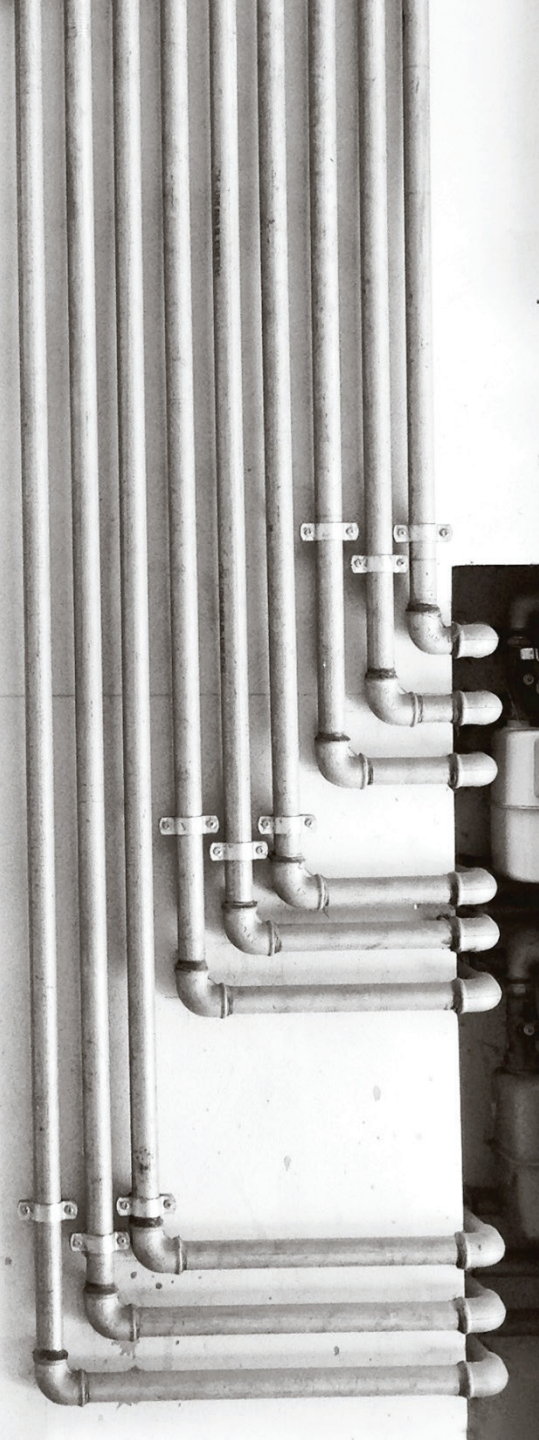




National Infrastructure and Construction Pipeline

KPMG analysis

—
December 2016



Contents

	Page
1 Overview	3
2 Key trends and changes since March 2016	4
3 Sectors overview	5
4 Sector highlights	6
5 Regional overview	8
6 Regional highlights	9

Disclaimer: The purpose of this report is to provide an overview of the UK Government Construction Pipeline across the UK. The pipeline dataset has been provided by Government Departments and presented by Barbour ABI on the microsite www.uk-cip.org.uk. KPMG's analysis provides commentary based on the factual evidence limited to the pipeline. KPMG has not sought to verify the accuracy of the data and no assumptions have been made where information is incomplete or missing

Overview



- The Government Construction Pipeline (GCP) and the National Infrastructure Pipeline (NIP) are now combined into a consolidated National Infrastructure and Construction Pipeline
- The pipeline reflects projects and programmes with a total allocated value of £502 billion, categorised, for the purposes of this pipeline, into six spend periods: 2016-17, 2017-18, 2018-2019, 2019-20, 2020-21 and post 2020-21 and beyond
- The pipeline contains over 700 projects and programmes across 15 sectors and 14 regions
- The pipeline brings together housing, social and economic infrastructure projects and programmes, which are funded by a mix of Private, Public, and Private/Public investments

Key trends and changes since March 2016

There is a total increase of £38.9 billion (8%) in forecast spend on projects since the Government Construction Pipeline and the National Infrastructure pipeline were published in March 2016. 60% of this is predicted to be spent within the term of this Parliament, i.e. by 2020.

Value of projects 		
£m	Mar 16	Dec 2016
	Consolidated Infrastructure and Construction Pipelines	New combined Infrastructure and Construction Pipeline
Total (Estimated)	463,442	502,399

- Allocated investment into Energy, Transport and Utilities have remained largely consistent since the last pipelines (1st, 2nd and 3rd highest spends respectively). Combined they make up a total of 84% of the total pipeline
- An increase of £12 billion in Housing and Regeneration is attributed to new spend around Accelerated Build, Affordable Housing and Housing Infrastructure fund programmes and improvements in pipeline data
- Investment into the Communications sector has increased by £9.4 billion which is attributed to increased spend in digital economy and broadband

Sector overview

Of the 15 sectors, 84% of the pipeline value comprises projects in

- Energy (£206.3 billion),
- Transport (£138.3 billion) and
- Utilities (£74.8 billion)

A further 14% consists of

- Education (£22.5 billion), Communications (£15.5 billion)
- Housing and Regeneration (£12.9 billion)
- Ministry of Defence (MoD) (£8.4 billion)
- Science and Research (£6.2 billion), Flood (£4.1 billion) and
- Health (£2.9 billion)

Crown Prosecution Service (CPS), Home Office, Waste, Police Forces and Justice all represent less than £2 billion per sector in project value.

There is an additional, unallocated spend from the Autumn Statement 2016 NIPF 2021/22 of £7 billion.

Figure 1: Allocated pipeline value by sector

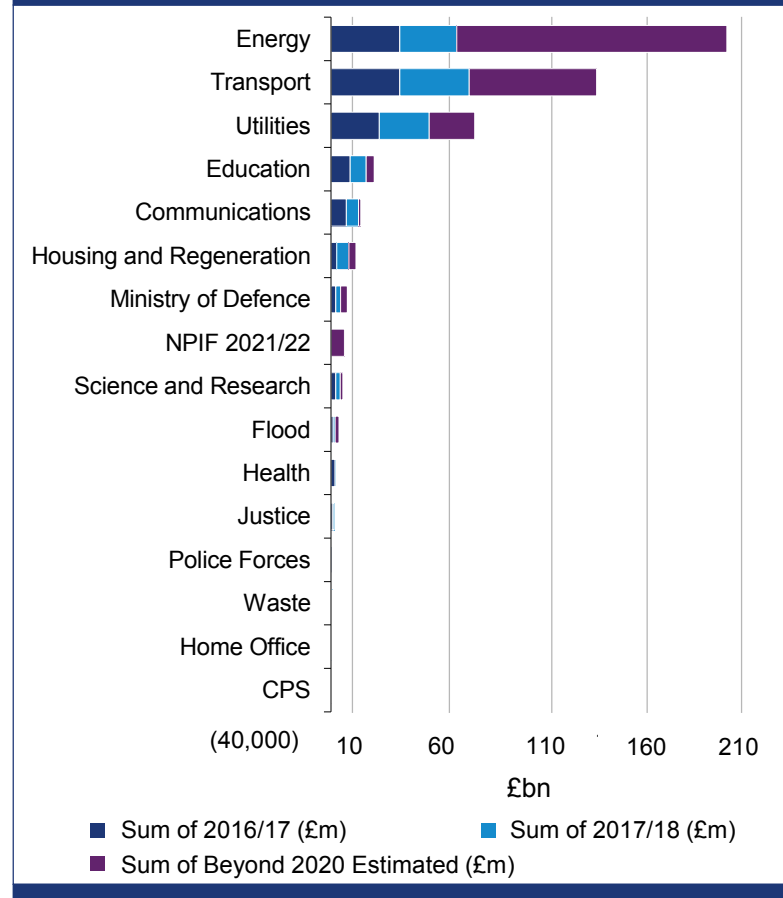
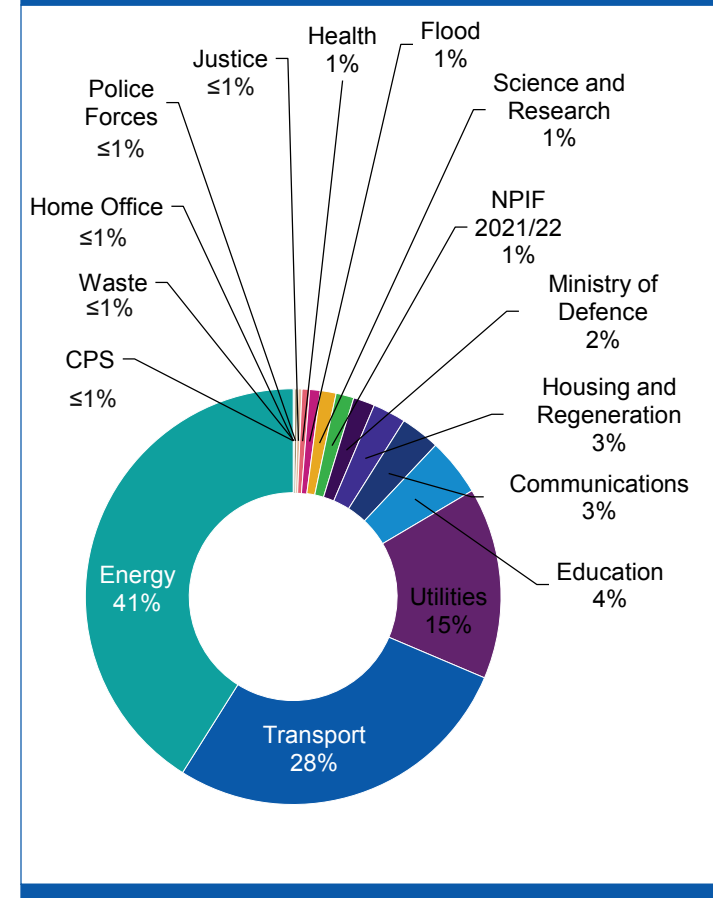


Figure 2: Allocated pipeline % per sector



Sector highlights

Energy



Investment into energy remains consistently strong contributing £206.3 billion (41% of the total pipeline)

- 69% of spend in Energy (£142 billion) is allocated to Electricity Generation projects including £46 billion for nuclear projects (Hinkley Point C – £16.5 billion, Wylfa B – £15 billion and Moorside – £14.8 billion). £101.9 billion is allocated to Electricity Generation spend in 2021/22 and beyond

Transport



- Transport spend remains consistent at £138.3 billion, 28% of the pipeline
- High Speed Phase 1 and 2 represents the highest single project spend in Transport at £54.8 billion (40%)
- Rail contributes 28% of Transport spend (£38.9 billion). Network Rail spend is included at £35 billion and residual Crossrail spend at £3.8 billion

Utilities



Utilities contributes the third highest spend in the pipeline at £74.8 billion (15%)

- Electricity Transmission and Distribution combined make up 54% (£40.6 billion) of the Utilities spend
- Water and Sewage make up 28% of the spend on Utilities (£21.2 billion)
- £6.3 billion is being invested into Smart Meters

Education



Education makes up the fourth largest spend in the pipeline at £22.5 billion (4%)

- 22% (£4.8 billion) is allocated to devolved budget across the country and 13% (£3 billion) to the Priority School Building Programme Capital
- £13 billion (58%) has been identified for the Investing in Britain's Future programme

Communications



Investment into Communications (£15.5 billion) has increased £9 billion since the Spring 2016 pipelines

- 75% (£11.7 billion) of the investment into communications is allocated to Digital Economy, £6.5 billion of which is new allocated spend since the Spring 2016 pipelines

Housing and Regeneration



3% of the pipeline (£12.9 billion) is to be spent on Housing and Regeneration. This includes:

- £9.3 billion (72% of allocated spend) relating to the affordable housing programmes and projects across England
- The remainder is allocated to housing PFI programmes currently in construction and large development projects

Sector highlights (cont.)

Other



- Ministry of Defence spend is £8.4 billion allocated to projects managed by the Defence Infrastructure Organisation
- £6.2 billion investment in Science and Research includes the High Value Manufacturing Catapult, the Sir Henry Royce Institute and the New Polar Research Ship, RRS Sir David Attenborough
- Investment into Flood Defence is £4.1 billion shared amongst a number of devolved projects across the UK
- Investment into Health is £2.9 billion, £1.3 billion of which is allocated to Procure 21+ projects
- Investment in Justice (£1.5 billion) is largely attributed to Prison reform (£959 million)
- A total spend of £1.3 billion in Police Forces is made up of a number of devolved projects across the regions
- Home office spend comes to £73 million, largely due to investment into Home Office Smarter Working and Planning projects
- Investment into waste is made up of PPP projects worth £537 million

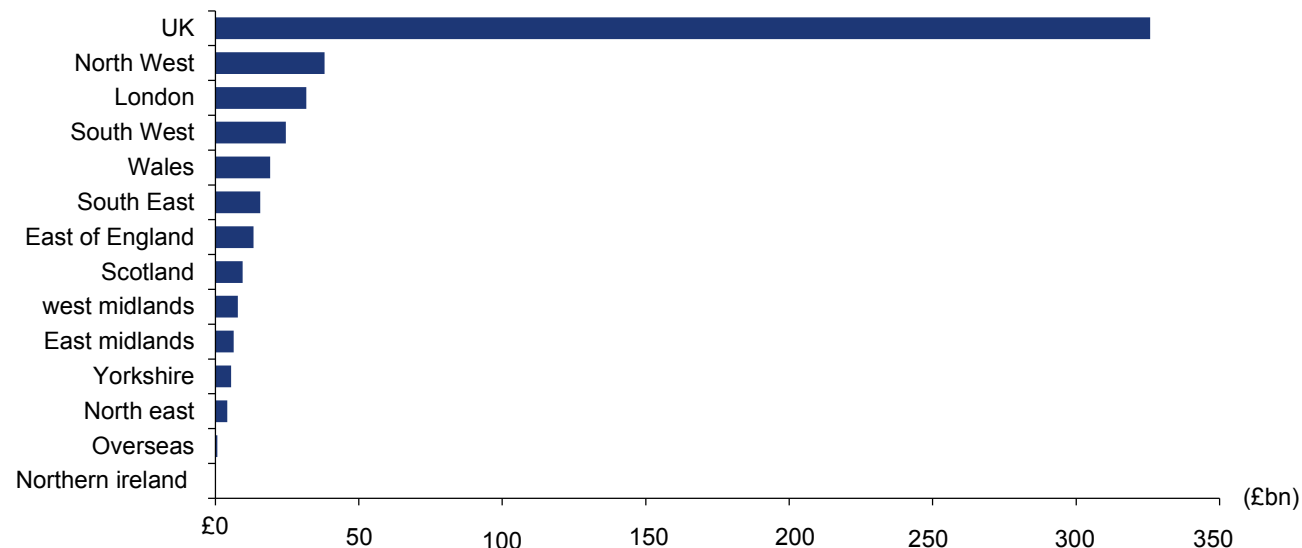
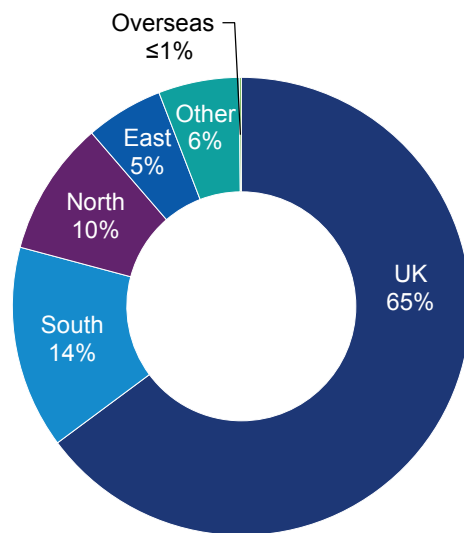


Regional overview

Each project and programme within the pipeline is categorised to one of 14 regions, reflecting in most cases the part of the UK in which the project is being, or will be constructed. Some projects are regarded as benefiting the whole of the country, or are yet to be allocated to a specific sub-region, and are therefore categorised to 'UK'.

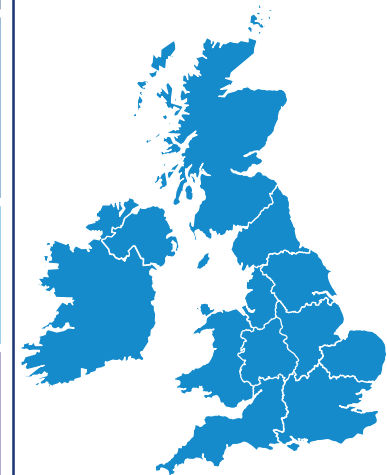
The highest level of spend is allocated to the whole of the UK at £325.7 billion, followed by the South at £71.9 billion and the North at £47.8 billion. Spend per capita suggests equal funding per person between North and South.

Individual regional spend shows the highest investment in the North West at £38.1 billion (8% of total pipeline) followed by London at £31.7 billion (6% of total pipeline) and the South West at £24.6 billion (5% of total pipeline).



Regional highlights

UK	— In many cases projects and programmes have not been allocated to specific regions as major projects cut across a number of defined regions and have been allocated to a UK wide investment — UK wide projects make up the 65% of the pipeline (£325.6 billion) — 71% (£232.7 billion) of UK spend comes from Energy and Transport
South	— The South refers to London which contributes £31.6 billion, South East £15.7 billion and South West £24.6 billion. Collectively the south has the second highest investment of £71.9 billion — 34% of investment into the South (£24.7 billion) comes from Transport including Crossrail (£4.7 billion) and Tube Line Upgrades (£4.5 billion)
North	— The North represents the third largest spend in the pipeline at £47.8 billion. North West contributes £38.1 billion, North East £4.1 billion and Yorkshire and Humber £5.5 billion. Energy represents the highest spend at £27.8 billion (58% of investment in the North) followed by Transport at £7.4 billion
Midlands and East	— Spend in the Midlands and East represents the fourth biggest spend in the pipeline at £27.5 billion — Energy represents £8.8 billion (32%) of investment in the Midlands and East, £8.4 billion of which come from Offshore and Onshore Wind projects
Other regions	— £28.7 billion is forecast for expenditure across Scotland (£9.5 billion), Wales (£19 billion) and Northern Ireland (£13 billion) — The majority of infrastructure projects in these devolved administrations are excluded from this pipeline. Responsibility for most infrastructure in Scotland, Wales and Northern Ireland lies with the devolved administration and each produces its own pipeline
Overseas	— £734 million is allocated to overseas projects across Ministry of Defence and Science and Research



**Richard Threlfall**

UK Head of Infrastructure,
Building and Construction

T. +44 (0)11 3231 3437
M. +44 (0)7960 589814
E. richard.threlfall@kpmg.co.uk

Helen Oxenbridge

Senior Manager – Infrastructure,
Building and Construction

T. +44 (0)20 7694 5255
M. +44 (0)7824 499682
E. helen.oxenbridge@kpmg.co.uk

Alexandra Hewitt

Senior Executive
Deal Advisory | Infrastructure

T. +44 (0)20 7694 1324
M. +44 (0)7880 055134
E. alexandra.hewitt@kpmg.co.uk



kpmg.com/uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. | CREATE: CRT073632C