

Workshop 3 Preliminary findings: the issue of scale



Review of a workshop held on 2 July 2015, which examined issues of scale and the interface between local, national and international scales

Context

Recent policy developments in the UK have emphasised the significance of two issues, with efforts to stabilise and embed economic recovery forming key factors:

- 1 The production and implementation of a national infrastructure plan accompanied by new attempts to encourage greater private sector investment.
- 2 Greater decentralisation and devolution of policy, responsibilities and funding to UK devolved territories, cities and city regions, with specific emphasis on localities planning, investing and delivering infrastructure improvements.

At the same time, infrastructure remains a highly politicised topic, and the business community and other commentators have advocated steps to distance major infrastructure project planning, development and delivery from political influence. The recent rejection by Lancashire County Council of planning permission for fracking on the Fylde Coast, the publication of the Airports' Commission recommendations on new runway capacity in London, and stories in the press about the Chancellor announcing £100m for development work on Crossrail 2 have all raised questions about where and how infrastructure projects can be defined as national or sub-national/local projects.

Too much infrastructure planning and investment in the UK is 'top down', yet every piece of infrastructure has to go somewhere – it is inherently local. Top down approaches to infrastructure development and management prevent locally-led and innovative business models from

flourishing and discourage innovation. There is also a risk that the wrong infrastructure is put in the wrong place at the wrong time because of a lack of local knowledge, engagement and ownership. These issues prevent the UK from maximising increasing returns from infrastructure investment.

The existing division of local infrastructure responsibilities between national central government, local authorities (LAs), and the private sector creates fragmentation and silos that constrain the development of integrated approaches. LAs and other agents should be enabled to identify and put into operation alternative ways of developing and managing local infrastructure of all types. Demands for new infrastructure and maintenance of existing infrastructure are rising, and governments across the world are under pressure to source additional funding and ways of financing infrastructure assets and systems. Local and sub-national actors, including LAs and community trusts, have shown they are able to take a lead in developing alternative infrastructure business models by combining new and different sources of revenue and longer-term capital.

The UK remains a highly centralised political economy, and there are growing calls for central government to devolve appropriate infrastructure investment and responsibility to sub-national and local institutions so they can deliver infrastructure that better reflects the values and needs of local places and communities, and yet supports delivery of the overall national infrastructure strategy. An iBUILD (2015) review makes three recommendations in relation to scale and infrastructure, which are designed to encourage and enable further action at the sub-national and local scales, and connect better with

national level priorities:

- 1 National and local policy frameworks should be realigned to focus on delivering wider societal benefits and to enable local infrastructure business models to emerge that can provide local solutions that are complementary with mainstream systems.
- 2 Effective operation of local alternative infrastructure business models requires greater fiscal decentralisation, complemented by a stronger and statutory devolved role for cities and localities in the planning, development and delivery of infrastructure.
- 3 Provide support for a wider range of innovative local infrastructure financing mechanisms, including tax increment financing, municipal bonds, social impact bonds and crowd source funding.

Workshop overview

The workshop, which ran twice, began with a brief introduction from Peter O'Brien, iBUILD. Participants were split into four groups and asked to consider the following questions:

- 1 What practical role should cities, city regions, local areas and communities play in delivering the UK national infrastructure plan (UK NIP)?
- 2 What factors should determine whether an infrastructure project is defined as a national, regional or local level priority?
- 3 How should infrastructure planning, investment and operation, at national, regional, city and local levels, be governed and regulated?
- 4 How could examples of international and national good

practice be shared within and across the nations, cities and localities of the UK to enable the effective application and use of 'new' approaches and business models for infrastructure planning and investment?

- 5 What examples exist of successful infrastructure 'business models' at the local level have been or could be scaled up and applied at city/regional or national levels?
- 6 What could and should the UK Government, devolved administrations, LAs and LEPs do to encourage and attract more international investment in UK infrastructure?

Summary of workshop discussion

In small groups, the participants were invited to consider the six questions and write their collective responses on flip-chart sheets. The responses to the questions have been collated, synthesised and are as follows:

- 1 All groups and spatial levels have an interest in delivering the UK NIP. However, there was a general view emerging that infrastructure systems and networks are probably best located and managed increasingly at a local level where possible, with the provision that this needs to be conducted within a national level plan or framework, supported by enabling resourcing at the best level (ie ability to tax or charge). The question is whether planning and funding of infrastructure is actually the key issue (or even challenge) for the local scale. The value of local projects needs to be captured on a national scale as this affects funding decisions, and whether government is willing to support local projects. The specifics of the infrastructure sector will determine whether there is a role for the local level in delivering the UK NIP. Starting with who is going to pay for the infrastructure assets and systems, and then identifying the risks and solutions, in order to decide the spatial level at which delivery of elements of the UK NIP should take place. Local knowledge helps when it comes to delivering the UK NIP, and more autonomy for cities and city regions is important in infrastructure planning, investment and operation. Some cities already have responsibilities (such as London), and some are providing infrastructure such as heat and energy supply (eg Nottingham). Does the UK political system support an interconnected national infrastructure framework with different tiers of governance playing complementary roles in delivering the UK NIP? Ideally, cities should be nucleus of change leading to positive outputs/outcomes. However, it is also important to recognise that rural areas can play a role too in infrastructure delivery. Ask initially whether infrastructure is a 'system of systems'? If so, then all elements (including spatial levels) are inter-connected.
- 2 There is a small and diminishing number of infrastructure assets that can be classed as national assets (about 100 in the UK). Infrastructure works inherently at different scales. Identify what the economic, social and environmental drivers are that infrastructure supports, which in turn support infrastructure. Funding schemes currently consider short- and medium-term issues, and new mechanisms are needed to support long-term investment. Local decentralised energy works better at the local level, but there are connections to other systems that may be regional or national in scale. So, it is difficult to see things as purely local – it is not a case of either/or. The main issue to align governance, is within service systems and markets. The 'interoperability' within and between systems and networks requires more attention irrespective of the primary location of accountability (ie the ability of city/region/state levels to 'talk to each other' is critical for working on functionality). Local transport is definitely a local issue and there is the potential for co-ordination beyond the market. Water is not a national issue as there are regional variations in water supply and demand. Scale matters in decision making and the issue is the interaction between the strategic/national interest and fitting this into five-year political cycles.
- 3 The move to localism helps, but local infrastructure has to fit with the national picture and also contribute towards resilience. There also has to be some strategic spatial planning at the city region level to assist with infrastructure planning and investment. There are limitations of short-term political decision making (also regulators) across sectors and a lack of overall planning. And there is a need to ensure that governance systems can make long-terms strategic decisions on infrastructure and that funding and financing is available at city and city-region scales to build, maintain and operate infrastructure. Some degree of fiscal decentralisation would help the investment aspect. There has to be a collaborative relationship between the different levels of governance and regulation – and regulators need to engage with each other proactively at different spatial levels and not operate in silos.
- 4 Service level agreements could help places share information. Best practice can become out of date quickly so the key is to keep ideas and innovations fresh. It is important to learn the lessons of what went wrong with certain infrastructure business models and systems. A baseline and shared set of metrics would enable effective comparisons to take place. However, recognising that there is competition between cities and regions for infrastructure investment is vital and that it

might not always be feasible to share information about good practice or ideas and innovation. There could be trail-blazers or role of champions in innovation. Ownership of infrastructure assets is also an important factor in determining local innovation, infrastructure business models and the ability to transpose models across different places. Stakeholders and non-academic partners have an important role in facilitating ideas and sharing good practice between models and local places. As a significant proportion of operational activity and delivery interfacing with users is by the private sector, and given there are 'limits to what the market will deliver', the framing of provision and deployment necessitates new ways of working through new business models.

5 Links here with infrastructure ownership models and the definition of value. Examples of 'local' infrastructure business models that could be scaled up, include Broadband Rural North, TfL data collection and utilisation, Welsh Water and Metropolitan Utilities, water companies producing energy, energy municipalisation, appraisal and evaluation of infrastructure and contribution to growth (eg Greater Manchester framework), and community ownership models.

6 LAs need sufficient revenue and funding to assist with financing infrastructure projects that draw upon international investment. Infrastructure planning has to be for the long term in order to attract investment that is seeking stable, long-term returns. This means moving infrastructure planning beyond short-term political cycles. But it is almost impossible to remove infrastructure completely from politics.

Next steps

- For iBUILD, the priority should be to continue to generate research findings, evidence and policy impact in the area of 'infrastructure and scale'.
- The three infrastructure research centres should work with Infrastructure UK and policy makers at national and local levels to consider and understand further the contribution of local infrastructure projects and schemes to economic, social and environmental outcomes.
- Integration and practical dialogue between the three infrastructure research centres on the issue of 'infrastructure and scale' should be strengthened.

References

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