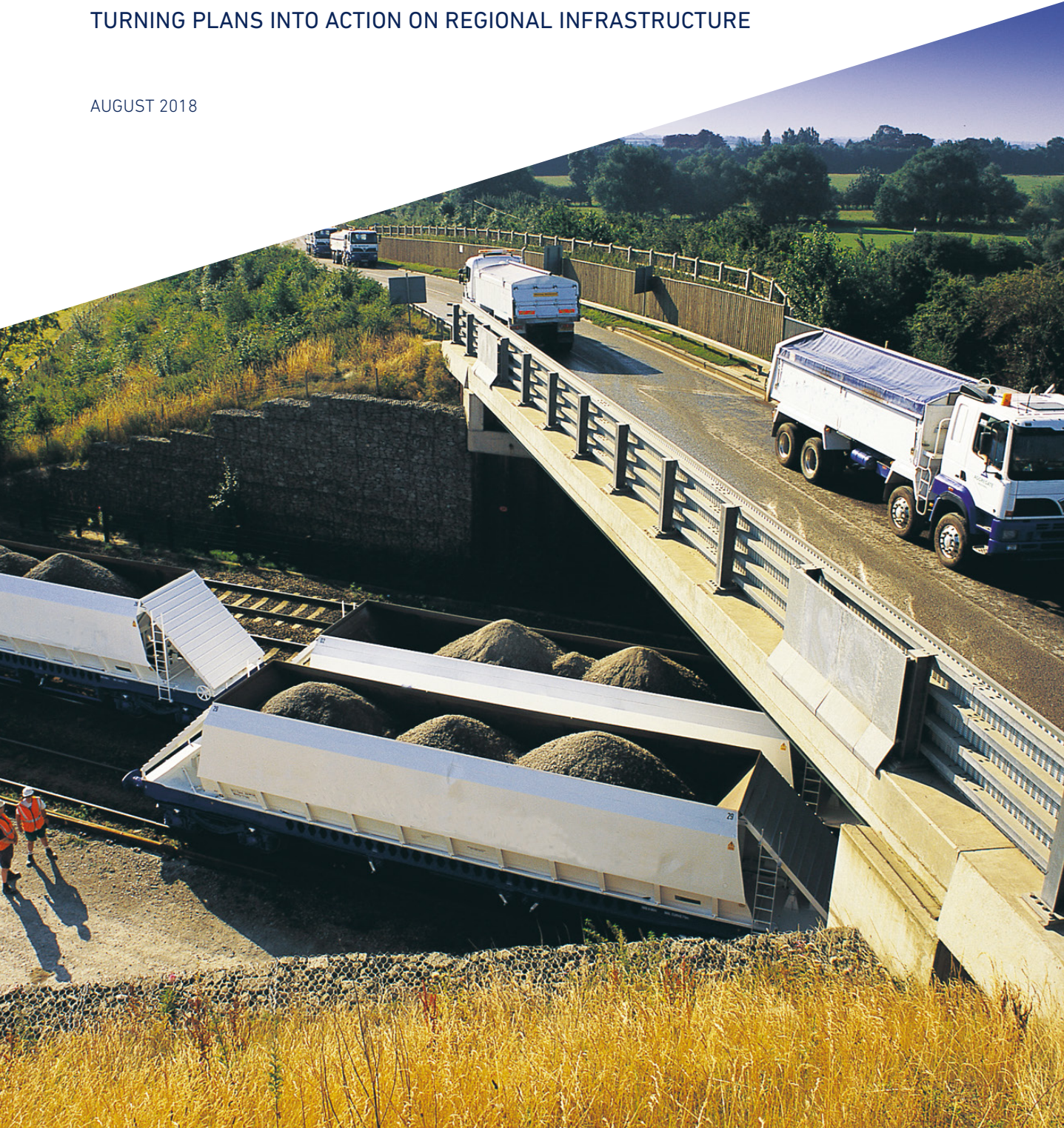


DRIVING DELIVERY

TURNING PLANS INTO ACTION ON REGIONAL INFRASTRUCTURE

AUGUST 2018



Executive Summary

The case for why regional connectivity matters is well established and the priorities for each region have been identified. This CBI brief turns the focus to how decision-making and delivery can be improved to help make regional infrastructure priorities a reality. We have engaged with businesses of all sizes and sectors across all English regions, as well as other stakeholders, to help inform our recommendations.

Improving infrastructure across the whole country will create higher levels of economic growth and job creation

Getting the right infrastructure in place plays a crucial role in connecting people to where jobs are being created and raises productivity right across the country. Better connections between urban areas broadens the labour market pool, provides access to a wider range of markets and suppliers and makes it easier for firms to share best practice, ideas, people and technology. Reducing journey times within local areas, for example through increased capacity and well-designed local transport, can also lead to further productivity gains.

Businesses have long been aware of the need for improved connectivity and have been clear on the infrastructure priorities within their regions.¹ So, having established why regional connectivity matters, and what the priorities are in each region, this phase of the CBI's work has focused on how decision-making and delivery can be improved to ensure that each region gets the infrastructure that it needs.

Uncertain and overly complex decision-making processes put potential gains from greater connectivity at risk

The government has shown a clear commitment to improving infrastructure, with record levels of public investment going into the country's transport system in the coming years. Transport has also become a key feature of the devolution agenda. Improving connectivity sits at the heart of plans drawn up by the seven Metro Mayors, whilst at the same time the establishment of four sub-national transport bodies is aimed at advancing a pan-regional view of infrastructure needs.

However, despite these positive steps, businesses are not convinced that this commitment is yet making a difference. The 2017 CBI/AECOM Infrastructure Survey shows that over two-thirds of firms are not confident that road and rail infrastructure will improve in this Parliament, and over half of businesses are dissatisfied with the infrastructure in their region. The survey also revealed mixed views on the role of devolution in improving infrastructure, with optimism greatest among regions with the greatest clarity on what devolution will look like, for example across the Northern Powerhouse and the West Midlands.²

Behind these findings, the CBI's discussions with business leaders and stakeholders across the regions earlier this year uncovered a clear message: uncertainty and complexity around infrastructure decision-making risks holding back progress. Rather than either/or debates about what projects to back, local and national leaders must act to maximise the gains of regional infrastructure.

Each region needs to be set up for success

The government is increasingly looking to regions to make their case for transport investment, reflecting the fact that those closest to the outcomes of decisions are often better placed to make them. However, with the gap widening between those regions where devolution and collaboration on infrastructure is occurring, and those where it is not, it is important to avoid a scenario of a two-speed England where infrastructure investment and delivery gets left behind in some regions.

In discussion with businesses across the English regions, the CBI has set out five recommendations to set up each region for success.

Summary of recommendations

1. Ensure a joined-up approach to infrastructure at a national and regional level

- The government should form an inter-departmental group to include all departments with responsibilities for infrastructure to better coordinate policy, planning and delivery.
- With infrastructure at the heart of local industrial strategies, there must be clear coordination of how these feed into the national industrial strategy.

2. Clearly reflect the wider economic benefits of transport investment in central government decision-making

- The government should ensure decision-making better reflects future economic potential and delivering regional growth in reviewing its appraisal framework.
- The government should ensure improved, clear and continuing communication with regional and local bodies to maximise the strength of business cases.

3. Strengthen the role of sub-national transport bodies in strategic decision-making

- National and local decision-makers must ensure that all regions are represented by a sub-national transport body (STB), including the formation of STBs in the South West and East of England.
- The role of all sub-national transport bodies in all strategic decision-making should be formalised, with clearer expectations for their roles and powers over the medium/longer-term.

4. Create a level playing field to deliver transport improvements across all regions

- The government should publish its devolution framework to clearly set out the rules of the game and ensure all local areas can make the case for the infrastructure they need.
- Local leaders yet to agree their own devolution arrangements must act now to make the most of the opportunities devolution could bring to their area, working with the government to ensure that they are not left behind.

5. Ensure sustainable, consolidated and long-term funding for local transport

- To ensure the improvements in local transport needed to drive growth can be delivered, the comprehensive spending review should map out a long-term commitment to increase the levels of funding directed towards local infrastructure.
- To enable longer-term and joined-up investment, the government should consolidate the number of funding pots for local transport investment.

Improving infrastructure across the whole country will create higher levels of economic growth and job creation

Getting the right infrastructure in place plays a crucial role in connecting people to where jobs are being created and raises productivity right across the country. Better connections between urban areas broadens the labour market pool, provides access to a wider range of markets and suppliers and makes it easier for firms to share best practice, ideas, people and technology. Reducing journey times within local areas, for example through increased capacity and well-designed local transport, can also lead to further productivity gains.

Businesses have long been aware of the need for improved connectivity and have been clear on the infrastructure priorities within their regions.³ So, having established why regional connectivity matters, and what the priorities are in each region, this phase of the CBI's work has focused on how decision-making and delivery can be improved to ensure that each region gets the infrastructure that it needs.

Regional connectivity is critical to driving productivity and prosperity

If the UK is to make up its productivity gap with international competitors, it will need transport links that provide greater connections between businesses, labour market pools, supply chains and customers. The CBI's Unlocking Regional Growth report found that by unlocking higher productivity, there is the potential to add £175 billion to England's economy over the next decade.

Improving links between cities will be an important part of this drive towards greater productivity. Currently, London is by far the most productive and connected part of the UK, with access to a working population of up to 16 million people. However, whilst there are good travel links between London and the rest of Britain, travel times between other major cities, regions and nations are relatively poor. Indeed, it currently takes longer to get from Liverpool to Hull by train than from London to Paris. Improving connections between cities therefore presents a particularly compelling opportunity to lift productivity. As an example, reducing travel times between cities in the North of England, via the best mode of transport, could provide access to a working population matching that of London today.

Exhibit 1: If some Northern cities became more connected we could see a significant increase in productivity due to agglomeration (CBI, Unlocking regional growth)



We have used a proxy metric for inter-regional agglomeration: the population that lives within 60 minutes of a particular Local Authority. For every 1,000,000 increase in population we see a £0.50 increase in GVA per hour. We have modelled the impact of increasing the 'catchment areas' for some Northern cities by reducing travel times between the cities to 30 minutes

SOURCE: ONS, Census, Postcode Sector to Sector data (XYZ maps)

There are also productivity benefits to be gained by reducing travel times within local areas. Urban congestion limits the potential size of the talent pool for local businesses and weighs down on work time, productivity and quality of life, preventing people from moving around reliably and efficiently. Greater resilience is therefore needed to sustain local economies as well as helping to provide a building block for increasing productivity. Increased capacity, well-designed local transport and the integration of all modes would lead to reduced journey times. In turn, reduced journey times within some regions could have productivity benefits of up to 14%, better connecting people with jobs in urban centres.⁴

Businesses across all regions have been clear on their priorities for improvement

Businesses have long been aware of the need for improved connectivity. The CBI's 2017 report, *Shaping Regional Infrastructure*, sought to complement existing evidence by providing a clearer picture of business' infrastructure priorities within each of the English regions, advancing the view that regions themselves are best placed to identify the investment they need to see.

As well as highlighting six strategic priorities in each region, the report set out four cross-cutting themes which were common to businesses across all regions:

- **Linking regions to harness growth across the country.** Cross-country connections came out strongly in all regions, particularly through enhanced east-west connectivity by both road and rail across the northern regions, and maximising the benefits of HS2 across all regions.

- **Improving regional connectivity with international markets.** With exports key for growth, firms recognise more than ever the need to link the whole of the country to international markets. Businesses therefore look for improved connections both to and from ports and airports, and for government to encourage growth at airports throughout the UK.
- **Finding the governance models that work best for each region.** Businesses see it as essential that each part of the country has the means and ambition to take forward a shared vision of its own, which complements a long-term national strategy.
- **Joining up all forms of infrastructure to plan strategically.** Firms in all regions voiced a need for a more joined up and strategic approach to planning and delivery across the different types of infrastructure.

The priority now must be to translate this into action

For the whole country to have the infrastructure that it needs to match its true potential all regions must be able to see plans turned into action. Having established why regional connectivity matters, and what the infrastructure priorities are in each region, this phase of the CBI's work has focused on how decision-making and delivery can be improved to ensure that each region gets the infrastructure that it needs.

Methodology

The CBI has sought wide-ranging input to this report. This includes:

- **Wide-scale business engagement** – the CBI has engaged with businesses of a range of sizes and sectors in all regions of the country through its network of regional councils, with discussions focused on how regional infrastructure needs can be delivered more effectively.
- **Multi-level stakeholder engagement** – the CBI conducted semi-structured interviews with a range of stakeholders across the regions. This included sub-national transport bodies alongside a selection of Combined Authorities, Local Authorities and Local Enterprise Partnerships, with a view to understanding their experiences of transport infrastructure decision-making.

Scope and definitions

This report largely focuses on transport infrastructure investment and delivery. That said, the CBI believes that no infrastructure sector should be looked at in isolation. Therefore the report does, at times, refer to wider infrastructure investment and priorities, including the need to take a holistic and joined-up approach to infrastructure more broadly.

In using the term devolution, this report does not restrict the definition of this to just devolution to Combined Authorities and Metro Mayors but looks to include any increased level of decision-making and collaboration at a regional or more local level. As with Shaping Regional Infrastructure, this report focuses on England, and regional rather than national devolution.

Uncertain and overly complex decision-making processes put potential gains from greater connectivity at risk

The government has shown a clear commitment to improving infrastructure, with record levels of public investment going into the country's transport system in the coming years. Transport has also become a key feature of the devolution agenda. Improving connectivity sits at the heart of plans drawn up by the seven Metro Mayors, whilst at the same time the establishment of four potential sub-national transport bodies is aimed at advancing a pan-regional view of infrastructure needs.

However, despite these positive steps, businesses are not convinced that this commitment is yet making a difference. The 2017 CBI/AECOM Infrastructure Survey shows that over two-thirds of firms are not confident that road and rail infrastructure will improve in this Parliament, and over half of businesses are dissatisfied with the infrastructure in their region. The survey also revealed mixed views on the role of devolution in improving infrastructure, with optimism greatest among regions with the greatest clarity on what devolution will look like, for example across the Northern Powerhouse and the West Midlands.

Behind these findings, the CBI's discussions with business leaders and stakeholders across the regions earlier this year uncovered a clear message: uncertainty and complexity around infrastructure decision-making risks holding back progress. Rather than either/or debates about what projects to back, local and national leaders must act to maximise the gains of regional infrastructure.

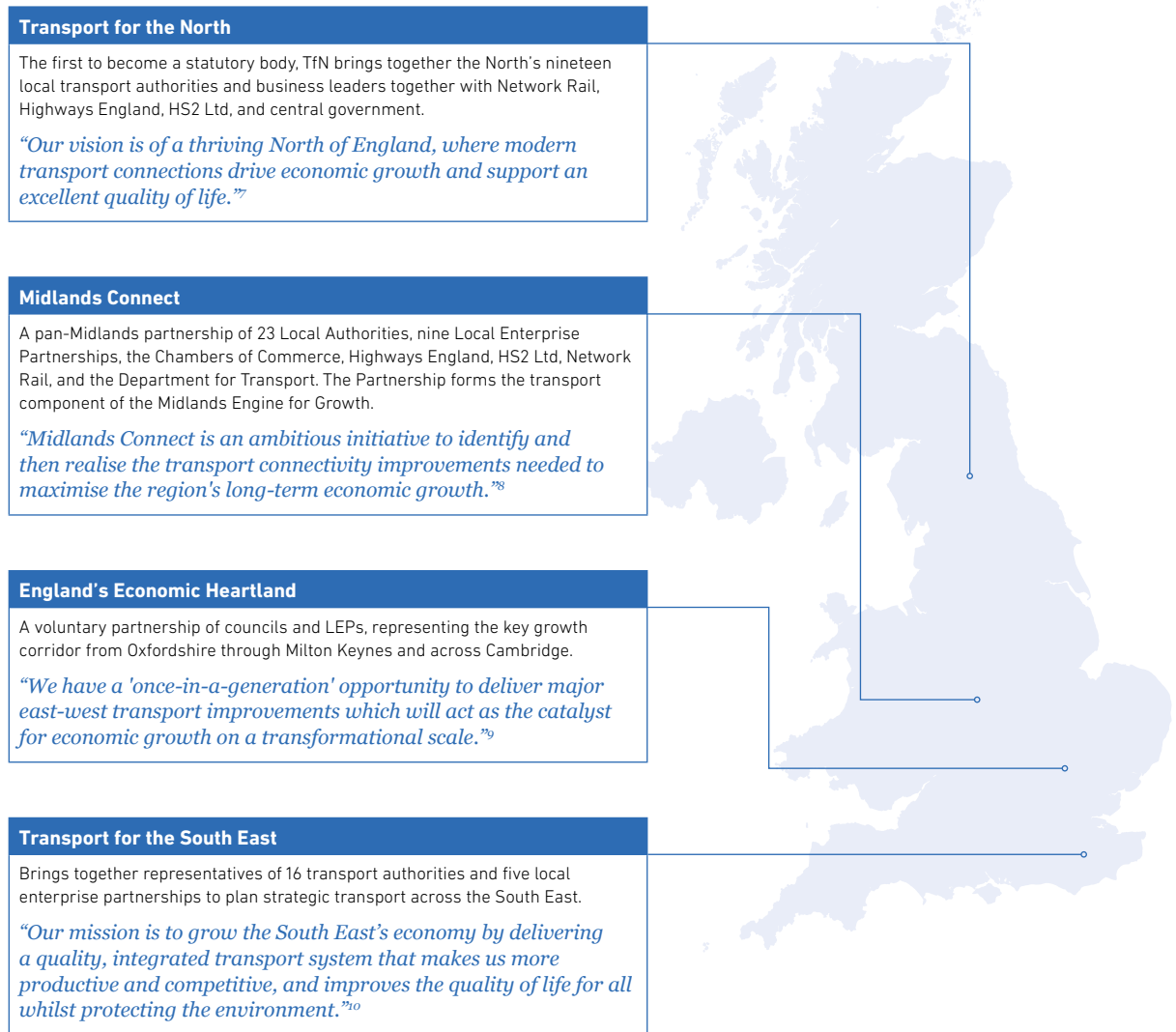
Positive steps are being taken towards improving infrastructure in all regions...

The Government knows that infrastructure matters, with recent investment and future commitments showing a recognition that improvements are needed. Indeed, record levels of public investment are set to be made in transport within the £240 billion infrastructure pipeline over the next 4 years.⁶ There has also been recent progress on a number of projects that will have a transformational effect on the UK economy. Three of the most high-profile examples are Crossrail, which will have fully opened by next year, High-Speed Two, the construction of which will begin soon, and the expansion of Heathrow Airport, for which parliamentary approval has now been given.

Importantly, transport has become an increasingly important feature of the devolution agenda, reflected by the steady flow of power in the directions of a number of regional and local bodies in recent years. Firms believe that devolution in transport has the potential to benefit both transport users and the wider economy, delivering not only better service but also better value from investment. Consequently, the seven new Metro Mayors have been making use of powers and influence on local transport investment, putting this at the heart of their plans. The announcement of the £1.7 billion Transforming Cities Fund was also a welcome step both in helping to deliver some of the improved connections that cities

have long needed and in giving devolved authorities more responsibility and flexibility in how they invest and deliver their priorities. Perhaps even more significant though, in the context of delivering widescale improvements in infrastructure, has been the development of four potential sub-national transport bodies - Transport for the North, Midlands Connect, England's Economic Heartland and Transport for the South East – with the aim of advancing a pan-regional view of infrastructure needs.

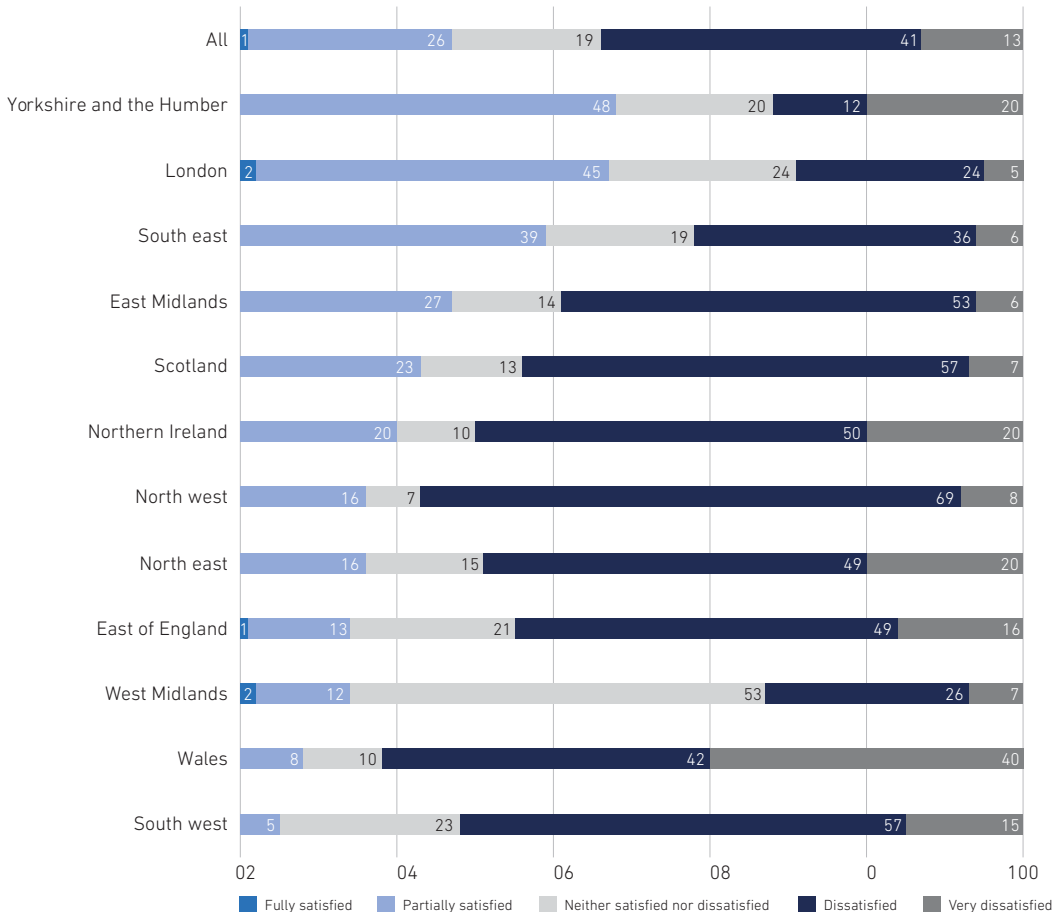
Exhibit 2: Sub-national transport bodies enable areas to speak with one voice on their priorities



...But this is not yet translating into positive sentiment, with uncertainty and complexity seen as holding back progress

However, the high levels of investment in infrastructure are not yet translating to satisfaction at a national or regional level. Responses to the 2017 CBI/AECOM Infrastructure Survey showed that over two thirds of businesses were not confident that road and rail infrastructure would improve over the course of this parliament, and just over a quarter of businesses were satisfied with the infrastructure in their region.

Exhibit 3: Dissatisfaction was notably high among businesses in the North West, South West and the North East'. (CBI/AECOM Infrastructure Survey 2017)

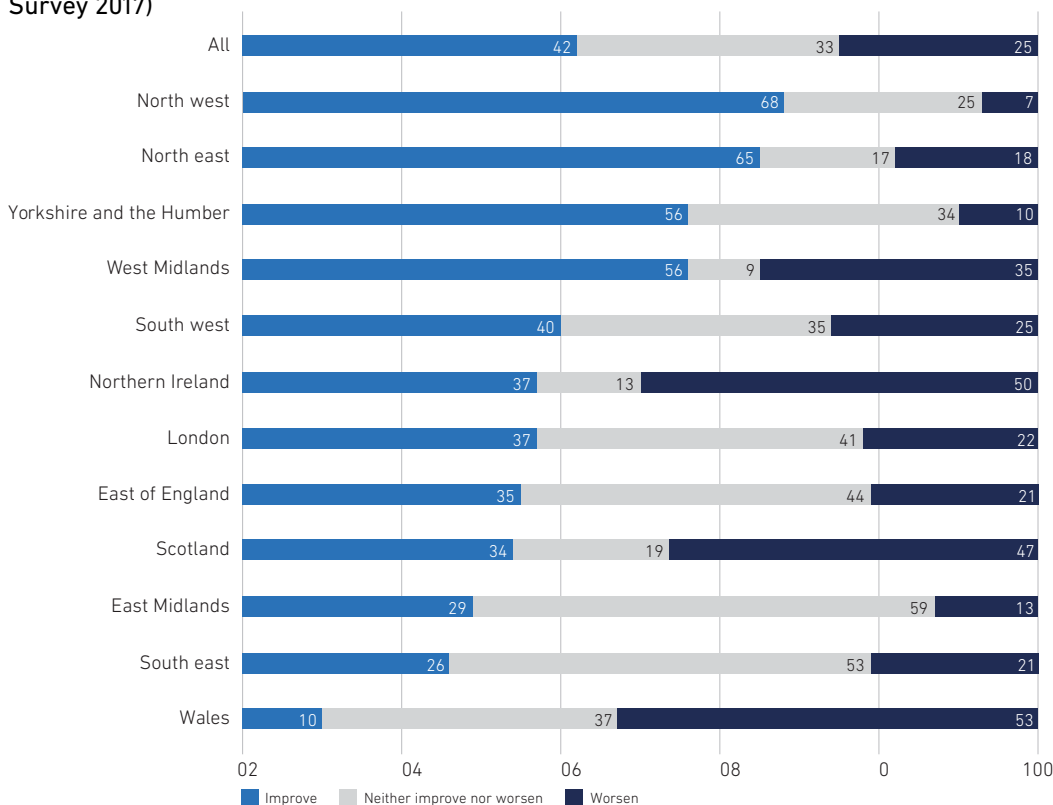


*According to the regions where businesses are primarily based

These concerns are not just evident in statistics but are reflected in reality. Ongoing indecision and delay have caused the view to develop that on the improvements regions need it is a case of over promise and under deliver. The disruption across northern rail lines is the most recent example of the real-life impacts of delays and cancellations in the pipeline. These frustrations have led to inevitable comparisons between the levels of past and future investment for different parts of the country, with the two mega-projects, Crossrail 2 and Northern Powerhouse Rail, often becoming the focal point of these either/or debates. With the two projects now progressing 'in lockstep'¹¹ and the National Infrastructure Commission highlighting that investment in regions should be in addition to investment in London, the challenge of delivering different regions' priorities will remain.¹²

In looking to how improvements will be made across the English regions, businesses see opportunity in devolution, but enthusiasm is waning, with perceptions fragmented across regions. Optimism about the impact of devolution is greatest among regions with the greatest clarity on what devolution will look like.

Exhibit 4: Businesses in the West Midlands and the northern regions are the most optimistic about the impact of devolution on infrastructure. (CBI/AECOM Infrastructure Survey 2017)



**According to the regions where businesses are primarily based*

In trying to understand the challenges through discussions with businesses and stakeholders across the regions, three clear themes seemed to emerge:

- **A lack of clarity in linking regional growth and infrastructure.** The government's ambition for regional growth is seen as lacking clarity, with no clear vision on how improvements in infrastructure can help regions fulfil their potential. With government looking to regions themselves to identify their priorities, all parts of the country need a better understanding of how growth potential will link to much-needed infrastructure delivery.
- **Complexity in decision-making and inconsistency between regions.** The planning and decision-making process for infrastructure is too complex, with the varying bodies responsible for infrastructure on a national, regional and local level painting a complicated picture. Inconsistency between regions means different parts of the country are seen to be playing by different rules with much dependent on where a region is in the devolution process. Where there is a lack of progress on devolution this is a cause of frustration and concern for business. For enthusiasm and optimism on devolution to continue, it must clearly translate into results across all regions.
- **Lack of transparency in how investment will be made.** Making the case to government is viewed as the only way a region can attract or generate investment on the scale that is needed. Yet there is a lack of transparency and clarity on how government makes its investment decisions and how to influence these. Where local funding is available there are too many different funding pots, allocations and criteria for these, standing in the way of joined-up, long-term planning.

Rather than either/or debates, local and national leaders must act to maximise the gains of regional infrastructure

Businesses are clear that further change is needed if the potential gains that could come from infrastructure improvements are to be realised. To ensure the whole of the country has the infrastructure that it needs to match its potential, there must be an environment that sets all regions up for success and turns plans into action.

Improved decision-making and delivery must set up all regions for success

The government is increasingly looking to regions to make their case for transport investment, reflecting the fact that those closest to the outcomes of decisions are often better placed to make them. However, with the gap widening between those regions where devolution and collaboration on infrastructure is occurring, and those where it is not, it is important to avoid a scenario of a two-speed England where infrastructure investment and delivery gets left behind in some regions.

In discussion with businesses across the English regions, the CBI has set out five recommendations to set up each region for success.

Joined-up infrastructure is key to shaping places and driving regional growth

For transport investment to deliver maximum benefits, there needs to be a more joined-up approach to both planning and decision-making. This means both taking a more holistic view across transport and other forms of infrastructure (particularly housing, utilities and digital), and ensuring clear links between national, regional and local strategies.

The creation of the National Infrastructure Commission (NIC) was a clear recognition of the importance of a cross-cutting approach to infrastructure. The NIC is vital to providing a long-term and strategic view. But all of government must not look at improvements in different areas of infrastructure in isolation. Improvements in infrastructure, particularly in the case of transport, are not an end to themselves but an enabler for economic growth. Businesses therefore expect that infrastructure should be as much of an issue of concern for the Department for Business, Energy & Industrial Strategy, the Ministry of Housing, Communities & Local Government, the Department for Digital, Culture, Media and Sport and HM Treasury, as it is for the Department for Transport. Whilst the Infrastructure and Projects Authority is working towards improving the effective delivery of infrastructure, clearer direction is also needed in policy and decision-making. Building on the National Infrastructure Assessment, the government should set out a clear structure of governance and accountability for infrastructure across all relevant departments and agencies, with an inter-departmental committee responsible for coordinating infrastructure decision-making across government.

This joined-up approach must extend to ensuring clearer links between local, regional and national policy. There is real opportunity in the national and local industrial strategies, but to be a success they must include clear deliverables and responsibilities. Firms are clear that all national, regional and local strategies should have the same overarching objectives, developing a more strategic approach to investment that will deliver the improvements in infrastructure (and other areas) to enable all parts of the country to thrive. These strategies must feature joined-up planning across all forms of infrastructure, particularly

transport, housing, digital and utilities. Businesses particularly recognise the need for joined-up thinking when it comes to the opportunities and challenges of new technology in infrastructure. With infrastructure requirements likely to change in the future, all regions should have sufficient support to plan for and deliver the infrastructure that will be required in future decades. Similarly, firms have highlighted the need for consistency of policy at a local and national level for clean air zones across regions.

“For a company with a national fleet the introduction of clean air zones can be challenging to navigate, with consultations and planning differing across Local Authorities. There needs to be consistency in application of plans to ensure companies do not have an added administrative and logistical challenge of navigating different clean air zones in different parts of the country with different restrictions, fees and payment systems”

CBI member in the transport and logistics sector

To capitalise on all areas' strengths and deliver shared priorities, improved collaboration will be needed across regions. The recent announcement of the NP11 board of Local Enterprise Partnerships bringing together business voices across the North was welcome, and other areas should be looking at how they too can work together in partnership.¹³ Business input will be critical in developing local industrial strategies that have the potential to drive up economic growth, help create more jobs and improve people's lives. With the government aiming to have all local industrial strategies agreed by 2020, firms look for guidance now on how local industrial strategies will be supported, resourced and implemented quickly after agreement, so no region gets left behind.

Recommendation 1:

Ensure a joined-up approach to infrastructure at a national and regional level

- The government should form an inter-departmental group, to include all departments with responsibilities for infrastructure, to better coordinate policy, planning and delivery
- With infrastructure at the heart of local industrial strategies, there must be clear coordination of how these feed into the national industrial strategy

National transport infrastructure decision-making must clearly reflect the wider benefits of investment

The increasing local and regional voice in planning and decision-making is welcome, particularly in transport. However, in an overwhelming majority of cases, decisions on transport investment are still taken by central government. In discussions between the CBI, its members and stakeholders in all regions, there is a lack of confidence and certainty about how investment decisions are made, particularly in considering the wider benefits of investment. The National Infrastructure Commission too has recognised the “limitations of existing methods”, particularly in capturing the wider benefits of projects.¹⁴ The Industrial Strategy White Paper also acknowledged that an approach based solely on static analysis “can favour investment in places where development has already happened” and “overlook long-term benefits that infrastructure can bring to a place”.¹⁵ This presents a problem for those looking to make the case for transformational and joined-up programmes of investment. This is particularly true in those regions looking to rebalance the economy, where without clear action to change the ways in which decisions are made, they perceive they will always come up short.

Government must employ robust techniques to appraise the spending of public money. But these techniques must also enable the delivery of the benefits of well-targeted investment to all regions. The Department for Transport’s ‘Transport Business Cases’ sets out the approach followed when making major investment decisions.¹⁶ The government’s introduction of a Rebalancing Toolkit alongside the Industrial Strategy is intended to improve the “focus, quality and transparency of rebalancing evidence” in strategic business cases.¹⁷ This is a step in a welcome direction, but the fact remains that current modelling and appraisal techniques do not give clear enough weighting to securing rebalancing and recognising what investment can achieve.

As the Department for Transport consults on its appraisal framework,¹⁸ firms will be looking for evidence of clear, practical steps that meet policy commitments on reflecting future economic potential. This must also include a clearer view on the value created by infrastructure investment and on what basis those parties who benefit from investment contribute to schemes. Businesses and regional stakeholders must have a clear understanding of how decisions are taken with an open dialogue with decision-makers to understand how best to make the case for investment at a regional and local level. This should lead to greater confidence that growth and wider development in regions will not be prevented due to poor quality transport connections.

Recommendation 2:

Clearly reflect the wider economic benefits of transport investment in central government decision making

- The government should ensure decision-making better reflects future economic potential and delivering regional growth in reviewing its appraisal framework
- The government should ensure improved, clear and continuing communication with regional and local bodies to maximise the strength of business cases

Across all regions there must be a strengthened role for sub-national transport bodies in strategic decision making...

In ensuring that investment is best targeted in a way that delivers maximum benefits for all regions, there is a clear need for a strengthened regional and pan-regional voice. The creation of sub-national transport bodies (STBs) is a positive step in strengthening the capabilities of regions to identify their infrastructure needs and to work with central government to deliver them. Businesses have long recognised that there is a gap in the planning on infrastructure that exists between national and local government, which STBs are well placed to bridge. By bringing all of the political and business leaders in their areas together, around a shared set of aims, STBs have made significant progress in enabling areas to speak with one voice on mutually beneficial priorities.

STBs will be key to developing and driving forward a multi-modal transport plan for region-wide growth. Perhaps the biggest endorsement of STBs in the early stage of their development is the fact that over three-quarters of England (excluding London) are now covered by a prospective STB. In those regions without an emerging STB (the South West and part of the East), there is frustration and concern that without one voice to speak for them, they will continue to miss out. One such live risk comes with the proposed creation of a major road network (MRN) (see box on STBs and the major road network). The consultation on the MRN proposed that the role of STBs will be key to developing "a Regional Evidence Base which would form the basis for the development of a national MRN investment programme".¹⁹ It is proposed that where STBs do not exist Local Authorities and Local Enterprise Partnerships would form regional groups to manage this work. Frustration is growing though in those regions that are increasingly viewed as incapable of coming together and moving forward in the best interests of their area. To begin to tackle this, national and local decision makers must ensure that all regions are represented by a sub-national transport body to make their region's case for investment.

STBs and the Major Road Network (MRN)

Building on the work of the Rees Jeffreys Road Fund report, A Major Road Network for England,²⁰ the Department for Transport has put forward proposals for creating a network of England's most important routes which complement motorways and strategic trunk roads. There will be a specific new funding stream (from the National Roads Fund) dedicated to investing in this network.

It is proposed that sub-national transport bodies will have a key role in the MRN but the need for government to clarify the long-term role of sub-national transport bodies in defining the MRN was identified in an unprecedented joint statement from the four sub-national transport bodies.²¹ This urged the government to ensure STBs have an integral role in the MRN's definition and implementation, given the work they have already done to identify and evidence the priority roads in their areas. It also highlighted the need to provide indicative regional funding levels, and for the eligibility criteria for the MRN not to be too limited and to fully consider wider economic benefits.

Case study:

An STB for the South West

In the South West, the CBI has led calls to local leaders to form one sub-national transport body to represent the region. Businesses welcome steps being taken to work more strategically on transport priorities and are aware of the current consideration to form two sub-national transport bodies for the South West. Firms in the region believe strongly that this will be a missed opportunity to make the most effective case for strategic investment.

CBI South West members believe that the best way to maximise the region's collective political strength, and to deliver on shared transport priorities, is to form a single sub-national transport body which can develop and drive forward a transport plan for region-wide growth. Without this the region risks reducing its chances of securing powers or funding on the scale required to deliver the improvements needed to realise the true potential of the region.

Full coverage of STBs alone though will not deliver the impact that businesses want to see. There also needs to be a clearer view of their role and function. As set out in the Cities and Local Government Devolution Act 2016,²² the role of an STB is to prepare a transport strategy for the area, provide advice to the Secretary of State, coordinate the carrying out of transport functions in their area and make further proposals to the Secretary of State about the role and functions of the STB. Whilst this is a welcome step towards enabling regions to clearly communicate their investment priorities to government, uncertainty remains about the extent to this relationship and the impact it will have.

“We do not want to be just another consultee or another document: “That was helpful; thank you very much, midlands.” We want to really help shape the rebalancing economy agenda and make it easier for government to understand and have a transparent process.”²³

Maria Machancoses, Midlands Connect.

Rightly, all STBs may not play the exact same function, but there must be a clear roadmap for their role. If the value of the role of STBs is to be fully realised, there needs to be a much clearer relationship between all STBs and not only the Department for Transport, but delivery bodies such as Network Rail, Highways England and HS2 Ltd. With formalised relationships consistent between regions. For the shorter term, government must set out guidance on how and against which timelines STBs will gain statutory status and develop a more formalised relationship between STBs and delivery bodies, particularly in the way that they feed into Road Investment Strategies and Control Periods. For the medium/longer-term, there should be clarity on STBs' role in planning, sequencing and prioritisation, and the future options to draw further power down from central government to deliver their plans most effectively. To be viewed as a success, over time businesses will expect to see evidence of the influence STBs have had in using their regional voice to steer the strategies and work of national bodies.

Recommendation 3:

Strengthen the role of sub-national transport bodies in strategic decision-making

- National and local decision-makers must ensure that all regions are represented by a sub-national transport body (STB), including the formation of STBs in the South West and East of England
- The role of all sub-national transport bodies in all strategic decision making should be formalised, with clearer expectations for their roles and powers over the medium/longer-term

... and a level playing field for all areas to drive improvements in local transport

Whilst a strong regional voice is needed to make the case for larger scale investments, businesses are clear that decision-making must also be strengthened on a more local and city level – through Combined Authorities, Local Authorities and Local Enterprise Partnerships. As has been shown in many of those areas where devolution has occurred, devolution deals can provide additional powers not available to Local Authorities. These include bus franchising, smart and integrated ticketing, opportunities for devolved responsibility for railway stations and to implement clean air zones. Responsibilities Combined Authorities have subsumed from Local Authorities and Passenger Transport Executives also provide the ability to plan public transport in a more joined-up way. In working towards their own devolution deals, all areas should be looking to the possibilities that can come from these opportunities.

One of four key asks that united all regions in the CBI's 2017 Shaping Regional Infrastructure report was the need for greater clarity on where decisions sit for the regions in which they operate, and a year on businesses still make this call.²⁴ Inevitably the power to put their plans into action will not always sit solely with devolved authorities, but businesses see real value in a figurehead or collaboration on a shared set of ambitions that can drive progress and build coalitions of support behind their plans. There are already plenty of examples where collaboration is occurring (see case study) but firms are keen to see more. There will never be a one size fits all approach to regional and local decision-making, but this must not mean there will never be a level playing field. Yet uncertainty remains on how devolution will work for different parts of the country.

Case study:

The Bristol South West Economic Link study

Congestion is an increasing constraint on economic growth in the West of England and, if no action is taken, delays could increase by 40 per cent by 2036. At the same time, fast-growing Bristol Airport remains the only major UK airport which is not accessible by either dual carriageway, motorway or rail link. Addressing both challenges is essential to unlocking additional productivity in an area which is already a net contributor to the UK economy.

Bristol Airport is situated within North Somerset but also serves the West of England and the wider South West region. Because of these complex cross-boundary interdependencies, a range of partners have joined forces to fund the Bristol South West Economic Link (BSWEL) study. BSWEL will consider options for all modes, including light and heavy rail, along the A38 corridor between Bristol and the motorway. Funded by North Somerset Council, Bristol Airport and Somerset County Council, the study also features board representation from Bristol City Council, Highways England, WECA, Network Rail and Sedgemoor in Somerset.

Expected to generate Strategic Outline Business Cases by December 2018, this joined up approach will provide a platform for persuasive funding bids to central government.

Businesses in those regions without devolution arrangements are clear that greater local leadership is needed to finally get plans off the ground. But it is also for government to set the rules of the game when it comes to increased local decision-making. This was a manifesto commitment of the government,²⁵ with then Secretary of State for Communities and Local Government Sajid Javid saying in November 2017 that a framework would set out the “rules that everyone plays by”.²⁶ Firms want to see the government deliver on these commitments providing much needed clarity. Alongside a devolution framework, for the areas that have not got devolution, government must work with local political and business leaders on how best to put those areas on the devolution map and ensure that no part of the country is left behind.

“It would seem that our inability to deliver a regional devolution proposal has meant that parts of the region remain the poor relations when it comes to infrastructure that could truly unlock productivity in our area. We need the leadership to bring business and political leaders together to ensure no part of the region falls behind. Lack of progress on devolution must not hold back the delivery of the improvements in infrastructure needed to grow the whole East of England.”

CBI member in the East of England

Recommendation 4:

Create a level playing field to deliver transport improvements across all regions

- The government should publish its devolution framework to clearly set out the rules of the game and ensure all local areas can make the case for the infrastructure they need.
- Local leaders yet to agree their own devolution arrangements must act now to make the most of the opportunities devolution could bring their area, working with the government to ensure that they are not left behind.

Longer-term, consolidated and sustainable funding is key to improvements in local infrastructure

All local areas also need the certainty to invest and deliver their plans over the longer-term. Whilst national rail and road networks benefit from multi-million-pound investment planned for many years in advance funding for local transport capital spending is less stable and more subject to year-on-year fluctuation.²⁷ The Transforming Cities Fund (see box) was a welcome step towards longer-term funding, as too is the progress that has been made on simplifying the funding regime for combined authority areas. 30-year grants agreed through devolution deals, with the consolidated transport grant bringing together many different funding pots, provides greater certainty, enabling longer-term investment, planning and decision-making. But all local areas need the ability to plan over the longer-term.

Transforming Cities Fund

Local plans were given a funding boost at the Autumn Budget 2017, with the announcement of the creation of the £1.7 billion Transforming Cities Fund as part of the National Productivity Investment Fund. Half of the fund has been allocated on a devolved, per capita basis to Mayoral Combined Authorities, with the remainder to be allocated to up to ten city regions over a four-year period through a competitive process.²⁹

The Transforming Cities Fund represents a step forward, both in helping to deliver some of the improved connections that cities have long called, and in giving devolved authorities more responsibility and flexibility in how they invest in and deliver their priorities. It is viewed by businesses as a vote of confidence in devolution and it is hoped that this model of providing funding for regions will be used again in the future, both for transport and wider infrastructure.

Whilst in the longer-term, businesses are keen to see investment occur by equal rules for all regions, there are some positives from the criteria for competitive element of the fund, particularly:

- The emphasis on productivity gains of investment
- The programme approach to bids
- The encouragement for bidders to take a multi-modal approach
- The expectation that bids consider local stakeholder and private funding to maximise the value of the investment

With the number of bids outweighing the ten possible allocations available, it will be the city regions that demonstrate the greatest possible improvements to productivity and offer the best value for money that will be successful.

Too much investment in local transport is reliant on bidding into short term, competitive funds (see box). Bidding for funding is a costly process, with little certainty of success, and with an array of funders and funds operating over different timeframes and by different rules. The gaps that often occur between funding phases also make it more difficult to plan longer-term and to bring projects forward without delay. Whilst there is undoubtedly a place for competition, steps should be taken to ensure that where used, bidding processes do not stand in the way of Local Authorities making longer-term and joined-up investments.

Department for Transport Local funding arrangements (2016-17) ³⁰	
<p>Formula Funding</p> <p>The Department provides two grant streams to local government (outside of London) via formula:</p> <ul style="list-style-type: none"> • the Highways Maintenance Block • the Integrated Transport Block 	<p>Challenge/Bid-based Funding</p> <p>The Department provides bid-based grants to local government for a number of specific transport purposes. The following grants were in operation in 2016-17:</p> <ul style="list-style-type: none"> • Access Fund • Cycle Ambition Fund • Better Bus Area Fund • Grant schemes supporting Office for Low Emission Vehicles (OLEV) • Total Transport Fund • Local Highways Maintenance Challenge Fund • Pothole Action Fund • Cycling City Ambition Fund • New Stations Fund • National Productivity Investment Fund • Safer Roads Fund • Large Local Major Schemes

To put plans into action, longer-term, consolidated and sustainable funding will be key to improvements in local infrastructure. The National Infrastructure Commission proposed that unlocking growth in cities alone would require additional investment in urban transport of 10 per cent during the 2020s and 30 per cent by the mid 2030s, with devolved budgets replacing Department for Transport and Local Growth Fund grants.³¹ They are also right to identify that within this greater maintenance allocations will be needed. Figures from the Local Government Association show that despite making up 98 per cent of the country's road network, local roads receive 52 times less funding for maintenance than national roads.³² Firms highlight the comprehensive spending review as an opportunity for the government to show a vote of confidence in devolution, and the ability for improvements in local infrastructure to drive growth. To provide longer-term clarity, the government should consolidate the number of funding pots for local transport investment, better aligning funding to improve connectivity between transport modes and to invest across all forms of infrastructure.

Whilst central government funding will be the predominant source for investing in the growth of regional and local economies, it is right that sources of local funding and financing for projects are also considered by Local and Combined Authorities, alongside Sub National Transport bodies, to complement this where feasible and appropriate. Land Value Capture – whereby mechanisms such as Business Rates and the Community Infrastructure Levy are used to contribute significant funds towards major infrastructure projects – is a much-cited model which has been used successfully in the UK, most notably with Crossrail in London. Whilst the principle behind this – that those benefitting from the development contribute towards it – is sound, as the National Infrastructure Commission notes, it should not be seen as a silver bullet, with questions about how replicable it is in all parts of the country.³³ Further options such as funding local infrastructure through private finance, council tax and the Community Infrastructure Levy should also be explored for local bodies delivering their priorities.

Recommendation 5:

Ensure sustainable, consolidated and long-term funding for local transport

- To ensure the improvements in local transport needed to drive growth can be delivered, the comprehensive spending review should map out a long-term commitment to increase the levels of funding directed towards local infrastructure.
- To enable longer-term and joined-up investment, the government should consolidate the number of funding pots for local transport investment.

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