

All Party Parliamentary Group for the East Midlands

Co-Chairs: Nigel Mills MP (Amber Valley), Alex Norris MP (Nottingham North)

Inquiry into the wider social and economic benefits (and opportunities) of major infrastructure investment in the East Midlands

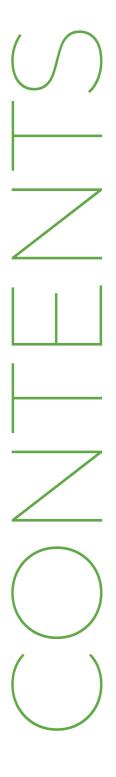
Approved for publication:

16 OCTOBER 2023



This report is not an official publication of the House of Commons or House of Lords. It has been researched and funded by East Midlands Councils and East Midlands Chamber, with support from the Institution of Civil Engineers (East Midlands). It has not been approved by either House or its committees. All-Party Parliamentary Groups are informal groups of members of both Houses with a common interest in particular issues. The views expressed in this report are those of the Group.

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FOREWORD BY THE CO-CHAIRS

The job of the All-Party Parliamentary Group (APPG) for the East Midlands is to help 'shine a light' of the key issues of relevance to all of the Region's Parliamentarians.

We have been concerned for some time about the lack of infrastructure investment in the East Midlands and what this means for our communities and businesses.

Whilst the East Midlands has a robust and resilient economy and a rapidly growing population, we also have falling productivity, low graduate retention and poor social mobility.

We believe there is a clear link between investment in 'economic infrastructure' (transport, energy, water, waste treatment, flood defences and digital) and the wider social and economic challenges facing the East Midlands.

The purpose of this Inquiry has been to examine these links in more detail by drawing on the expert testimony of local leaders and business representatives. Through this we have been able to establish a compelling body of evidence and five clear recommendations for change.

The Government's cancellation of HS2 and the publication of 'Network North' on the 4th of October 2023 was not anticipated when this Inquiry was launched and came after our evidence sessions had closed. These fundamental changes raise both challenges and opportunities for the East Midlands which we have reflected where appropriate in our commentary, but we believe that our recommendations hold true.

We intend to use this Report to inform the Government's 2023 Autumn Statement and the second National Infrastructure Assessment to be published by the National Infrastructure Commission (NIC) later this year, and which the Treasury is required to respond to in the form of a revised National Infrastructure Strategy.

We are very grateful for all those that made written responses to our 'Call for Evidence', and to those that were able to join us in Westminster on the 21st June and the 5th July 2023 to provide oral evidence. We hope that you will be able to see your thinking reflected in our Report.

We would also like to thank East Midlands Councils and East Midlands Chamber for supporting this Inquiry, and to the Institution of the Civil Engineers (East Midlands) for their expert insight and hospitality.

EXECUTIVE SUMMARY

The East Midlands has a robust and buoyant economy, an attractive mix of cities, towns and villages and a rapidly growing population. However, GDP and productivity per head of population are below the UK average, and the region suffers from low levels of social mobility and graduate retention.

The East Midlands also continues to be 'under invested' relative to the UK average across a range of functions, most notably transport. Improving and maintaining the region's infrastructure is critical to achieving the 'levelling up' agenda and the transition to 'net zero'.

The evidence we received from local leaders and business representatives highlighted the crucial relationship between infrastructure investment and local activity to create more prosperous and inclusive economies. Whether it was HS2 in Chesterfield, flood defences in Lincolnshire or the state of the local roads in Leicestershire, the opportunities, challenges and frustrations presented by infrastructure investment were articulated loud and clear.

Reflecting on this eloquent testimony, we have identified five broad recommendations as the basis for engagement with Government and the NIC, which we hope can start to address the Region's infrastructure deficit.



RECOMMENDATIONS

Recommendation 1

There should be greater long-term certainty about the delivery of major infrastructure to provide a firm basis for complementary local public and private investment.

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Recommendation 2

There should be agreement around a common framework for describing the wider societal impacts of infrastructure investment to inform investment decisions.

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Recommendation 3

There should be as better balance between investment in existing infrastructure and in new infrastructure to ensure the Region's long term economic resilience.

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Recommendation 4

There should be greater collaboration between infrastructure providers and between the public and private sectors to ensure the wider benefits of infrastructure investment are fully realised.

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Recommendation 5

A credible and transparent 'regional infrastructure pipeline' should be established reflecting regional priorities, and linked to a skills and training strategy to ensure that sufficient human resources are available for delivery.

Background 1

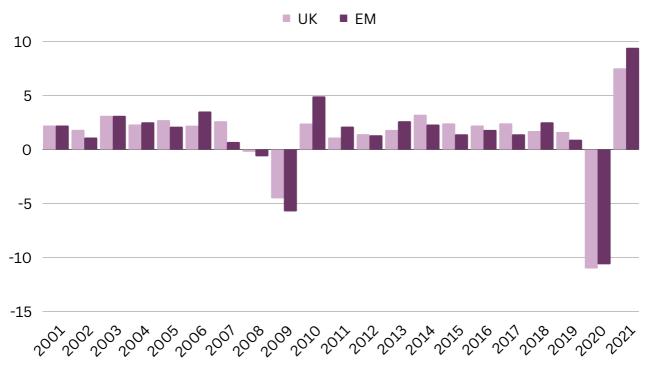
The East Midlands is a region of 4.87 million people and 368,000 businesses. Total regional output in 2021 was £134 billion, equivalent to 5.9% of the UK economy. The East Midlands employment rate (May 2023) is close to the UK average at 76.2% (UK=76%).

Median weekly earnings are below the UK average: £604 pw compared to £640pw. 10.5% of the workforce work in manufacturing, compared with 7.2% for the UK – although this percentage has declined significantly in recent years. The regions unemployment rate has increased recently but is below the UK average: currently at 3.3% compared to 4.0%

Growth and Productivity

GDP growth in the East Midlands over the last 20 years has been better than most other regions/nations and generally in line with the UK average. However, productivity has remained below the UK average over the last 20 years and has been declining relative to the UK to 85.9% in 2021. The region has therefore been growing its economy by growing its population - not by becoming more productive.

GDPR Annual Percentage Change 2001-21



Source: Regional gross domestic product: all ITL regions - Office for National Statistics

Productivity in the East Midlands 1999-2021

100 = UK Average (& trend)

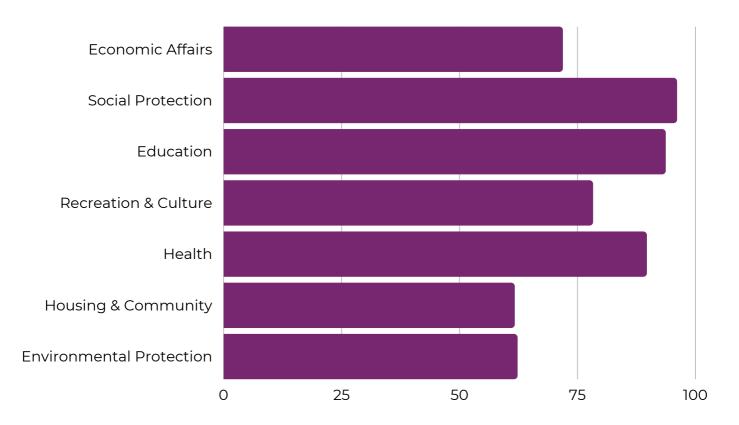


Source: Annual regional labour productivity - Office for National Statistics (ons.gov.uk)

Public Investment

The Treasury publishes an annual Public Expenditure Statistical Analysis (PESA) every July on where public money (capital and revenue) is spent and on what, in the previous financial year³. The data has the status of 'National Statistics' as defined by ONS and has been published on a broadly consistent basis over several decades. Over period 2017-22 total spend per head in the East Midlands on the functions listed below were all below the UK average.

Spend per capita in the East Midlands 2017 -22 100 = UK average



Source: Public Expenditure Statistical Analyses 2023 (publishing.service.gov.uk)

The level of expenditure on economic affairs, important for growth and includes spending on enterprise, economic development, science and technology, employment and transport; it is not solely that the East Midlands is the lowest funded region per head of the population, it is the consistently wide gap between East Midlands' levels and the national average and being 34% less than the West Midlands who are partners in the Midlands Engine.

And specifically on transport expenditure, transport spend per head has been very significantly below the UK average level for all of the last 20 years. The additional financial support resulting from Covid smoothed some of the disparities, but transport spending in the East Midlands has now declined to just 60% of the UK average for 2021/22, the lowest level of any UK region or nation. If the region was funded at a level equivalent to the UK average, a not unrealistic target, the East Midlands would have an **extra £1.28bn a year** to spend on transport investment and services.

Transport Spend per capita in the EM

100 = UK average (& trend)



Source: <u>Public Expenditure Statistical Analyses 2023 (publishing.service.gov.uk)</u> & previous releases

Social Context

Evidence from the Social Mobility Commission⁵ shows us that someone born into a disadvantaged community in the East Midlands is less likely to do well at school, find a good job and have a good standard of living, when compared to people living in the rest of the country. The social mobility index shows that the East Midlands has the most social mobility 'coldspots' of all regions in England. These include some of our biggest urban areas including Chesterfield, Nottingham, and Derby.

To tackle the economic challenges of the region and improve the life chances of local people there is a need to build a stronger economy with a skilled workforce that attracts high-value businesses.

To do that we must retain more highly qualified graduates in the East Midlands. Nottingham, despite being home to two world class universities, has the second lowest graduate retention of all UK cities home to a traditional 'red brick' university. We need to ensure more of those who come to study here to take high-value jobs, stay and raise families and spend their high salaries in our economy, creating more jobs as a result.

The National Infrastructure Commission

The National Infrastructure Commission (NIC) is a non-statutory body established by and reporting to the Treasury. This NIC's purpose is to provide advice to Government on priorities for investment in 'economic infrastructure': transport, water, flood resilience, energy, waste and digital. The NIC is due to publish its second National Infrastructure Assessment in October 2023, which the Treasury is required to respond to in the form of a revised 'National Infrastructure Strategy'.

The NIC's prioritisation work takes place within a 'fiscal remit' set by Treasury to ensure that its recommendations are affordable. The remit currently provides a long-term funding guideline for public investment in economic infrastructure of 1.1 - 1.3 per cent of GDP for the period 2025 - 55. Because this remit is expressed as a percentage of GDP, the level of available expenditure is dependent on the long-term performance of the economy and can change over time.

The remit does not take account of capital cost inflation, so its 'buying power' can also change. For example, the NIC's first National Infrastructure Assessment published in 2018 assumed the total cost of the full HS2 'Y' network to be £47bn. Based on the Rail Minister's last report to Parliament, this sum would have been barely sufficient to meet the costs of the Phase 1 to Birmingham.

The NIC's fiscal remit is only described at a national level. However, if it were applied to the East Midlands in isolation, it would currently imply capital investment in the region's economic infrastructure of between £1.47bn and £1.74bn per year.

TfEM/Midlands Connect Shared Priorities

Transport for the East Midlands (TfEM) brings together senior Elected Members from the Region's ten Local Transport Authorities under the auspices of East Midlands Councils. The Chair of TfEM is Sir Peter Soulsby, the City Mayor of Leicester, and the Vice Chair is Cllr Richard Davies, transport lead for Lincolnshire County Council. In September 2022, the TfEM Board agreed eight 'Shared Priorities' ¹⁰ with Midlands Connect that will contribute to Government's 'Net Zero' and 'Levelling Up' agendas and help to address the Region's historic underfunding:



Midland Main Line Electrification



Nottingham-Leicester-Coventry Rail Connectivity



HS2 to the East Midlands & Leeds



A46 Growth Corridor & Newark



A50/A500 Growth Corridor



A5 Growth Corridor



Improving A1 Safety & Reliability



Improving Connectivity across the EMDevCo/ EMFreeport areas

The current status of each of these priorities following the publication of 'Network North' is set out below:

Midland Main Line Electrification	 Network Rail has funding to electrify as far as Wigston, just south of Leicester, and to upgrade the wires south of Bedford to 125 mph. Government is committed to electrifying the rest of the line through the East Midlands and to Sheffield by 2030, but funding has yet to be secured by Network Rail. TfEM will publish a Strategic Case for full electrification on 26 October 2023
Nottingham-Leicester- Coventry Rail Connectivity	 Midlands Connect published a Strategic Outline Business Case in 2021 to establish a direct service between Coventry and Leicester also extending to Nottingham¹¹ - further progress is dependant on DfT funding.
HS2 to the East Midlands & Leeds	HS2 to the East Midlands and Leeds was cancelled by the Government on the 4th October 2023 with the publication of 'Network North'. Output Description:
A46 Growth Corridor & Newark	 National Highways is due to submit a Development Consent Order application for the Newark Northern Bypass by the end of 2023. Construction is due to start in 2025 – subject to DfT funding. Midlands Connect has produced a Strategic Outline Business Case for a line speed improvement on rail corridor between Lincoln, Newark & Nottingham¹² – further progress will depend on DfT funding.
A5 Growth Corridor	 Any potential strategic enhancement of the A5 between the M42 and M69 delayed until after 2030 due to national funding constraints. There is an opportunity to upgrade the junction with the A426 at Gibbet Hill in RIS3 (2025-30) – subject to DfT funding The A5 is highlighted as a priority in 'Network North' but further details on funding and timescales have yet to be published.
A50/A500 Growth Corridor	 Midland Connect published an improvement plan for the corridor in 2022.¹³ Derbyshire County Council was awarded just under £50m in Round 1 of the Levelling Up Fund for a new junction on the A50 that will provide connections to East Midlands Freeport, Toyota and the South Derbyshire Growth Zone. The A50/A500 is highlighted as a priority in 'Network North' but further details on funding and timescales have yet to be published.
Improving A1 Safety & Reliability	 National Highways has secured investment to improve signage and road markings over the next 18 months. TfEM continues to make the case for strategic improvements to junctions and crossovers, and for improved CCTV coverage.
Improving Connectivity across the EMDevCo and EM Freeport Areas	TfEM and Midlands Connect continue to work with East Midlands Development Company and the East Midlands Freeport to ensure that major growth can be accommodated sustainably.

We published our 'call for evidence' on the 19th May 2023 and received 24 written representations by the deadline of Friday 9th June. Based on these responses, we held two oral sessions; the first on the 21st June hosted by the Institution of Civil Engineers at 1, Great George Street, the second on the 5th July which took place in Committee Room 17 in the House of Commons. Further details are set out in Annexes 1-3. This final report was agreed by the East Midlands APPG at its meeting of 16th October 2023.

Our report is based around five key recommendations.

Recommendation 1

There should be greater long-term certainty about the delivery of major infrastructure to provide a firm basis for complementary local public and private investment.

A recurring theme from both the written and oral evidence was the impact that the lack of certainty about investment in strategic infrastructure can have in plans for local investment from both the public and private sectors. This concern has arguably been amplified by the Government's decision to cancel HS2, with the need to provide greater certainty on the alternative priorities set out in 'Network North' if investor confidence is to be strengthened.

Investment decisions in major infrastructure are generally made at the national level by Government delivery bodies and ultimately Ministers. From a local perspective the process can seem distant and opaque, as **Matt Lamb, Newark and Sherwood District Council** noted in relation to the proposed A46 Newark Northern Bypass which is critical to delivering major planned growth in the town:

"The thing that worries us all is, as with any process like this, particularly the RIS [Roads Investment Strategy] process, you can fall out at certain 'gateways'. So, you can stay in and that's fine, but you can fall out at any of those gateway moments or indeed be pushed back into a different RIS period in any gateway moment. And that is a difficult thing to deal with, both from a public, political and investment perspective."

We heard similar concerns from the private sector:

Chris Hobson, East Midlands Chamber

"I think there's still a lot of uncertainty around the political environment that exists in Government policy, and the impact that has - and that does have tangible impact on decisions. And more businesses are not investing the kind of levels that I would expect to see them investing... When it comes to major projects, the stop/start nature of our decisions really does knock businesses.

Jonathan Wallis, Tritax Symmetry

"Decisions aren't being made about what is needed...I'm not saying they're easy decisions, but the business community have no certainty...And I do feel for the local authorities because how can they plan their growth if they don't know what the transport network looks like?"

CBI

"The Rail Network Enhancement Pipeline (RNEP), which was established to outline a pipeline of rail projects that require Government investment, is overdue an update by over 1000 days. This undermines business confidence and puts on hold or deters completely the spending decisions and recruitment plans of businesses."

Midland Engine

"There is currently billions of pounds of private sector investment earmarked for industrial decarbonisation...all awaiting Government to finalise business models for low carbon hydrogen production and finance support for Carbon Capture Usage & Storage. This delay risks losing investment to overseas where policies for industrial decarbonisation are clearer."

The challenges of dealing with uncertainty is highlighted by the impact on the rail supply chain of the stop/start history of Midland Main Line electrification, but is perhaps best exemplified by the plans to bring HS2 to the East Midlands, first published by Government in March 2010. ¹⁴

Following several reviews and a pause in 2019, the Government's Integrated Rail Plan (November 2021)¹⁵ pushed delivery of the project in the East Midlands back from the 2030's to the 2040's. The project scope was also reduced, and a decision about the extending connectivity to Leeds put on hold pending the outcome of a further study. Then on the 4th October the Prime Minister announced that the project was cancelled. Despite this, the route of the whole former Eastern Leg of HS2 will remain 'safeguarded' through the East Midlands until 'summer 2024' and cannot be developed for alternative purposes, extending years of blight and uncertainty for numerous businesses and local communities without a single mile of new railway being built.

In Chesterfield, a large derelict site in Staveley was due to be the location for an Infrastructure Maintenance Depot (IMD), which would have led to the creation of hundreds of new jobs. The changes to the project announced in 2021 meant that it was unlikely to be required, even before the cancellation of HS2 in October 2023. However, the site still remains safeguarded, which has had a chilling effect on local investment.

In written evidence, **Chesterfield Borough Council** commented:

"With no clear date for when a decision about the IMD will be made it is not possible to have realistic discussions with landowners or potential future occupiers of the site. It also hampers the ability of the Borough and County Councils, and landowners, to clearly establish the value of the site and whether (or to what extent) it can contribute to the costs of the CSRR [Chesterfield & Staveley Regeneration Route], which is needed to unlock the development of 1,500 homes on the remainder of the site beyond the safeguarded site."

Although HS2 was still planned to serve Chesterfield Station until the publication of 'Network North', the delays and uncertainty also had a negative impact on plans to regenerate the town centre.

"The Council is aware of a number of sites, particularly clustered around Chesterfield Railways Station, where vacant and derelict sites have been privately purchased by parties with development aspirations at values that significantly exceed current typical local land prices for similar land. This has occurred on assumptions of some level of (undefined) uplift anticipated from HS2 services stopping at the station. The prices paid are therefore hindering development of these sites in the short and medium term (and potentially in the longer term should HS2 services not use Chesterfield Station) by suppressing viability..."

More broadly, **Derbyshire County Council** noted:

"HS2, its uncertainty and changes over the years has led to significant swathes of blight and both commercial and housing projects being delayed or abandoned. Clear examples of this are likely loss of 660 much needed houses in the buffer zone at Coalite...Continued safeguarding of HS2 land is fettering the development process and constraining inward investment due to the level of uncertainty and open-ended timescales."

Issues of uncertainty and blight are not limited to HS2. Written evidence from **Derbyshire County Council** also highlighted the impact of delays and uncertainty around the proposed A38 Derby Junctions scheme led by National Highways.¹⁶

"...there is significant planned growth along the A38 corridor up to 2028 and beyond. Delays to decision making and the lack of clarity on whether this infrastructure will be granted approval is causing uncertainty on a significant number of other projects reliant on the proposed upgrades. There is an emerging proposal, for example, in the Amber Valley Local Plan Review for a new housing development of 1,200 houses, which is very much dependant on the delivery of the A38 scheme, especially the grade separation scheme for the Markeaton Roundabout."

The impact of the ongoing delay on local communities was described by **Derby City Council:**

"Delayed decision making over the National Highways A38 junctions scheme has resulted in empty properties which were compulsory purchased. These boarded up houses have sat empty for over a year. Their presence has added to a decline in the look and feel of the area along the A38 as a significant gateway to and through the City. It is also an obvious target for anti-social behaviour and the School for the Deaf located close to these properties is also affected, as have properties on the adjoining streets."

The negative impacts of uncertainty and blight were contrasted by examples of where national and local funding have been aligned successfully to secure wider socioeconomic benefits.

Derbyshire County Council

"The regeneration of the derelict Markham Colliery into Markham Vale Business Park where redevelopment of the flagship 85 hectare was heavily reliant on new, national infrastructure. A new motorway junction, Junction 29a not only critically improved access to the site, it brought about a strategic delivery partnership between Henry Boot Developments and the County Council and has turned £80m of public sector funding into £130 million of private investment. The contaminated, brownfield site is now transformed, 2,000+jobs have been created, high quality landscaping has been secured and a network of sustainable travel routes is now being developed."

СВІ

"In the West Midlands, for example, HS2 has acted as an anchor for successive investment decisions, as it has transformed the business case for projects and initiatives that will cluster around the proposed development. We can see this with an array of projects and construction that are centred around the Digbeth area of Birmingham, near to where the HS2 Curzon Street station is planned to locate, most notably the relocation of BBC Midlands."

Reviewing the evidence brought home to us the extent to which the investment plans of both councils and the private sector are dependent on infrastructure decisions made by central Government, and the lack of influence they have over the process. These decisions can 'make or break' a place or a community for a generation, and/or incur huge abortive expense for councils and businesses.

From the perspective of councils, local communities and investors, the least they should be able to expect from is a greater sense of clarity and certainty about what will be delivered and when. Governments have a tendency to 'over promise and under deliver'. Whilst it is clear to us that the East Midlands justifies a greater slice of the national investment cake, making unrealistic promises would be counter-productive. Rather, Government and its statutory agencies should invest more in scheme delivery (people, skills and project management) and improve dialogue and engagement with those local interests most directly impacted.

02

Recommendation 2

There should be agreement around a common framework for describing the wider societal impacts of infrastructure investment to inform investment decisions.

We were struck by the fact that the infrastructure investment decisions are generally made on a 'sectoral' basis in isolation from each other, but that the impacts of investment are felt much more widely, including on other forms of infrastructure. These impacts and inter-dependencies are not captured in a consistent manner and therefore do not appear to be given sufficient weight in decision making. Nor is it clear how different decision makers consider cross-cutting policy objectives such as 'levelling up'.

From a transport perspective, Maria Machancoses from Midlands Connect noted:

"I think there's a lot more work that we need to do with Treasury in particular to convince them that when accepting a road scheme or a rail scheme is not just about the value for money, it's actually the housing, the growth economy and our social mobility, health, in fact, is that wider strategic case which at the moment is not taking into account when making decisions, so we end up always allocating great pots of funding in big cities and in the south as we have seen for decades."

Clir Tricia Gilby from Chesterfield Borough Council described the potential wider benefits to northern Derbyshire of HS2 investment, if it had been delivered as proposed:

"HS2 would be the greatest investment since the pits were closed, bringing £270m worth of local services and products into the to the area. And that's every single year. That's how important it is. And just imagine how that could transform the lives of ordinary people."

Cllr Nick Worth, Leader of South Holland District Council, and representing the SE Lincolnshire Partnership highlighted the negative impacts of underinvestment on the nationally significant agri-food industry:

"In South Holland, particularly around the agrifood industry, which is the main part of our economy and where we have somewhere in the region of 30-40,000 people employed, if the suppliers to and from the food industry get held up, either in the queues of traffic or on the roundabouts or stuck behind the tractors that are on the road with no way to pass, or even behind caravans in times of the holiday season, there is a significant cost. It may not sound a lot, but I know one firm in particular that has estimated it cost them £1.2 million a year in delay."

These wider impacts extend beyond transport. Written evidence from the **Environment Agency** highlighted the profound economic and social importance of the Lincolnshire Coastal Defences:

"The Lincolnshire coast, extending from the Humber to the Wash, is protected by 128km of raised sea defences. These defences manage flood risk to around 40% of the total land area of Lincolnshire. Some 220,000 people live in the Lincolnshire coastal zone, amounting to 103,000 households, and there are more than 4.5 million visitors to the area each year. In addition, Lincolnshire is the largest single contributor to agricultural production in England, providing nearly 30% of the field vegetable crop in the country from its Grade 1 arable land."

Andrew Rouse from the Environment Agency explained the investment challenge of managing coastal flood risk in the face of climate change:

"We currently spend anywhere between £8-10 million a year trying to sustain those defences, but it's really only buying one year's extra security. It's not the investment we need to provide security for the future growth of the area and there is some conflict between health, housing growth, regeneration versus actually trying to protect people. There's a real debate around how we drive and align political decisions together to say how do we best we spend that one pound on wider investment rather than just on flood defence or just on road."

There is also the interaction between different types of infrastructure investment. **Kyle Clough from the Kier Group** highlighted some of the unintended consequences of assessing schemes in isolation:

"...investment in road construction can create climate, chemical and energy events for water companies. A typical example is the Highways 'right to connect'. This approach can lead to increased runoff, water seepage into combined systems, additional sewage load, chemical and energy increases in treatment and increase in storm water spills due to lack of storage/treatment capacity."

Elsewhere there was a sense that the wider benefits of major investment may be being missed due to regulatory constraints:

Lincolnshire County Council

"The Proposed Lincolnshire Reservoir led by Anglian Water has the potential to bring significant investment into the county and provide multiple socio, economic and environmental benefits. However, Anglian Water is constrained in what can be delivered by the regulators with their focus being on the public water supply element. Rising costs are already proving a challenge even though it will be up to 10 years or more before a spade is in the ground. Whilst a new reservoir will no doubt be an attraction, the wider benefits (similar to Rutland Water re: tourism, environment etc) cannot be funded by Anglian Water and therefore will fall to other organisations, private investment etc. There are no funding models or approaches as yet in place meaning there is a risk that wider multiple benefits beyond the main reservoir footprint may not be realised."

It seems to us that there are major opportunities to deliver better outcomes and better value for money by taking a more integrated approach across traditional policy 'silos' (road, rail, water, flood defence etc), and by having a common framework for assessing wider societal benefits for all infrastructure investment.

We will return to the issue of integration in our final recommendation. In terms of establishing a common framework, we were struck by the use the Environment Agency made of the UN's Sustainable Development Goals to describe the wider impacts of the Boston Barrier Flood Defence Scheme, illustrated overleaf. ¹⁷



Figure 1: Contribution of the scheme to each United Nations sustainable development goal target - the size of bar represents the scale of positive impact (Mott MacDonald)

The scheme was awarded the Institution of Civil Engineers prestigious Edmund Hambly Medal for an 'important contribution to the wellbeing of mankind and the environment' in 2020. The award recognises that the barrier has been built not only to better protect more than 14,000 homes and businesses from tidal flooding, but that it does so in a way that safeguards future generations. That has included:

- avoiding 30,000 lorry journeys by re-using construction debris
- saving 1,500 tonnes of steel and 5,000 cubic metres of concrete by revising designs
- investing more than £5m into the local economy by sourcing suppliers and materials from within a 50-mile radius
- cutting hundreds of tonnes of carbon emissions
- contributing to local health and wellbeing by improving access to the longdistance Macmillan Way for people with disabilities.

We recognise that the Environment Agency's assessment was a 'post-hoc' evaluation of the scheme and that the UN's Sustainable Development Goals were not designed to be used as a decision making tool for major infrastructure projects. However, we understand from **Ian Nicholson of Stantec** that the basic approach has been adapted by the Government sponsored 'Construction Innovation Hub' to establish a 'Value Toolkit' for decision makers.¹⁸

"We've been developing a value-based decision-making framework which enables clients to find those broader outcomes that their investments need to deliver, whether they be environmental benefits, economic benefits, human, social, community benefits and then it brings that through into the product base. And one of the core drivers for that is about moving the industry away from the race of bottom - just continually letting contracts on basis of cheapest capital cost and instead thinking about what if we spend one percent or two percent more on project, what are actually the wider benefits."

Given the chronic levels of under-investment in the East Midland (reaffirmed by the latest release of the Treasury's PESA data in July 2023¹⁹) and the complex challenges the region is facing, we believe that this kind of thinking should be integrated more formally into the Treasury's Green Book analysis.

03

Recommendation 3

There should be as better balance between investment in existing infrastructure and in new infrastructure to ensure the Region's long term economic resilience.

As Parliamentarians we are acutely aware that our attention tends to be drawn to the larger more controversial projects that deliver new or enhanced infrastructure, rather than to the more mundane challenges of maintaining the infrastructure we already have. However, we heard compelling evidence of the importance of asset maintenance, particularly given the age of much of our existing infrastructure and the challenges of climate change.

Written evidence from **Midlands Highways Alliance Plus** highlighted that 98% of the nation's road network is managed by local authorities (the other 2% is managed by National Highways). In the East Midlands this equates to 19,900 miles of road – supporting 26.3 billion vehicle miles in 2021.

"...highways and transport are used daily by the entire population for business, education, leisure or accessing essential services and local highway issues typically make up 80% of a local councillor's postbag. They are possibly the least recognised public service, despite their importance to the delivery of most other public services and being inextricably linked to achieving wider Government priorities, such as economic growth, levelling up and carbon reduction."

And yet we understand that funding provided for local road maintenance nationally in 2021/22 was less than £1.4 billion, just 0.3% of the total asset value of £400bn. The impact of this under-investment is clear for all of us who use the roads.

Midlands Highway Alliance Plus

"...the backlog of carriageways repairs has increased to an average of £106 million per local authority or £68,254 per mile of local road and it will take over a decade to complete."

In written evidence, **Derbyshire County Council** commented:

"Derbyshire, because of its special combination of geology and topography, is monitoring over 250 potential landslips a number of which have occurred over recent years – likely because of more extreme weather patterns. Current funding for highways maintenance is wholly inadequate to address the extent of need for investment in highways infrastructure as a result."

Karen Notman from the Midlands Highway Alliance Plus gave a specific example from Leicestershire:

"...safety concerns have seen immediate travel restrictions placed on Zouch bridge, on the A6006 at Zouch, north of Loughborough. The measures have been placed on the deteriorating 92-year-old bridge following tests which showed concerns about the bridge's ability to cope with heavy loads using A6006. A weight restriction has been put in place."

The bridge forms part of a strategic route to the East Midlands Freeport. The weight restriction has resulted in a 27 mile diversion for heavy traffic, and was put in place pending a bid to the Governments levelling up fund to replace the bridge.

Cllr Ozzy O'Shea, County Council cabinet member for highways and transport, said at the time ²⁰:

"We're taking this action to ensure public safety while we bid for the money from Government. The council itself can't afford to replace this vital asset and it's another example of the significant financial pressures which the council is experiencing across all areas."

Unfortunately the County Council was unsuccessful in its Levelling Up Fund bid, and we understand the weight restriction and diversion remain in place.

The challenges of asset maintenance are not restricted to the local highway network. Written Evidence from the **Environment Agency** described the range measures that will be necessary to maintain the Lincolnshire Coastal Flood Defences at their current standard given the impacts of sea level rise resulting from climate change.

Andrew Rouse from the Environment Agency put the challenge simply and starkly:

"Holding the line for the next 100 years is likely to be justifiable, but not necessarily under the current rules affordable."

It seems to us inevitable that over the coming decades the nation will need to spend a greater amount maintaining our existing infrastructure. Whether this comes at the expense of building new assets will be a matter for Ministers of the day.

We were particularly concerned about the condition of the local road network in the East Midlands - a key national asset which appears to be literally crumbling away. At the very least there is a case for Government to agree a longer-term approach to funding Local Transport Authorities, similar to the five-year funding settlements enjoyed by National Highways through the Roads Investment Strategy (RIS). This would enable LTAs to implement more effective asset management practices that help to prevent problems before they arise and to support investment in people, skills and innovation.

We are heartened that 'Network North' includes proposals designed to enable more sustained long term investment in the local road network and we look forward to the publication of further details in due course, including the timescales for when additional funding may become available.

As well as leading to better outcomes for communities and businesses, we believe that this approach would save money over the long term.

Midlands Highway Alliance Plus

"£1 spent now saves a minimum of a further £7 over 30 years"

04

Recommendation 4

There should be greater collaboration between infrastructure providers and between the public and private sectors to ensure the wider benefits of infrastructure investment are fully realised.

We received a strong body of both oral and written evidence which highlighted the critical role of infrastructure in supporting (and frustrating) complementary local investment, particularly from the private sector.

The impact of the power supply system on local economic growth was a particular concern. Written Evidence from Lincolnshire County Council noted that even where major investment enhances energy supply generated off-shore, this does not always benefit the adjacent communities inland:

"Using Triton Knoll and Viking Link as examples, both of these would see significant substation improvements in the Bicker area, but Boston Borough Council (BBC) is told that there is no future capacity (for example for solar), and equally BBC is told that the low voltage network is of poor quality and at capacity and therefore new development cannot be accommodated. It would have been logical if these projects could have addressed these local challenges and recognised local benefits, particularly as the power from these projects benefits the national need but creates a local impact."

As a result:

South East Lincolnshire Councils Partnership

"We have a case where an agri-food business was told the necessary capacity would require an investment by them of £1.8m and would be ready in 5 years. That is far too costly, and too long for business to make investment decisions upon. It has therefore constrained their growth and they have had to change approach."

Nor is this a problem confined to rural Lincolnshire. **Derby City Council** commented in written evidence that:

"Investment is needed in the national power grid to support both the increase in home and commercial generation and the expansion of electric vehicles. Western Power have previously not been prepared to provide consent to surges on the network from the feed in power because it will lead to faults. Switch gear needs to be replaced and while this is planned it is 5 years away. This has a direct impact on are being able to attract innovative companies who want to drive net zero operation."

At our oral session on the 5th July 2023, **Jonathan Wallis from Tritax Symmetry** recounted a similar example from a new logistics development in Kettering, Northamptonshire which was planning to generate roof top solar power but again restricted by the ability to secure a timely grid connection.

At the same session we heard from **Tom Newman-Taylor from the East Midlands Freeport.** He explained the Freeport represented a huge opportunity not just to those businesses that locate on the designated 'tax sites', but also to those operating within 'customs sites' in a surrounding 45km zone, including in Derby, Nottingham and Leicester - such as the Leicester University Space Park.

However, the Freeport is a time limited opportunity as investors will need to start claiming the associated tax reliefs by September 2026, which will then be available for a further 3 to 5 years. As a result, there is pressure to see development on the tax sites delivered quickly. This will require clear commitments to deliver the necessary infrastructure, congestion being a particular concern on both the surrounding SRN and local road networks.

We do not underestimate the challenges of achieving this. Major improvements to motorway junctions for example can take many years to design, fund and deliver. A pragmatic approach will be required based on a strong private/public sector partnership to realise the benefits of Freeport status. As **Tom Newman-Taylor** noted:

"...some of some of the development required will never be funded by an individual developer on an individual site, and they are to the benefit of the wider region. So, I think some intelligent discussions on this are needed otherwise ultimately the knock on impact is that a site that otherwise would be a great opportunity is not commercially viable."

"We tell a single simple story about how great the opportunity [the Freeport] is. But if we don't move quickly we are going to squander it"

Elsewhere, we are aware through **Transport for the East Midlands (TfEM)** of major planned growth along the A5 Corridor and the A50/5000 which is similarly dependent on National Highways led infrastructure enhancements.

These priorities are both highlighted in 'Network North' and we look forward to the publication of detailed proposals in due course, including funding allocations and delivery timescales.

It seems clear to us that there is a need for greater collaboration between infrastructure providers (in both the public and private sectors) and those local interests seeking to deliver the jobs and growth the East Midlands requires.

From a transport perspective, Midlands Connect and TfEM provide ready made vehicles for this collaboration and were heartened to hear the level support voiced for both organisations in our discussions. We also note the potential of proposed Mayoral County Combined Authorities in Derbyshire/Nottinghamshire and in Greater Lincolnshire.

In relation to the issue of power supply, which emerged as a major concern from across the East Midlands, the situation is less clear. We wonder if there is role for either the Midlands Engine or the East Midlands Infrastructure Partnership ²¹ in 'convening' key partners to help unlock development.

05

Recommendation 5

A credible and transparent 'regional infrastructure pipeline' should be established reflecting regional priorities, and linked to a skills and training strategy to ensure that sufficient human resources are available for delivery.

We were conscious throughout our discussions that infrastructure delivery relies on people and skills, and that if we are going to secure a step change in infrastructure delivery, the human resources need to be in place to achieve this.

Ian Nicholson of Stantec highlighted the importance of ensuring that developing and maintaining infrastructure is seen as an attractive career option, particularly given the aging demographic of the existing workforce.

"...I think one of the challenges is perception of the industry. So there's a lot of work trying to get young people interested in their career as Civil Engineers, Mechanical Engineers and away from the perception of muddy boots as actually that's not what it's going to be in the future."

These challenges can also be seen as opportunities, particularly in areas that have experienced industrial decline. We were impressed by the work that **Chesterfield Borough Council** have been doing to ensure that local people could have benefited from the new jobs associated with HS2, and we hope that a way can be found to continue this work in some form. **Council Leader Clir Tricia Gilby** explained:

"We have been working on something called the Derbyshire Rail Industry Innovation Vehicle (DRIIVe), which started out as an idea at this stage where there was a competition for sites where HS2 rolling stock could be built, and one of the companies that was interested in this was very keen about having not just supply of products to build on, but also the supply of people. We continued with this project which will mean that right next to a village that has generational unemployment there will be opportunities to leave school and train at level 2 in a whole range of skills to do with the rail industry. And just by some of those people getting access to those jobs, that will mean more money going into the local economy."

Rail Future East Midlands noted the prospect of Derby hosting the HQ of Great British Railways offers a similar regional opportunity to drive growth in high quality jobs for local people. We are also aware of the **STEP Fusion proposition at West Burton** in Nottinghamshire which has huge potential through both the construction and operational phases.

Fusion promises to be a safe, low carbon and sustainable part of the world's energy supply with potential to help sustain net zero in the future. The Spherical Tokamak for Energy Production (STEP) plant will be designed and constructed to demonstrate the ability to put net electricity on the grid. It will also pave the way to enable future commercial fusion energy plants to be commissioned and constructed.

There are clearly major potential benefits of using infrastructure investment as a catalyst for workforce development and new career paths. But success requires a proactive approach. As the **Midlands Engine** noted:

"Delivery of national infrastructure can be best aligned with local skills strategies through the sharing of national infrastructure planning and associated workforce requirements in a timely manner with local and combined authorities, who are well positioned to liaise with skills providers to inform course planning, development and delivery. A good example of this has been the work of the Humber Cluster to engage schools and colleges to attract a future talent pipeline, increase commitments to apprenticeship provision and engage supply chains to increase commitment to training programs."

This brings us to the proposal from the **East Midlands Infrastructure Partnership** to establish an 'Infrastructure Pipeline' for the East Midlands. As **Lee Robb from the ICE** explained in written evidence:

"Understanding the infrastructure pipeline and regional vision and commitment to infrastructure means companies can determine the skills required and working with educational providers tailor learning of skills accordingly. It will also drive robust training programmes of investment that ensure the supply chain can sustain the level of infrastructure delivery required to support economy growth, decarbonisation and resilience to climate change."

Lee Robb and a number of others also noted the potential benefits to local SME supply chains of having a clear and transparent pipeline in place:

Midland Engine

"A commitment to engaging with local supply chains is a critical way in which national infrastructure projects can drive local benefits, and the procurement process can be an effective mechanism for driving productivity improvements, inclusivity and wider social value."

The experience of constructing the Boston Barrier in Lincolnshire highlights what can be achieved:

Environment Agency

"A total of 75% of the supply chain for the Boston Barrier is UK based, helping to promote trade within the local area with £10.1m already reinvested within the local economy in a 50-mile radius since construction began in 2018. The 6,000m3 of reinforced concrete that forms the Boston Barrier primary gate's surrounding support structure was supplied by local Breedon suppliers in Boston and Woodhall Spa."

We do not underestimate the resource challenges of developing and maintaining an East Midlands pipeline that spans the NIC's definition of 'economic infrastructure'. But we see clear benefits in terms of skills planning, SME engagement and also in addressing some of the integration issues raised earlier in this report. We suggest this is something that National Infrastructure Commission should consider supporting local partners to establish, perhaps as a pilot project.

FOOTNOTES

- 1. Regional and National Economic Indicators House of Commons Library (parliament.uk)
- 2. [Annual regional labour productivity Office for National Statistics (ons.gov.uk)
- 3. Public Expenditure Statistical Analyses 2023 (publishing.service.gov.uk)
- 4. https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2021
- 5. Social Mobility Index GOV.UK (www.gov.uk)
- 6. The Great British Brain Drain | Centre for Cities
- 7. Remit letter to the National Infrastructure Commission GOV.UK (www.gov.uk)
- 8. National Infrastructure Assessment (nic.org.uk)
- 9. HS2 6-monthly report to Parliament: June 2023 GOV.UK (www.gov.uk)
- 10. TfEM-MC Joint Priorities Summary 2022 (emcouncils.gov.uk)
- 11. <u>Midlands Connect | Coventry-Leicester-Nottingham: Leaders hail 'once in a generation' opportunity to reconnect the Midlands</u>
- 12. Midlands Connect | All change: The Castle Line
- 13.a50-500-report.pdf (midlandsconnect.uk)
- 14. <u>High Speed Rail Cm 7827 (publishing.service.gov.uk)</u>
- 15. Integrated Rail Plan for the North and Midlands GOV.UK (www.gov.uk)
- 16.The Department for Transport re-determined and approved the necessary Development Consent Order for the scheme on the 17th August 2023, although a construction start date has yet to be agreed.
- 17. Pollard K, Thompson G, Robinson A, et al. (2021). Boston tidal barrier, UK: adapting to climate change and delivering social outcomes. Proceedings of the Institution of Civil Engineers Civil Engineering 174(5): 32–40, <u>Boston tidal barrier, UK: adapting to climate change and delivering social outcomes (icevirtuallibrary.com)</u>
- 18. Value Toolkit | Construction Innovation Hub
- 19. Public Expenditure Statistical Analyses 2023 GOV.UK (www.gov.uk)
- 20. Weight restriction imposed on ageing bridge | Leicestershire County Council
- 21.A collaboration between East Midlands Councils and the Institution of Civil Engineers (East Midlands).

ANNEX ONE: CALL FOR EVIDENCE DOCUMENT

An Inquiry into the wider social and economic benefits (and opportunities) of major infrastructure investment in the East Midlands

Call for Evidence Deadline: Friday 9th June 2023

Background

The East Midlands continues to be 'under invested' relative to the UK average across a range of functions, most notably transport. This has had a negative impact on regional economic growth, productivity and social mobility. Improving and maintaining the region's infrastructure is critical to achieving the 'levelling up' agenda and the transition to 'net zero'.

However, construction costs have risen sharply in recent months and Government budgets are constrained. There is increasing uncertainty about the delivery of long-standing infrastructure priorities in the East Midlands and a greater focus on securing 'value for money'.

The National Infrastructure Commission (NIC) advises the Government on priorities for 'economic infrastructure': transport, water, flood resilience, energy, waste and digital. The NIC is due to publish its second National Infrastructure Assessment in Autumn 2023, which the Treasury is required to respond to in the form of a revised 'National Infrastructure Strategy'.

The APPG is keen to understand the extent to which national infrastructure investment underpins local investment by businesses and councils that results in social and economic benefits for people and places. This analysis will be used by Parliamentarians to engage with Government and the NIC to address the Region's infrastructure deficit.

Submissions

Written submissions of no more than 1,500 words are invited by 5.00pm on Friday 9th June 2023.

ANNEX ONE: CALL FOR EVIDENCE DOCUMENT

Please provide your:

- Organisation name and sector (or name if an individual);
- · Contact details including email and phone number;
- Willingness to come and speak at a meeting of the APPG; and
- Consent (or not) for your submission to be made public.

Submissions should be sent by email to:

APPG Questions

The APPG is keen to hear evidence relating to the following questions. Please cite specific examples where appropriate.

- Are there local economic and social benefits resulting national infrastructure investment which fall outside of traditional business case analysis and how best might they be captured?
- To what extend is the delivery of local projects and initiatives dependant on the delivery of planned national infrastructure?
- To what extent has private sector investment been undermined by uncertainty about the delivery of national infrastructure?
- How has blight resulting from delayed or cancelled national infrastructure projects impacted on local communities, businesses and property owners?
- To what extent can national infrastructure investment been used to drive more productive local supply chains and more inclusive local employment policies?
- How best can the delivery national infrastructure be aligned with local skills strategies and the work of local schools and colleges to benefit local people?

APPG Discussion

Two evidence sessions will take place has part the APPG's Inquiry:

- Wednesday 21st June 2023 (4.30pm 6.00pm)
- Wednesday 5th July 2023 (1.00pm 2.30pm)

Agendas will be circulated ahead of each meeting. Meetings will last around 90 minutes and provide an opportunity for Parliamentarians to hear from invited guests about the role of national infrastructure investment in securing wider social and economic outcomes for people and places in the East Midlands.

ANNEX ONE: CALL FOR EVIDENCE DOCUMENT

APPG Reporting

The APPG will look to publish a report after the 2023 Summer Recess and prior to the Government's 'Autumn Statement'.

APPG Administration

The Secretariate for the East Midlands All Party Parliamentary Group is jointly provided by East Midlands Councils and East Midlands Chamber. Further details available at: East Midlands All Parliamentary Group (emcouncils.gov.uk). For this Inquiry, the APPG will also work closely with the East Midlands branch of the Institution of Civil Engineers (ICE).

ANNEX TWO: WRITTEN REPRESENTATIONS RECEIVED

CBI East Midlands	Lincolnshire County Council
Chesterfield Borough Council	Louth & Horncastle Labour Party
Derby City Council	MEMRAP
Derbyshire County Council	Midlands Connect
East Midlands Chamber*	Midlands Engine
East Midlands Infrastructure Partnership	Midlands Highways Alliance Plus
EDF Energy	Newark & Sherwood District Council
Environment Agency	Rail Future East Midlands
Jane Hunt MP	Lee Rob ICE
Cllr Ros Jackson & Cllr David Hall	SE Lincolnshire Councils Partnership
Kier Group	Stantec
Leicestershire County Council	Transport for the East Midlands

^{*}Includes questionnaire responses from 25 separate businesses

ANNEX THREE: WITNESSES GIVING ORAL EVIDENCE

21st June 2023: ICE, 1 Great George Street, London, 4.30pm- 6.00pm.	5th July: 2023: Committee Room 17, House of Commons, 1.00pm -2.30pm.
4.30pm - 5.15pm	1.00pm – 1.45pm
 Cllr Nick Worth, Leader of South Holland District Council and representing the South East Lincolnshire Councils Partnership Cllr Tricia Gilby, Leader of Chesterfield Borough Council and Chair of the Chesterfield & Staveley HS2 Delivery Board Maria Machancoses, CEO of Midlands Connect 	 Tom Newman-Taylor, Chief Executive, East Midlands Freeport Chris Hobson, Director of Policy & Insight, East Midlands Chamber Jonathan Wallis, Development Director, Tritax Symmetry
5.15pm – 6.00pm	1.45pm – 2.30pm
 Matt Lamb, Director of Growth & Regeneration, Newark & Sherwood District Council Karen Notman, Manager, Midlands Highway Alliance Plus Andrew Rouse, Programme Manager, Lincolnshire Coast, Environment Agency 	 Ian Cuddington, Head of Economic Development at Rolls Royce Kyle Clough, Regional Director, Water & Energy (South & East), Kier Group Ian Nicholson, Senior Sustainability Lead, Stantec

ABOUT EM APPG

The East Midland APPG is a cross party grouping of East Midlands MPs which aims to be a collective voice for the East Midlands in Parliament and to campaign on key regional issues.

Co-chaired by Nigel Mills (Conservative, Amber Valley) and Alex Norris (Labour, Nottingham North),

SECRETARIAT

East Midlands Councils, in conjunction with East Midlands Chambers of Commerce, continues to work with the region's MPs to support the East Midlands All-Party Parliamentary Group.







CONTACT

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