



## CIHT analysis of Autumn Budget and Spending review 2021

The Budget and Comprehensive Spending review shows some welcome signs that government continues to recognise the value of transport and is prepared to change previous approaches to support it in new ways and with significant funding. Nevertheless, there are still areas where progress needs to be made, particularly in moving to an overall strategy for transport rather than a mode specific approach. Without that change there is the risk that the benefit of funding is not fully achieved.

This analysis highlights the key areas and compares progress against the 7 areas CIHT called for the Comprehensive Spending review to address.

The pandemic has had a major impact on the UK's economy, with today's budget (27 October 2021) indicating that the transport and highways sector will play a key role in the 'leveling up' of the UK's economy.

Chancellor Rishi Sunak's budget announcement today outlined that investment in infrastructure innovation and health will stabilise and 'level up' the economy. Additionally, the OBR has forecast that the UK's economy will return to pre-pandemic levels at the turn of the year enabling the chancellor to spend more than anticipated, with significant funding going to highways and transportation.

### Levelling Up: City and Regional Investment Outside of London

CIHT welcomes the Government's announcement of substantial devolved investment in integrated transport settlements to English city regions outside of London. Seven city regions, mostly located in the Midlands and the North will receive funding totaling £6.9 billion. These announcements are welcome and fall in line with calls by the CIHT for investment in a sustainable and healthy transport network – as outlined in response to this year's comprehensive spending review<sup>1</sup>. In devolved nations, the additional £8.7 billion per year average increase is welcome and be vital to progressing several key highways and transport projects.

It is clear that highways and transport is seen as instrumental to the Governments levelling up agenda and whilst CIHT welcomes the overall announcement of £21 billion worth of investment into the local highway network is concerned that funding for road maintenance falls short of what is required. The investment to improve lorry park facilities is welcomed, enabling better and more efficient use of the highways network.

A £46 billion investment for rail has also been announced, but nothing was detailed on what projects this might include. In its CSR (Comprehensive Spending Review) response CIHT called for certainty for the sector on key projects and programmes,

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<sup>1</sup> <https://www.ciht.org.uk/media/15095/september-2021-ciht-comprehensive-spending-response-submission.pdf>



including HS2 and the Northern Powerhouse rail project. Therefore, it is disappointing to not see the Government have confirmation for the latter project, nor details of the overall form of HS2.

#### Levelling up by connecting communities

SR21 makes further road, rail, digital and local infrastructure investments to support economic growth and make everyday travel more accessible. These include:

Improving the quality of local transport links with:

- an unprecedented investment package of £5.7 billion for eight English city regions to transform local transport networks through London-style integrated settlements. This includes:
  - £830 million to West Yorkshire for schemes such as the A61 improvements for buses, cyclists and pedestrians between Leeds and Wakefield;
  - £1 billion to Greater Manchester for schemes such as the next generation Metrolink tram-train vehicles;
  - £1 billion to the West Midlands for schemes such as completing the Wednesbury to Brierley Hill metro extension and Sprint Phase 2;
  - £710 million to Liverpool City Region for schemes such as battery power for new Merseyrail trains to expand the reach of the existing network;
  - £570 million to South Yorkshire for schemes such as starting the renewal of the Supertram;
  - £310 million to the Tees Valley for schemes such as upgrading Middlesbrough and Darlington stations and improving local rail links;
  - £540 million to the West of England for schemes such as a fully prioritised bus route between Bristol and Bath.
- investment in cycling, fulfilling the Prime Minister’s commitments to build hundreds of miles of high-quality cycle lanes across England, provide bike training for every child, and a new e-bike support programme.
- more than £3 billion of bus investment across the Parliament, including a new dedicated commitment of £1.2 billion for bus transformation deals in England, to deliver London-style services, fares and infrastructure improvements, and a further £355 million new funding for zero emission buses.

Upgrading strategic and local roads in England by investing:

- £24 billion between 2020-21 and 2024-25 in strategic roads, delivering upgrades such as the A66 Trans-Pennine.
- over £8 billion to fill millions of potholes a year, resurface roads and repair bridges, as well as delivering over 50 vital local road upgrades including the A509 Isham Bypass, A259 Bognor Regis and A350 Chippenham Bypass which will progress to the next stage of development.

Figure 1 - Source: HM Treasury



## Skills Revolution

CIHT welcomes the government's announcement to invest £3bn to build on the government's job creation plans and transform post-16 education. The government investment will include:

- £1.6bn to roll out new T-levels for 16 to 19-year-olds
- £550m is being invested in adult skills through the Skills Fund by 2024-25
- £170m for apprenticeships and training

Skills development is a key area of concern for the growth and progression of the highways and transportation industry. It is common knowledge that, as an industry, transport infrastructure is suffering a severe skills shortage at a time when investment in major projects is increasing and the demand for skilled technicians, planners, designers, engineers, and managers is growing.

Skills development with the highways and transportation industry has not been specifically recognised in the autumn budget review. It is important the government invest in highways and transportation as it is critical to economic performance and productivity.

The government needs to work with the highways and transportation sector to develop the workforce to deliver the government's transport strategy - to bridge the skills and knowledge gap to meet the short-term skills needs for the transition to net zero. The government needs to provide long term investment to deliver STEM education strategy, but there was a lack of detail on this.

### Levelling up by investing in people

Equipping young people and adults with the skills that employers demand is a vital step towards spreading economic opportunities across the country. For example, Level 3 qualifications (equivalent to A-level) make people more employable and, on average, result in a 16% earnings boost.<sup>a</sup> SR21 provides a significant package of support to level up skills across the country, including through

- investment in 16-19 year-old education, which will particularly benefit people in the North East, North West, Yorkshire and the Humber, as well as the East and West Midlands. These areas all lag behind London and the South East in terms of percentage of 19 year-olds who attain Level 2 and 3 qualifications (equivalent to GCSE and A-level)<sup>b</sup>
- £68 million (by 2024-25) to level up the adult skills system and ensure local areas can spend funding where it's needed most
- confirming £1.5 billion capital investment to raise the condition of the Further Education (FE) college estate across England. This will allow more students, no matter where they are, to learn in modern buildings, well equipped to teach high-value subjects
- launching the Multiply programme as part of the UKSPF, which will equip people with better numeracy skills across the UK, making a difference to employment chances and earnings.<sup>c</sup> In England, this will particularly help people in the North East, West Midlands and Yorkshire and the Humber, which currently have the highest proportion of adults with low numeracy<sup>d</sup>
- confirming funding to open 20 Institutes of Technology (IoTs) throughout England, which will bring together employers with further and higher education providers in local areas to provide technical qualifications. There are IoTs already open in Dudley, Lincolnshire and Yorkshire
- increasing apprenticeships funding to £2.7 billion by 2024-25 to help businesses across England build the skilled workforce they need, including meeting 95% of the apprenticeship training cost for smaller employers who do not pay the Apprenticeship Levy

<sup>a</sup> 'Measuring the Net Present Value of Further Education in England', Department for Education, May 2021

<sup>b</sup> 'Level 2 and 3 attainment by young people aged 19', National Statistics, Academic Year 2019/20

<sup>c</sup> 'The Long-term Effect of Vocational Qualifications on Labour Market Outcomes', Department for Business Innovation and Skills, June 2011

<sup>d</sup> 'Counting on the Recovery', Pro Bono Economics, April 2021

## Climate Action: Commitment to Net Zero 2050

CIHT has recognised the scale of the challenge set out in July's Transport Decarbonisation Plan and reconfirmed in last week's *Build Back Greener* strategy. Investment includes £3 billion for buses (including support for 4000 Zero emission buses) and £2 billion for walking and cycling. Similarly, £1.3 billion has been announced to support the roll out of charging infrastructure for Electric Vehicles. In all these areas, detail on the overall approach, timelines, and hard targets are still to be given.

The biggest financial issue facing the highways network – and on which the budget is silent – remains the impact of the roll out of Electric Vehicles on the tax income needed to maintain the highways network and upgrade it to support decarbonisation. CIHT would like to see the debate begin on alternatives. Road user charging is not a magic bullet but given its potential to help manage demand – a key element of the



government's own Net Zero pathway - it should be part of the debate. Elsewhere the budget was silent on a funded strategy to meet the target to remove all diesel trains from the rail network by 2040 and a supporting programme of track electrification.

Reducing Air Passenger Duty - It is disappointing that government seems to be encouraging cheaper domestic air travel at a time when we are trying to shift people to (much) lower carbon modes. The rationale for giving domestic flights an even greater advantage over the train is not clear. Higher rates for super-long-haul travel looks positive but should not be an either/or and is in direct contradiction to the Climate Change Committee's advice that the Government needs to do more to reduce demand for flying.

The same applies to the freezing of fuel duty again. This does not rebalance marginal cost of a journey by car vis a vis public transport, whilst at the same time government is investing heavily in public transport. The announcements on Air Passenger Duty and Fuel Duty are disappointing and run contrary to the need to incentivise choices for low carbon modes as set out in other parts of the budget. Ahead of the COP 26 summit, it doesn't suggest that the government is fully committed to prioritising decarbonisation.

## CIHT Commitments

The CIHT set out seven areas of focus for investment in its response to the Comprehensive Spending Review<sup>2</sup>, and it is important to highlight where the Government met these proposals in the budget.

### **1) Developing a national transport strategy (NTS)**

CIHT called for the government to set out a clear vision and strategy that sets out how transport will contribute to key policy areas across the United Kingdom, but the budget made no mention of a NTS and, with the exception of funding to City regions continues to make allocations for transport across different modes with no indication of how modes will work together to provide a transport system that meets the need of a range of key policy areas. Without this overall plan there is a risk that funding does not achieve its full benefit.

### **2) Providing certainty for the sector on key projects and programmes**

CIHT called for the government to ensure longer-term funding certainty for the highways sector for local roads and devolved administrations. This is something that was included in the budget, with levelling-up funds for all nations in the UK and a large portion going to highways and transportation. However, the chancellor did not

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<sup>2</sup> <https://www.ciht.org.uk/media/15095/september-2021-ciht-comprehensive-spending-response-submission.pdf>



confirm the delivery plan of the Eastern leg of HS2 nor the Northern Powerhouse rail project.

### **3) Improving the local highway network**

CIHT called for the government to commit to deliver a four-point strategy for the local highway network that will create a vision, funding and focus to the local highway network over the next ten years. While investment for local highways was announced, it did not give the level of ambition set out by CIHT. Funding allocations are spread across modes without the clarity of a vision for what the local network needs to achieve and an investment plan to match. Funding for highways maintenance appears to be below that envisaged by CIHT in its report *Improving Local Highways*<sup>3</sup>. Whilst capital applications are welcome the implications of the revenue settlement for local government is less clear for the highways and transportation sector. With local government facing a range of funding challenges in the next three years it is not clear how local government will deliver the wide range of investment.

### **4) Supporting a sustainable and healthy transport network**

CIHT called for the government to invest in the development of sustainable and active travel by:

- Supporting the development of improved capability of professionals across the sector to assist them in delivering best practice.
- Identifying cross departmental funding to support the switch to sustainable and active travel.
- Ensure that the implementation and maintenance of sustainable transport is core to the post-Covid recovery work by the DfT.

Through City Regional funding and funding for cycling, active travel and public transport will get a much-needed capital investment, however, the announcement of a cut to air passenger duty as well as a continued freeze on fuel duty is counterproductive to investment in sustainable travel.

The links between sustainable transport and planning to create sustainable developments are not fully identified in the budget.

### **5) Road Safety**

CIHT called for the Government to develop a long-term strategy to significantly reduce the number of people killed and injured on our roads. This will require a clear vision

for how that will be achieved and funding to deliver the strategy. No mention of road safety was made in the announcement.

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<sup>3</sup> <https://www.ciht.org.uk/knowledge-resource-centre/resources/improving-local-highways/>



## **6) Skills and capability**

CIHT called for the government to work with the highways and transportation sector to produce a clear strategy for developing the workforce to deliver the government's transport strategy. Enabling the UK to export those skills and capability and gain a competitive advantage over other nations. Significant investment in skills development was announced, but there was no specific of how the vital skills needed in the highways and transportation sector would be delivered.

## **7) Resilient networks**

CIHT called for transport resilience assessments to be made a statutory requirement for all transport asset owners to identify vulnerable areas. CIHT also called for a central fund to be established to support the mitigation of vulnerable areas. There was no direct mention of this in the budget.

To discuss any of the commentary raised in this analysis please contact e: [technical@ciht.org.uk](mailto:technical@ciht.org.uk)