

**Insights**

## **“YES, YES, YES” FOR UK INFRASTRUCTURE – WHEN GEORGE MET ANDREW**

Mar 16, 2016

### **SUMMARY**

The UK Chancellor George Osborne has set out the 2016 Spring Budget – but what did it mean for UK infrastructure? This blog gives you the headlines.

So what did today's Budget have in store for UK infrastructure?

### **JUST TO RECAP, THE BACKGROUND BEFORE TODAY...**

The UK infrastructure furnace has been gradually glowing brighter over recent years.

Amongst other measures, we now have the new National Infrastructure Commission ('NIC'), which has in the last week issued its first three reports on the topics as set out by the Chancellor in October 2015. Those topics were – energy (see the report '[Smart Power](#)'), [London transport](#), and [northern UK transport](#).

In summary those three reports recommended the following:

- energy – interconnectors should be pursued further; electricity storage should be developed further; and demand side flexibility and usage needs to be improved.
- London transport – Crossrail 2 should go ahead.
- northern transport – High Speed 3 (joining Manchester and Leeds) should be pursued soon; the northern routes for High Speed 2 should be harnessed to facilitate connectivity between the northern cities; and finally Manchester's main rail station should be improved.

In addition to the substantive reports, we've also had the consultation on how the new commission should operate, with the indication that where the government of the day agrees with the recommendations of the Commission, that they will become 'Endorsed Recommendations', which

will become Government policy, and would be material considerations for planning decision makers. Even if the Government doesn't agree with the Commission, the Commission's work may still be given weight in considering planning decisions. That consultation closes on 17 March 2016 and the Government will no doubt report back afterwards.

Additionally, in the 2015 Autumn Statement and Spending Review it was confirmed, that in Spring 2016 the UK's National Infrastructure Plan would be reissued as the National Infrastructure Delivery Plan ('NIPD'), 'setting out in detail how [the UK Government] will deliver key projects and programmes over the next 5 years'. Now, normally you can safely assume that the UK Spring doesn't arrive until April, but (without wishing to put a Michael Fish jinx on it), given the current weather I think we can safely take it we are now in Spring, so the plan is awaited...

Sticking with the seasons we mustn't forget that, following the Davies Commission's work (the final report was of course issued in July 2015), which has now been taken on by the Prime Minister's committee, we are due a Government decision on aviation this summer (and as we all know summer never starts before the 5<sup>th</sup> of May).

So, in summarising the backdrop, there's been no shortage of heat coming out of the infrastructure furnace – but what did the Chancellor have to say in the Budget today?

## THE SPEECH

Well in terms of the Chancellor's actual speech, infrastructure remained a central plank, and it took just 3 minutes for the Chancellor to mention infrastructure. His key theme throughout the Budget was to "act now so we don't pay later" and to "put the next generation first", and as part of the investment in the future, item 3 on the Chancellor's headline list was "major new commitments" to national infrastructure.

Devolution also took a starring role – with a city deal for Swansea and a growth deal for North Wales. Amongst others, there is to be an East Anglia combined authority, and West of England combined authority. The "Devolution revolution is taking hold" said the Chancellor. In addition, the Thames Estuary Growth Commission to be established and is to report in 2017.

In terms of housing and infrastructure, the Chancellor reiterated his phrase from last year: "we are the Builders", and he noted the ongoing planning reforms.

Whilst the Chancellor didn't actually spend that long on infrastructure, his message was a simple 'yes, yes, yes', in taking on board all three areas of recommendations from the National Infrastructure Commission. It is an extremely positive sign that the Chancellor has taken on board all of the recommendations of the new Commission. This included a green light to HS3 from Manchester to Leeds, a four lane M62, a tunnelled road from Manchester to Sheffield, and an upgrade to the A66 and A69 too. The Chancellor also accepted recommendations on Crossrail 2 in London, and on energy.

In concluding on infrastructure, the Chancellor claimed that across this Budget, the Government was investing in infrastructure to make the UK stronger. The rhetoric seemed pretty clear from the Government.

## THE DETAIL

So what does the detailed [Budget document](#) reveal in addition to the headlines in the speech?

At the top level the Government's message remained, that investment in infrastructure is an essential part of raising productivity.

In terms of the 3 sets of recommendations from the NIC, the Government confirmed the full scope of the acceptance of what the NIC proposed:

1. Crossrail 2 it is given "the green light" in that the "government will provide £80 million to develop the project with the aim of bringing forward a Hybrid Bill this Parliament". What was interesting here was that in the Commission's report, there was almost no mention of how powers and consent would be secured, and it was simply recommended that a hybrid bill would be the correct vehicle, rather than a DCO.
2. Northern transport connectivity is to receive £300m, along with a green light of HS3.
3. Turning to energy, the Budget reports that the Government "will lay the foundations for a smart power revolution, with support for innovation in storage and other smart technologies, and an increased level of ambition on interconnection, which the NIC estimates could unlock benefits to UK consumers of up to £8 billion per year." This includes £50m over the next 5 years towards innovation in energy storage, demand side response, and other smart technologies. There will also be work with Ofgem towards better regulation of the emerging technologies. Small modular nuclear reactors also receive a nod, with a delivery roadmap due later this year. On interconnectors, the Government supports delivery of at least 9 GW of additional capacity.

So, now that the NIC has completed its first missions, the commission is to be set two new tasks, in respect of:

"how the UK can become a world leader in 5G deployment, and how it can take early advantage of the potential benefits of 5G services. This review will include a case study of the south-west of England"; and

"proposals for unlocking growth, housing and jobs in the Cambridge-Milton Keynes-Oxford corridor – the commission will report on the strategic infrastructure priorities needed to generate further growth and maximise the potential of this corridor, which encompasses some of the UK's fastest-growing and most productive cities".

And talking of new commissions, we now have the additional Thames Estuary 2050 Growth Commission, charged with reporting back for the Autumn Statement in 2017. It's not quite clear on first blush why that topic required a new commission, rather than being charged to the NIC, but the area of focus is broader, being aimed at skills alongside infrastructure. (On a lighter note the name of the commission breaks the cardinal rule of never putting a date in a project name – Thameslink 2000 is still rolling, and the exception to prove the rule was of course London 2012. But with 34 years to play with, one would hope 2050 is sufficient here.)

In any event, the ready acceptance of the three sets of NIC recommendations to date must bode well for these two new areas, the new commission, and the function of the NIC in future.

## **I'LL HAVE WHAT SHE'S / HE'S HAVING...**

So, after the 'yes, yes, yes', what happens next?

Well the renaissance of UK infrastructure continues, and shows no sign of stopping whilst George Osborne remains in his current role. It's a positive sign that the independent infrastructure Commission has had all of its initial studies endorsed, and with that kind of objective steer backed by Government we should have much hope for the next few years. That's not to say everything's rosy, and clearly there remain many challenges (not least on skills), but we're pointing in the right direction.

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### **James Parker**

London

[james.parker@bclplaw.com](mailto:james.parker@bclplaw.com)

[+44 \(0\) 20 3400 4132](tel:+442034004132)

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