



HOUSE OF LORDS

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Baroness Neville-Rolfe DBE CMG  
Minister of State, Cabinet Office

James Cartlidge MP  
Exchequer Secretary to the Treasury

7 February 2023

Dear Lucy and James,

**Infrastructure policy making and implementation in government**

I write following the Built Environment Committee's brief inquiry into infrastructure policy making and implementation in government. Thank you for your oral evidence on 17 January.

Please find attached the committee's views on the topic with conclusions and recommendations on this topic, which draws on the evidence we received.

I would be grateful if you could respond to the committee's conclusions and recommendations within six weeks.

Yours sincerely,

Lord Moylan  
Chair, Built Environment Committee

## INFRASTRUCTURE POLICY MAKING AND IMPLEMENTATION IN GOVERNMENT

1. Our short inquiry focused on government decision-making processes for planning, delivering and evaluating major infrastructure. We did not undertake a comprehensive review of infrastructure, nor did we assess specific infrastructure projects. We took oral evidence from various infrastructure bodies and sector specialists and received several written submissions.<sup>1</sup>
2. There are aspects of infrastructure policy making—including the overall structure—which the UK does well. The Global Infrastructure Hub, set up by the G20, compares the “strength of the infrastructure-enabling environment” across 81 countries; its latest assessment was that the UK is ranked first in regulatory frameworks and planning.<sup>2</sup> In September 2022, the International Monetary Fund stated that the UK “manages public infrastructure well across the three phases of planning, allocation, and implementation”.<sup>3</sup>
3. Two bodies established in the last decade underpin the planning and monitoring of major infrastructure in the UK. The National Infrastructure Commission provides evidence-based research to inform long-term national infrastructure investment decisions. The intellectual calibre of this work was praised, although one witness said that it should be placed on a statutory footing.<sup>4</sup> The Infrastructure and Projects Authority (IPA) acts as a client-side project management office for the Government Major Projects Portfolio (GMPP) with the aim of monitoring and improving delivery, and reducing the risk of overruns on cost and schedule. The IPA has assessment models that are adopted internationally, such as the Project Routemap methodology,<sup>5</sup> and the Major Projects Leadership Academy attracted praise.<sup>6</sup> Our impression is that these organisations benefit from effective leadership.<sup>7</sup> Credit is owed to them for their focused and rigorous work in improving infrastructure planning and delivery in recent years.
4. **There are aspects of infrastructure policy making and implementation which the UK does well. Improvements have been made in recent years. In particular, the Infrastructure and Projects Authority provides effective monitoring and project management supervision.**
5. Given the long-term nature of large-scale infrastructure projects, the results of these improvements may take years to accrue. It will be necessary to embed the skills and capacity to effect these changes in the long term.

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<sup>1</sup> See appendix 2.

<sup>2</sup> Global Infrastructure Hub, ‘United Kingdom’: [https://infracompass.gihub.org/ind\\_country\\_profile/gbr/](https://infracompass.gihub.org/ind_country_profile/gbr/) [accessed 18 January 2023] and highlighted by Nick Smallwood (Q 40)

<sup>3</sup> International Monetary Fund, *United Kingdom: Public Investment Management Assessment* (September 2020): <https://www.imf.org/-/media/Files/Publications/CR/2022/English/IGBREA2022012.ashx> [accessed 24 January 2023] and Q 50 (James Cartlidge MP)

<sup>4</sup> Q 24 (Jonathan Spruce)

<sup>5</sup> Infrastructure and Projects Authority, *Project Routemap: Setting up projects for success* (2021): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1080239/Handbook\\_-\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1080239/Handbook_-_FINAL.pdf) [accessed 19 January 2023]

<sup>6</sup> Q 14 (Richard Threlfall)

<sup>7</sup> Q 7 (Richard Threlfall)

## Prioritisation

6. We heard that projects which enter the GMPP are initiated by departments and are approved—or not—subject to business cases presented to HM Treasury.<sup>8</sup> There is the five-case model for developing business cases and the criteria in the Green Book. We recognise that there is inevitably an element of political choice arising from, for instance, a manifesto commitment. However, we remain unclear whether there is any systematic prioritisation of bids as between departments. The Exchequer Secretary to the Treasury said that prioritisation is “led by departments,” with an ultimate decision taken by the Chief Secretary to the Treasury.<sup>9</sup> It is not clear whether the advice the Chief Secretary receives contains any evidence-based comparison or evaluation on the criteria for deciding between different schemes.<sup>10</sup>
7. Having been approved, we come to the question of how the IPA prioritises the 235 projects in the GMPP 2021–22, 70 of which were in the ‘infrastructure and construction’ category.<sup>11</sup> The total number of GMPP projects has since risen to 266.<sup>12</sup> While many of these projects do not concern major infrastructure (the focus of our inquiry), there appears to be no method of prioritisation within government to identify the most significant projects in the pipeline. It is inconceivable that each of the 266 projects will receive the attention it deserves; we heard that the IPA has capacity to concentrate on a maximum of 100 at a time.<sup>13</sup> Prioritisation is challenging if the portfolio itself is unmanageable. Nick Smallwood, Chief Executive of the IPA, said: “we are overprogrammed and trying to do too much”.<sup>14</sup> While this comment will have related to government projects as a whole, not just major infrastructure projects, it suggests that the pipeline is challenging to monitor with the resources available.
8. **While we recognise that political decisions, not least manifesto commitments, will always be important in determining priorities, the Government should be able to demonstrate a set of objective criteria to explain how it selects which infrastructure project to fund. In particular, while we understand that prioritisation of each department’s infrastructure projects is undertaken within that department, the Government should explain how the Chief Secretary to the Treasury prioritises infrastructure spending between departments.**

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<sup>8</sup> [Q 47](#) (James Cartlidge MP)

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> The other categories in the GMPP 2021–22 were: government transformation and service delivery (89 projects); military capability (45 projects); and information and communications technology (31 projects). See: Infrastructure and Projects Authority, *Annual Report on Major Projects 2021–22*: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1092181/IPA\\_AR2022.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1092181/IPA_AR2022.pdf) [accessed 19 January 2023]

<sup>12</sup> [Q 33](#) Nick Smallwood explained: “We have 266, not 235, because 235 are reporting data and the others are now joining and will report data in the subsequent quarter, so that figure fluctuates.”

<sup>13</sup> [Q 32](#) (Nick Smallwood)

<sup>14</sup> [Q 33](#) (Nick Smallwood)

## Funding

9. In 2019–20 public sector capital expenditure on economic infrastructure was 0.92% of GDP, having not risen above 0.96% in any of the previous six years.<sup>15</sup> This will have been supplemented by private-sector investment. The 2022 autumn statement committed to protecting the Government’s capital investment programme for the next five years.<sup>16</sup>
10. The Government has set the National Infrastructure Commission a fiscal remit of proposing interventions that are consistent with gross public investment in economic infrastructure of 1.1–1.3% of GDP per year from 2025 to 2055.<sup>17</sup> Sir John Armitt told us “having a budget to work with is a good discipline ... the alternative would be that we simply gave government a long shopping list ... that would be a slight abdication of our responsibility.”<sup>18</sup> However, Richard Threlfall, Global Head of Infrastructure, Government and Healthcare at KPMG, said that this fiscal remit “makes no sense: [the National Infrastructure Commission] should be asked to look at what the benefit of the investments should be regardless of the fiscal envelope required, because that would push the debate about whether we should be investing more in our infrastructure or not.”<sup>19</sup> The Exchequer Secretary did not agree that proposals should be made regardless of the fiscal effect.<sup>20</sup>
11. **The Government should clarify whether it intends to invest in infrastructure an amount consistent with the National Infrastructure Commission’s fiscal remit. If it does not, it should explain why and detail how its expenditure on infrastructure will be sufficient to meet its growth objectives.**
12. The Built Environment Committee takes a keen interest in the regional distribution of funding for major infrastructure. Information on the per capita and per region spending on infrastructure is not currently in the public domain.
13. **The Government should publish comprehensive data on the regional breakdown of infrastructure investment across the UK. This should detail where projected benefits associated with schemes will be realised.**

## Planning

14. Large infrastructure projects usually obtain legal permission through a hybrid bill or a development consent order under the Planning Act 2008. The process has become slower in recent years. An infrastructure planning application entered in 2012 would typically receive a decision in 17 months; by 2020 the average wait had risen to 22

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<sup>15</sup> National Infrastructure Commission, ‘Public Expenditure on Infrastructure’, 20 September 2022: <https://nic.org.uk/data/all-data/public-infrastructure-expenditure/> [accessed 19 January 2023] The summaries for 2020–21 and 2021–22 have not been published.

<sup>16</sup> HM Treasury, *Autumn Statement 2022*: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1118417/CCS\\_1022065440-001\\_SECURE\\_HMT\\_Autumn\\_Statement\\_November\\_2022\\_Web\\_accessible\\_1\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118417/CCS_1022065440-001_SECURE_HMT_Autumn_Statement_November_2022_Web_accessible_1_.pdf) [accessed 19 January 2023]

<sup>17</sup> [Q 16](#) (Sir John Armitt)

<sup>18</sup> [Q 19](#) (Sir John Armitt)

<sup>19</sup> [Q 9](#) (Richard Threlfall)

<sup>20</sup> [Q 56](#) (James Cartledge MP)

months.<sup>21</sup> We heard that it can take as long to gain planning permission as it does to build a project.<sup>22</sup>

15. Even with a development consent order, many detailed matters require planning permission from the local planning authority, including some matters related to the construction process. Public involvement and objection can be expressed at the development consent order stage and at the local planning authority stage, including on matters as transient as the number of vehicles allowed access to a construction site. The wide range of opportunities for objections causes delays, an issue raised by Nick Smallwood, who advised “not giv[ing] people multiple opportunities to challenge the same thing. We need a degree of flexibility about relatively minor changes that allow us to deliver something on time or ahead of schedule, rather than creating delays through the planning process”.<sup>23</sup> The Minister of State at the Cabinet Office conceded that the “system does not always work perfectly”.<sup>24</sup>
- 16. The Government should consider the merits of an approach that provides all necessary planning permissions for major government infrastructure projects before construction begins. This could reduce unnecessary interruptions and delays and cut costs.**

#### *Delivery*

17. The aim should always be to deliver infrastructure projects to cost and schedule. The two are closely linked. The UK has historically been poor in this regard, with infrastructure projects routinely completed late and overbudget.<sup>25</sup> The Infrastructure Forum detailed factors that can contribute to delays and cost increases.<sup>26</sup> These include: incentives to over-promise to win the project; inappropriate allowances for risk; technological developments occurring after the planning stage; and optimism bias.<sup>27</sup>
18. To mitigate the risk of projects running late and overbudget, thorough planning is needed at the outset to work through potential difficulties. Nick Smallwood highlighted the importance of focusing on the outcome, objectives and scope of a project in its earliest stages. He advocated cancelling projects earlier, stressing: “if we really can't get our costs, estimates and schedules correct and plans right at Outline Business Case, that's the time ... to pause and stop projects, rather than investing ever increasing amounts of capital”.<sup>28</sup> At a time when construction inflation is running at 10–15% per year,<sup>29</sup> preventing a year's delay would save significant unnecessary expenditure.
19. Once a project is under way, the IPA undertakes independent assurance reviews which evaluate the likelihood of it delivering its objectives to time and cost. The ‘Stage Gate

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<sup>21</sup> ‘Why Britain can't build infrastructure’, *The Spectator* (26 November 2022):

<https://www.spectator.co.uk/article/why-britain-cant-build-infrastructure/> [accessed 18 January 2023]

<sup>22</sup> [Q 31](#) (Nick Smallwood)

<sup>23</sup> [Q 39](#) (Nick Smallwood)

<sup>24</sup> [Q 52](#) (Baroness Neville-Rolfe)

<sup>25</sup> Examples include Crossrail and HS2.

<sup>26</sup> Written evidence from The Infrastructure Forum ([IPM0005](#))

<sup>27</sup> The Exchequer Secretary indicated that an evaluation of optimism bias in relation to major projects will likely be published in 2023. [Q 51](#) (James Cartlidge MP)

<sup>28</sup> [Q 34](#) (Nick Smallwood)

<sup>29</sup> [Q 26](#) (Jonathan Spruce)

Assessment' process categorises a project based on a traffic-light system. In March 2022, the IPA introduced a 'response to red' process, which triggers a series of interventions for red-rated projects. If there is no improvement this culminates in a decision involving the accounting officer on whether the project is to continue.<sup>30</sup> The Exchequer Secretary confirmed that any decision to halt a project because of a red rating would be for the relevant minister.<sup>31</sup> Of the 70 infrastructure and construction projects in the GMPP 2021–22, six were rated red, 51 were amber, 10 were green and three were exempt.<sup>32</sup>

20. **The Government should clarify the relationship between accounting officers and ministers when deciding to continue projects which fail to improve following the 'response to red' process. This should explain circumstances in which the Government would cancel a project that was consistently overspending or not expected to meet its objectives.**
21. **The Infrastructure Projects Authority should be able to refer persistently red rated projects to the National Audit Office for review.**

*Post-project evaluation*

22. The value of post-project evaluation was stressed by a number of witnesses. Its success relies on having a clear set of stated benefits and goals before the work takes place. Yet we heard that a number of projects in the GMPP lack a fully detailed benefit statement<sup>33</sup> and that stated benefits are often abandoned as a project moves through its delivery phase.<sup>34</sup> In 2016 the National Audit Office expressed concern about a lack of reporting on the delivery of the benefits of projects leaving the portfolio.<sup>35</sup> We heard that the IPA plays a greater role in post-project evaluation.<sup>36</sup> However, the extent to which the IPA has capacity to carry out systematic evaluations depends on the number of projects finishing in a given year.<sup>37</sup> The National Infrastructure Commission told us that “not much time and effort is spent on ... post-project evaluation” and the extent to which it is undertaken in certain government departments is “mixed”.<sup>38</sup>
23. **In light of clear evidence of a lack of post-project evaluation of infrastructure projects, we invite the Government to explain how it assesses the relative successes or failures of infrastructure projects in delivering the benefits for which they were designed. We further invite the Government to explain how it ensures that lessons learnt on one infrastructure project inform future similar projects.**

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<sup>30</sup> [Q 30](#) (Nick Smallwood)

<sup>31</sup> [Q 53](#) (James Cartlidge MP)

<sup>32</sup> Infrastructure and Projects Authority, *Annual Report on Major Projects 2021-22*:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1092181/IPA\\_AR2022.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1092181/IPA_AR2022.pdf) [accessed 19 January 2023]

<sup>33</sup> [Q 38](#) (Nick Smallwood)

<sup>34</sup> Written evidence from the Early-Career Academics and Professionals Panel, University of Cambridge ([IPM0006](#))

<sup>35</sup> National Audit Office, *Projects leaving the Government Major Projects Portfolio* (19 October 2018):

<https://www.nao.org.uk/reports/projects-leaving-the-government-major-projects-portfolio/> [accessed 19 January 2023]

<sup>36</sup> [QQ 36–37](#) (Nick Smallwood)

<sup>37</sup> [Q 37](#) (Nick Smallwood)

<sup>38</sup> [Q 21](#) (James Heath)

### *Government structure*

24. There is a need for a more streamlined central decision-making process for infrastructure. We heard that, while the National Infrastructure Bank, the National Infrastructure Commission and the IPA have useful responsibilities and remits, they operated via a “series of bilateral relationships” with no-one seemingly responsible for joined-up decision-making.<sup>39</sup>
25. The infrastructure-focused Project SPEED imposed a structure and discipline on central Government that could prove valuable if made long term. We heard how this initiative had brought departmental ministers together and helped to focus attention.<sup>40</sup> The Exchequer Secretary to the Treasury told us of “embedded learnings” from Project SPEED, though he did not elaborate on what these were.<sup>41</sup> A group of academics advised: “The solution is probably not to create a centralised command and control structure for infrastructure. Rather it is to ensure effective convening, connecting and coordinating across the infrastructure departments.”<sup>42</sup>
26. **There is a lack of ministerial accountability for and ownership of the process for deciding and delivering major infrastructure projects. The Government should ensure greater political grip on priorities and improved inter-departmental coordination. We do not prescribe a structure to achieve this but make clear that change is needed.**

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<sup>39</sup> [Q 7](#) (Richard Threlfall)

<sup>40</sup> [Q 40](#) (Nick Smallwood)

<sup>41</sup> [Q 50](#) (James Cartlidge MP)

<sup>42</sup> Written evidence from Mark Enzer, Melissa Zanocco and Alexandra Bolton ([IPM0001](#))

## **Appendix I: list of members and declarations of interests**

### Members

Baroness Bakewell  
Lord Berkeley  
Lord Best  
Lord Carrington of Fulham  
Baroness Cohen of Pimlico  
Baroness Eaton  
Lord Grocott  
Lord Haselhurst  
The Earl of Lytton  
Lord Moylan (chair)  
Lord Stunell  
Baroness Thornhill

### Declarations of interests

Baroness Bakewell

*No relevant interests to declare*

Lord Berkeley

*Honorary board member, Allrail (the European association of independent rail operators)*

Lord Best

*No relevant interests to declare*

Lord Carrington of Fulham

*No relevant interests to declare*

Baroness Cohen of Pimlico

*No relevant interests to declare*

Baroness Eaton

*No relevant interests to declare*

Lord Grocott

*No relevant interests to declare*

Lord Haselhurst

*No relevant interests to declare*

The Earl of Lytton

*No relevant interests to declare*



Lord Moylan

*Member, board of the Ebbsfleet Development Corporation*

Lord Stunell

*Honorary President, National Home Improvement Council*

*Honorary Fellow, Institution of Civil Engineers*

Baroness Thornhill

*No relevant interests to declare*

A full list of members' interests is in the Register of Lords' Interests:

<https://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/>

## Appendix 2: list of witnesses

Evidence is published online at: <https://committees.parliament.uk/work/7097/infrastructure-policy-making-and-implementation-in-central-government/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with \*\* gave both oral and written evidence. Those marked with \* gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

### Oral evidence in chronological order

*	Richard Threlfall, Global Head of Infrastructure, Government and Healthcare, KPMG	<a href="#">QQ 1–14</a>
**	Sir John Armitt CBE, chair, National Infrastructure Commission	<a href="#">QQ 15–23</a>
**	James Heath, chief executive officer, National Infrastructure Commission	<a href="#">QQ 15–23</a>
**	Jonathan Spruce, ICE Trustee for Policy and External Affairs, Institution of Civil Engineers	<a href="#">QQ 24–29</a>
*	Nick Smallwood, chief executive officer, Infrastructure and Projects Authority	<a href="#">QQ 30–46</a>
*	James Cartlidge MP, Exchequer Secretary, HM Treasury	<a href="#">QQ 47–60</a>
*	Baroness Neville-Rolfe DBE CMG, Minister of State, Cabinet Office	<a href="#">QQ 47–60</a>
*	Jonny Medland, Deputy Director, Infrastructure, Digital and Culture, HM Treasury	<a href="#">QQ 47–60</a>

### Alphabetical list of all witnesses

**	Sir John Armitt CBE, chair, National Infrastructure Commission ( <a href="#">QQ 15–23</a> )	<a href="#">IPM0002</a>
	Alexandra Bolton	<a href="#">IPM0001</a>
*	James Cartlidge MP, Exchequer Secretary, HM Treasury ( <a href="#">QQ 47–60</a> )	
	Early-Career Academics and Professionals Panel, Centre for Smart Infrastructure and Construction, University of Cambridge	<a href="#">IPM0006</a>
	Mark Enzer OBE FREng	<a href="#">IPM0001</a>
**	James Heath, chief executive officer, National Infrastructure Commission ( <a href="#">QQ 15–23</a> )	<a href="#">IPM0002</a>
	The Infrastructure Forum	<a href="#">IPM0005</a>
*	Jonny Medland, Deputy Director, Infrastructure, Digital and Culture, HM Treasury ( <a href="#">QQ 47–60</a> )	
*	Baroness Neville-Rolfe DBE CMG, Minister of State, Cabinet Office ( <a href="#">QQ 47–60</a> )	
*	Nick Smallwood, chief executive officer, Infrastructure and Projects Authority ( <a href="#">QQ 30–46</a> )	

**	Jonathan Spruce, ICE Trustee for Policy and External Affairs, Institution of Civil Engineers ( <a href="#">QQ 24-29</a> )	<a href="#">IPM0003</a>
*	Richard Threlfall, Global Head of Infrastructure, Government and Healthcare, KPMG ( <a href="#">QQ 1-14</a> )	
	Melissa Zanocco OBE	<a href="#">IPM0001</a>