



DEBATE PACK

Number CDP 2020/0144, 20 November 2020

Infrastructure spending in the North of England

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Summary

A Westminster Hall debate will be held on “Infrastructure spending in the north of England” on Wednesday 25th November 2020. The Member leading the debate is Damien Moore MP.

This briefing contains background information, parliamentary and press material, as well as suggested further reading which Members may find useful when preparing for this debate.

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The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

1. Background

1.1 Infrastructure

Government policy and announcements

Investing in infrastructure is seen by the Government as a way to “level up” economic growth and prosperity across the country.¹

By the end of autumn 2020,² the Government is expected to publish a National Infrastructure Strategy setting out its infrastructure “ambitions” over the next 50 years and how it intends to fund these priorities. The Strategy is expected to focus on projects that, by addressing long-standing economic challenges, “level up” economic growth and prosperity across the country. It will also focus on the infrastructure needed to achieve net zero carbon emissions by 2050.³ The [National Infrastructure Finance](#) review is also set to report in autumn 2020.⁴

In the Spending Review, on 25 November 2020, the Chancellor will set out funding for priority infrastructure projects – see the Library briefing [Background to the 2020 Spending Review](#) for more information.⁵

On 18 November 2020, the Prime Minister announced the Government’s [Ten Point Plan for a Green Industrial Revolution](#).⁶ The plan includes commitments on infrastructure areas such as offshore wind, hydrogen, nuclear power, green public transport, cycling and walking.

The Library briefing [Infrastructure policies and investment](#) has more on the current state of infrastructure in the UK, recent Government policies and levels and sources of investment.

Box 1: “Levelling up” and regional economic differences

The Library has published several briefings that touch upon regional economic differences in the UK:

- Section 3 of [Spring Budget 2020: Background briefing](#), provides analysis on regional economic differences
- [How big are regional economic inequalities in the UK?](#) considers the inequalities that the levelling up policy seeks to address.
- [Regional and National Economic Indicators](#) contains key economic data for the regions and countries of the UK

The Institute for Fiscal Studies (IFS) analysed UK regional inequalities and assessed which areas might be classified as ‘left behind’ and in need of ‘levelling up’ in [Levelling up: where and how?](#)

¹ HM Government, [Queen’s Speech 2019: background briefing notes](#), 19 December 2019, p90

² [PQ HL8172 \[Infrastructure: Coronavirus\], 29 September 2020.](#)

³ HM Government, [Queen’s Speech 2019: background briefing notes](#), Dec 2019, p90

⁴ [HL Deb 11 November 2020 \[Future of Financial Services\]](#)

⁵ HM Treasury News Release. [Spending Review to conclude late November](#), Oct 2020

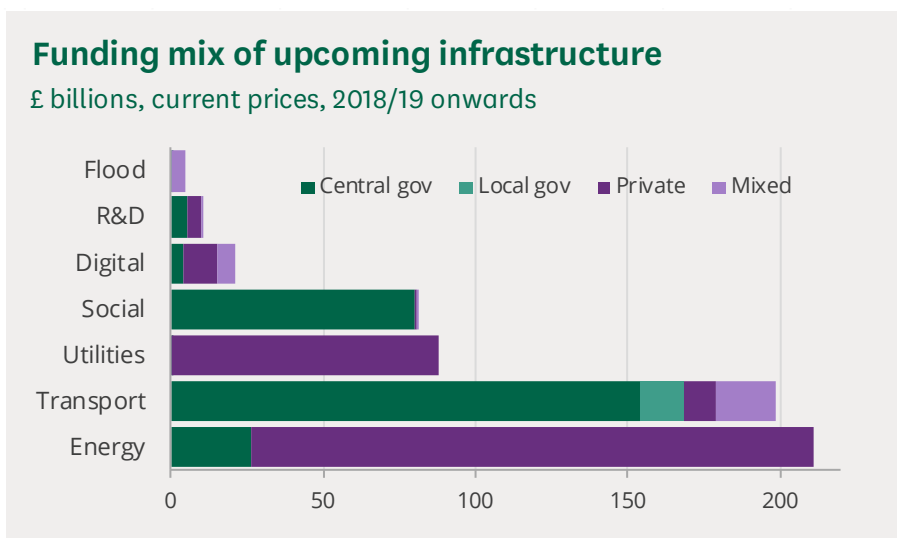
⁶ [PM outlines his Ten Point Plan for a Green Industrial Revolution for 250,000 jobs, Prime Minister’s Office, 10 Downing Street and The Rt Hon Boris Johnson MP, Press release, 18 November 2020.](#)

Sources of infrastructure investment

There are three ways in which infrastructure projects can be funded:

- **Public funding:** projects are funded by the government and wider public sector. High Speed 2 railway is funded publicly.
- **Private funding:** projects are funded by private companies who plan to recoup and earn a return on their initial investment via customer bills or charges over several years. Heathrow Terminal 5 was entirely funded by private investment.
- **Mixed public/private funding:** funding is drawn from both the public and private sector. Network Rail maintains and develops the railway infrastructure using Government grants, government-backed borrowing and private sector funding drawn from charges levied on train operators.

Sources of funding differ from sector to sector. Projects in the energy and utilities sectors are almost entirely privately funded (reflecting the ownership and management of assets in these industries).⁷ The opposite is true of projects in the transport and social sectors. Mixed funding represents a minority of total funding in all sectors except for flood defence, where all projects are mixed funded from central government and the private sector.⁸



Source: Infrastructure and Projects Authority/HM Treasury, [Infrastructure Pipeline, Data tables](#), 2018, House of Commons calculations

Notes: Mixed is local/central gov, or public/private mix

Regional capital and infrastructure spending

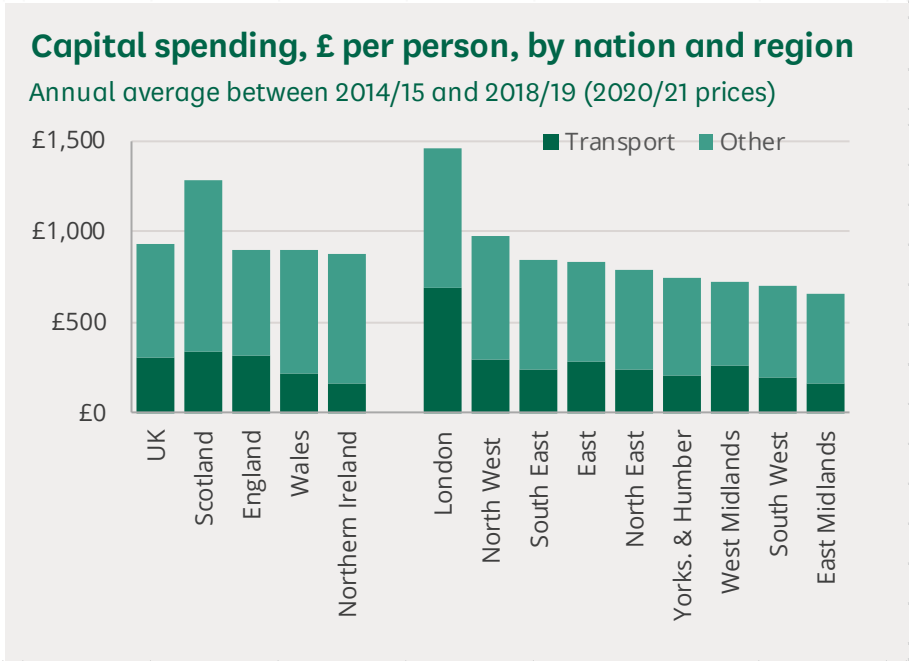
Public sector capital spending

The Institute for Fiscal Studies (IFS) – a think-tank – [recently analysed](#) regional differences in public sector capital spending when considering the levelling up agenda.

As shown in the chart below, the IFS examined average public sector capital spending across the latest five-year period. Averages were used to smooth out volatility in capital spending.

⁷ The Treasury’s [Infrastructure and Construction Pipeline](#) can be used to analyse what types of funding will be used in upcoming infrastructure projects.

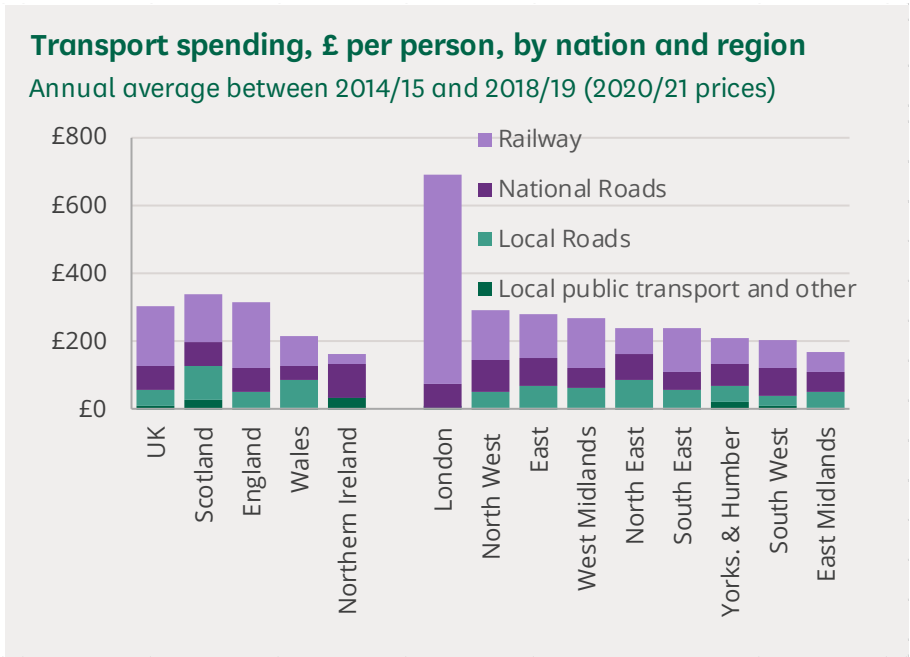
⁸ See: House of Commons Library, Briefing Paper, [Flood risk management and funding](#)



source: Institute for Fiscal Studies, The IFS Green Budget: October 2020, [Figure 7.6](#)

The IFS’s clearest finding is that capital spending per head is highest in London, at an average of £1,461 a year over the period. Much of the gap is driven by higher investment in transport in London, which at £688 a year was 2.8 times higher than the average of £247 a year in the rest of the UK. London’s transport spending was largely driven by investment in railways, which in recent years includes Crossrail.⁹

The IFS flag up several caveats that are necessary to interpret London’s data. First, some of the transport spending in London is financed through local raised taxes and fares. Second, some transport spending in London will benefit individuals living outside of the capital.



source: Institute for Fiscal Studies, The IFS Green Budget: October 2020, [Figure 7.7](#)

⁹ IFS, The IFS Green Budget: October 2020, [pages 346-349](#)

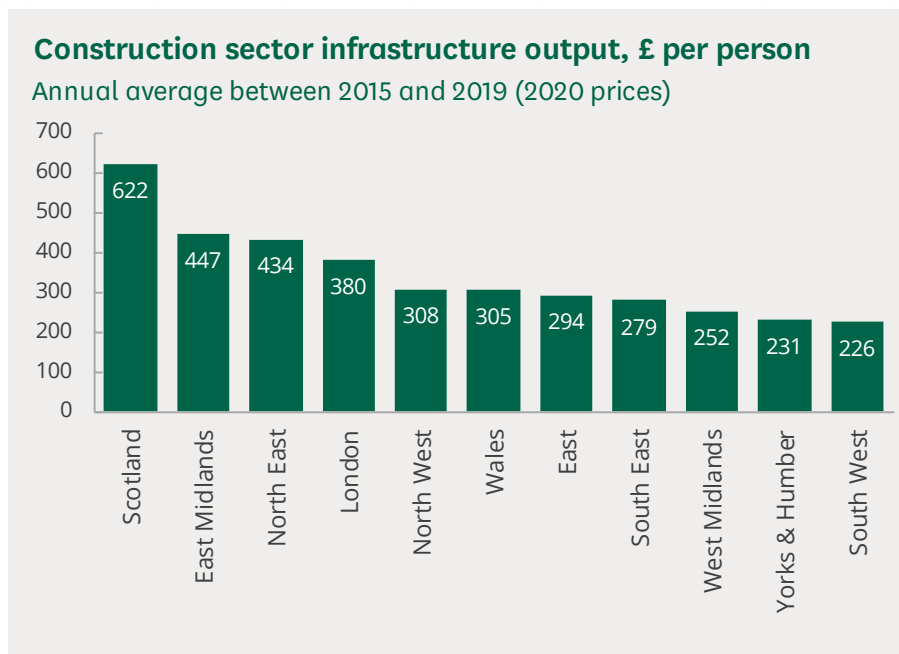
Public sector capital spending isn't restricted solely to infrastructure. It includes spending on assets such as software, IT equipment, and some military equipment.

Construction sector infrastructure output

Another source of data on infrastructure investment, which includes private sector investment, is the value of output by construction firms commissioned to undertake infrastructure work. Infrastructure work undertaken directly by government departments or arms-length bodies (such as Network Rail) is not included in these figures. These figures are therefore an underestimate of total infrastructure investment.¹⁰

The chart below shows averages over the latest five-year period to smooth volatility. Construction industry infrastructure output per head was highest in Scotland over the period. It should be noted that people benefit from infrastructure investment outside the region in which they live. Investment in a power station would benefit people all over the country, and so ascribing that investment to one region is misleading.

The data should be viewed as indicating *the location of construction industry infrastructure activity*, not the regions benefitting from investment (although a region containing a new power station would also benefit from it).



Sources: ONS, [Output in the construction sector](#), June 2020, Dataset [Output in the construction industry, sub-national table](#); ONS. Mid-year population estimates [accessed from [nomisweb](#)]; ONS. [GDP deflators at market prices, and money GDP September 2020](#)
 Notes: Excludes infrastructure work carried out by public sector organisations eg, Network Rail

¹⁰ Data source: ONS, [Output in the construction sector](#), June 2020, Dataset [Output in the construction industry, sub-national table](#)

Box 2: The National Infrastructure Pipeline

The [Infrastructure and Construction Pipeline](#) is a forward-looking pipeline of planned projects and programmes in economic and social infrastructure. It is a good source of information on future projects but hasn't been updated since November 2018.

The Pipeline brings together major projects and programmes (largely costing more than £50 million) that are planned or underway.

The Pipeline includes both public and private sector projects and investment. It is not time-limited, so includes some projects with estimated completion dates beyond the 2030s. Many of these long-term projects are still in the scoping or design phases of development.

The purpose of the Pipeline is to provide the construction industry with information that supports forecasting and planning for investment and recruitment. It also helps both public and private sectors to plan for future needs in skills and resources.

2. Press Articles

[UK should avoid costly mega projects such as HS2, say academics: Report points to smaller and faster investment to stimulate economy after pandemic](#)

Gil Plimmer

Financial Times, 25 October 2020

[UK green lights £1.3bn of housing and infrastructure spending](#)

Stefan Boscia

City AM, 4 August 2020

[UK Treasury draws up plans for infrastructure bank: Lender would provide billions for capital projects and partly fill gap left by European Investment Bank](#)

Jim Pickard, Daniel Thomas and Gill Plimmer

Financial Times, 24 July 2020

[Boris's infrastructure plans: The government wants to dig for victory](#)

The Economist, 2 July 2020

[The UK needs bolder infrastructure investment to boost economic growth: A new approach could lay the foundations for a more productive and sustainable economy](#)

Anneliese Dodds

New Statesman, 19 June 2020

[UK government issues urgent call for 'shovel-ready' projects: Mayors and business leaders asked for ideas that would create jobs and help economy recover](#)

Andy Bounds

Financial Times, 12 June 2020

[Pandemic puts hold on £6bn infrastructure projects: New contracts and tenders plunge as work struggles to restart after lockdown](#)

Gill Plimmer and Jim Pickard

Financial Times, 11 June 2020

[Infrastructure report: Extending the role of the state](#)

Paul Wallace

Prospect, 20 March 2020

[Britain's imbalance is centuries old. It will take more than shaking the money tree to correct it: The infrastructure plans in the budget are just the beginning if we want to solve our inequalities](#)

David Olusoga

The Observer, 15 March 2020

[Can UK infrastructure spending address regional deficits? Improvements have potential to level up productivity and wage gaps](#)

Delphine Strauss

Financial Times, 11 March 2020

[High time to invest in the north's infrastructure: Dithering over HS2 undermines the credibility of Boris Johnson's promised infrastructure revolution](#)

The Observer, 9 February 2020

[Don't underestimate the politics of infrastructure](#)

Mark Rogers

City AM, 23 January 2020

[The coming splurge on northern infrastructure: The government's plan to spend more money on infrastructure outside the south-east is right but risky](#)

The Economist, 9 January 2020

[Treasury to rip up public spending rules in cash boost for north and Midlands](#)

Oliver Wright

The Times, 27 December 2020

[Transport spending in north of England less per head than London](#)

BBC, 4 December 2019

3. Parliamentary material

3.1 Debates

[North of England: Economic Support](#)

HC Deb 11 November 2020, c 380WH – 403WH

3.2 Oral questions

[Regional Equality of Economic Opportunity](#)

HC Deb 12 November 2020, c 1037

[Covid-19: Regional Economic Growth](#)

HC Deb 16 July 2020, c 1652-53

[English Regional Transport Infrastructure](#)

HC Deb 18 May 2020, c 371-72

[Transport Investment: Regional Disparities](#)

HC Deb 30 January 2020, c 908-10

[Infrastructure Investment Distribution](#)

HC Deb 7 January 2020, c 244-45

3.3 Written questions

[Infrastructure and Transport: North of England: Question for Treasury: UIN 114194](#)

Asked by Dan Jarvis

Asked on 11 November 2020

To ask the Chancellor of the Exchequer, what plans he has to provide additional financial support to new infrastructure and transport links in the North of England to support the UK economy in the event that the transition period ends without an agreement on future relations with the EU.

Answered by Kemi Badenoch

Answered on 16 November 2020

We want a relationship with the EU which is based on friendly cooperation between sovereign equals, and centered on free trade. We will have a relationship with our European friends inspired by our shared history and values. At the end of this year the process of transition will be completed and we will have recovered our economic and political independence.

In the context, we continue to be focused on levelling up the country, and infrastructure investment in the North of England is a vital part of delivering on this ambition. That's why Budget 2020 committed £4.2 billion for long-term intra-city transport settlements across eight elected Mayors outside London, building on the existing Transforming Cities Fund representing an unprecedented investment in local public transport. At the same time, we announced over £27bn for strategic roads over the next five years 2020-25 – a record investment – including funding for major Northern schemes such as dualling the A66 across the Pennines and upgrading the M60 Simister Island in Greater Manchester.

Further details on investment plans will be set out through the Spending Review on 25 November.

[Infrastructure: North West: Question for Cabinet Office: UIN 92930, tabled](#)

Asked by Paula Barker

Asked on 21 September 2020

To ask the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office, what plans his Department has to increase (a) infrastructure spending and (b) the number of large infrastructure projects in the North West of England.

Answered by Julia Lopez

Answered on 1 October 2020

Spring Budget 2020 set out that the public sector will invest more than £600 billion in our future prosperity. The infrastructure plans set out at Budget included measures to invest in strategic roads around England, improve mobile coverage in rural areas, better support flood defences, and further fund urban transport systems. Specific allocations and delivery plans will be set out later this year.

[Local Government: Infrastructure and Public Transport: Question for Ministry of Housing, Communities and Local Government: UIN HL6081](#)

Asked on 23 June 2020

Asked by Lord Porter of Spalding

To ask Her Majesty's Government what plans they have to give councils long-term, devolved infrastructure and public transport budgets.

Answered by Lord Greenhalgh

Answered on 7 July 2020

The Government is committed to levelling up the country and giving communities more control over how investment is spent so that they can decide what is best for them. The forthcoming White Paper on devolution will set out the framework for future local growth funding, ensuring budgets are devolved to the right spatial level to unleash the potential of our regions and deliver on levelling up. In 2020/21, the

Government is allocating over £1.7 billion for local highways maintenance and improvements to local highways authorities in England, outside London, through the Transport Infrastructure Investment Fund. We will also provide £4.2 billion from 2022-23 for five-year funding settlements for eight Mayoral Combined Authorities, building on the success of the Transforming Cities Fund, as set out in the Budget earlier this year.

[Infrastructure: North of England: Question for Treasury: UIN HL1638](#)

Asked by Lord Greaves

Asked on 13 February 2020

To ask Her Majesty's Government what proportion of Government infrastructure spending was spent in the North of England between 2015 and 2020; and what is their target for the proportion that will be spent in the North of England between 2020 and 2025.

Answered by Lord Agnew

Answered on 27 February 2020

The Government is committed to levelling up and spreading opportunity to all region and nations in the UK. This includes a £5bn package of investment for buses and cycling and a consultation on Freeports. We have confirmed that we will proceed with HS2 to deliver essential North-South connectivity, greater capacity, and shorter journey times.

This will build on £13bn of investment in transport in the North - more than ever before by government, including £3bn investment to improve strategic roads across the region.

[High Speed 2 Railway Line: Question for Treasury: UIN HL1294](#)

Asked by Lord Truscott

Asked on 3 February 2020

To ask Her Majesty's Government what assessment they have made, if any, of what the expenditure on HS2 could otherwise have been spent on; and whether any such assessment included consideration of the number of affordable homes which could be built with the equivalent funds.

Answered by the Earl of Courtown

Answered on 13 February 2020

The Government is committed to delivering value for taxpayers' money and all decisions on spending take account of a range of factors including costs, benefits, and alternatives.

The Prime Minister has now confirmed that the Government will proceed with HS2 to deliver essential North-South connectivity, greater capacity, and shorter journey times. Investment in infrastructure will level up opportunity and connectivity across the country.

The Government is also committed to increasing the supply of affordable housing and has made £9bn available through the Affordable Homes Programme to March 2022 and in 2018 announced an additional £2bn beyond that. In the manifesto the government committed to renewing the Affordable Homes Programme. In 18/19, 57,485 affordable homes were completed in England, up 22% on the previous year.

4. Further reading

[Achieving Levelling Up: The Structures and Processes Needed](#)

LIPSIT Report, November 2020

[Infrastructure policies and investment](#)

House of Commons Library, July 2020

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