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NIA Call for Evidence
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Submission to the National Infrastructure Assessment – call for evidence

Together SEEC and SESL promote the views and interests of all tiers of local government across the South East, representing over 60 local authorities and over 9.1 million residents – the largest population in the UK.

We are pleased to have the opportunity to respond to your call for evidence, developing further some of the issues raised at the National Infrastructure Commission's stakeholder event in Winchester on 20 January. The South East plays a key national economic role and needs transport and infrastructure investment to continue delivering this success. The South East is the engine room of the UK economy, generating £249bn GVA in 2015. The South East is also a global transport gateway for businesses and travellers UK-wide, by air, sea and rail. Both roles are at risk from major infrastructure deficits which, if not urgently addressed, will undermine future long-term national economic success and the South East's ability to facilitate further housing and economic growth.

We have grouped our response to your call for evidence by question themes, and provide more detailed answers to questions in Appendices 1, 2 and 3.

Cross-cutting issues: Questions 1, 2, 3, 7, 10, 12– see appendix 1 for further detail

The South East offers the highest return on public investment in England, contributing a net profit of £80bn to the Treasury between 2002-12, some £6bn more than 2nd place London, profit the Government reinvests across the country. However the South East's economic success and role as a major funder of public spending nationwide are at risk from under-investment in transport and infrastructure that is essential for local and national economic growth. National criteria for investment should be updated to take better account of GVA uplift that infrastructure schemes will deliver. A transparent, accountable approach to investing an agreed proportion of national funds in schemes that deliver this uplift – in the South East and elsewhere – will ensure that both the economy grows and that the Government achieves the best returns on public funding.

We draw your attention to the LG Futures (LGF) table (in Appendix 1) which shows the £15.4bn infrastructure investment funding gap in the SEEC area over the next 15 years. This will restrict economic growth, impact on the viability of new home-building and risks harming public services if not addressed.

Whilst local authority Leaders recognise that there is no new money on offer from Government, we believe that reallocating existing funding and providing councils with financial freedoms and flexibilities could help address this growing infrastructure gap. Clearly schemes with a national impact need an allocation of national funding, but there are also changes that could release more investment from councils for local priorities – for example creating more infrastructure funds, reviewing proposed changes to the New Homes Bonus, retaining first time sale Stamp Duty for infrastructure funding and greater local decision-making over income streams such as business rates. These would all give councils greater certainty to support borrowing for infrastructure investment. This would pay tremendous dividends in helping to enable local authorities to provide some of the infrastructure needed to support housing and business growth.

Not only is the South East's economic success/return on investment critical to spending nationwide, but the South East is a key global transport gateway vital for businesses UK-wide. This access to international markets underpins the UK's global competitiveness and inward investment now and post-Brexit. Without significant infrastructure investment, businesses face increased congestion and operational costs, not only in the South East but across the UK. This includes addressing South East impacts of Heathrow Airport expansion in light of the Government's recommendation. This will have significant impacts on the South East, placing extra demand and needs on transport, housing, infrastructure and risks to the environment and air quality, which all require significant investment to address.

Infrastructure is also critical to unlock development sites for housing and economic growth, but existing deficits in investment hinder this across the South East. Councils know where major infrastructure is needed to support and unlock development but currently lack the funding to take forward projects on the scale required to meet national needs. Utility companies also need to play their part in planning infrastructure to better match housing delivery. We have provided more detail on this in Appendix 1.

Transport: Questions 13, 14, 15, – see Appendix 2 for further detail

As we highlight above, the impact of South East infrastructure is national, not just local. Companies UK-wide rely on our transport gateways to reach international markets, now and post-Brexit. However these links are increasingly congested, harming businesses, commuters, residents and the environment – reducing UK attractiveness for global investment. Without action now, these problems will continue to get worse - and Heathrow Airport expansion risks further exacerbating them without significant new infrastructure investment.

Also as set out above, the South East is an economic powerhouse in its own right. Over 1.2 million residents commute within the South East's boundaries, roughly 750,000 more than commute into London. Improvements to orbital routes will support and strengthen the South East economy and national network – not simply those commuting into London - and complement radial links to and from London.

There are a number of critical strategic transport routes in the South East, as highlighted in SESL and SEEC's recent Missing Links report, which, if delivered, would unlock significant economic and housing potential. We ask for the NIC's support in moving these schemes forward and to consider undertaking a study on the economic benefits of improving surface access to international gateways. The schemes identified in the report – listed in Appendix 2 - represent strategic cross-boundary transport needs and opportunities across the South East. Investing in these strategic transport corridors, international gateways and wider transport networks would benefit job creation, the reliability of imports and exports, and the delivery of homes.

Digital: Questions 17, 18 – see Appendix 3 for further detail

Across the South East many rural homes and businesses do not have access to the broadband they need, which is detrimental to the area's economic potential and the profits of UK plc. Improving broadband speeds, access and delivery will boost productivity across many industries, opening up more markets without the need to travel. This will allow all businesses, regardless of location, to access customers and suppliers creating a bigger and more competitive marketplace.

All utility companies, including broadband companies, should be required to engage in the planning process at the earliest stages.

We would be pleased to discuss these points further with you.

Yours sincerely,

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Chairman, South East England Councils
Leader, Tonbridge & Malling Borough Council

Martin Tett

Cllr Martin Tett
Chairman, South East Strategic Leaders
Leader, Buckinghamshire County Council

Cllr Roy Perry
Deputy Chairman, South East England Councils
Leader, Hampshire County Council

Cllr David Renard
Vice Chairman, South East Strategic Leaders
Leader, Swindon Borough Council

Appendix 1: Cross-cutting issues

Questions 1 and 2: What are the highest value infrastructure investments that would support long term sustainable growth in your city or region? How should infrastructure most effectively contribute to the UK's international competitiveness? What is the role of international gateways for passengers, freight and data in ensuring this?

The South East is the engine room of the UK economy, and offers the best return on investment in England. The South East made a net contribution of £80bn to the Treasury in 2002-12 - supporting public spending across the whole country. Its GVA (£249bn in 2015) is greater than all 8 English core cities combined (£169bn). Investing in infrastructure to support this high performing economy, maintaining growth in jobs and productivity, and unlocking housing, is vital for the whole UK now and post-Brexit.

Research for SEEC and SESL by local government finance experts LG Futures (LGF) estimates the South East has an infrastructure funding gap of £15.4bn by 2030 in the SEEC area. Additional data from Essex, Central Beds and Swindon further increases this gap. The scale of the infrastructure funding gap across the South East, broken down by type, can be seen in the table below. Taking account of expected population growth, providing transport, education, health, community and green space infrastructure for South East residents, plus flood protection, utilities and emergency services, the total infrastructure cost is calculated at £38.3bn for the SEEC area. Current funding streams are expected to cover around £22.9bn of this, leaving a gap of £15.4bn for the SEEC area.

Table 1 - South East (SEEC) region estimated infrastructure cost (over 15 years)

	Estimated Cost	**Expected Funding**	**Gap**	**Estimated cost per head**
	£m	**£m**	**£m**	**£**
Transport	17,822	8,154	9,668	1,796
Education	4,634	2,699	1,935	467
Health and social care	6,145	5,375	770	619
Community	1,675	928	747	169
Green infrastructure	399	106	293	40
Utilities	5,088	4,606	481	513
Flood protection	2,387	912	1,475	241
Emergency services	127	93	34	13
TOTAL	**38,275**	**22,873**	**15,402**	**3,858**
Current population	8,919,600			
Growth in population to 2030	1,002,100			
Population estimate in 2030	9,921,700			

SEEC and SESL's recent Missing Links report highlights some of the most important vital strategic transport investments that would help alleviate pressures across the South East, creating better productivity and fewer delays to freight transport. Without South East infrastructure investment, companies across the UK who rely on our transport gateways to reach international markets now and post-Brexit may choose to move to alternative EU locations where infrastructure is better equipped to handle demand. As road and rail routes to and through the South East become increasingly congested, overcrowded and inefficient they damage business profitability and inward investment to the UK.

Heathrow Airport is one of the UK's most important international gateways, and proposals for expansion would have a significant impact on South East. Accommodating the additional runway and achieving its full economic potential are dependent upon maintaining and improving access to the expanded Airport. Although not in the South East, Heathrow's position close to the London/ South East border means much of the airport traffic needs to travel via the South East. It is also inevitable that many of the approximately 48,000 new homes needed to support Heathrow expansion would be in the South East, further adding to congestion. Without investment in infrastructure, the expansion of Heathrow Airport will have significant impacts on transport links across the South East and to the rest of the UK. While access to Heathrow Airport is important, there is also a need to invest in improving transport links to other major air and sea ports, and commercial centres across the country. This is an opportunity to invest in the South East's existing and new road and rail infrastructure to maintain and improve access to all gateways so that it is able to reach its full economic potential and support UK plc's success.

As highlighted in our covering letter, there needs to be clear, accountable criteria to underpin allocation of national funding for infrastructure projects with significant national/ global economic significance.

Questions 3 and 10: How should infrastructure be designed, planned and delivered to create better places to live and work? How should the interaction between infrastructure and housing be incorporated into this? What changes could be made to the planning system and infrastructure governance arrangements to ensure infrastructure is delivered as efficiently as possible and on time?

The South East has England's largest population and largest growth in homes, with an increase of 34,900 across the South East in 2015-16 (SEEC area). This was 4,500 more homes than London delivered in the same period. SESL members in Essex, Central Bedfordshire and Swindon saw completion of 8,060 homes in the same period. SEEC's Unlock the Housing Blockers report highlights that many areas suffer from an existing infrastructure deficit which can hinder development, and which new developments will add to. Congestion and pollution degrade the environment and impact on residents' quality of life, while poor road and rail links have a negative impact on commuting times and reliability of freight transport. These factors not only create local concerns about further new development – which can delay the delivery of planned housing - but also undermine our vital economic profitability to UK plc. Without the necessary investment in infrastructure, it cannot be assumed that the South East's economic powerhouse role and track record in supporting new homes will continue now and post-Brexit.

We fully support raising the economic performance of other parts of the country through infrastructure investment, but believe this must happen alongside continued national investment in the South East success – in terms of its vital contributions to housing delivery and economic growth. Alongside this, allowing councils to access a greater share of locally-generated business rates, retain Stamp Duty from first time property sales to reinvest in infrastructure, and to have greater freedoms to set tax rates locally would help release funds that councils could contribute to the provision of essential local infrastructure thereby opening up housing sites and reducing the costs of congestion for businesses.

In addition, South East Councils would welcome better co-ordination to ensure infrastructure investment is well aligned with councils' housing and other economic/growth plans. This would allow for timely delivery, ahead of new housing and workplace developments, supporting sustainable growth and ensuring infrastructure is designed and delivered effectively and in the right places for new developments. There is a need to better balance national, regional and local investment priorities.

Encouraging utility companies, including energy, water and waste management companies, to better align their infrastructure investment in advance of planned housing growth would speed up the delivery of new housing developments. Requiring utility companies to fully engage in the earliest stage of the planning process would help support the delivery of more timely utilities for new developments. Allowing councils to negotiate high level development agreements with utilities, other infrastructure providers and developers on the timing of development would help agree approaches to infrastructure investment and avoid blocking sites.

Questions 7 & 12: What changes in funding policy could improve the efficiency with which infrastructure services are delivered? What improvements could be made to current cost-benefit analysis techniques that are credible, tractable and transparent?

SEEC and SESL members want to explore solutions to infrastructure funding to ensure that continued housing and economic growth does not become unsustainable by simply adding to existing congestion, overcrowding and existing pressures on services. Changes to how infrastructure is funded are needed because of the growing funding gap across the South East, made worse by a lack of council freedoms and flexibilities to raise their own funds for more local infrastructure needs. For example, giving the South East access to one or more infrastructure funds, similar to those operating in areas with devolution deals, would release significant capacity for investment at more local level. Other options to explore include reviewing the proposed changes to the New Homes Bonus, greater accountability over local income streams (such as business rates) for councils, giving councils greater confidence to borrow for infrastructure investment, and allocating first-time sale Stamp Duty on new South East homes for infrastructure investment. While these measures are not appropriate ways to fund national, strategic priorities, these measures would allow councils to make a much greater contribution to more local infrastructure needs.

Exploring the Stamp Duty example further, in 2014-15, 209,000 properties were sold in the South East, generating a total of £2.1bn in Stamp Duty. New homes were some 13.5% of the total sales. Allocating councils 13.5% of the total Stamp Duty receipts to spend on infrastructure would have generated £278m for South East authorities in 2014-15. Stamp Duty receipts can vary significantly each year but, if receipts were to continue at 2014-15 levels, the South East authorities could raise £4.1bn over 15 years (SEEC area).

Another example is allowing councils to maintain access to the New Homes Bonus (NHB) which could deliver £2.1bn funding for South East authorities over 15 years. The NHB initiative has been very popular with local authorities and residents alike. A review of the Government's planned changes to the NHB, which propose to reduce the pot and introduce a threshold before councils can qualify for payments, should be undertaken. We recognise the pressing need for care funding but know there is also a strong need for wider infrastructure. It is not a choice of either social care or infrastructure, the South East needs investment in both.

At national level, we urge the NIC to review the criteria currently used to allocate Government departments' infrastructure investments. For example:

- Our member councils have previously found that flood prevention funding failed to take adequate account of the economic impact of flooding.
- There are also concerns about outdated methodologies used in assessments such as the DfT green book appraisals, which should be refreshed to ensure assessments give more weighting to the GVA uplift to be delivered by transport investments.

SEEC and SESL believe that the NIC can play an important role in updating investment criteria to deliver an investment programme that is fit for the 21st century. Within such an updated system we believe there could then be transparent and accountable decisions made about the proportions of funding to be allocated to projects that offer strong GVA growth alongside those that offer lower growth but regeneration opportunities.

Appendix 2: Transport

Questions 13-15: How will travel patterns change between now and 2050? What will be the impact of the adoption of new technologies? What are the highest value transport investments to allow people and freight to get into, out of and around major urban areas? What are the highest value transport investments that can be used to connect people and places, as well as transport goods, outside of a single urban area?

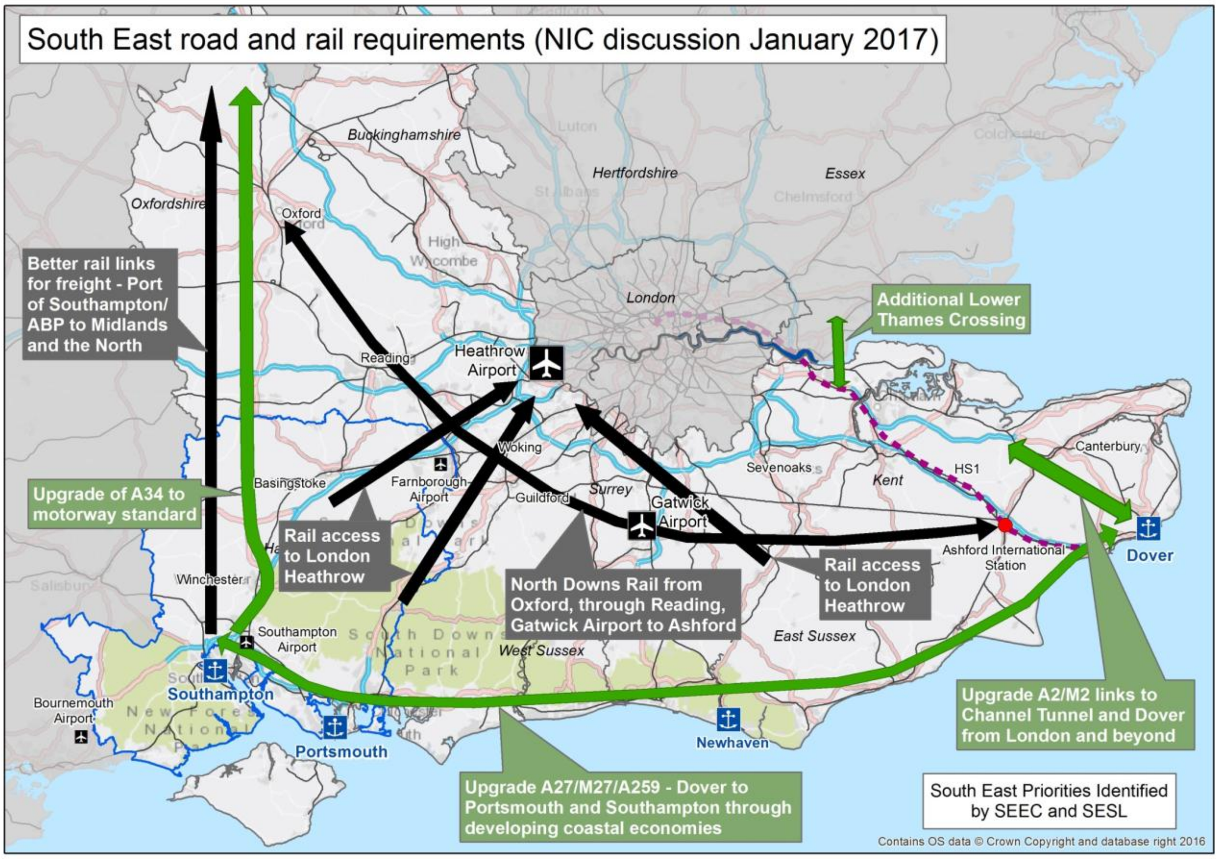
The South East has a dual role as the UK's most profitable economy (in terms of net profit to the Exchequer) and as a major international gateway used by businesses nationwide. Investment in improving the South East's strategic road and rail routes will provide significant dividends for the Treasury and for the country as a whole. SEEC and SESL's Missing Links report highlights some of the nationally important South East projects which are vital for future economic success and which cross multiple council and LEP boundaries. These strategic transport routes (Map 1) include major schemes which would also facilitate growth at Heathrow Airport, open up significant economic and housing potential across a much wider area and support housing and economic growth in other areas of the country. For example:

- Improving the A34/M3 and rail links to Southampton-Portsmouth from Oxford, the West Midlands and beyond;
- A2/M2 – links to the Channel Tunnel and Dover from London, East, the Midlands and beyond;
- A27/M27/A259 – from Dover to Southampton and Portsmouth, through developing coastal economies and university towns;
- North Downs Rail – from Oxford, through Reading and Gatwick Airport to Ashford in Kent will have major benefits for the local and national economy.

These projects include both radial and orbital routes. The value of radial routes is widely recognised, but the South East also sees significant benefits to improving orbital routes as a way of supporting the South East's own economy by linking key economic centres across the South East and beyond without the need to travel via central London. These orbital routes would relieve pressure on already heavily-congested routes, such as the M25 and rail routes into central London, by providing viable alternative travel options. Combining physical road and rail improvements with new transport technology and innovation would improve travel capacity, reduce congestion and support inward investment and business growth.

Without infrastructure investment businesses face increased congestion and increased operational costs, not only in the South East but across the UK. Figures from the Freight Transport Association, for example, put the cost of traffic congestion at £1 per minute for their members. Without South East infrastructure investment, companies across the UK may choose to move to alternative global locations where infrastructure is better equipped to handle demand.

Map 1 – South East road and rail requirements



Appendix 3: Digital

Questions 17 and 18: What are the highest value infrastructure investments to secure digital connectivity across the country (taking into consideration the inherent uncertainty in predicting long-term technology trends)? When would decisions need to be made? Is the existing digital communications regime going to deliver what is needed, when it is needed, in the areas that require it, if digital connectivity is becoming a utility? If not, how can we facilitate this?

Access to superfast broadband is critical for continuing the economic success of the South East and UK in the future. It supports economic growth and productivity across all sectors and provides access to international markets without the need to travel. Almost 5% of homes and businesses across the UK are still without access to superfast broadband. It is important to recognise that economic activity takes place across a range of locations, generating income for UK plc.

Delivering coverage for all homes and businesses should be a priority to boost the economic success of the South East. Superfast broadband gives homes and businesses access to services, customers, markets and suppliers regardless of location, allowing all areas to compete on equal terms locally, nationally and globally. For example, in rural Hampshire where the council have paid for the installation of infrastructure, over 75% of households have taken up superfast services. Without it, rural areas are not able to participate on the digital community or economy.

In future to avoid creating a digital deficit for newly built homes or employment sites, broadband companies, should be required to engage in the planning process at the earliest stages.