

## Infrastructure, towns and regeneration study: impact and costing note

### Introduction

This note reviews the recommendations in *the Infrastructure, Towns and Regeneration* report that could have significant fiscal and economic implications.

It assesses:

- the impact of the recommendations on the Commission's objectives to support sustainable economic growth across all regions of the UK, improve competitiveness and improve quality of life
- the expected costs of the recommendations, and their impact on the Commission's fiscal and economic remits
- uncertainty, distributional effects and risks around these estimates and the balance of evidence behind recommendations, as far as it has been possible to make these assessments.

The impact and costing note records the Commission's assessment of these factors in a standard format.

The core of each impact and costing note is how the cost of the recommendation affects the Commission's fiscal and economic remits. These were set out by government in 'Remit Letter to the National Infrastructure Commission'.<sup>1</sup>

### Assessing the impact of the recommendations in *Infrastructure, towns and regeneration*

In the *Infrastructure, Towns and Regeneration* report, the Commission makes nine recommendations covering local infrastructure strategies, funding reform, building local capacity and capability, ensuring universal provision of key networks and supporting innovation.

To satisfy its obligations to the fiscal and economic remits, the Commission has assessed direct impact of these recommendations on public capital expenditure (fiscal remit) and other sources of infrastructure funding including consumer bills (economic remit).

These recommendations are:

- **Recommendation 1:** Every local transport authority should have a long term infrastructure strategy for the towns in its area, supported by a pipeline of projects. This strategy should be developed locally and collaboratively, as part of or complementary to a distinctive 15 year place based plan for economic development and vision for towns. The infrastructure strategy and wider plan should draw on local strengths, presenting a distinctive vision for the area's towns. To ensure accountability, infrastructure strategies and wider plans should set out clear, transparent outcomes and, at the end of each five year funding period (see recommendation 2), local authorities will need to carry out assessments of whether those outcomes have been achieved.
- **Recommendation 2:** The government should give local areas greater control over funding and decision making on local infrastructure investment. It should provide all county and unitary authorities, or combined authorities where they are in place, with devolved five year budgets for infrastructure, to match the arrangements in place for mayoral combined authorities. Funding should be allocated on a simple basis that reflects population and the size of the transport network being managed.
- **Recommendation 3:** In addition to devolved budgets for infrastructure, the government should provide targeted funding for key strategic priorities: where infrastructure outcomes are particularly poor, or where infrastructure could help towns seize economic opportunities. To access this targeted funding, places will have to demonstrate that they have a credible infrastructure strategy and wider place based plan in place.
- **Recommendation 4:** The government should make available expert strategic advice and support for places that lack the capability and capacity to develop their own infrastructure strategies and

wider place based plans. The government should determine which national organisation or body is best placed to provide that support and ensure it is adequately funded.

- **Recommendation 5:** The government should set out a clear plan, with milestones and funding, for delivery of gigabit broadband to all the hardest to reach premises that will require public subsidy. In those towns where there are likely to be gaps in commercial rollout, and where the government’s regional procurement programme is scheduled to start later, the government should work with local authorities and operators to identify opportunities for local solutions and facilitate voucher funded projects to accelerate coverage.
- **Recommendation 6:** The government should develop a strategy for encouraging the take up of new communications networks and services by small and medium enterprises.
- **Recommendation 7:** Ofcom and the government should consider real world user experience data, alongside prediction models, to improve the understanding of how people experience mobile connectivity in different places and identify any significant patterns that need to be addressed. As part of this, consideration should be given to whether Ofcom’s existing reporting on user experience can be extended to provide a more granular view of localised mobile user experience.
- **Recommendation 8:** The government should publish the electric vehicle charging infrastructure strategy, without further delay, followed by a roadmap for the rollout of electric vehicle charging infrastructure in towns. Local infrastructure strategies should also include an active role for the local authority in planning and managing the rollout of on street electric vehicle charging.
- **Recommendation 9:** The government should support innovation in towns where trials would be too costly and risky for local authorities to run on their own, and where government involvement can accelerate progress substantially. This should be delivered via a local innovation fund and should include:
  - partnering with towns to run innovation pilots for new communication technologies, including 5G use cases
  - supporting experimentation and early rollout for innovations in on demand bus services.

Government should ensure that lessons from trials are transparently and proactively shared.

### Assessing the impact on the Commission’s objectives

The table below reviews how the Commission’s recommendations contribute towards its objectives: to support sustainable economic growth across all regions of the UK; improve competitiveness; and improve quality of life.

|                    |   |
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| Sustainable growth | <p>Transport and digital communications networks are both enablers of economic growth.<sup>2</sup></p> <p>Reforms to transport funding to provide predictable long-term budgets will allow all places to develop a long-term pipeline of infrastructure investments tailored to local needs. This should provide the opportunity to address long-term challenges early and plan for growth opportunities.</p> <p>Ensuring effective universal provision should ensure that these networks are able to remain enablers of growth in the future, rather than becoming constraints to growth – particularly where new technologies are being rolled out. For example, ensuring that gigabit broadband reaches all parts of towns and that each town has sufficient electric vehicle charging points to encourage switching from petrol and diesel vehicles.</p> <p>The recommendations should also be compatible with reaching the government’s net zero target. Expanding electric vehicle charging will support the switch to zero-emission vehicles. Long-term funding for local transport will also help local authorities to prepare for long-term challenges like net zero. Local infrastructure strategies should be designed to support meeting net zero and predictable funding should help authorities to support lower carbon alternatives ahead of full electrification.</p> |
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| <p>Balance across regions</p> | <p>The recommendations aim to ensure local infrastructure strategies are best suited to local needs, and in particular aim to improve transport and digital communications provision across all areas of England.</p> <p>The exact spread of benefits will depend on the number of towns in each region<sup>3</sup> and how well towns in each region do from the current funding model.</p> <p>A number of the recommendations are designed to ensure that key services are provided on a universal basis, without any regional imbalances. These would ensure that there no towns or regions are disadvantaged in the provision of gigabit broadband, 4G coverage, or electric vehicle charging. There are also likely to be economic benefits in the places which receive targeted funding (recommendation 3) to:</p> <ul style="list-style-type: none"> <li>• address the constraint of poor transport connectivity<sup>4</sup></li> <li>• better integrate a town with its nearest city;<sup>5</sup> or</li> <li>• help seize an external economic opportunity<sup>6</sup></li> </ul> <p>Benefits of recommendations on digital communications, which is reserved to the UK government, would also extend across Scotland, Wales and Northern Ireland.</p>   |
| <p>Competitiveness</p>        | <p>Transport and digital infrastructure can support competitiveness by improving access to markets, access to mobile labour and capital, and supporting and being a source of globally significant clusters and assets.<sup>7</sup> Recommendations 2 and 3 aim to ensure that there is more certainty and predictability about long-term funding for all places, as well as being better tailored to local needs. This should help support authorities to develop wider investment and development plans, as well as providing greater certainty to support private sector investment plans, especially if it delivers better connections between towns and cities.</p> <p>Ensuring universal provision of key networks – gigabit broadband, 4G and electric vehicle charging infrastructure – through recommendations 5,6 and 8 should also ensure that places where infrastructure is more challenging to deliver commercially are not put at a competitive disadvantage. Knowing these networks will be in place will enable businesses to plan with greater certainty.</p> <p>Targeted support for some places should also help to improve competitiveness. Ensuring places can maximise the benefits of external economic changes should make them more attractive to investment, particularly where there are opportunities for new or developing industrial clusters. Improving transport connectivity – whether because a town is not well connected to its nearest city, or because it has poor connectivity generally – should improve access to markets, labour and capital.</p> <p>Supporting innovation should help built the use case for future technologies, which could have a positive impact on productivity.</p> |
| <p>Quality of Life</p>        | <p>Better transport and digital infrastructure can support improved quality of life in a number of different ways.<sup>8</sup> As well as enabling people to access employment, it provides access for people to retail, leisure, education and health services. Appropriate high quality, reliable and well-designed infrastructure can also improve physical and mental health and integrate with local and natural surroundings. It can also meet basic needs, like providing safe means of travel.</p> <p>By allowing places to determine their own priorities, recommendation 2 aims to ensure that infrastructure investment is better focussed on local priorities where improvements to quality of life can have the most impact.</p> <p>The recommendations are also aligned with town residents stated priorities for infrastructure investment.<sup>9</sup></p>  |

## Fiscal and economic remit

### Fiscal remit

Recommendations 2, 3, 5 and 9 cover capital spending and so will have an impact on the Commission's fiscal remit.

Recommendations 2 and 3 build on the Commission's recommendations on local transport funding in the first National Infrastructure Assessment, providing additional detail on how it could be split.<sup>10</sup> While this is not yet reflected in current government spending, there is no additional cost to the fiscal remit as assessed in the National Infrastructure Assessment.

In 2019/20 around £2 billion of local transport investment was funded from locally raised income.<sup>11</sup> As the recommendation was for up to around £6 billion per year, this would require around £4 billion to be funded by central government. This funding will need to include a balance between: devolved budgets to urban mayoral combined authorities; devolved budgets to other authorities as discussed in recommendation 2; and targeted funding for priority areas as discussed in recommendation 3.

There will be capital expenditure associated with the gigabit broadband rollout covered in recommendation 5. However, this recommendation is about how the planned rollout is delivered rather than calling for additional funding. As with recommendations 2 and 3, this is expected to be covered by previous Commission recommendations and the government's Project Gigabit Plans.<sup>12</sup> In the first National Infrastructure Assessment, the Commission included an average of £400 million per year for rollout in hard to reach rural areas during 2020-2025 and an average of £300 million per year from 2025-2030.<sup>13</sup> Areas within towns where commercial provision does not occur may require subsidy, which would be included within this.

In recommendation 9, the Commission has recommended government establishes a transport and digital innovation fund. The two priorities highlighted for this are 5G use cases and demand responsive bus services.

For 5G, based on the cost of the West Midlands 5G trial, the Commission estimates that approximately £100 million would be required for five trials of similar depth and scale. Though a proportion of this would likely be resource funding. This is equivalent to £33 million per year during the next spending review period from 2022-2025.

For on demand bus services, funding is likely to be primarily resource funding – see economic remit section for details.

### Economic remit

A number of the Commission's recommendations will impact on resource costs.

For most recommendations, the overall impact is likely to be minimal. While the Commission expects that the recommendations in this report would lead to a change in what local authorities are doing, it is not expected that developing long-term local infrastructure strategies (recommendation 1) would represent an additional burden on local authorities.

While the Commission has not been able to undertake a rigorous evaluation of resourcing needs, local authorities are already responsible for planning local infrastructure and the recommendations in this report are focussed on how this can best be done, rather than creating new requirements. As set out in the report, the Commission also expects that the reformed funding model would free up some capacity that is currently used to bid for funding, allowing those staff to focus on local infrastructure strategies instead.

However, there are likely to be some authorities who will need additional capacity and capability support – including expert advice and input – in order to develop high quality local infrastructure strategies. Recommendation 4 seeks to address this and whichever institution is selected to support local capacity and capability will likely need additional resources to do so (unless this is reprioritised from other areas).

At Spending Review 2020 government gave £50 million to eight mayoral combined authorities to support the development of their 5 year transport budgets.<sup>14</sup> As the population of these MCAs is around one third of England outside London,<sup>15</sup> £100 million would provide an equivalent amount of support per capita. However, this is likely to need to be weighted towards those authorities with a greater capacity and capability need, rather than a purely ‘even spread’ basis.

There is also likely to be a small cost associated with recommendation 7, including for Ofcom and government to undertake additional analysis and modelling. This would not necessarily be additional. The Commission understands Ofcom is already looking at this issue and any additional research could be incorporated within existing research budgets, depending on wider proposals.

The on demand bus services section of the innovation fund in recommendation 9 is likely to be primarily resource spending. The potential cost of transport trials is difficult to estimate, as this is likely to vary from place to place and depending on the level of involvement of the private sector. Government has allocated £19.4 million for 17 trials of on demand bus services in rural and suburban areas through the Rural Mobility Fund.<sup>16</sup> At an equivalent cost, running 10 trials per year over the coming spending review period would cost an average of just over £11 million per year.

As noted above, there is also likely to be some resource implication to deliver recommendation 9. However this would be included in the overall costs set out in the fiscal remit section above.

This would put the overall resource and capital cost of the innovation fund at around £45 million per year from 2023-2025.

The Commission believes the impact of other recommendations is likely to be negligible. For example, there is already some action in place to improve uptake of new technologies – such as the ‘Help to Grow’ scheme – and there may be potential for reprioritisation within broader business support and other funding.

### Uncertainty

There is some uncertainty around the magnitude of the economic remit impacts of the Commission’s recommendations, particularly on the level of additional resourcing required. However, the costs set out above should provide a reasonable assessment of the impacts.

### Distributional Impacts

This section assesses the distributional impacts of the Commission’s recommendations across a set of dimensions.

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| Regional           | One of the key aims of the recommendations is to ensure that there is a more even spread in infrastructure funding for local authorities across England. Recommendations 5, 7 and 8 are designed to ensure that key services (gigabit broadband, 4G coverage, electric vehicle charging infrastructure) are provided on a universal basis, without any regional imbalances. Additional targeted funding should also ensure that there are changes for opportunity areas in all parts of the country to propose investments to government.   |
| Winners and losers | The Commission’s recommendations increase the total funding for local authority transport outside London, so most places would do better. There is though no proposal to reduce investment in London. There are some local authorities that do well from the current competitive funding model and others that rarely win funding. Evening out the spread of funding may rebalance funding between some places. Those places selected for targeted funding are also likely to be seen as ‘winners’ from funding reforms, especially where they would not have received funding under the current model. The Commission’s recommendations should help that funding is prioritised on a more strategic basis, with infrastructure funding going where it will make the most difference. |

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| <p>Vulnerable/protected groups</p> | <p>There is significant variation in the levels of vulnerable and protected groups living in different towns across England, so specific impacts will generally vary from town to town. For example, there are dramatic variations in the proportion of different ethnic groups across different local authorities.<sup>17</sup> Impacts would also depend on how authorities decide to invest funding provided under recommendations 2 and 3.</p> <p>The ONS' work on towns in England and Wales highlights a number of areas where the proportion of vulnerable and protected groups in towns differs from that of England and Wales overall:</p> <ul style="list-style-type: none"> <li>• towns tend to have a higher proportion of the population aged 65 or over, with the highest share in small towns<sup>18</sup></li> <li>• Within England, average deprivation levels in towns are slightly lower than outside towns<sup>19</sup></li> <li>• Large towns tend to have higher levels of deprivation than small or medium sized towns<sup>20</sup></li> <li>• Across local authorities in England, there are a number of towns where people with disabilities make up a higher percentage of the population, such as Blackpool<sup>21</sup></li> </ul> <p>The Commission estimates that around 500,000 flats or other divided premises across towns in England may be at risk of missing out on gigabit broadband<sup>22</sup> and a higher proportion of households living in flats tend to be economically deprived<sup>23</sup>. Recommendation 5 would ensure that these residents and those living in other non-commercial parts of towns are not left behind by receiving gigabit broadband many years after most town residents.</p> |
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## Risks

Low = the recommendation is “no regrets” and is robust to a range of future scenarios.

Medium = some future scenarios could affect the optimal choice of variant or timing.

High = some future scenarios could make the recommendation unviable or obsolete.

| Driver                          | Risk   | Description   |
|---------------------------------|--------|---|
| Economic growth                 | Low    | The Commission's recommendations are robust to economic growth being higher or lower than expected.   |
| Climate change                  | Low    | The Commission's recommendations are robust to a range of climate change scenarios.   |
| Technology and behaviour change | Medium | A number of the Commission's recommendations are designed to take advantage of technology and behaviour change, such as encouraging business uptake of gigabit broadband or supporting innovation. However, it is possible that behavioural changes may not be realised, or that other technologies could overtake those being trailed under recommendation 9. The recommendations on funding consider the balance between the needs of cities and towns (and other places). It is also possible that technological changes could drive changes in the location of economic activity between cities and towns. For example, any developments that further increase agglomeration effects – which tend to be focussed on cities – may make it harder for towns to grow their economies and vice versa. |
| Population and demography       | Low    | The Commission's recommendations should be robust to a range of future population and demographic scenarios. Any significant dispersal from cities – following the Covid-19 pandemic, <sup>24</sup> or in the future – could change the appropriate balance of funding, but not the overall envelope for local transport funding outside London.  |

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- <sup>1</sup> HM Treasury (23 November 2016), [Remit Letter to the National Infrastructure Commission](#)
- <sup>2</sup> National Infrastructure Commission (2017), [Economic growth and demand for infrastructure services](#)
- <sup>3</sup> Office for National Statistics (2021), [Understanding towns in England and Wales: population and demographic analysis](#)
- <sup>4</sup> National Infrastructure Commission (2021), Infrastructure, Towns and Regeneration; National Infrastructure Commission (2019), [Transport connectivity](#)
- <sup>5</sup> Centre for Cities (2018), [Talk of the Town](#)
- <sup>6</sup> National Infrastructure Commission (2021), Infrastructure, Towns and Regeneration
- <sup>7</sup> National Infrastructure Commission (2020), [Improving Competitiveness](#)
- <sup>8</sup> Buser et al (2021), [Literature review on the impacts of infrastructure on quality of life](#)
- <sup>9</sup> Source: PWC (2021), [NIC Towns Social Research Study: Final report](#)
- <sup>10</sup> National Infrastructure Commission (2018), [National Infrastructure Assessment](#)
- <sup>11</sup> Commission analysis and calculations based on: MHCLG (2020), [Capital Outturn Return \(COR A1\) 2019-20](#); HM Treasury (2020), analysis of central government grants by function provided to Commission; Transport for London (2020), [Annual Report and Statement of Accounts 2019/20](#)
- <sup>12</sup> Department for Digital, Culture, Media and Sport (2021), [Government launches new £5bn 'Project Gigabit'](#)
- <sup>13</sup> National Infrastructure Commission (2018), [National Infrastructure Assessment](#)
- <sup>14</sup> HM Treasury (2020), [Spending Review 2020](#)
- <sup>15</sup> ONS (2021), Population estimates - local authority based by single year of age
- <sup>16</sup> Department for Transport (2021), [Rural Mobility Fund](#)
- <sup>17</sup> Office for National Statistics (2012), [Ethnicity and National Identity in England and Wales: 2011](#)
- <sup>18</sup> Office for National Statistics (2021), [Understanding towns in England and Wales: population and demographic analysis](#)
- <sup>19</sup> Office for National Statistics (2019), [Understanding towns in England and Wales: an introduction](#)
- <sup>20</sup> Office for National Statistics (2020), [Understanding towns in England and Wales: spatial analysis](#)
- <sup>21</sup> Office for National Statistics (2013), [Disability in England and Wales: 2011 and comparison with 2001](#)
- <sup>22</sup> Calculated based on Commission analysis of 2011 census data on number of flats / subdivided apartments
- <sup>23</sup> Ministry of Housing, Communities and Local Government (2019), [English Housing Survey Household Report 2017-18](#)
- <sup>24</sup> National Infrastructure Commission (2021), [Behaviour change and infrastructure beyond Covid 19](#)