

Autumn Budget

ACE Submission 2018

28 September 2018



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Investment in infrastructure creates jobs and drives economic growth

Investment in infrastructure creates jobs, raises incomes and is an important rebalancing tool for the economy, particularly when looking at regional inequalities. Consequently, construction plays a key role in driving economic growth, with some economists estimating a multiplier effect of £2.84 economic activity for every £1 spent on construction¹. This is not surprising, considering that:

- The construction sector represents a significant employer in the UK, employing approximately 2.3 million people or around seven (7) per cent of the total UK workforce²;
- The number of firms operating in the construction industry has continued to rise with around 315,000 firms operating in the UK, increasing by just over six (6) per cent in 2017³; and,
- The construction industry accounted for six (6) per cent of gross domestic product (GDP) in 2017⁴, and influenced some of the main economic indicators, including inflation and employment.

ACE supports the first National Infrastructure Assessment

With the above statistics in mind, ACE and its members welcome the publication of the National Infrastructure Assessment (NIA), by the National Infrastructure Commission (NIC)⁵. The NIA has provided a blueprint for infrastructure investment going forward, setting out the UK's long-term strategic needs in transport, water, digital technologies, waste and energy. Importantly, the NIA calls on sustainable infrastructure choices; both for environmental reasons, as well as economic and practical delivery reasons.

"The NIA sets out a bold vision for a UK which is better connected, more sustainable and more productive. The onus is now on government, infrastructure clients and the construction supply chain to back and deliver this vision."

- David Whysall,
Managing Director of
Infrastructure, Turner &
Townsend

Embedding sustainable development in the built environment

There are few sectors in which sustainability is more important than ours. Our towns and cities, and the infrastructure that connects them, all benefit if built with the future in mind. Considering project outcomes and end users during development is essential. A well-planned built environment has the potential to unlock productivity, support the health and wellbeing of the community and have far reaching impacts on the environment today and in the future. Simply building an asset is no longer enough; Infrastructure must be sustainable in both its design and delivery.

Funding for the NIA's recommendations

ACE urges the Government to enable funding for all recommendations outlined in the NIA. Specifically, ACE supports the following NIA recommendations:

¹ Construction in the UK economy, LEK Consulting (2010)

² Construction statistics: Number 19, Office of National Statistics (2018)

³ Construction statistics: Number 19, Office of National Statistics (2018)

⁴ Construction statistics: Number 19, Office of National Statistics (2018)

⁵ National Infrastructure Assessment 2018, National Infrastructure Commission (2018)



NIA Recommendation

Evidence in the 2018 Budget Statement

The Government 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.

A Government commitment to address the local road maintenance backlog, including the first year of funding for 2025/26.

Cities have the powers and funding they need to pursue ambitious, integrated strategies for transport, employment and housing.

A Government commitment to ensuring metro mayors and city leaders have the right powers to make decisions on and deliver key projects.

The Government set out a strategy to deliver a nationwide standard of resilience to flooding.

The Government task the Department for Environment, Food and Rural Affairs, the Environment Agency and/or the Ministry of Housing, Communities and Local Government (MHCLG), with coordinating a whole of government strategy.

The Government publish good quality data on infrastructure costs and performance.

The Government should commit to the Infrastructure and Projects Authority's *Transforming Infrastructure Performance* long term plan announced in 2017. Specifically, the establishment of a new benchmarking team to define cost and performance benchmarks.

The Government should also commit to publishing the updated Government Construction Strategy, originally due to be published by Summer 2018.

The Government deliver long term certainty over infrastructure funding.

The Government commit to confirming the full allocation of funding for the Construction Sector Deal so that industry can engage and respond. The Government should also make a recommitment toward the National Infrastructure and Construction Pipeline.

The Government maintain access to the European Investment Bank or establish a new, operationally independent, UK infrastructure finance institution by 2021

A commitment from Government that access to the European Investment Bank will be maintained, or a clear plan to consult on the design of a new institution by Spring 2019.

Local authorities be given further powers to capture a fair proportion of increases in the value of land from planning and infrastructure provision.

The Government task the MHCLG to look for appropriate ways to give local authorities further powers to capture increases in the value of land from planning and infrastructure provision.



Reducing inefficiency and securing future investment in roads

ACE has long advocated for a more productive and sustainable road network, both in England and across the UK. In January 2018, ACE launched its *Funding roads for the future* report⁶, arguing for changes in the way roads are funded. The Government's efforts to improve England's road network over the past few years has been positive, however, tax revenue has been falling: the growing uptake of zero-emissions vehicles means traditional revenues, for example the Vehicle Excise Duty and Heavy Goods Vehicle Road User Levy, will continue to decline. These levies risk becoming empty pots of money, resulting in an inability to properly fund the maintenance of our road network.

ACE recommends that:

- The Government introduce dynamic road user charging to fund roads over the long-term;
- The Government reforms the Vehicle Excise Duty and Heavy Good Vehicle (HGV) Road User Levy to ensure sufficient revenue for the National Roads Fund from 2020-21;
- The Government increase the overall funding for England's local roads, by establishing a Local Roads Fund in the medium-term; and
- The Government increase its investment in the smart motorways programme.

Addressing the funding gap for local amenities as communities grow

In June 2018, ACE launched its *Unlocking Housing: Invigorating local communities through placemaking* report⁷. The report advocated that community consultation is the core element of any development. To achieve the goal of empowering communities to make decisions to improve their local area, there is the question of how we fund the infrastructure desperately needed as communities grow.

Devolve the ability to set planning fees to local authorities

Many local authority planning departments across the country are underfunded. This results in a poorer service and unnecessary delays. Many local authorities do not have the skills or resources to be able to ensure high quality design. To address this problem, ACE recommends that:

- The Government devolve the ability to set planning fees to local authorities.

Local authorities should be allowed to charge a rate reflective of the services provided and have an opportunity to ensure planning fees are proportionate to the project envisaged. This will ensure planning departments have the resources and authority to deliver on their mandate. ACE also believes planning fees should be linked to annual increases indexed to inflation to avoid unviable fees in the future.

Replace the Community Investment Levy (CIL) with a Property Sales Levy

ACE's *Unlocking Housing* report highlights a number of issues with the CIL regime – primarily the inability to collect sufficient revenue to fund infrastructure needs and its failure to deal with

⁶ Funding roads for the future: Creating a more productive and sustainable road network in England, ACE (2018)

⁷ Unlocking Housing: Invigorating local communities through placemaking, ACE (2018)



an 'infrastructure deficit' in an area the whole community should be responsible for addressing. A review of CIL found the levy was not raising as much money as originally envisaged, creating a significant shortfall in revenue. Figures showed that CILs were only yielding between 5 and 20 per cent of the funding required for new infrastructure in an area leaving the balance to be found by local authorities.

Property owners benefit the most from infrastructure investments in their local area through increased property value. ACE believes there should be a civil obligation for the chief beneficiaries to help pay for these improvements, particularly with the scale of funding that comes from taxpayers. ACE therefore recommends that:

- CIL should be replaced with a new Property Sales Levy over the medium-long term.

Responding to the challenges of rail infrastructure investment

ACE's response to the Commons Select Transport Committee's Rail infrastructure investment inquiry⁸ argued that the rail system, as it is currently structured, is unable to deliver successful, on time and on budget upgrades to rail infrastructure. Our submission offered ideas on unlocking private sector funding which could complement existing funding sources. Ultimately, the aim should be to increase the total investment in the rail network, not reduce public investment in response to the introduction of private sector funding.

ACE therefore recommends that:

- The Government seriously consider the conclusions and recommendations of the Commons Select Transport Committee's Rail infrastructure investment report⁹, particularly those relating to funding and processes for CP6.

As per our Budget Submission in 2017, ACE continues to recommend that the Government:

- Approve funding for rail projects identified by Transport for the North, including 'Northern Powerhouse Rail'; and
- Confirm funding for Crossrail 2.

The Government should honour previously announced commitments

ACE welcomes the Government's ongoing commitment to investment in the sector, with the Government Construction Strategy 2016-2020, and the Construction Sector Deal. However, ACE recommends that:

- The Government (1) publish the updated Government Construction Strategy originally due to be published by Summer 2018 and, (2) commit the full allocation of funding for the Construction Sector Deal, so that the sector can actively engage and response.

⁸ [ACE submission to Commons Select Transport Committee Rail Infrastructure Inquiry \(2018\)](#)

⁹ [Fourth Report of Session 2017-19: Rail infrastructure investment, House of Commons Transport Committee \(2018\)](#)



Recommendations

ACE recommends that:

- 1 The Government enable funding for the recommendations of the National Infrastructure Assessment.
- 2 The Government introduce dynamic road user charging to help fund the road network over the long-term.
- 3 The Government reforms the Vehicle Excise Duty and Heavy Good Vehicle (HGV) Road User Levy to ensure sufficient revenue for the National Roads Fund from 2020-21.
- 4 The Government increase the overall funding for England's local roads, by establishing a Local Roads Fund over the medium-term.
- 5 The Government increase its investment in the smart motorways programme.
- 6 The Government devolve the ability to set planning fees to local authorities.
- 7 CIL should be replaced with a new Property Sales Levy over the medium-long term
- 8 The Government seriously consider the conclusions and recommendations of the Commons Select Transport Committee's Rail infrastructure investment report, particularly those relating to funding and processes for CP6
- 9 The Government (1) approve funding for rail projects identified by Transport for the North, including 'Northern Powerhouse Rail'; and (2) confirm funding for Crossrail 2.
- 10 • The Government (1) publish the updated Government Construction Strategy originally due to be published by Summer 2018 and, (2) commit the full allocation of funding for the Construction Sector Deal, so that the sector can actively engage and response.