

‘Levelling up’ and the role of infrastructure: ICE discussion paper

July 2020

The purpose of this discussion paper

This discussion paper has been produced to help develop ICE’s thinking around the role infrastructure should play as part of the government’s ‘levelling up’ agenda.

It introduces some initial analysis of what the ‘levelling up’ agenda might mean within an infrastructure context and the impacts of Covid-19, before going on to outline ICE’s existing policy positions in relation to regional infrastructure planning.

Building on this, the paper includes a range of questions that ICE believes must be answered in order to ensure that regional investment in infrastructure delivers the greatest economic and social benefits.

Details on how to respond to the questions raised in the paper are included at the end of the document.

The government’s ‘levelling up’ narrative

A key narrative that has permeated through many statements made by the current government has been a focus on ‘levelling up’. Indeed, it has featured recently in both the prime minister’s *‘Build, build, build’* speech 30th June 2020¹ and in the chancellor’s *‘A Plan for Jobs’* speech 8th July 2020.² In relatively simple terms, this appears to be a signal of the government’s intention to deliver more equitable investment in services across the UK (and in England specifically), in order to deliver better economic and social opportunities for all parts of the population.

At least this is how major new investments in infrastructure and other key sectors have been positioned by the government³⁴ and in the absence of a clearer government definition or strategy, drawing this inference would seem logical.

Within this context, this discussion paper sets out a number of key questions around the relationship between the ‘levelling up’ narrative and regional infrastructure planning and investment. The overarching aim is for ICE

¹ PMO (2020) [‘Build, build, build’: Prime Minister announces New Deal for Britain: 20 June 2020](#)

² HMT (2020) [A Plan for Jobs speech](#)

³ Ibid

⁴ PMO (2020) [PM Statement on Transport Infrastructure: 11 February 2020](#)

to build on its existing policy positions in this area and develop new insights into how a strategic approach to regional infrastructure can improve provision.

Is the 'levelling up' narrative a new one?

The emphasis underpinning the 'levelling up' narrative is not necessarily new and neither is devolution in an English context. From 1998 to 2010, nine Regional Development Agencies (RDAs) existed.⁵ These were non-departmental public bodies whose purpose included delivering economic growth and regeneration, alongside contributing to policy development on regional transport infrastructure and land-use planning. They were abolished shortly after the 2010 Coalition Government came into power.

A larger number of 38 Local Enterprise Partnerships (LEPs) were established to replace some of the functionality of the RDAs. Working alongside local and combined authorities, the predominant focus of the LEPs continues to be to identify local economic opportunities and to support job creation.⁶

The number of combined authorities has steadily grown to ten (eight with a metro mayor and two without) over the last five years.⁷ Each of these has negotiated a devolution deal with central government for a 30-year funding settlement to spend on areas including transport, housing and planning and the development of local industrial strategies. Most combined authorities were established during the years that David Cameron was prime minister.

It was also the Cameron government that established concepts such as the Midlands Engine and the Northern Powerhouse. While not formal entities in their own right, these were the terms under which major regional investment was articulated, including investment targeted at infrastructure. Like the current 'levelling up' narrative, the objective was to bring government activity aimed at addressing regional economic disparities to the top of the public policy agenda.

Understanding regional economic and wellbeing trends

What are the regional economic and wellbeing imbalances that successive governments have attempted to fix?

Figures published by the Office of National Statistics (ONS) for 2018, and captured in Figure 1, highlight that the regions of London and the South East outperform other parts of the UK on measures of productivity and earnings. Both output per hour and median hourly earnings per worker are higher in these two regions versus other parts of the UK and England. This is a trend that has also been consistent between 1998 and 2018.⁸

Human capital per head of the population in the regions of London and the South East is also higher than in other parts of the UK and England. As Figure 2 highlights, in both 2004 and 2018 these two regions performed best on this measure, with northern parts of England among the weakest performing.

⁵ BIS (2011) [England's Regional Development Agencies](#)

⁶ LEP Network (2020) [The 38 LEPs](#)

⁷ Institute for Government (2019) [English Devolution: Combined Authorities and Metro Mayors](#)

⁸ ONS (2020) [Analysing Regional Economic and Well-Being Trends](#)

However, other ONS datasets also demonstrate that the proportion of income spent on housing costs is highest in the regions of London and the South East, versus other parts of the UK and England.⁹ On other wellbeing indicators, such as life satisfaction, feeling worthwhile and happiness, London also lags behind other parts of the UK and England, which infers that higher productivity and earnings are not necessarily synonymous with better wellbeing.¹⁰

The regional economic and wellbeing picture is, on the whole, a mixed one. Regardless, the purpose of this paper is to understand the role of the infrastructure sector in enabling economic growth and supporting a high quality of life as the government implements its ‘levelling up’ agenda and devolution plans across English regions.

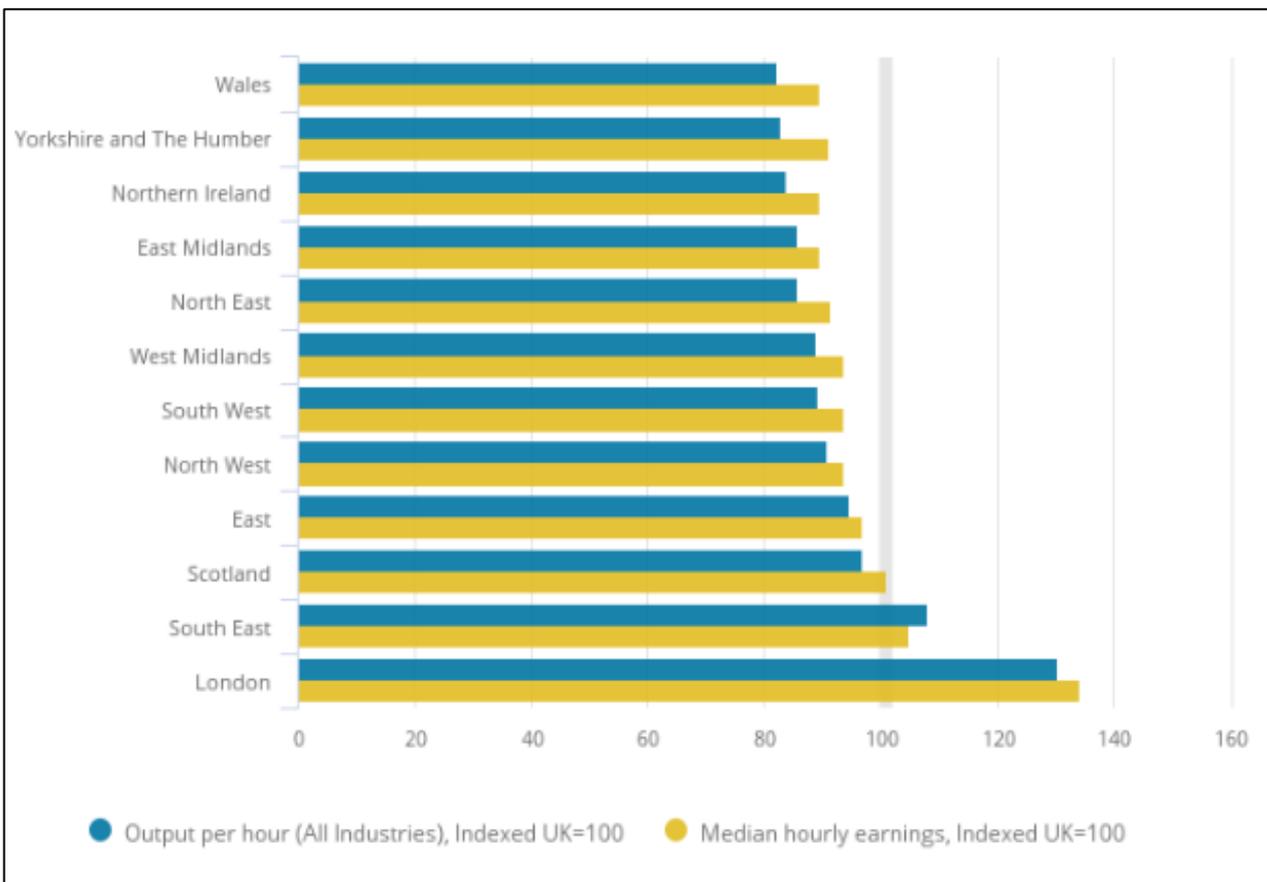


Figure 1: Nominal output per hour (all industries) and nominal median hourly earnings, indexed UK=100, NUTS 1 regions, 2018 (ONS, 2020)

⁹ Ibid

¹⁰ ONS (2020) [Analysing Regional Economic and Well-Being Trends](#)

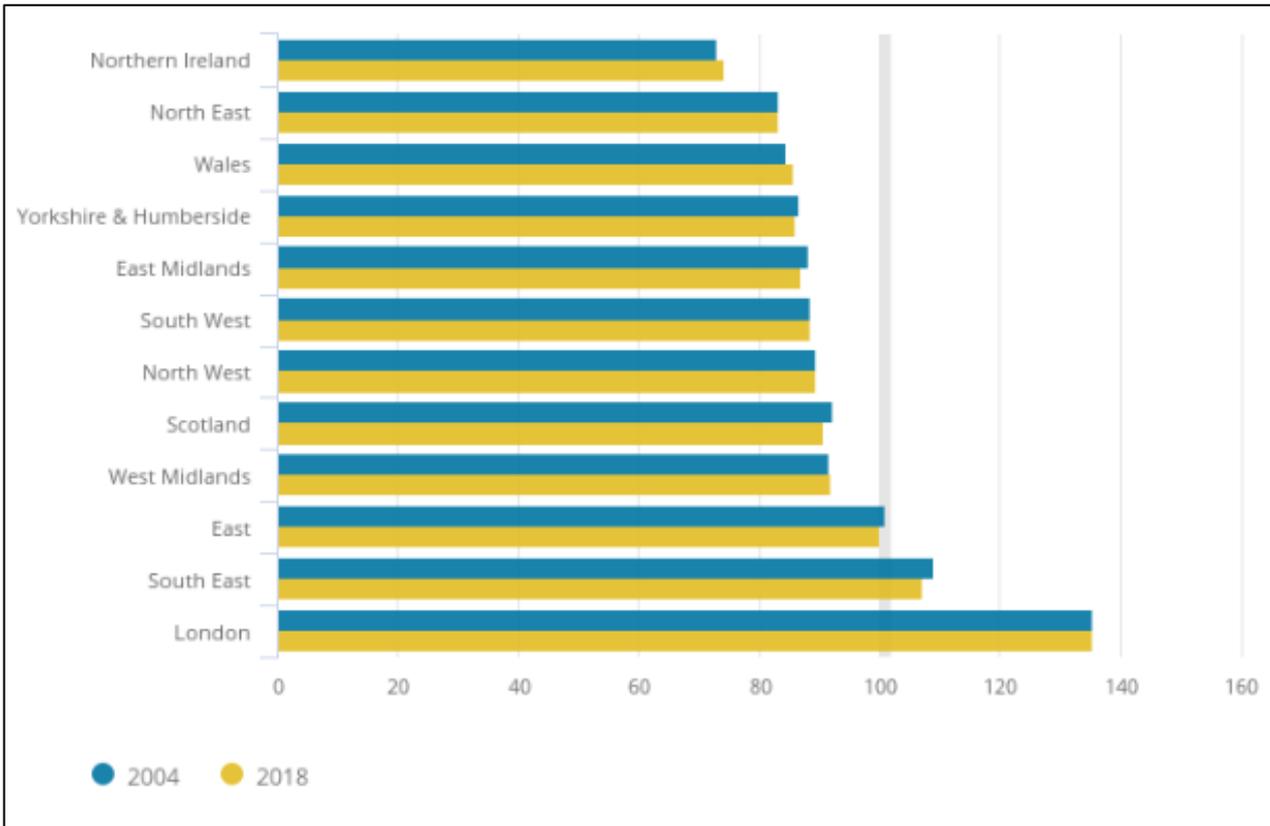


Figure 1: Real human capital per head, indexed UK=100, NUTS 1 regions and countries, 2004 and 2018 (ONS, 2020)

The potential impact of Covid-19 on regional economic growth

Any current discussion of the government’s ‘levelling up’ agenda must take into consideration the impact of Covid-19 on economic growth across the UK.

UK GDP fell in March 2020 by 5.8%, representing the largest decline since 1997.¹¹ In addition, the Office for Budget Responsibility has forecast that the UK’s economy will have contracted by 35% during the second quarter of 2020.¹²

Yet the economic impact of the pandemic is not necessarily being felt evenly. For example, while hundreds of thousands more people have registered for unemployment benefits in England since the beginning of the lockdown, the majority of these registrations have been made in northern areas rather than in the south.¹³

¹¹ ONS (2020) [Coronavirus and the Impact on Output in the UK Economy: March 2020](#)

¹² OBR (2020) [Coronavirus Analysis](#)

¹³ Centre for Cities (2020) [What Does the Covid-19 Crisis Mean for the Economies of British Cities and Large Towns?](#)

KPMG analysis of ONS growth forecasts for 2020 also highlights that the economies in the West Midlands and East of England are likely to suffer the greatest contractions, at 10%, with London being the least impacted region, at 7%.¹⁴

ICE, on behalf of the Infrastructure Client Group,¹⁵ is progressing a separate piece of work to understand the long-term impacts of Covid-19 on the infrastructure sector and the sector's role in helping both the economy and society more widely to recover from the pandemic.¹⁶

The role of infrastructure in enabling better economic and social outcomes

The various components of the infrastructure sector are significant contributors to economic growth. In 2018 the energy sector generated £86.6 billion in economic activity,¹⁷ while in 2017 the rail industry contributed £36.4 billion to GDP and employed 600,000 people.¹⁸ Individual infrastructure projects are also key contributors to the economy – HS2 and a third runway at Heathrow have been forecast to create 30,000¹⁹ and 77,000²⁰ jobs respectively.

Infrastructure networks are also vital for connecting people and businesses, and for society in general to function on a daily basis. Every year in the UK 1.8 billion people travel by rail,²¹ while figures for road traffic highlight that 328.3 billion vehicle miles were covered on Great Britain's motorways for the year ending June 2019.²²

Like other sectors, infrastructure faces huge challenges in order to continue to deliver for society and the economy. The population of the UK is forecast to reach 75 million by 2050,²³ raising questions around the capacity of our infrastructure, especially in our cities. An increase in the number of extreme weather events caused by climate change, such as flooding and drought, will also significantly test the resilience of key networks.

ICE's *National Needs Assessment*²⁴ set out the need for a strategic approach to planning and delivering the UK's future infrastructure provision, focusing both on adding capacity across networks and also utilising technology to improve performance without the need for building new assets. An evidence-based national infrastructure strategy is essential to this and is something that ICE has consistently called on government to deliver.²⁵

¹⁴ KPMG (2020) [Chief Economist's Note: Levelling-Up and COVID-19](#)

¹⁵ ICE (2020) [Infrastructure Client Group](#)

¹⁶ ICE (2020) [Covid-19 and the 'New Normal' for Infrastructure Systems](#)

¹⁷ Energy UK (2020) [Energy in the UK](#)

¹⁸ Oxford Economics (2018) [The Economic Contribution of UK Rail](#)

¹⁹ HS2 (2019) [HS2's Vision to be a Catalyst for Growth across Britain](#)

²⁰ DfT (2016) [Heathrow Northwest Runway: Economic Benefits](#)

²¹ Network Rail (2019) [Passengers](#)

²² DfT (2019) [Provisional Road Traffic Estimates Great Britain: July 2018–June 2019](#)

²³ ICE (2016) [National Needs Assessment](#)

²⁴ Ibid

²⁵ ICE (2019) [What Should be in the National Infrastructure Strategy?](#)

Questions for discussion

It is strategically important that the 'levelling up' agenda effectively dovetails with national planning for improving infrastructure and equally that regional investment is undertaken in a strategic way, based on the best available evidence.

In this respect, ICE is interested in views on the following questions:

1. What should 'levelling up' mean in the context of economic infrastructure?
2. What are the priorities, in terms of economic and social outcomes, for infrastructure in the context of 'levelling up' and how have these been affected by Covid-19?

The strategic importance of planning infrastructure at the regional level

Many economic activities, be that travel for work, the transport of goods and services or the supply of utilities, take place across combined and local authority boundaries.

A strategic approach to establishing how different infrastructure networks work across regions, including housing, is likely to be key to enabling the government's 'levelling up' agenda to come to fruition. This is because taking such an approach is most likely to optimise the various economic activities that also exist and are taking place across different regions.

A number of subnational transport bodies (STBs) currently exist in England. Broadly, their role is to set out long-term requirements for transport for the region that they represent. They include:

- Transport for the North
- Midlands Connect
- England's Economic Heartland
- Transport for the South East
- Western Gateway
- Transport East
- Peninsula Transport.

Evidence gathering for ICE's *State of the Nation 2019: Connecting Infrastructure with Housing*²⁶ concluded that in due course the remit of these organisations should be expanded to include all forms of economic infrastructure, so that there exists a single organisation for each region that is able to strategically identify and articulate long-term network requirements.

Of course, there has to be recognition that the maturity and capabilities of STBs vary significantly. Therefore, the potential for STBs to perform this role would be realised at different points in time, with the more established STBs in the North and Midlands able to lead the way. These organisations would become subnational infrastructure bodies (SIBs), with a remit to create integrated regional infrastructure strategies.

The formation of regional infrastructure strategies and their relationship with national infrastructure planning

ICE has long advocated for the creation of regional infrastructure forums²⁷ to bring together key infrastructure stakeholders from across a given region to work collaboratively to identify long-term infrastructure requirements. This would include, but not be limited to, local government and regional delivery bodies, community and business groups, central government and regulatory organisations.

²⁶ ICE (2019) [State of the Nation 2019: Connecting Infrastructure with Housing](#)

²⁷ Ibid

The task of drawing together the interests and research conducted by each of these different stakeholders into a quantifiable and robust evidence base should be undertaken by new SIBs (as outlined above). The eventual outcome would be a suite of regional infrastructure strategies, each providing a long-term and integrated picture of economic infrastructure, alongside housing, for different regions across England.

It is important to make clear that these newly created SIBs would not have a remit for delivery. Capital and renewal programmes – in transport, the utilities, flood risk management and any other economic infrastructure – would remain the responsibility of those delivery organisations already designated.

The overriding ambition would be for the creation of regional infrastructure strategies that plug into the government's overarching National Infrastructure Strategy to ensure the strategic coordination of infrastructure prioritisation at multiple geographic levels. In this respect it is absolutely critical that the government's planned Devolution White Paper is well aligned to its National Infrastructure Strategy. Achieving this will help to move the 'levelling up' narrative from concept to reality.

The Enabling Better Infrastructure programme

ICE has recently published 12 guiding principles²⁸ to help national governments prioritise and plan their infrastructure networks. The *Enabling Better Infrastructure* programme includes guidance on setting strategic objectives, carrying out needs assessments and adopting effective approaches to benefit cost analysis and public consultation, alongside how best to leverage data to inform decisions made in relation to infrastructure.

The guidance would be useful for developing regional infrastructure strategies so that they are best placed to achieve the following goals:

- the realisation of better economic and social outcomes
- improving public confidence in infrastructure planning
- growing investor and supply-chain confidence
- improving project delivery and benefits realisation
- improving the affordability of future infrastructure investments.

The impact of Covid-19 on regional infrastructure need

Covid-19 has had a significant impact on infrastructure demand profiles across the entire nation. For example, during March and April 2020 the use of national rail services and buses was down by 99% and 88% respectively versus February, while the use of London Underground was down by 96%.²⁹

A recent survey of attitudes towards public life after Covid-19 lockdown measures have been lifted has also indicated that demand profiles may not recover to pre-pandemic levels. Approximately 61% of UK adults support more remote working in the future, while 44% say they will avoid travelling on public transport networks following the end of lockdown.³⁰

²⁸ ICE (2019) [Enabling Better Infrastructure: 12 Guiding Principles for Prioritising and Planning Infrastructure](#)

²⁹ ICE (2020) [The Use of Infrastructure Systems – Insights into the New Normal](#)

³⁰ Ibid

If these attitudes were to translate into reality then the shape of future infrastructure provision across all regions in England is likely to be impacted, with a growing need for better digital infrastructure to support more remote working and living.

However, while the impacts of Covid-19 have been felt right across England, measures to aid the recovery will need to be targeted on a region-by-region basis. The inequitable distribution of unemployment that the pandemic has created, alongside regionally unbalanced growth forecasts, means that a place-based approach to recovery will need to be taken.

Ensuring that each region in England has an infrastructure strategy in place that will help drive economic growth according to its own unique circumstances is therefore increasingly important.

Questions for discussion

This section of the discussion paper has focused on regional infrastructure planning and has introduced a number of ICE's existing policy positions in this area, including the appointment of subnational infrastructure bodies to develop regional infrastructure strategies.

To further develop ICE's thinking in this space, we are interested in views on the following questions:

3. How could subnational infrastructure bodies be integrated into existing infrastructure decision-making frameworks in England?
4. What approach and criteria should be used to develop regional infrastructure strategies across England that can support the government's 'levelling up' agenda?

The important role of investment

Developing regional infrastructure strategies that identify the right projects for delivering the best economic and social outcomes is necessary. However, all levels of infrastructure delivery require appropriate levels of investment. On this basis, it follows that all regional infrastructure strategies should be fully costed so that the scale of investment required can help to provide a reference point in prioritising projects and programmes.

The current funding and financing picture

The last full National Infrastructure and Construction Pipeline (NICP)³¹ was published in December 2018 (with a supplementary procurement pipeline published in June 2020).³² The NICP highlighted £600 billion of investment in UK infrastructure networks, split roughly evenly between public and private sources. With further announcements at the March 2020 Budget, it is thought that overall investment in infrastructure (both economic and social) is set to move towards 3% of GDP.

Region	Funding source		Total
	Central and local government	Private	
East Midlands	£397	£536	£932
East of England	£324	£460	£783
London	£573	£428	£1,000
North East	£262	£751	£1,013
North West	£545	£387	£932
South East	£472	£417	£890
South West	£321	£784	£1,105
West Midlands	£360	£377	£737
Yorkshire and The Humber	£289	£478	£767

Table 1: Regional analysis – average annual investment per capita by funding source 2018/19 to 2020/21 (IPA, 2018)

The 2018 NICP provides detail on regional infrastructure investment (see Table 1). It highlights that average annual per capita spending on infrastructure for the period 2018/19 to 2020/21 is highest in the South West, with the North East in second place, followed by London. However, it is important to recognise that this spending includes social as well as economic infrastructure, plus both public and private funding sources. When public investment is considered alone, the North East actually receives the least amount of funding and London the most.

The NICP also highlights that the largest proportion of public spending on economic infrastructure towards the end of the decade (for the period 2018/19 to 2027/28) will be directed at transport. Analysis by IPPR North

³¹ IPA (2018) [National Infrastructure and Construction Pipeline](#)

³² IPA (2020) [National Infrastructure and Construction Procurement Pipeline 2020/21](#)

shows that per capita this means investment is highest in London, at £3,636 per head, while it is lowest in Yorkshire and The Humber, at £511 per head.³³

In addition, historical analysis also carried out by IPPR North on average public spending on transport per capita for the period 2008 to 2017/18 reveals that London's population has received the most at £739 per head. Spending in the East Midlands has been lowest at £227 per head, followed by the South West at £231.

If the government's 'levelling up' agenda set out at the beginning of this paper is to be effective then this variation in investment must be addressed through regional infrastructure strategies. This is even more urgent given the regionally uneven economic impacts of Covid-19.

Questions for discussion

In overall infrastructure terms and specifically in transport, the available data shows that regional investment has been and continues to be varied, with some parts of the UK and England receiving more than others. The economic effects of Covid-19 are also likely to be felt in an uneven way across regions in England.

ICE is interested in views on the following questions:

5. What models of investment are required to ensure that infrastructure is adequately funded in all regions across England?
6. How can the development of regional infrastructure strategies be leveraged to ensure that investment flows to projects and programmes across England?

³³ IPPR North (2019) [Revealed: North Set to Receive £2,389 Less Per Person than London on Transport](#)

About ICE

Established in 1818 and with over 95,000 members worldwide, the Institution of Civil Engineers exists to deliver insights on infrastructure for societal benefit, using the professional engineering knowledge of our global membership.

Responding to the questions in this discussion paper

ICE would welcome responses to the questions set out in this discussion paper (which focus predominantly on the infrastructure landscape in England) from across its regional membership and from the infrastructure sector more widely.

The focus of the consultation is on economic infrastructure (e.g. transport, energy and water networks) as opposed to social infrastructure (e.g. hospitals and schools).

Responses should be made by to policy@ice.org.uk no later than 31st August 2020.

Full question list

1. What should 'levelling up' mean in the context of economic infrastructure?
2. What are the priorities, in terms of economic and social outcomes, for infrastructure in the context of 'levelling up' and how have these been affected by Covid-19?
3. How could subnational infrastructure bodies be integrated into existing infrastructure decision-making frameworks in England?
4. What approach and criteria should be used to develop regional infrastructure strategies across England that can support the government's 'levelling up' agenda?
5. What models of investment are required to ensure that infrastructure is adequately funded in all regions across England?
6. How can the development of regional infrastructure strategies be leveraged to ensure that investment flows to projects and programmes across England?

For more information and to respond please contact:

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