money of public services.
11. The strategy needs to be joined up if we are to avoid the mistakes of the past. For example, significant constraints have been placed on economic expansion in southern England because of a failure to build any new reservoirs in the last fifty years. A joined-up strategy involves government, regulators and business working together for the long-term prosperity of the UK.
12. The 10-year infrastructure strategy must also be consistent with and support the government's wider economic, industrial and environmental strategies.

We welcome the inclusion of social infrastructure within the scope of the strategy

13. We are pleased that the 10-year infrastructure strategy will encompass social infrastructure including but not limited to housing, hospitals and primary health care facilities, schools, colleges and other community services. There needs to be a co-ordinated approach that ensures economic and social infrastructure fit together to produce places where people can thrive, and the economy can grow.

Public investment combined with planning reform can unlock significant private investment

14. Domestic and foreign investors are more than able and willing to invest in infrastructure in the UK – a lack of money is not the main problem.
15. However, capital is global, and UK infrastructure has to compete with investment opportunities around the world. Despite some success stories, such as offshore wind generation, the UK has continued to see much lower levels of infrastructure investment than in comparable countries.
16. The National Wealth Fund has a key role to play as an anchor investor in infrastructure projects, providing public investment that will help unlock private capital too.
17. There is also a need for publicly funded infrastructure in the right places to help make privately funded infrastructure projects viable. Investment in roads, railways and local public transport are all essential enablers to private investment, both in energy networks, broadband, water and other forms of privately owned infrastructure, and in the economy more generally.
18. Planning reform, regulatory certainty and stability from government are key components in providing the confidence that private investors need to invest more in the UK.

Spending Review 2025 four-year capital budgets need to align with the 10-year strategy

19. We are pleased that the Spending Review 2025 will include four-year capital budgets. This has the potential to provide the forward funding certainty that departments, regional and local

authorities, and other public bodies need to deliver multi-year public infrastructure projects more effectively and efficiently than has been possible over the past couple of decades.

20. It is important these capital budgets 2025 align with the 10-year strategy so that decision-makers in the public sector and investors and suppliers in private sector can play their respective parts in delivering on the 10-year infrastructure strategy.

THERE IS A NEED FOR A STRATEGIC PIPELINE THAT PROVIDES SECTOR-BY-SECTOR VISIBILITY

Private investors tell us there is a need for clarity over both priorities and sector investment

21. In speaking to ICAEW Corporate Finance Faculty members, a key recommendation is for much greater visibility and certainty over the long-term priorities of the government for infrastructure, and the future pipeline of infrastructure investment.
22. To be successful, visibility needs to extend beyond a spending review or the electoral cycle, which is why a 10-year infrastructure strategy is a positive step.
23. There are arguments for an even longer period than ten years, but perfection should not be the enemy of the good. It is much more important the proposed strategy is deliverable and translates into the building of infrastructure on the ground.

The pipeline should set out funding allocations by sector, rather than be a list of agreed projects

24. The core of the strategy should be a pipeline setting out funding allocations by sector, for public investment in infrastructure, planned private investment in regulated utilities, and hoped for private investment in other forms of infrastructure.
25. This is different to a list of agreed projects that inevitably tail off towards the end of the time horizon, a key flaw in the previous iterations of the national infrastructure and construction pipeline.
26. While there is a role for a register of nationally and regionally significant individual projects to assess progress against the 10-year strategy, there is a greater need for a strategic pipeline that provides sector-level visibility for investment plans over the whole period.

For example, the pipeline should set out a 10-year plan for tram investment

27. One key sector is public transport where there has been minimal investment in the last fifty years is in tram lines across the UK, despite their proven track record in driving economic growth in cities around the world and in reducing excessive levels of traffic congestion.
28. Investors and suppliers would both benefit from forward visibility of the government's plan for trams, combined with confidence that that plan is achievable. This does not require a list of agreed projects. Instead, there should be a clear description of the government's ambition to construct (in this case) tram lines over the coming decade, such as an approximate number of tram lines intended, an idea of the amount of investment required, and the funding and charging models that will be used. The latter should include the expectations for central government funding, local government contributions, and private sector investment respectively.
29. It could be that the government decides that (for our example of) trams, that they are not a priority in the next decade. This information would be just as useful, enabling investors to focus on other types of infrastructure assets and suppliers to focus on other markets instead.

30. It is important that the government has the confidence to set out a comprehensive set of plans for infrastructure even if there will inevitably be changes over time in response to changing circumstances.
31. The development of a robust strategic pipeline for infrastructure will be critical to providing investors and suppliers with confidence that the main components of the strategy will be delivered.

PLANNING AND DELIVERY OF PUBLIC SECTOR INFRASTRUCTURE PROJECTS NEEDS TO BE IMPROVED

The way projects are planned and delivered needs to change if the strategy is to succeed

32. Infrastructure projects in the UK cost too much and take too long. Too much money is wasted on feasibility studies on projects that never happen. Too many projects overrun their budgets.
33. The government has already identified the current planning system as a key obstacle that prevents many infrastructure projects from going ahead, as well as being a driver of both delay and additional costs to the ones that do. Planning reform is therefore an extremely important component of the government's infrastructure strategy.
34. However, planning reform on its own will not be enough. Despite some successes, such as HS1, many large public infrastructure projects such as the Lower Thames Crossing, HS2 and Crossrail have been delivered years late and significantly over budget. There is a need for significant improvements in how public sector infrastructure projects are delivered.
35. This is illustrated by the uneven nature of capital expenditure during the course of each financial year, culminating in a burst of activity in March each year. While multi-year capital budgets, and flexibility to carry capital budgets forward to subsequent years, can help, there is also a need for significant cultural change in how public sector projects are managed if costs are to be brought down and the speed of delivery improved.

Budget certainty and planning reform must be used to speed up existing projects

36. Once four-year capital budgets within a 10-year infrastructure strategy, and a faster and less uncertain planning process, are in place, then the government should in theory be able to accelerate projects that are already underway or close to starting.
37. One example is East West Rail where despite the project starting in 2011 and a route being chosen in 2020, the construction of a 40-mile train line between Bedford and Cambridge is currently not expected to be delivered until the mid-2030s. Much of the remaining time is scheduled to be spent on consultations and planning consents rather than on actual construction.
38. A test of the ambition of the government's strategy will be whether it is able to bring forward the planned completion dates of this and similar projects. The sooner such projects can be delivered, the sooner they can start contributing to growth in the economy.

Recurring programmes with stable funding should be a key component of the strategy

39. A key benefit of a long-term approach to infrastructure is the ability to establish recurring programmes with dedicated project teams to steadily deliver infrastructure and infrastructure upgrades over time. The benefits are that dedicated project teams gain experience and expertise that should allow them to deliver a series of projects more effectively and efficiently compared with one-off investments.
40. For example, railway electrification programmes have been repeatedly started and then delayed or cancelled numerous times in recent decades, despite successive governments

committing to eliminate diesel trains from the UK by 2040. A more consistent approach of electrifying x miles of railways each and every year with an assured and stable funding stream is likely to be much more effective in delivering on this commitment, enabling expertise to be built up, a consistent procurement pipeline for suppliers to plan for, and economies from being able to plan ahead.

Departments should allocate multi-year capital budgets so that projects can get started

41. A key risk to the 10-year strategy could arise if departments attempt to hold onto their capital budgets to preserve flexibility instead of pushing them down to their capital and project teams.
42. While there is a need for an appropriate level of portfolio contingency in departmental budgets as part of an effective system of financial management and the retention of some unallocated amounts for discretionary opportunities that may arise, the majority of each departmental capital budgets should be allocated across all four years of each spending review so that project teams are able to plan ahead with confidence and, most importantly, get started sooner rather than later.
43. Holding budgets at department level risks countering the benefits that multi-year budgets should provide to project teams to procure suppliers at the best possible cost, to optimise project plans, and to deliver at the fastest possible pace.

PRIVATE CAPITAL IS WILLING AND ABLE TO INVEST WHERE THE CONDITIONS ARE RIGHT

Risks need to be shared to encourage new investment while also protecting the taxpayer

44. Attracting private sector investment requires a balanced approach to risk that provides sufficient confidence to investors to encourage them to invest while at the same time protecting consumers or the taxpayer.
45. One obstacle to investors is the need to conduct extensive feasibility studies and planning applications on projects that have a significant risk of never being built. As a consequence, private investors can incur significant costs for no return, leading to a reluctance to progress potential new project proposals and a requirement for a much higher rate of return on those projects that do go ahead. In competitive tendering processes this can be replicated across multiple investors.
46. Planning reform and clear government support should help by increasing the proportion of projects that are successfully completed, but there is also a need for appropriate risk sharing arrangements to encourage investors to invest in planning projects and establishing their feasibility on projects were approval is still uncertain. This could include co-investment arrangements that share risk, public sector contributions to initial feasibility studies, publicly funded core elements such as environmental assessments (for example) that avoid multiple bidders duplicating work, and standardisation and simplification of requirements to make feasibility studies more focused and less expensive to carry out.
47. There is also a need to provide an appropriate balance of risk for projects that are given the go-ahead, especially in more complex infrastructure projects that involve new designs or novel construction approaches or where there is significant uncertainty. Traditionally, investors have looked for higher rates of return in such circumstances to encourage them to invest, but there are ways of reducing uncertainty or sharing risk that would minimise the cost to consumers or taxpayers. This has worked well in the renewable energy sector, where pricing risk has been reduced for both developers and consumers through the use of

contracts-for-difference that fix prices but leave construction and operational risks with the developer.

No return to PFI, but public private partnership arrangements can work if designed well

48. We believe there are significant opportunities for public-private partnership arrangements that can deploy private capital to deliver critical infrastructure. Countries around the world use public private partnership models to successfully deliver infrastructure projects.

49. For example, Strategic Energy Partnerships (SEPs), where the public sector contributes land and exclusivity alongside private sector investment to develop, construct and deliver new assets, could help unlock significant amounts of funding for infrastructure, with the public sector sharing in profits under a synthetic funding model.

50. Local asset backed vehicles (LABVs) are also a potential model that could help deliver investment in a range of new infrastructure, including new housing to meet the government's ambitious targets.

51. Bristol City Leap is an example of a LABV in the energy sector which drew much of its success from pre-market engagement across a range of players, although the significant bid related expenditure on both sides remains an issue that needs to be tackled if this is to prove a viable model for other projects.

52. There is also a need to extend capital support programmes such as the Green Heat Network Fund and the Public Sector Decarbonisation Scheme that currently incentivise heat-only or heat-led projects over other types of energy. Supporting investment in multi-vector energy systems can improve both economic and carbon reduction benefits of projects.

53. There is also role for the public sector to act as an energy off-taker, using its credit worthiness, anchor role, and a long-term outlook to promote energy transition schemes. However, there is a need to ensure public procurement rules are aligned with such projects as there is a risk that the procurement process can end up 'accidentally' excluding an intended energy provider, such as a community entity.

54. The World Bank produced a helpful framework on municipal public private partnerships in 2020 that may be helpful in developing new models for the UK.

Regulatory asset base and concession agreements could be used more widely

55. We believe there is a good case for extending the regulatory asset base (RAB) approach that links pricing to the level and riskiness of investment beyond the scope of the existing regulated utilities. RAB could help support new nuclear generation and local heat networks for example by mitigating price uncertainty for both generators and consumers, while it may also provide a way to share risks between government and constructors of public infrastructure in a way that encourages more development at the same time as protecting the taxpayer.

56. There is also an opportunity to use concession arrangements to develop new toll roads, bridges and public transport systems similar to the approach adopted in France, Ireland, Sweden and many other countries.

THE STRATEGY WILL ONLY WORK IF IT RESULTS IN ACTION ON THE GROUND

Lessons must be learned from the failure of the levelling up strategy

57. We really liked the Levelling Up White Paper. It provided a comprehensive analysis of the challenges facing the UK's regions, a compelling call for action, and a suite of success factors that could be used to monitor progress against the then government's objectives.

58. Unfortunately, the main problem was that little progress was made. Although the pandemic didn't help, the levelling up strategy did not tackle many of obstacles that made it difficult to deliver progress on the ground.

59. These obstacles included the previous fiscal rules that incentivised cutting capital budgets in favour of day-to-day spending, a lack of multi-year spending reviews, constantly changing government and departmental priorities, a broken local government funding system, a planning system that defaults to 'no', and a lack of attractive investment opportunities for private sector investors.

60. While the government has moved to address some of these obstacles (eg, fiscal rules) or is doing so (eg, planning reform), local government funding reform remains unresolved as does the construction of a regional tier of government in England to provide strategic direction within each region. There is a need to end micromanagement from the centre and move forward with devolution within England to enable regional mayors and local authorities to get on and deliver the infrastructure that local communities and businesses need to drive economic growth in their areas.

61. However, the principal lesson from the failure of the previous government's strategy was that the government took much too long between devising its strategy and attempting to deliver it. There is no time to waste. Get on with it.

Outputs and outcomes are what counts

62. The achievement of the government's missions and its other objectives will be determined not by how much money is invested, but by the outputs and outcomes that are achieved through the utilisation of that money.

63. We believe that departments, local authorities and other public bodies should be accountable for their delivery of the 10-year infrastructure strategy and should clearly report each year (in their annual reports) on the progress they have made, the outputs they have delivered, and the improved (or otherwise) outcomes that have resulted from the investments made.

ANSWERS TO SPECIFIC QUESTIONS

Question a: Are the principles and focus areas for the strategy the right ones to prioritise?

64. We support the proposed strategic objectives of (i) enabling resilient growth, (ii) delivering the clean energy superpower mission, and (iii) ensuring social infrastructure can support public services. We also support the four principles of (a) prioritising the government's missions, (b) providing long-term confidence, (c) addressing cross-cutting challenges, and (d) ensuring deliverability and affordability.

65. Reflecting on the critical nature of public sector reform to the ability of the government to deliver its five missions and its other priorities, we believe that there should be a fourth strategic objective of improving the speed, effectiveness and cost efficiency of both public and private sector infrastructure investment. This should involve a new commitment to deliver at pace, taking full advantage of the government's planning and regulatory reforms to drive a new approach to UK infrastructure and to achieve the 10% to 25% cost reductions that the National Infrastructure Commission believes are possible.

66. We also think that the principle of ensuring deliverability and affordability should be expanded to include 'investibility'. The conditions of the UK's public finances mean that private investment is vital to executing the strategy, and the right conditions are needed to attract private investment to the UK in the context of an internationally competitive market for investment.

67. We think there must be:
    - portfolio visibility, on a sector-by-sector basis, with allocated responsibilities at department and local authority levels;
    - an envelope of scale – of 'national significance' – that is renewed over the period of the strategy;
    - an approach to planning that encourages rather than discourages development; and
    - a clear structure for private finance to participate in projects, with a balanced sharing of risk that extends to feasibility, bidding and planning in addition to project delivery.
68. We also believe that the strategy should address the large backlog of maintenance, renewal and replacement of public sector infrastructure that has built up in recent decades. Many public services are underperforming because of poor facilities and a lack of investment in digital technologies, and there needs to be a clear plan to bring public buildings, hospitals, schools and social housing up to scratch.

Question b: Which functions of a spatial strategy are most important for you?

69. We support the development of spatial strategies to ensure regional and local infrastructure developments are joined up to deliver the best outcomes.
70. We have no specific comments on the spatial strategy discussed in the consultation paper, other than to note that filling in the gaps in the regional tier of government across the whole of England will be necessary if the opportunities for regional development are to be fully grasped.
71. There is also a need for comprehensive local government funding reform if local authorities are to be able to play their full part in delivering on the ambition to drive growth at a local level.

Question c: Of the types of pipeline – which are the most important features to industry?

72. As discussed in paragraphs 17 to 23 above there is a need clarity around resource allocation and commitment over the full 10-year period of the strategy, including a pipeline with sector-by-sector investments plans.

Question d: How best can the government provide greater certainty for industry? Including the role of the Strategy, a pipeline, and departments?

73. The 10-year investment strategy needs to be seen as part of a wider vision for infrastructure that enjoys cross-party commitment and is assured of regulatory support. While we don't expect priorities to remain unaltered following a change of government, we believe that the strategy needs to provide a sufficiently robust framework that will mean it will be easier for any future new administration to take forward (albeit perhaps in a different direction) rather than being thrown away and replaced by something new each time.
74. We are particularly keen to see the continuation of three-year rolling spending reviews including four or five-year capital budgets, as we believe this approach should deliver a much more stable environment for both the public and private sectors.
75. While there is case for longer time horizons for the investment strategy (potentially 20 or even 25 years), it will be more important to ensure the strategy is refreshed and extended on a regular basis, ideally in conjunction with each spending review.
76. A wider vision should accommodate the risk of failure across a range of development options. On sharing risk with the private sector, there are also ways of ensuring that the public sector benefits from upside in returns, by way of equity stakes and mitigating costs.

77. The strategy should comprise a recurring programme per type of project with associated funding of scale and visibility of prerequisite changes to regulation and legislation. An ambitious infrastructure pipeline will include upcoming activity within infrastructure portfolios, together with timelines, bases of measurement, commitments for funding – including of feasibility studies – and the approach to risk and sharing of costs.

Question e: Do you have views on the early priorities for NISTA to support the delivery of the strategy?

78. We have no comments to add on this question, other than to urge delivery at pace.