



Treasury Committee

Oral evidence: Work of the National Infrastructure and Service Transformation Authority, HC 358

Tuesday 23 June 2026

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Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Bobby Dean; Jim Dickson; John Glen; John Grady; Dame Siobhain McDonagh; Ms Julie Minns; and Catherine West.

Public Accounts Committee member present: Sir Geoffrey Clifton-Brown.

Questions 1 to 82

Witnesses

I: Becky Wood, CEO, National Infrastructure and Service Transformation Authority (NISTA); Matthew Vickerstaff, Deputy CEO and Head of Project Finance, National Infrastructure and Service Transformation Authority (NISTA); Jonathan Saks, Chief Economist, National Infrastructure and Service Transformation Authority (NISTA).



Examination of witnesses

Witnesses: Becky Wood, Matthew Vickerstaff and Jonathan Saks.

Q1 Chair: Welcome to the Treasury Committee on 23 June 2026. Today we are examining the work of the National Infrastructure and Service Transformation Authority, NISTA, which has been formed from the National Infrastructure Commission and the Infrastructure and Projects Authority. In the past, some of us would have scrutinised your predecessor bodies.

This is the Committee's first session on the work of NISTA but today I am delighted to welcome Sir Geoffrey Clifton-Brown, chair of the Public Accounts Committee, which examines the work of NISTA. I am also delighted to welcome Jonathan Saks, who is the chief economist at NISTA, Becky Wood, who is the chief executive of NISTA, and Matthew Vickerstaff, who is the deputy CEO and head of project finance at NISTA. A very warm welcome to you all today.

In stuff you sent around to staff, you talked about how you are now settling in two years after the bringing together of the two organisations, Becky. Can you explain the rationale for bringing these two bodies together, and whether there is a risk that you are watering down the work of the National Infrastructure Commission and Infrastructure and Projects Authority, which was particularly important in making sure that major Government projects were delivering well?

Becky Wood: Thank you for offering us this session to update you. In terms of the rationale behind the bringing together of the National Infrastructure Commission and the Infrastructure and Projects Authority—if you will permit me, I will call it the IPA—there was tremendous opportunity in bringing together long-term perspectives on strategy and the delivery activities we have across major projects and much of our infrastructure sector.

There was also a great deal to learn from the National Infrastructure Commission's report in October 2024 about major costs, the drivers of those costs, and the nature and characteristics of the way we might work differently across the infrastructure sector to bring that strategic thinking in and to actively inform some interventions we make on delivery. The logic was bringing our people together and drawing on both elements of those knowledge bases to enhance delivery.

There were also, as I am sure Committee members are aware, different elements to the way the remit was brought together and the thinking behind that. If you will permit me, I will mention those as well.

I wanted to highlight the fact that the National Infrastructure Commission had done a great deal of work in relation to economic infrastructure needs assessment and thinking across the piece. Within our remit, we now have that form of thinking throughout our 10-year infrastructure strategy in relation to social infrastructure, so bringing together thinking



HOUSE OF COMMONS

on things such as schools, healthcare provision, and prisons into that bigger picture. Some of that was about the learning I mentioned, so thinking about spatial planning as a whole and using it to inform upstream delivery thinking.

In terms of watering down, I would like to emphasise that we have no intent to water down, albeit we do have a slightly more targeted focus as NISTA in relation to the delivery arm.

Committee members will be familiar with the work of the Infrastructure and Projects Authority in relation to assurance interventions: the provision of independent assurance, advice and guidance as well as capability uplift across Government project delivery.

None of that has gone away but we have taken the opportunity to think about the way a central body ought to target its intervention, which we call Project Reset, taking account of learning from things such as The Office for Value for Money report in relation to mega projects and Project Reset itself. So thinking about the targeting and focus of that, and how we need to strengthen our focus on capability to make sure we provide it across Government.

That does not alter accountabilities in any way. I am not an accountable officer for specific projects and programmes, as Committee members will be aware. However, the thought behind it is about integrating that offering from myself and colleagues in the Government commercial function, and seeking to do those interventions in the most thoughtful way to have the most impact.

Q2 Chair: That is a very helpful overview; we are going to come to some of those areas in detail. I want to quickly run through where you are at in terms of staffing and so on. You appointed the chair of council in February. Have the remaining members of council now been appointed?

Becky Wood: We are able to appoint five members. We are just waiting for the finalisation of certain security processes, so we do have them.

Q3 Chair: So the people are lined up, you are just going through the process. Is that then everybody?

Becky Wood: Yes, that is correct.

Q4 Chair: How are you going to use the expertise of advisers? Obviously, the arrangement changed with the new body so how is this independent panel of advisers going to be used?

Becky Wood: It is probably similar to the principle that we did not want to water down the way in which the Infrastructure and Projects Authority specifically brought value to projects. With an expert advisory council, the thinking is that I also need to have my strategic horizon appropriately challenged and use that critical friendship with my expert advisory council



to help us make sure that we are maintaining a focus across the strategic piece.

NISTA is intended to create change in the system, so drawing on specific areas of expertise to help us do that is part of the model as we envisage it. In conversations with our chair, Julia Prescott, we have talked quite a bit about how we do that in the most appropriate way across our remit—our remit is quite broad—so the members we have selected are intended to assist us in that way. We have selected quite a range of skills.

Q5 Chair: We will go into this in more detail, but you will be overseeing a major project in your portfolio. Your advisers will then be chosen, and you will get them leaning in on their area of particular expertise. Will the board of advisers have a look at it as well?

Becky Wood: Yes. We expect to have regular meetings as a senior leadership team with our expert advisory council as a whole in a board-style fashion. There will also be specific topics that we will ask particular council members to work with us more closely on.

Q6 Chair: Colleagues will request more detail as to how Departments link in. Will the accounting officer in the Department responsible for a project be involved in any of those discussions at NISTA level?

Becky Wood: It is a little early for us to tell whether that will be the most practical thing to do. It is not necessarily the model we immediately envisage. We imagine that the role of the expert advisory council will be to work more closely with NISTA and our teams specifically. We would not prevent contact, but it is not a fully mature model yet.

Q7 Chair: In terms of staffing, you brought together two bodies so where are your staff now based? Has the integration happened fully?

Becky Wood: We have spent quite a bit of focus time on integrating our people over the past 12 months. We all arrived on the same software system in the autumn of last year, and we are all together in our London base, in Leeds, or in Birmingham; we have three different office locations.

That part of our physical transformation has been completed; we are all on the same systems and have our accommodation in place. There is some work to do in relation to how we settle our organisational design. As with the Expert Advisory Council, I have completed certain processes to appoint slightly different director roles and we have organised ourselves in what I term a functional structure, which seeks to bring together brilliant talent from both organisations but in a slightly different way. The intent is that the design and structure of the organisation represents that thought of bringing strategy into delivery.

We have four pillars, as we term them. We have a strategy and systems change pillar of activity. We have work around market and sector engagement that is quite central; partnering both external and cross-



HOUSE OF COMMONS

Government is central to what we do. We have a delivery and portfolio pillar, which encompasses a lot of the assurance and advisory work I have mentioned, and we have our project finance expertise.

Q8 **Chair:** Have you made any redundancies?

Becky Wood: We have not, but I did run a voluntary exit scheme as part of NISTA's formation in keeping with the broader civil service reforms that I am sure Committee members are aware of. We chose to structure that scheme in a way that offered our people agency to make decisions according to their personal circumstances.

Q9 **Chair:** That is nicely worded but did they get pay-offs?

Becky Wood: Yes, they did. It was a voluntary exit scheme.

Q10 **Chair:** It was voluntary redundancy. So were there redundancies?

Becky Wood: No, it was not a redundancy; it was a voluntary exit scheme, which is rather different. We did not reorganise prior to, but about 14% of our workforce chose to leave.

Q11 **Chair:** Do you know how much it has cost to create NISTA at this point?

Becky Wood: No, I do not have the final number. I am perfectly happy to write to you on that.

Q12 **Chair:** If you could write to us about that; I am sure the Public Accounts Committee will have an interest in it as well.

Finally, one key area of concern for the people who have been watching this is that the National Infrastructure Commission was independent of the Treasury. The Infrastructure and Projects Authority had a very useful voice in Government, which was slightly distant from some projects. Do you feel strongly able to openly challenge the Treasury if the Treasury has strong views on the 10-year programme? How are you making sure that you keep an independent voice?

Becky Wood: My experience to date is yes, we are able to have those constructive conversations within the Treasury and, of course, across Government as we would have done in different guises. I refer back to the intent behind the Expert Advisory Council, which was to make sure I can seek that support and strategic challenge to what we are doing almost for the purpose of being able to then strengthen my ability to go and constructively do that within Government. Absolutely, I feel I can do that.

Chair: We might get into this some more with the political challenges we are now facing.

Q13 **Bobby Dean:** Can I ask one question about the voluntary exit scheme? You said that it happened in an unstructured way as you did not have an organisation beforehand. My concern is that some of the best and most ambitious people chose to leave at that point. What protections did you



HOUSE OF COMMONS

have in place to stop that from happening?

Becky Wood: It was a structured scheme; sorry if I suggested otherwise. We gave people agency to make personal decisions. It meant that we saw people choose to leave us. I am very keen to keep as much talent as I possibly can.

I am not avoiding the truth as to what happens with transformations; it can be extremely difficult for people to see significant change in an organisation. We have worked hard to balance the opportunity for people to take those decisions and speak with some clarity about the way we are taking the organisation forward and the opportunity of what we are doing.

We have seen some real glimmers of opportunity in our first year in how the teams have come together differently, and a lot of our people have fed back that it has been an opportunity for them to better understand practically how it can work and be enjoyable and beneficial to them. I am very keen to keep my talent.

Q14 **Bobby Dean:** Do you have any statistics on the number of senior people versus junior people who left, or people in the top positions?

Becky Wood: No, I do not have statistics. I saw one of my senior people at director level leave and another left prior to, but that was due to a different set of circumstances.

Q15 **John Glen:** Could you explain what lessons have been learned from the 2020 infrastructure strategy? People generally, and particularly my colleagues who have been around a little longer, will have observed these changes to Government entities. It is important that we start by asking how it going to be different. As I understand it, you have cut the Government Major Projects Portfolio from 200 to 81. What has gone? What was being achieved with the other 120, and what is going to happen to them?

Becky Wood: It is an excellent question. The way we have approached the principles of what we term Project Reset, which is about the Government Major Projects Portfolio being altered in that way, is to consider a number of different critical aspects. First, the fact that accountability has not changed. Secondly, central intervention needs to be thought about from the most targeted and focused perspective rather than getting in the way.

We have learned lessons from James Stewart; we must not over-layer assurance and the importance of accountability being clear. In restructuring the portfolio, we wanted to use the power of data. I am not taking away some things that we would have done under the Infrastructure and Projects Authority. For example, the richness of data will remain. We chose to segment the portfolio, if you will. We have Government major projects and, as you say, there are around 85 at the present time.



HOUSE OF COMMONS

We then have what we term departmental major projects, which have less whole-life cost and may have previously been on the Government Major Projects Portfolio. We hope we still have an opportunity to gather data and feed it back giving portfolio insights. All individuals in the Government Major Projects Portfolio's profession are able to join us and benefit from our capability support, training, and guidance. We have not taken that away.

There is perhaps an opportunity in Project Reset to make sure that accountability is clear in terms of where it sits with Departmental ownership, and an opportunity to streamline some assurance processes. Rather than just being an action from myself from a project delivery perspective, I work quite closely with functions across Government such as the government commercial function.

We found that we had multiple layers of different flavours of assurance coming from different perspectives, which was not necessarily useful for the project teams. It does not enhance our governance and it delays.

Q16 John Glen: Given that accounting officers and permanent secretaries of individual Departments sign off the budgets that they have been allocated by the Treasury, people will probably want to understand what specific accountability role you have in your responsibility for delivering. It could be seen just as an amalgam of an advisory role, one of several across Whitehall that can again be put aside if a Department has budgetary pressures in different ways. How would you define your distinctive contribution to delivery?

Becky Wood: In relation to the 80-plus Government Major Projects Portfolio, I have a clearly defined role under the Treasury approval guidance, where I am a co-chair as part of our major projects governance. I am currently also a co-chair of the mega projects governance. We can talk about that separately, if useful.

Q17 John Glen: Can you give a specific example of a major project where your organisation is having a material impact on the delivery pathway?

Becky Wood: Several decisions have been made this year, including the Sizewell C financial close. We were very instrumental in that in an advisory role but, as one would expect, keeping quite separately the provision of independent assurance through separate individuals—it would not be proper to blend the two things—and making sure that the decisions in support of financial close were made.

We are accountable for providing independent assurance over those really significant whole-of-government nationally critical decisions. That is an accountability we hold for providing high quality independent assurance, with that decision being enabled through the controls framework.

Q18 John Glen: What role would you have in the nationally significant challenge of delivering 1.5 million homes? What role does NISTA have in



that?

Becky Wood: Our role is slightly different there. I do not know if Mr Saks wants to come in but quite a bit of that is more of a strategic role. I mentioned those different pillars. One role we play in relation to that is to understand better, from a spatial planning perspective, how the locations we are considering for those new homes are best supported based on the infrastructure presently there and what might be needed. When we are looking across, for example, the Oxford Cambridge corridor or working in the Northern Growth Strategy corridor then we think about those places and what homes will need to be places that are excellent to live in.

Q19 **John Glen:** What does that actually mean? I totally get the strategy but where does the rubber hit the road in terms of contribution to delivery? This Government have been very clear that 1.5 million homes is a key priority. What decisions would you take to enable a swifter delivery of that Government priority?

Becky Wood: There is an element of our pipeline work, which I might also mention. Our dynamic infrastructure pipeline is intended to give infrastructure colleagues across the supply chain better information as to where we are investing and where we need capacity and skills. A big piece of the feedback I get from that particular sector is that they need that granularity and commitment.

One of my responsibilities, working with Treasury colleagues as I have described, is making sure that the pipeline is robust and shared in detail. We are on the third iteration of that pipeline now, and that work has been done in partnership with industry. We recognise the importance of these things being delivered, but without the supply chain having confidence and seeing the commitment from us then we feel that is not possible. It is fair to say that NISTA's role is more about supply chain and industry intervention.

Q20 **John Glen:** My final question in this section is around insulation from Governments changing and the 10-year strategy. We obviously respect that some infrastructure projects take longer than one cycle of Parliament. I have UK Health Security Agency in my area, which has gone from Health Protection Agency, to Public Health England, to UK Health Security Agency. Several hundred million pounds have been spent in Harlow and nothing has actually happened yet.

Similarly, the Prime Minister and Deputy Prime Minister came in 2014 to say that they were going to build a tunnel at Stonehenge; 10 years later, we have spent £200 million but nothing has happened. I am not blaming you for that but how do we insulate and break out of that situation where things carry on regardless, or any Government can stop them even when there are considerable sunk costs?

Becky Wood: I absolutely recognise the challenge. The reason why I mentioned the pipeline is that it is incredibly important that we have a published 10-year infrastructure strategy because it will span the life of



Parliament and go beyond it. There is also something around the fact that we are iterating regularly and publishing our dynamic infrastructure pipeline.

It is incredibly important to me that the advice I am giving is true to the spirit of the reports I have mentioned and the lessons we have learned, which is that it has to be a long-term intervention and we have to demonstrate that commitment. A great deal of my advice focuses on that and publishes it into the market to make sure that my colleagues across the supply chain and investor groups have visibility of it.

Jonathan Saks: One big change that NISTA has been looking at, particularly thinking about how the system operates and where you see these problems occurring, is how you intervene in the upstream of a project. Before you get to a strategic outline business case as well—that is where you combine strategy policy with politics and try to work through the problem you are trying to solve—you then try to look at what options you want to put on the table.

NISTA has changed things to really try to intervene there, and spatial planning is one of those areas where we can look at the range of infrastructure that may be in deficit in a particular area where you are trying to deliver a transport scheme but have a problem with electricity or water. It can flag this up very early in the policymaking process, and you can then start thinking about what attributes the area has and what deficits need to be resolved. Can we really deliver it? What are the benefits it is going to produce? Intervention at that level is quite important.

When you set those projects up properly, you think about delivery models, how you might finance them, and what risks may sit within the programme. If you think about it early, you will have a very different portfolio to one where you have not done that pre-upstream work to inform what is coming down the line.

We already have a set of projects in train that we are feeding into, which is a lot of what the GMPP is advising. There is also this strategic level that we are now feeding into, which is quite different to how things have been run under previous strategies as you referred to earlier. A lot of our intervention is based in there.

Q21 **John Glen:** What is your assertion about what happened previously? Were political decisions made before due diligence on suitability was made?

Jonathan Saks: Due diligence was done but the early signalling, say on spatial as an example, was that there were no tools or available expertise to look at it from a policy perspective upfront. We have the Align tool, which is a spatial tool, to look at different parts of the infrastructure system and understand where we have deficits and surpluses.



HOUSE OF COMMONS

You can then map out where your interventions go and how they might interact and react in that local area with other bits of infrastructure, local growth targets, and environmental issues. You can then layer them on. You would not have had access to that before; it would have come out in the wash when going through the process.

You talked about planning statements and the sunk costs you get early on. A lot of that will be finding problems and then finding the solution to them, whereas now we can flag those up and go in with our eyes open rather than without that understanding.

Q22 Chair: Contract certainty is pretty important. We have a lot of challenges in supply chains, with construction companies, and so on. One point of the 10-year strategy is that certainty is provided. Obviously, political winds blow as we have seen even in the last 24 hours. How strong is NISTA's voice in ensuring that the 10-year plan stays in place? You ultimately have to answer to your political masters and mistresses, do you not?

Becky Wood: We serve the Government of the day. There is something in what Mr Saks was describing and that perspective of grounding this in evidence and data. I do not mean to sound boring, but it is incredibly important that we can evidence the rationale and importance of what we are doing.

To your specific question, I believe that NISTA can and should have a strong voice in that conversation. We are quite purposely structured to have a market-facing and an industry-facing role. We reach into the supply chain regularly, we engage quite actively, and I have a very useful licence to do so. That is incredibly important in terms of our role in advocating that stability needs to take place.

I might permit myself the ability to hold a conversation with supply chains and say that we are doing great work to give this pipeline the data, the team have done brilliant stuff, and I have great talent. However, there is a little quid pro quo. I need to put that commitment into the market and it needs to create confidence. Improvements in productivity, investment in skills and capability, and research and development needs to flow from that confidence. The sum of that is actually about me partnering with industry to demonstrate the value of protecting that long-term stability.

Q23 Chair: Mr Vickerstaff, did you want to say something on that or are you just pensive?

Matthew Vickerstaff: Independence goes to the heart of the question you referred to. It is interesting to share what we say to other Governments coming in and asking, "How should we do this? How should we structure ourselves?" There is an argument for the intellectual purist to say, "Your strategy and policy should be independent." What those



Governments say to us is, "Would they be listened to being independent?"

As we have gone through that process we have said, "Having strategy and policy alongside delivery at the heart of Government is the best way to influence." If there is political change, then you are the voice that says, "We did actually produce the 10-year strategy. We have a pipeline. We have a plan. If you want to change things then that has consequences. We get your question. It is interesting that in the past we have had a previous design, but I can talk you through areas where we have been working closely with National Infrastructure Commission, ex-staff who are transport funding, energy strategy, regulation, policy, and so on that feeds directly into delivery and finance. Having them together is strong but intellectually, from a purist point of view, you might say you still need that independence."

Q24 John Glen: At the point of an election, why do you not put in a mechanism to show the choices that create extra costs or opportunities? The boundaries have changed. The Stonehenge tunnel is not in my constituency anymore, but over £200 million has been spent and just been washed away. The transparency—

Matthew Vickerstaff: In 1994, I worked on a PFI option for A301. The BCR of that is incredibly low. I am afraid it is a really tough project.

Becky Wood: It is very challenging, is it not? There might also be a perspective in the way that that idea of bringing earlier upstream intervention and the strategic role that we can and should play in influencing the centre of Government link back to planning reforms in that context as well.

Jonny made a very good point about ensuring we have robust data and evidence about the strategic case to avoid some perhaps arguably inappropriate upfront spend in some instances. Naturally, I am not going to speak to specific schemes but there is also a little in the way we are working with planning reforms to drive change. Do you think that is fair?

Jonathan Saks: Yes. A lot of the money we have talked about here is to build up what needs to be done for planning. Obviously, the Government have made a number of big policy interventions in terms of the Planning and Infrastructure Act and other things such as the national planning policy framework. They go towards helping us get through that process. Within that there are still some systemic issues that need to be resolved, which would tackle some of this.

Q25 Chair: Like what?

Jonathan Saks: A theme that NISTA is looking at is how the system operates as one. You can tackle one problem in one area but there are a whole plethora of other issues that remove a number of the benefits but not necessarily all of them. You find that one time saving here creates another issue over there. Being able to go through that systematically to



HOUSE OF COMMONS

properly understand what those touch points are and how they all work together as one system is something we are very keen to do.

Becky referenced earlier the work that the NIC had done on the cost of infrastructure. One thing they did was a big piece of systems work to look at what it does, and we then mapped out the whole system to understand where all those trigger points were. From the system analysis, it was very obvious that you cannot tackle just one or a few areas; you had to tackle them all by going through them in a programmatic way. You cannot in reality tackle them all in one go because it is just too much change at once.

Foundationally, you start with funding certainty and the long-term certainty of infrastructure, which is absolutely essential in terms of signalling what is coming to investors, supply chains and others. You fix that first, which is what the 10-year infrastructure strategy started to do in the sense of having a 10-year funding envelope or floor. You then build off that to look at client and sponsor relationships. You also look at planning rules, things such as the PIA, and then you look at the supply chain as a system as a whole. We are essentially trying to pick those off as we go, pick up those areas, and look at a whole system change to be able to deliver those benefits.

Q26 Dame Harriett Baldwin: Mr Saks, on the supply chain question, I wondered if you had done any work on the impact of the 50% tariff coming in for steel manufacturers and imported steel. Presumably, quite a lot of people in the supply chain rely on imported steel. The 50% tariff with lower quotas is going to raise the cost of steel across the economy. Have you done any analysis on what impact that is going to have on the cost of delivering the national infrastructure?

Jonathan Saks: Yes. We have done some high-level bits of analysis as part of Treasury on the impact of those tariffs, other global events, and macroeconomic analysis. What is quite tricky in infrastructure is trying to work through how that then feeds through to projects on a day-to-day basis because a number of projects will buy materials up front and stockpile them while others will just buy them from the market at the market rate. We will be tracking those impacts over time and having an impact—

Q27 Dame Harriet Baldwin: Do you have a prediction?

Jonathan Saks: We know that inflation will go up. We track things such as the construction inflation rate. When we model and provide delivery advice, we do not just talk about general inflation but look at what the potential forecast is for construction inflation which includes—

Q28 Dame Harriett Baldwin: Can you share with the Committee what the impact that you have given to the Treasury is?



Jonathan Saks: We have not come up with a particular number. We have just advised in terms of projects and other high-level, macro-level elements.

Q29 **Dame Harriett Baldwin:** It is an up. Is it an increase?

Jonathan Saks: Yes, it will increase. It will increase.

Q30 **John Grady:** Mr Glen's chapter of questioning takes us to a point where we have to accept that, however good your work is, some projects are going to be a mistake. For example, a nuclear power station in Scotland when the SNP do not agree with it.

To what extent do you engage with other political parties to ensure that they are educated about the long-term nature of infrastructure and if you keep stop-starting it adds on costs? As an example, Reform has threatened to rip up the contracts for difference—all that would do is increase the cost of capital to the UK infrastructure. How much do you engage with other political parties?

Becky Wood: What we would ordinarily do, and what I have done since I joined, is work through the all-party parliamentary groups in particular areas: as one might imagine, the all-party parliamentary group on infrastructure and the all-party parliamentary group on project delivery.

I do not have specific bilateral engagement with political parties in that way but I can go through those groups. We also see them regularly to update them on work in relation to both the 10-year strategy and our dynamic infrastructure pipeline for precisely that reason, and to take some feedback from around the table as to the sort of data that is most useful.

I also work with my opposite numbers across devolved Administrations, so I speak to them to compare notes. Naturally, we do not have exactly matched roles, but we do have conversations about different challenges and how our work can help. Our infrastructure pipeline specifically does not directly lift data from devolved Administration partners, but it does have direct digital links through.

Q31 **John Grady:** Yes. What this brings us to is that a 10-year plan is not written in stone; it depends on political consensus. Is that one of the big challenges we face, which Mr Glen's question takes us to?

Becky Wood: It is incredibly important for us to work through the structures so that we can do exactly what you are describing, yes.

Chair: Sir Geoffrey Clifton-Brown, welcome to the Treasury Committee.

Q32 **Sir Geoffrey Clifton-Brown:** On the PAC, we are examining an enormous range of infrastructure projects—some small, some large—but most do not deliver on time or budget. Of those 85 GMPP projects and three mega projects, how do you choose which ones to get involved with? In my experience, most Departments do not have the resources when



HOUSE OF COMMONS

they enter into a big project, HS2 being a typical example—the Department lost control almost the moment it started.

How do you choose whether to get involved at a strategic level in the first place? As has already been pointed out by John Glen, it is usually that first scoping and planning appraisal stage where things start going wrong because it is not done properly.

Becky Wood: On upstream work in particular, I absolutely concur. We have an opportunity not to be bound by the Government Major Projects Portfolio alone. We can look across the piece, in terms of the Government's strategic priorities and other activities around corridors and so on, to use the tool we have been building over the last 12 months, with the data Mr Saks has referred to, to increasingly be involved upstream around strategic priorities at regional, devolved, and national level. That is why we have been focused on enhancing that data.

Specifically to Government Major Projects Portfolio choices and mega projects, Committee members will be familiar with lots of the principles set out in the Office for Value for Money report that talked a lot about making those choices in relation to both scale and complexity because some mega projects are, by their nature, hugely complex and require a fairly bespoke approach.

You cannot simply do a one-size-fits-all approach to delivery; it simply will not work. We also have to think about how we work with our partner Departments and accountable officers in strengthening the governance around those projects to make them work better. Mega projects, with their definition linked to £10 billion plus, are always going to be in our purview.

It is slightly more nuanced in relation to Government Major Projects Portfolio and the Departmental major projects I mentioned; that more data and capability focused role rather than direct support.

The way in which we use a lens on that is to think about whole-life costs. If it is whole-life costs of more than £1 billion, it will be on our priority list. If it is linked to national Government top priorities, it will naturally be on our list. I also have conversations with Ministers about how we make that selection, and think about how certain projects can benefit most from support from the centre. That can actually vary.

As you might imagine, with variability and difference across the portfolio the interventions we make will necessarily be quite different in their type. Specifically, what we tend to look at is both departmental capability and whether those Departments have existing significant portfolios of investment. There will be examples of projects where it is less immediately intuitive as to why we would be involved. That is usually because we want to come around that particular Department to support it because, for example, it is an unusual activity.



Jonathan Saks: As Becky has mentioned, we are also using the data that we collect. We collect an awful lot of data, particularly from the GMPP projects, on how they are performing and where they are coming up. We also have a range of AI tools and are able to look at schemes and see the direction of travel they are going in, so we have an early warning system as to when projects go awry.

We can also use artificial intelligence to look at patterns from the past from data collected in the past that led them from a green rating to a red rating, and see what the cause of that had been. We are then able to apply that to the portfolio as it currently stands. We use it to help us get through a large volume of schemes at a first pass and judge where we need to look. We can then obviously delve a little deeper into those programmes to check.

Q33 **Sir Geoffrey Clifton-Brown:** Can I ask you about the difference between your GMPP projects and mega projects? What is the difference in your role? Do you have a varying role?

Becky Wood: That is correct.

Q34 **Sir Geoffrey Clifton-Brown:** Let us just take your three mega projects. HS2 was a disaster; it may now be coming back on track. You cover the Dreadnought programme because there are problems there. Sizewell C has just completed an investigation—probably the most risky of all those mega projects—but because of the personnel involved and the governance they put in place it actually looks as though it might well succeed. How do you choose the mega projects, and where does your role vary within that?

Becky Wood: In terms of the difference between our role on a mega project and a Government Major Projects Portfolio, in essence it is primarily around the way we govern those projects. Mega projects have bespoke arrangements, as I have mentioned. It tends to be on the Government Major Projects Portfolio. It will have a more standard gated process where we have particular points in time that you would very much recognise and we have independent assurance intervention and other forms of decision making.

In relation to all three on the current mega project list, there is a different and distinct set of arrangements. That is not because we want to make any errors, but it is because we need to recognise that each is distinct in its type as I am sure you are very much aware.

On Sizewell C, for example, we are working through the governance arrangements to make sure that we recognise the way the company is maturing, that organisational capability is coming through, and is reflected in the way the Government's sponsor or shareholder role needs to work. That picks up a little on James Stewart's review in terms of how we shape that shareholder relationship and those roles.



HOUSE OF COMMONS

On Dreadnought, we recently met as a mega project's decision panel. That is the type of governance we use for those particular projects. There is a structural opportunity for me there because I meet with my co-chair, Andrew Forzani. He is the Government commercial function.

Q35 Sir Geoffrey Clifton-Brown: Are you involved in the whole Dreadnought project? I was very careful—

Becky Wood: By which you mean glide transformation as well as the boats themselves?

Sir Geoffrey Clifton-Brown: I mean just the submarines.

Becky Wood: The kit on the docks, as it were? We are, yes. I do not think we can take decisions on fleet out width the broader programme. Yes, we have a broader involvement. Is that more to the point? Yes. On that particular project, there are obviously certain decisions that have just come to us so we will have again used a slightly different but integrated assurance approach working with Ministry of Defence colleagues on that.

Q36 Sir Geoffrey Clifton-Brown: Do you think you ought to have an intermediate range of projects between mega and GMPP? We have looked at three very big projects. Northern Powerhouse Rail, which is very difficult; I am not going to put a price on it but I do not see the basis for that price. It has not been fully designed—how you can put a price on something that has not been fully designed I do not know. The new hospital programme is very fragmented. On Euston even your officials, or the HS2 officials, are surprised that Euston, which is incredibly complicated, has a GPA of £50 billion if it is delivered properly. Those sorts of projects, it seems to me, will come into an intermediate category.

Becky Wood: Or perhaps be considered for mega project status because there are obviously different forms of control that link to that. To check I have answered your question, the most straightforward answer is that I agree we need to keep this a live consideration in terms of the different nature, characteristics, scale, and complexity of these projects.

We meet quarterly to take stock of where we are on the mega project listing and the Government Major Projects Portfolio listing, and we then give advice to Ministers. I would expect that, in our annual major projects report that is due out before recess, we can give a fuller definition as to how we see those different categories changing over time.

Q37 Sir Geoffrey Clifton-Brown: One thing that I am taking a personal interest in at the moment is R&R in this place. I do not know why but there seems to be a huge sensitivity around getting you involved. It has an enormous potential to go wrong and I do not know why you are not involved. It is a political question, I am sure, but is there anything you can tell us about that?



HOUSE OF COMMONS

Matthew Vickerstaff: As I am sure you are aware, it is not a government project. That is the nuance.

Sir Geoffrey Clifton-Brown: We are going to have to pay for it though.

Matthew Vickerstaff: Parliament is going to have to pay for it. The way the funding mechanism works, it comes straight off the top effectively.

Sir Geoffrey Clifton-Brown: Someone will find the money tree.

Matthew Vickerstaff: Yes, and you are right with the range of between £11 billion and £56 billion of the four options. We were involved when the original Sponsor Board was set up back in 2020. We have not been involved apart from advising the Ministers who attend the Client Board. We also work with the Cabinet Office. It is not a government project but, as you say, it is an incredibly important and sizeable project that inevitably comes across NISTA's and previously IPA's desk from time to time.

Chair: Colleagues and witnesses, something has gone wrong with the microphones. Can we lean in a little when we question or respond, so that anyone who is watching can actually hear what we are saying?

Q38 **Bobby Dean:** We have talked a bit about why products get delayed or go over budget already and it is often said that England has a specific problem with that, but some factors we are talking about do not seem likely to be unique to England. There are changes of Government in most places across the world but not all, and I am sure there will be an uncertainty over infrastructure project delivery because of that.

Other countries also have planning regulation systems. They will be mindful of the environment and all the other things referred to as slowing infrastructure projects down. Is that analysis correct? What is it about England that makes us worse at delivering infrastructure projects than other places in the world—or is that not true?

Becky Wood: I would say that we have glimmers of good delivery.

Bobby Dean: "Glimmers" does not sound sufficient.

Becky Wood: We have done some brilliant things in England but, of course, I would say that.

There are aspects of what makes us different and what we can compare internationally. It is useful to me that there are a number of international bodies that I compare notes with. When we were looking at our dynamic infrastructure pipeline, I talked to Australia and New Zealand a great deal in terms of what they were trying to change. Mr Saks will want to come in on this because he was instrumental in some of the learning we talked about in that report.

When we talked to colleagues at OECD level and were thinking about things such as planning, context, and permitting, we learned quite a bit



HOUSE OF COMMONS

from international partners in terms of how we can streamline and how our systems could work in an enabling fashion for infrastructure. There is learning to be had. I am sure Jonny will also want to come in on that.

There is something about the way in which we are investing against a strategic plan. A great deal of the thinking that went into the 10-year infrastructure strategy was about the fact that we see those at different levels internationally in other countries driving that stability factor, which really does matter.

The other thing is repeatability. Drawing together a portfolio where you see this happening frequently can then drive those good outcomes, particularly from industry and supply chain, and give the confidence to start investing in better design.

Q39 Bobby Dean: To reiterate, is the correct analysis of why we have struggled those two central pillars of the planning system and lack of certainty? Further, are the changes that the Government have proposed sufficient or do we need to do more?

Jonathan Saks: I mentioned earlier that we had done a systems analysis, which was largely driven by work we had done with international comparators and their supply chains, investors, and their Governments. We did a huge amount of outreach to hundreds of different stakeholders.

There are a number of issues. Every country has separate issues with what they do. There has been a lot of discussion recently about project management capability, and the lack of project management capability in a German context. They are trying to solve that problem. Everyone has slightly different problems.

I would say that planning is one of the key and foundational areas that we need to look at. It runs through to what the Planning and Infrastructure Act has been trying to solve in terms of speeding up the process, but it is also about having the architecture to do it effectively with environmental mitigations. You could probably move towards a system where you have a set of mitigations that you can take off the shelf rather than designing them bespoke for a particular scheme.

We do not regularly collect that kind of information. We have started to do it, and DEFRA is doing a lot of work on this now, but it will take time to roll through the system as different projects come into planning and can then benefit from it. Planning is definitely one of those areas.

I would also mention the relationship we have between the sponsor, so maybe Government Department or Government perspective in this context, and your client body, such as Network Rail or National Highways. The relationship between those two bodies is different in England than in other countries.



HOUSE OF COMMONS

The client body sometimes has more power or a settlement that they have control over, whereas in the UK there is a much closer relationship between the sponsor and the client. That model is not wrong but it creates a set of pressures and can sometimes present unclear objectives.

We change things halfway through projects and that is where costs and delays start building in. It is very difficult to change a project halfway through without having a big impact on the cost and delaying it. There are definitely lessons that we could learn in that context.

Norway has a road system, equivalent to National Highways, where it gets a settlement after 20 years to go away and develop a relationship with the supply chain. It can develop a relationship with those delivering it, and it can invest in the supply chain. It can purchase assets and bring the supply chain to use them. That longer term planning horizon definitely helps it deliver to a lower level. It can also build commercial models that can then be repeated, which people become very familiar with. It can also work with industry much more closely without the fear of having a sponsor who may come in and change things. That long-term certainty is very important.

What we have done as part of the 10-year infrastructure strategy, by providing a 10-year floor in terms of investment and developing the pipeline, is take the first step in terms of making a commitment to a longer term level of investment, which means that the industry can start engaging with us. The next plan will look at how you then draw that through the sponsors and clients in terms of helping them deliver on those elements.

Q40 Bobby Dean: You mentioned bespoke environmental mitigations, so it would be remiss of me not to mention the insanity of the bat tunnel that has captured everyone's imagination as an example of how projects can go wrong. The headline figure is that it cost £216 million, 37% of which is direct costs. The rest relates to risk, design, and various fees taken by people along the way.

What struck me, when reading the report on it, was accountability for what happened. A lot of fingers pointed in lots of different directions. The supply chain was very deep and procurement decisions were happening all over the place. Is that what you meant when you were talking relationships? Do we have a messy matrix of people involved? What is the role of consultancies? How might they muddy the water rather than have a direct relationship? Is the problem the fact that everybody can point to each other rather than somebody having an absolute grip on the project that is the problem?

Jonathan Saks: The point you are raising is absolutely valid in the sense that incentives are really important in a system. That is what we found in the work we have done. If people are acting rationally within the objectives they have, whether you are a statutory body or wherever you are placed in the system, if those objectives do not have costs or other



HOUSE OF COMMONS

elements to the wider scheme then obviously you end up with a system that has competing interests rather than everyone trying to coalesce around the same objective or set of objectives.

Some reforms that have been put in place are to try to be clearer, particularly for statutory bodies, about what their role should be. A lot of reforms that the Government have been pushing through are to try to improve that, but there is obviously more that we can do.

It comes back to the point about having a range of mitigations that you can apply in particular circumstances. If you can incentivise through a cost incentive or mitigate a problem that has been well evaluated, then have a shelf with those on that you can apply to other projects, we should incentivise those bodies to try to do that. What we are trying to do is work with statutory bodies, DEFRA, and other Government Departments with control over those statutory bodies and think about how we do that.

Q41 Bobby Dean: A final question to you, Becky. It might be slightly mean given that your career history is with consultancies, but you will be aware of the criticism of the role of consultancies in infrastructure delivery projects in terms of infantilising the public sector, stripping them of their oversight capabilities, and an over-reliance on consultancies to deliver these sorts of projects. Do you recognise those criticisms? Do you think that public sector capability needs to increase and not be so reliant on firms like your old one?

Becky Wood: There is an absolute need to stay focused on the client-side capability as much as anything else. I have a huge amount of admiration for my fellow senior civil servants and civil servants across the piece. There are a lot of brilliant people working across all our projects.

One thing we have done in our first year is think carefully about the nature of the capability that people need to have when they are driving these hugely complex, important, and at-scale activities. We recently did a curriculum review of some training and development products that I offer as what we call a functional head, which is part of my Cabinet Office linked responsibility. We have strengthened things such as our commercial elements to that training because it is important in this environment, when we do have increasing complexities to manage and things continue to move around, for example geopolitically, that are outside the control of the project, so that people are stood up in the best way and have the best support to do their jobs well.

There is also a little risk, when we see changes in requirements and responses, for those individuals to consider what their strategic objective is. How they can push back and how they can create a circumstance where they get the best possible quality product? I see delivery as a bit of a partnership between the public and private sector, but inherent in us all is a need to recognise that treating clients well is part of the skills we need to have when we are driving project delivery.



Q42 **Dame Harriett Baldwin:** I was fascinated to hear Mr Saks speaking about incentives. A report last week from Britain Remade and the Centre for British Progress pointed to the 65% cost premium of UK infrastructure compared to European comparables. Where are the incentives and who is incentivised to bring those costs down to a European average? Are you incentivised to do that?

Jonathan Saks: When we did the cost work we spoke with the group of analysts who did the work, so we are familiar with what they have. There is a methodological reason for those large numbers. What you see in other European countries—not in all cases but certainly in some—is that much of the cost of planning and developing the scheme is banked elsewhere in the system and does not form part of the project cost in relation to time and delay. Once the project becomes a project, they start counting the time.

Q43 **Dame Harriett Baldwin:** Are you disputing the actual numbers?

Jonathan Saks: No, I am not.

Q44 **Dame Harriett Baldwin:** Hinkley Point is going to cost six times more than a South Korean nuclear power station. Where are the incentives to save money? I can see the incentives to spend a lot of money on these projects, but who is incentivised to do this in an efficient way?

Jonathan Saks: I was not disputing the numbers because I have not seen their analysis in detail. I was saying that when we do benchmarking, the way we account for schemes is sometimes challenging. But you are right, the incentives are central.

The point about our upstream work is to look at the programme and say, “Where are your biggest risks, and where are the incentives in that programme, given its complexities?” Then we can understand what is going to come up further down the line and mitigate that right from the very beginning. Part of that is to look at the incentives there might be in the system, first to frustrate that process or make it more difficult, and secondly to find opportunities that might make it easier to deliver: there are certainly some.

The upstream work we are doing is central to that because first, we can navigate what we think the delivery path should be ahead, and secondly, we can bring in our delivery advisers from NISTA who only get involved in detailed elements of the scheme. We can bring them in up front so that we can anticipate those issues and mitigate them. A lot of our work is focused on that.

Q45 **John Grady:** Briefly, if I was a taxpayer and I heard these things that you are asking, I might say that the National Audit Office has pointed out all these failing projects in Britain for years, as has the Public Accounts Committee, which is very ably chaired by Sir Geoffrey and previously by Dame Meg.



But another question I might put in direct language, having listened to this chapter of discussion, is that we never seem to learn because we still have these things almost daily. Why cannot Britain change its culture of project development? It is hardly intelligent, and it is frustrating for the taxpayer.

Becky Wood: I can absolutely understand taxpayers' frustration. It is particularly important that we use the effort, energy and data that we are bringing together with things such as the pipeline to drive change from, and with the supply chain and industry. I am not blaming anyone—as Mr Saks has said, this is part of the system—but in doing this work, we need to see improvements in productivity from our colleagues and we need to find ways on the Government side to create—

Q46 **John Grady:** We had better move on. I have heard today, for instance, that people can come to training but do not have to. How are we going to improve things if we do not make this stuff mandatory?

Becky Wood: That is an excellent question. In terms of what we need to be doing to drive change, I have had useful conversations about that very point across permanent secretary groups in the particular Departments that hold these responsibilities.

There is a huge incentive for accountable officers to sharpen and target the way that my role is defined and the way that their roles are defined. I hope that is an opportunity to make my offer attractive; I can improve their capability and work closely with them on improving our governance as well. We absolutely need to see increasing improvements. We have some fantastic talent across Government, so I do not want to suggest that we do not have people doing a great job who are committed to driving value for the taxpayer.

Chair: Perhaps they have the wrong skillset. There has been a long discussion—

Matthew Vickerstaff: Can I briefly come in? I feel that has given quite a negative view, with some positives. The MOJ's prison programme has been incredibly effective in terms of the frameworks it has negotiated, including off-site manufacturing and the outcomes that has delivered. I would also cite the Thames Tideway Tunnel as an effective model of a construction and delivery solution that combines private and public sector construction, investors and governance from DEFRA. That model is obviously being adopted for Sizewell C.

We recognise the challenges; sometimes it seems that a huge amount—perhaps too much—is being done, and that goes along with the political comment about attempts to improve things. But there are examples of strong delivery and good models. You mentioned the CFD for Hinkley Point as well. It will not cost, and that will not change in terms of the strike price from Hinkley Point.

Q47 **John Glen:** Mr Vickerstaff, if I could pick up where you left off, last year



HOUSE OF COMMONS

80% of the MOD's major products were rated red or amber for delivery. The NAO made numerous observations about disappointing returns on, for example, the F-35 programme.

Given the tension that has played out between the Treasury and the Ministry of Defence in recent weeks, can you explain to the Committee why NISTA has chosen this time to remove 27 complex military capability programmes from the GMPP? If there is a concern about poor cost delivery, where is the dispassionate scrutiny going to happen if this has all gone back to the MOD? It has no confidence in what it is doing.

Becky Wood: Absolutely: this partly goes back to the point I was making about accountability. It does not mean that it will not be scrutinised or that it should not be scrutinised, but part of the job for me in making this change is to work with Ministry of Defence colleagues to make sure we have that conversation about how its assurance is going to work and how its governance structures need to work.

There are many highly capable people across many different governance boards and senior leaders across the MOD who need to be part of that conversation; I welcome their willingness to work with me. This is also about how we structure the relationship of the oversight—if you will permit my view on that—which is about the fact that these are huge, broad programmes.

We know that they are highly interconnected, so as I work with colleagues in the Ministry of Defence to understand how they are structuring themselves, I also need to determine how I can help them to make sure that the governance is working as it should.

Q48 **John Glen:** The fact remains that a vast majority of admittedly complex procurements and projects are amber and red. People watching this will be thinking, "Who's getting a grip on that?"

I respect what you are saying: I have worked for close to seven years administering civil servants and many of them are capable, but the question we are striving to answer is, "Who is accountable for improving the delivery on expectations for these projects?"

Your organisation is tasked with dealing with these complex infrastructure projects and beyond, and yet you are expressly removing oversight of a significant tranche of highly contested projects back into a Department that, overall, has not had a good track record on delivery.

Becky Wood: I can understand the concern. Part of what we drew on from the James Stewart review—it is also part of the reflections from the Office of Value for Money—is that there is a balance to be struck in terms of a sense of oversight and true, targeted, active oversight.

Q49 **John Glen:** It was probably a bit nominal before. I am not trying to create a gotcha moment; I am trying to be honest and get answers.



HOUSE OF COMMONS

Becky Wood: Reading between the lines of reviews and lessons learned over the years, there is the risk of an over layering of assurance that effective oversight cannot cut through. I am not talking specifically about any of my previous colleagues, but we have read about that risk in a number of different lessons learned reports.

I am not suggesting that removal of oversight is proper or appropriate; these are huge and significant projects. What I am suggesting is that a clarity of accountability and frankly, streamlining decision making should make this more efficient and effective.

The other point I would suggest is in relation to the robustness of the assurance. It is critical that we make sure that assurance is integrated. Simply looking at one of these projects from a single lens—for instance, deliverability through my project delivery experts, or commercial feasibility through one of my colleagues—is not going to work for projects of this size and scale. I have the opportunity to make sure that we are integrating at the same time, and that should not be lost.

The only other thing I would say is that, particularly with recent learnings on big mega projects, it is absolutely critical that we are all working to the same data. We do not want to overlayer; our management information should be cutting through the layers that we are all drawing our decision points from.

Q50 **John Glen:** It is currently possible that the MOD could have a view of reality that differs from other agencies—indeed yourselves—on where it is making progress. It is that disputation that has led to delays in signing off on the DIP, for example.

Becky Wood: That is not specific to any individual MOD project. There are a set of lessons and themes that we can look at across a number of years which indicate that absolute clarity on the same data is critical.

John Glen: We can draw our conclusions from what you have said. Thank you.

Q51 **Sir Geoffrey Clifton-Brown:** I entirely agree with my colleague John Glen's comments. I share huge concerns about MOD procurement; it is one of the biggest procurement programmes in Government. We do not have the defence investment plan yet, but it is likely to be around £400 billion over 10 years, and the MOD has a record of projects being over budget and over time.

This is an area where you could get involved at the basic level. We hope that the new National Armaments Director will bring about change but we need to look at what is going on internationally. He was unable to answer two simple questions for me on this subject: why can Israel procure its entire defence needs with 1,000 people, and yet DE&S has 12,500 people? Why is it that the Japanese can procure a complex Type 26 frigate in a third of the time we can, which has led the Australians to buy Japanese rather than British frigates?



HOUSE OF COMMONS

Some fundamental rethinking is needed on MOD procurement. Hopefully, the new National Armaments Director will bring that about, but we need to look at this very carefully.

Becky Wood: I take that point. Once Ministers have made their decisions, part of my job going forward is to understand where funding needs to go and how I can best support it. I cannot spread myself too thinly across too wide a portfolio; that would be inappropriate, but this is a huge and nationally critical matter. You made the point earlier, I believe, that a number of these projects are highly interconnected. We are thinking about the distinct listing of projects—perhaps in the Government Major Projects Portfolio—because we must reflect the interconnected nature of these big programmes.

Q52 **Chair:** Have you been involved in defence investment plan discussions before?

Becky Wood: No, I have not.

Q53 **Chair:** So your expertise at NISTA has not been lent into that?

Becky Wood: I should be clear that I give advice on specific large projects under my purview. We have already spoken about Dreadnought, for example. And as part of my role in major projects and mega project governance, I give advice as to where particular decisions and approvals should be taken. I also give my views on the longer-term importance of maintaining stability to make sure that we can get them done. But no, I do not feed into the defence investment plan.

Q54 **Chair:** There has been speculation that Government Departments were being required to offer up 1% capital in order to fund investment in defence. To those of us who have followed these things for some time, it does not seem difficult to re-profile long-term programmes such as the 40 hospitals or the schools' redevelopment programme and save 1% capital over a period of time.

Looking at Mr Saks—who is the numbers man—re-profiling slows down delivery slightly because of the natural delays in processes. Do you think it is a credible approach to take capital out of other Departments in order to fund defence without it being too obvious to those on the ground because of the normal challenges in profiling spend?

Jonathan Saks: At a macro level, taking 1% off everywhere will always have different impacts on different programmes. A decision made by a central Department will obviously have an impact on the clients and others that have to deliver it. It is true to say that—

Q55 **Chair:** With re-profiling, sometimes you do not quite hit an end of year: because of annual budgeting, there is a rush to spend badly. But if the funding is rolled over, a school may have groundwork or construction challenges; a few months' delay is not great for the pupils, but these things happen. If re-profiling is allowed, do you think there is a capacity for some of that money to be released?



Jonathan Saks: I am sure that within the portfolio there is some money to be released, but I would not know the exact amount without having looked through the portfolio and examined different Departments and where they are at.

There are normally underspends each year, so it is important for Departments to report back on how projects are progressing and whether they expect to spend money. We may well want to encourage that in the sense of—as you say—releasing money for elsewhere. But we are also hoping and trying to push for people to get longer-term settlements and to have a longer-term view on their programme. That may mean that they want to spend more money this year or less money next year in order to stockpile.

Q56 **Chair:** To be honest, one of the challenges over the years is that they have not had that ability. There is more incentive for Departments to hold on to the money and spend it, even if it is not spent as wisely as it could be: if they do not, they lose it to the Treasury and might not get it back. How are you getting on with that vision of longer-term planning? Is it penetrating?

Jonathan Saks: We have seen that National Highways and Network Rail have longer-term settlements. They can look at their whole portfolio and decide to spend underspends elsewhere in that portfolio where there is the opportunity to do so: alternatively, they can revert to look at other objectives such as investing in technology or the hardware required for technology.

Money can be moved around and moved across their portfolio. I would probably encourage them to do that at their own will, rather than as a central approach to trying to take money off here and there; we want to empower clients to make those decisions. As long as, first they have clear objectives, secondly, they know what they are supposed to be delivering, and thirdly that is made clear by the sponsor, then we should probably empower them to be able to move that money around. Therefore, when they come and ask for money, they may well plan to do something with it that is not necessarily delivering that particular project, but something elsewhere in their portfolio.

Chair: That is common sense, but it has not always been the case in Government.

Q57 **John Glen:** Can I turn to the role that NISTA plays in financing? The Government put forward a Bill to finance the Lower Thames Crossing, but across the portfolio, there will be different profiles. Last month we saw gilt yields hit highs not seen since around 1998. Could you give us a sense of how you manage that exposure to volatility?

I would also like to know how you co-ordinate with the National Wealth Fund, a re-profiled organisation from the one that was set up when I was the Minister four years ago. It would be good to understand how you



interact on those funding and financing matters.

Becky Wood: On our relationship with the National Wealth Fund, we work alongside it in a group of public financial institutions that is regularly convened. That has been hugely beneficial for NISTA, partly because we think it is important that our role docks into the National Wealth Fund and the different priorities it has.

There are multiple aspects involved, but to keep it brief, a lot of it is place-based thinking about where investment could best happen. The other element is about how we can deploy and share our expertise across the different bodies to make sure that fantastic local schemes have the robustness to be deliverable and financeable. Matthew, did you want to come in on managing portfolio risk and financing?

Matthew Vickerstaff: I will come back to gilt rates, if I may. The 10-year infrastructure strategy set out a number of areas of focus. You mentioned the Lower Thames Crossing: that is a £10 billion transaction that we are working on and hoping to bring to the market next year with £3 billion of public sector capital and £7 billion of private investment that we are looking to raise using a regulated asset based—RAB—model.

Consortia are forming: domestic and international investors are looking at the Lower Thames Crossing as an investment opportunity. We are enthused about its investability, but we are working on the economic licence with the DFT to make sure that it is shaped in the right way. That builds off the back of the experience with Sizewell C, which used the RAB model and carbon capture, utilisation and storage transportation companies.

The NEP—Northern Endurance Partnership—and HyNet in the west both used a regulated asset based model. To give you the numbers, we are raising £10 billion for the Lower Thames Crossing, we raised £4.8 billion for the equity at Sizewell, £8 billion for the Northern Endurance Partnership and NZT—the combined heat power project—and around £2.8 billion for HyNet: we have been involved in them all.

Q58 **John Glen:** That is a positive story and it is good to have you here, Mr Vickerstaff, telling us positive things. But where are the vulnerabilities? When you are pursuing a public-private model and different models around that financing, there is obviously a degree of uncertainty; when you are dealing with bodies that have to make a profit—rather than taxpayers—how are you managing the risks that flow from the elevated costs of borrowing at the moment, and how do you get that balance between equity, taxpayer and debt?

Matthew Vickerstaff: I have been a private investor; to your point, if I were investing now I would be saying that all I wanted was certainty. I would be saying, “Tell me when and what you need to raise, and what the market is going to look like, and please try to ensure that we have



calm and orderly markets so that we can access capital at the right price.”

Gilt or Government bond rates have gone up globally, not just linked to the obvious problems in the Middle East, but also the fact that Governments are borrowing more. The US has \$40 trillion, and we have almost £4 trillion, so that is undoubtedly the case. If you look over recent months, it has settled down a little, although I agree with your point that the trajectory is up. The critical time is when we come to market. We need to make sure there is certainty, that the investment models are stable, and that we have strong regulations and compliance with the rule of law. That is essentially what investors want.

On your third point, if you look at the HARP transaction— where £3.3 billion was raised through a combination of bank and institutional investors—it is interesting to note that the NWF provided a credit enhancement facility of £300 million to support contingency and inflation risk. Linking to the previous point on steel price, for example—

Q59 John Glen: So you combine all these entities to make the best possible case for funding.

Matthew Vickerstaff: We are working extremely closely with the NWF, especially on energy: it has clean energy as one of its primary missions.

Q60 John Glen: We will probably see more of that from now on.

Matthew Vickerstaff: Partly as a link to the previous question around consultancy, I will just mention that we are bringing together our associate pools.

Chair: I am sorry but we need to move on; we are up against time.

Q61 John Grady: I want to unpick the transmission mechanism between the higher cost of Government debt and the cost of infrastructure; you can keep me right, Mr Vickerstaff.

The first premise is that if it is on the public sector balance sheet, the higher cost of Government borrowing increases the cost of the project. If it is privately financed—whether through RAB, CFD, or any other model—the funders will not invest unless they get a higher cost of equity from the risk-free rate. That will also be the same for the cost of debt.

If the cost of Government borrowing increases, then by definition the cost of providing infrastructure—which is capital-intensive and involves the long-term funding of assets—increases as well. In broadly simplified terms have I captured the transmission correctly?

Matthew Vickerstaff: Can I play that back to you? In the capital asset pricing model, there is a risk-free rate embedded in the actual cost of capital, which is essentially priced off the Government gilt rate. If that goes up, then the underlying overall cost of capital will go up, but it is the risk allocation of individual transactions and the investment model—



whether it is a contract for difference, or a regulated asset-based model—that will drive the cost of capital. The individual risks of construction, financing, delivery, are more of a driver than the risk-free rates. You are correct, but on a comparative basis it is at the margins.

Q62 **John Grady:** So we will never go below that floor of the risk-free rate.

Matthew Vickerstaff: It is a building block of the weighted average cost of capital.

John Grady: If the cost of Government debt increases, then people will pay more for infrastructure, so that is why we must manage our public finances carefully.

Q63 **Jim Dickson:** I would like to quickly go back to the Lower Thames Crossing project because my constituents in Dartford have a particular interest in that: it can help solve a lot of problems for them. What are the pros of using the regulated asset-based model, compared to a conventional public borrowing model? Could you set those out so that my constituents can understand?

Matthew Vickerstaff: Going back to the previous question, in my experience—having done many toll roads around the world—incentivising investors to manage congestion risk and the elasticity of toll rates with the volume of traffic will give you an attractive cost of capital.

You could just put it on taxpayers and take that risk, but are you driving behaviours to optimise the revenue from what it is going to cost at peak periods and the volume of traffic you have at the moment?

As you know, the Lower Thames Crossing was designed for 135,000 and for 180,000 at peak periods. If you optimise the price, you will get the volume and spread it across the shoulders of the day; that utilisation will hopefully give a good solution locally for your voters.

Jim Dickson: The basic premise is for toll pooling between the Dartford Crossing and the Lower Thames Crossing.

Matthew Vickerstaff: It has to be system-based, otherwise you might—

Q64 **Jim Dickson:** Is there a risk under that model that cost escalation beyond what is currently expected—for any number of reasons that can happen in a big construction project—could result in higher tolls than we expect at the moment, both for the Dartford Crossing and the Lower Thames Crossing? Because of the model the strain gets taken by the toll payer in the end.

Matthew Vickerstaff: The close policing of allowed costs and disallowed costs—what are economically efficient costs and therefore are included in the RAB, or inefficient and not included—will control the cost escalation, apart from inflation and prolongation or just poor delivery, which should not be added to the regulated asset base. That is a really strong incentive to make sure that it is brought in on time and on budget.



Chair: It is an effective economic tool.

- Q65 **Sir Geoffrey Clifton-Brown:** I have a very brief question. Sizewell C has one of the most complicated financing structures that I have seen in my time as chair of the PAC. It is not just the provision of private finance that is important in that project; it is the driving of behaviours to deliver it in a more timely and economic way.

Private capital has the majority of the management structure in this project; although the Government is providing the majority of the capital, it lost the majority of the management. The difference between the maximum and minimum price is £4 billion, and if the private sector drives that improvement, then it is worth the increased returns it will get from this project.

Matthew Vickerstaff: You are right. As was the case with the Thames Tideway tunnel, Sizewell C has the highest regulatory threshold, and it has the highest cost. If investors can drive the model to come in at the lowest regulatory threshold, they are incentivised—a word we have used on this panel today—to bring it in at a lower cost so that they can have a higher return. It is not just about financing per se; it is also about the way the HRT and the LRT work to drive that incentive to create the lowest and shortest delivery period.

- Q66 **Catherine West:** The infrastructure pipeline will require an estimated annual average workforce of between 621,000 and 697,000 over the next two years. Does the UK have this workforce already?

Becky Wood: We need to recognise the huge scale of that ask. The work we are doing on the detail of the infrastructure pipeline is important in understanding how we can best address it. I should probably be transparent: to address that challenge, I have to work effectively through my teams and with the Department for Work and Pensions, the Department for Education, the Skills Mission Board, and alongside the Construction Leadership Council. The data-gathering element is critical, as is an element of engagement with industry in making sure that we have understood the capabilities in question. There is a great deal to do.

- Q67 **Catherine West:** What is the role of immigration in solving this problem?

Becky Wood: I do not have a view on that. We get a lot of feedback from infrastructure colleagues across industry but we are mindful of looking at particular skills gaps.

- Q68 **Catherine West:** Immigration has gone down by 84% under this Government, which is very pleasing to certain people electorally, but what is the impact on the average bricklayer, carpenter, or electrician, the people who have those basic skills? What is your analysis as an economist, Mr Vickerstaff?

Matthew Vickerstaff: The availability of expert labour has been an issue with some nuclear activity. We have worked very closely with DESNZ, the Home Office and EDF, that flagged that issue, to find an acceptable



solution for Sizewell C. At a practical level, there are examples of where that has worked well.

Q69 Catherine West: Over a number of years, the apprenticeship levy, which is levied on large businesses, has been returning to the Treasury because it has not been spent. So is the figure of £625 million for construction skills packages enough? There has been a 23% drop in our colleges receiving teachers and linking in with big projects, for example, the Tideway tunnel and Crossrail.

Dame Siobhain McDonagh: I am sorry to interrupt you, Catherine, but is it not the case that the average age of the underwater electricians on the Tideway tunnel project is around 65? The last time we trained people for these jobs was when we had a significant mining industry: there is no one new coming through to undertake that work.

Becky Wood: Absolutely: it is as much about different types of skill as it is about the financial envelope. For example, we are doing a lot of work in relation to welders—I am sure that will not come as a surprise to this Committee—and there will be particular project interventions we can take forward.

As far as I am aware—I can check—we do not currently gather specific data that relates to the statistics you are describing. However, it is incredibly important that we are working on this at an overarching level. What we learned from the Tideway tunnelling and previously from the Underground Construction Academy for Crossrail, was that unless NISTA can help take a view across the different project sequences, we cannot create a true pipeline to convert apprenticeships. That is not an answer to the immediate problem, but we are focused on that area.

Q70 Chair: Do you feed into the social occupation list?

Becky Wood: Yes, we do.

Q71 Chair: Do you feed into it directly?

Becky Wood: We have opportunities to do so, which is why that data matters.

Q72 Jim Dickson: Could I quickly come in on the skills issue? The construction industry is the one that affects us the most in this conversation. Additional investment is going into construction skills, but in total terms it is still 23% below the peak in the 2000s: we are not investing as much in apprenticeships and skills in those sectors as we did previously. Multiple projects must therefore call on the same pool of skilled workers. Do you therefore see the lack of investment—albeit we have increased it—as a potential driver of increased costs? If we cannot meet the demand, costs will go up as a result.

Matthew Vickerstaff: We share your concerns in this area: that is why we have the pipeline. The facilities management community also have problems, and we are working with them on our PFI contract



HOUSE OF COMMONS

management programme to increase recruitment and their ability to respond to our expiry programme. Our approach is to partner with industry to give it as much certainty and understanding as possible about what is coming and what the needs are, and to encourage it to invest in its labour forces and skills mixes.

Q73 Chair: Do you think things such as the submarine academy at Barrow, the various HS2 academies—

Becky Wood: There is an HS2 academy at Devonport.

Q74 Chair: You have a direct input into those; you can discuss this with them and suggest how they get set up. Obviously, some were set up before you were formed.

Becky Wood: Absolutely. Depending on the stage of the project lifecycle, we would very much encourage that. It is an exemplar of the lessons we can learn across the portfolio and what we can encourage.

Because NISTA has a central role, there are different aspects to this: my colleagues have talked very ably about the different importance levels of data and understanding what is missing. There is also that sequencing point: personally, I think we are missing something if we are not thinking about where those skills could go next in the pipeline. That is incredibly important.

Chair: You are overseeing the 10-year strategy, so you have that.

Becky Wood: Absolutely; that is important. As a strategic body, we need to think about the future of those skills. We are seeing skills change across industry and it would do a disservice to the people I am keen to attract into industry were we not to think about the slightly different mix of skills needed in the future.

Q75 Chair: Mr Saks, what about AI? Will that be something that we will be needing more in the future?

Jonathan Saks: I will come back to AI, but I will just respond quickly to the question about skills and where we get them. To be clear, the pipeline is essential to the supply chain; indeed, it is important to build it out to a much longer time period, showing not just those projects that are in train, but also future problems that we are trying to solve.

The Government have a big role to play in this, but so do those in the supply chain: they are generating the jobs, roles, pay and everything else. It is important that the Government play their role in setting out that long-term commitment and sticking to it, providing stability so that the supply chain can invest in skills, as they have done. They have all experienced a drop in skilled people: they can see this not only in their numbers, but in the higher age brackets of personnel, and indeed from an immigration perspective as well. But they cannot feel tentative about investing.



Any uncertainty or lack of long-term thinking will mean that they put off those investments. It is important for us as a body to look at the whole portfolio and understand how we can drive that certainty for them to be able to invest, because ultimately, they are the ones who are purchasing the skills. This is not just about the Tier 1 firms we all know very well; it is the Tier 2 and Tier 3 firms that make up the bulk of what we need to do.

Q76 Chair: That is about people who are doing things with their hands. You mentioned earlier that you will be using AI models at NISTA. Do you think there is an opportunity for AI to increase productivity across the piece?

Becky Wood: We see AI in a number of different spaces, as Mr Saks has already talked about. We use it internally, as you might expect, first to think about how the richness of the data we already have can be thought about differently and faster, and secondly to run different scenarios, particularly in spatial planning.

When I have these conversations with industry, we are all thinking about how the skills and capability factors for the people we are bringing into the industry and increasing efficiency and effectiveness in design and delivery need to be led through AI. I see some great examples across industry bodies: I will not name individuals because I do not want to do others a disservice, but there is a skills—

Q77 Chair: Are you using closed models so that you are not feeding all this Government data into some other machine?

Becky Wood: No, we are not feeding our Government data into it, but similarly we are using it.

Q78 Chair: So security-wise, you are thinking about those issues. I have a couple of quick questions. The Institute for Civil Engineers gave very useful evidence to this session; it rightly highlighted the issue about maintenance and renewals, and certainly the Public Accounts Committee has looked at this over the years. There is a list of what I call the big nasties, things that have not been maintained or kept up. How much do they feature in the 10-year plan? It is always tempting for politicians to go for the new big shiny stuff, so what influence do you have in making sure that maintenance is included?

Becky Wood: Mr Saks can talk about this in some depth but the headline from me is that there are specific and deep references to the importance of asset maintenance in the infrastructure strategy itself, particularly in relation to social infrastructure.

Q79 Chair: Are you referring to schools and hospitals in particular?

Becky Wood: Yes, and prisons. NISTA is doing a lot of work around how we can gather data effectively across the estate. We are working with partners such as the Office of Government Property and thinking about



HOUSE OF COMMONS

strategies that are coming out on other forms of estate across the Government's asset base.

I keep mentioning data because it is important in presenting choices and evidence to the Ministers who will make policy decisions about what is championed. I should also mention that an advantage of being within the Treasury is that we are very active in the Value for Money review that is going on at the moment about asset maintenance. I believe it has given us an opportunity to influence the way that this is being thought about.

Q80 Chair: Do you look at maintenance as a way of keeping skills ongoing? When a major project has been delivered, you have people with skills; if those skills can be used in maintenance, that keeps the skill base alive and in the UK.

Becky Wood: That is hugely important.

Q81 Chair: My second question relates to devolution. There are obviously a lot of issues involved; both this Government and the last talked about devolving further, and Sir Geoffrey highlighted a couple of examples. I know that you looked at the West Yorkshire tram system. Your review said that it did not need to necessarily be a tram; rapid transit would bring similar benefits at a lower cost.

I know the Mayor of West Yorkshire has strong views about this. My point is, does NISTA's review bite or can politics trump it? Obviously, there is a Government decision to be made about the balance of money in different regions. How much influence do you have with devolved authorities and elected mayors?

Becky Wood: These schemes are funded in slightly different ways, so to an extent our influence is determined by that funding method and whether it comes through central Government Departments or not. That is a bookend to this statement.

The review itself was an independent peer review that we facilitated, but it was not something that we enforced or created. I welcome the fact that the senior responsible owner asked for it because it is good practice to seek expert advice when you are doing something difficult and complicated. In terms of modal choice, that is absolutely for the Mayor and the combined authority to decide, but we need to see a robust business case; we have mentioned the benefit cost ratio, and of course that matters.

Broadly though, our role in partnering with combined authorities on these important schemes is to think about a new model for the way that we can provide support. Mr Vickerstaff has already mentioned our use of associates: that is a predefined pool of expert advisers that we can provide to support local authority colleagues, combined authorities and so on. We have been developing a deeper and slightly broader pool to do just that, so that when West Yorkshire wants actual delivery advice, we can help.



HOUSE OF COMMONS

Q82 **Chair:** Are you available to do that peer review work for all the devolved authorities?

Becky Wood: Yes. I have to live within the bounds of my resource and structure, but we want to see great things delivered and much of it is nationally critical.

Chair: Thank you very much. This has been a very useful opening session for us with NISTA, and we know our sister committee, the Public Accounts Committee, will also have you in front of it. Do not worry, we will try to make sure that it is not on the same week. But as you are a Treasury body this Committee has oversight of the work you do, so this has been a useful starting point, and we will be holding you to account for the things that you have said today.

It has been helpful to discuss the benefits of merging the Infrastructure and Projects Authority and the National Infrastructure Commission to create the new body and how infrastructure delivery can be insulated from political challenges. That is very pertinent at the moment. We have also discussed the skills needed and the streamlining of the Government's major projects portfolio and how that will work or not. We will wait to see whether there is any fallout that might raise issues.

The Public Accounts Committee will be particularly interested in the impact on the accountability of permanent secretaries for its own projects and how that works with you, so I am sure it will be following that up. Thank you very much indeed for your time; the transcript of this session will be on the website uncorrected in the next couple of days.