

ICE submission to the Public Accounts Committee inquiry on government's use of private finance for infrastructure

April 2025

About the ICE

The Institution of Civil Engineers (ICE) is a 97,000-strong global membership organisation with over 200 years of history.

It is a centre of engineering excellence, qualifying engineers and helping them maintain lifelong competence, assuring society that the infrastructure they create is safe, dependable and well designed.

Its network of experts offers trusted, impartial advice to politicians and decision makers on how to build and adapt infrastructure to create a more sustainable world.

For more information, please contact: policy@ice.org.uk.

Key points

- The government needs to clarify its infrastructure investment plans. The 10-year national infrastructure strategy must enable the development of a prioritised, stable pipeline of investible projects aligned with society's needs.
- The government should focus on improving infrastructure delivery to build investor confidence. More early-stage work, closer collaboration with the supply chain and less political interference once projects are launched can reduce risk.
- Commercial capability needs to be strengthened across government. Key skills, like contract management, procurement and negotiation, are too thinly spread. Projects need better advice on which funding model to use.
- Public and private investment must be complementary. A more collaborative narrative around private investment could improve investors' risk appetite. Public investment should target high-growth, innovative sectors to crowd-in private investors.
- The public want to hear more about infrastructure projects. The government should engage people more about how infrastructure investment meets their needs and the benefits of private sector involvement, as well as the costs.

Submission

Strategic and pipeline certainty

New investment models will not fix the UK's infrastructure investment challenge. Instead, the UK Government needs to clarify its infrastructure investment plans and focus on improving the fundamentals of strategic infrastructure planning and delivery to lower risks, costs and delivery time.

Investors and the supply chain want long-term certainty. The lack of stable policymaking and commitment to major projects in the UK has inflated costs, deterred investment and led to projects that do not necessarily align with public needs. Infrastructure master-planning needs to happen over a 25- to 30-year horizon to ensure that the supply chain is incentivised to invest in building capacity for the long term, to continuously innovate and be positioned to learn from project to project. This does not sit well with five-year political cycles. It is therefore important that the government tries to build cross-party support for its infrastructure strategy to allow for that long-term thinking.

The 10-year infrastructure strategy can be the vehicle for achieving a lot of the measures investors are looking for. It must enable the development of a pipeline of investible projects aligned with society's needs. Concerns about the quality of projects in the UK's project pipeline have contributed to recent slumps in investor sentiment towards the UK. The pipeline needs to be prioritised, stable and transparent. It should be integrated across all sectors – public and private – where projects will demand similar skills and resources (economic and social infrastructure and others, like defence) to coordinate planning and drive systems thinking.¹

Clarifying the public-private investment split

More clarity is still needed on how the government intends to split public and private funding across different infrastructure sectors. This includes which investment models it intends to use and the availability of government-backed guarantees or support.

Public and private investment must be complementary. Well-designed public investment can crowd-in private sector investment. The National Wealth Fund and other new institutions, such as Great British Energy, show investors that the government is putting skin in the game. The Chancellor's changes to the fiscal rules to focus on the value of public investment, not just the costs, should enable more public sector borrowing for infrastructure investment.

These are positive steps, but to crowd-in rather than crowd-out private investors, public investment should target higher-risk, high-growth and innovative sectors, (such as hydrogen or floating offshore wind), not mature sectors where the private sector is well-established.

Improving delivery

The government should focus on improving infrastructure delivery to build investor confidence. More early-stage work, closer collaboration with the supply chain and less political interference once projects are launched can reduce risk.

Investors need confidence that the government's 10-year national infrastructure strategy is deliverable. However, while the UK is not uniquely poor at delivering infrastructure efficiently, it is one of the worst performers among

¹ ICE (2025) [ICE Insights Paper: What should NISTA's priorities be?](#)

comparable countries.² Inflation has played a part, but it is a global challenge. The ICE's research on lessons from the cancellation of High Speed 2's northern leg identified other UK-specific factors behind spiralling delivery costs, including problems with oversight, insufficient client and departmental capability, limited development time and the lack of strategic clarity.³

The UK's infrastructure needs cannot be met through more investment alone. It must deliver infrastructure faster and cheaper to attract private investors, reduce the investment needed and deliver enough infrastructure at the scale and pace required. That is not a challenge for the government alone. It must work with the construction supply chain to improve efficiency and address key enablers like skilled labour availability, planning system reform and accelerating the digital transformation.

There is a role for NISTA in taking a cross-cutting view of the issues impacting infrastructure delivery in the UK and developing strategies and plans to overcome them. This holistic approach will ensure it addresses interconnected challenges effectively.

For example, the Construction Playbook provides practical guidance and a platform to embed sustainable outcomes while delivering projects at pace and scale. It was developed by the Cabinet Office and the Infrastructure and Projects Authority in conjunction with industry and commands their support. Constructing the Gold Standard (CGS) implements the Playbook policies at a strategic level through the procurement and management of construction frameworks and framework alliances.⁴ Its 24 recommendations were endorsed by the government and industry bodies in the September 2022 update of the Playbook.

Mandating the use of the Construction Playbook and CGS for government departments can be achieved by converting the current 'comply or explain' requirement to 'comply'. This does not require legislation but simply means making Playbook and CGS compliance a clear requirement for any NISTA project business case.

Strengthening commercial capability

Commercial skills and project sponsorship expertise need to be strengthened across central and local government. Key skills, like contract management, procurement and negotiation, are too thinly spread. Project promoters may lack the expertise needed to consider all the funding and financing options available to draw on.

The government also needs to prioritise and invest in recruitment and training to ensure departments are ready to deliver the 10YIS and deploy the funding models the government selects.⁵ The Major Project Leaders Academy (MPLA) has many benefits but it does not fulfil all these training requirements. The IPA produced many useful toolkits but they need to be better communicated to ensure they are used across government. NISTA can also help the public sector compete with the private sector and be a gateway for the private sector to share its expertise with officials by facilitating career paths and secondments between them, which would also help drive systems thinking.

² Boston Consulting Group (2024) [Reshaping British Infrastructure: Global Lessons to Improve Project Delivery](#)

³ ICE (2024) [ICE Briefing Paper: The Cancellation of HS2's Northern Leg – Learning Lessons](#)

⁴ Prof David Mosey (2021) [Constructing the Gold Standard](#)

⁵ ICE (2024) [ICE Briefing Paper: The Cancellation of HS2's Northern Leg – Learning Lessons](#)

Engaging the public

The public ultimately funds new infrastructure, whether through taxes, utility bills or user charges. However, public polling and focus groups conducted by Opinium Research⁶ for the ICE suggest that most British adults believe infrastructure is underfunded, many are unsure about how infrastructure is paid for, and a majority want to hear more about major projects.

This matters because the scale of infrastructure improvements and upgrades required in the coming years is vast, and it will be vital not to alienate the public. The government should prioritise engaging people more about how infrastructure investment meets their needs and the benefits of private sector involvement, as well as the costs. Being transparent and demonstrating that lessons are being learned from past experiences, such as the Public Finance Initiative (PFI) model, are key to avoid alarming the public about the role of private investment in infrastructure or spooking investors.

How the public views public and private infrastructure investment

In Opinium's public polling, respondents recognised the UK's infrastructure investment challenge:

- Over half (55%) described major infrastructure projects in the UK as currently underfunded.
- Funding constraints were seen as a major barrier to building new major infrastructure (chosen by 41% of respondents), as well as shifting priorities (32%) and poor project management (32%).

The public also lacks confidence in the government's ability to oversee major infrastructure projects. Concerns included short-term decision-making, financial mismanagement and inefficient project planning and delivery. Almost half (44%) believed projects are often delayed or go over budget, and 40% believed projects end up costing more than necessary. The private sector was seen as better at delivering infrastructure projects efficiently and quickly (45%), compared to just 13% who trust the public sector in this area.

However, almost half the respondents (44%) thought the government should fund most major infrastructure projects. Only 17% thought the private sector should be the main funder. Opinium's research found concerns among the public that private companies would prioritise profit over public good, resulting in poorer service quality, underinvestment in long-term maintenance and pricing people out of essential services.

Trust in the private sector's involvement in infrastructure investment appeared conditional on strong regulation and government oversight. Evidence of a strong sense of social responsibility and investment in communities was also important. However, people also associate the private sector with better innovation, speed and cost controls.

How the public thinks infrastructure is and should be paid for

The polling also suggests people are uncertain about how major infrastructure projects are funded. The government will need to be much more transparent and better at engaging the public to gain support for more investment to deliver its 10-year national infrastructure strategy:

- Almost two-thirds of respondents (62%) felt that major infrastructure projects are poorly communicated to them (only 19% believed they are currently well communicated).

⁶ Opinium Research conducted three virtual focus groups, each with 6-8 UK adults aged 18+, between 14 and 16 January 2025 and an online survey with a nationally representative sample of 2,007 UK adults aged 18+, between 5 and 8 February 2025.

- People were keenest to hear about why projects are being built and what the benefits will be (47%), who is paying for the projects (38%) and what it will cost them individually (37%) – the latter being a higher concern than the overall cost.

Respondents were also divided on the fairest way to pay for new infrastructure:

- They were relatively evenly divided on whether new projects should be funded by everyone through taxes (33% thought most or all of the funding should come through taxes) or by those who use them (39% thought most or all of the funding should come from those who use them).
- However, the proportion (27%) of unsure people suggests a significant lack of public awareness of how infrastructure is financed.
- When paying for new major infrastructure projects requires either raising prices for service users or raising taxes for everyone, the public leaned towards raising prices for service users (38%) rather than raising taxes (16%).

Investment models

There is no one-size-fits-all approach to private finance. There is already a range of options in use across different sectors at different levels of maturity – new models are unlikely to be the answer to the UK's investment challenge.

Simplicity and transparency are important, especially in the wake of the excessive complexity that undermined the PFI model, to help grow investor confidence and reduce transaction time and cost. However, simplicity needs to be balanced with commercial and regulatory mechanisms that protect the interests of taxpayers and consumers.

The ICE's research has highlighted some factors the government should consider when considering its options.⁷

Public Private Partnerships

The ICE has heard that many investors feel 'burnt' by PFI projects in the UK and would be reluctant to engage with another UK model. On the other hand, the UK is now one of the only major economies with no active PPP model. With PPPs being used successfully in other countries, such as Australia and the Netherlands, there is an opportunity for the UK government to learn from global best practice.

Some countries have dedicated units or bodies responsible for building public sector expertise, for example, New Zealand's National Infrastructure Funding and Financing Limited or the P3 offices in many US states which are responsible for running PPP projects from tender through to construction and operation.

The Welsh Government has developed the mutual investment model (MIM) to boost public infrastructure investment. The government says it differs from traditional PPP/PFI models by 'removing elements that did not promote the public interest' while maintaining best practice.⁸ However, the MIM model is being used to deliver investment in only three capital projects, worth £1.39 billion. It may require further testing to assess its suitability for other sectors and larger projects across the UK.

⁷ ICE (2025) [ICE briefing paper: paying for Britain's infrastructure system](#); ICE (2018) [State of the Nation 2018: Infrastructure Investment](#)

⁸ Welsh Government (2024) [Mutual Investment Model Report 2022–2024](#)

Land Value Capture

Land Value Capture is successfully used worldwide, including Hong Kong's Rail Plus Property model. In the UK, it helped finance the London Underground Northern Line extension to Battersea and London's Crossrail project.

The Community Infrastructure Levy and Section 106 have been the most effective methods for capturing planning gain in recent years, but they have tended to capture only small amounts for infrastructure relative to the overall project.⁹ Land value capture is most suitable for urban areas and must, therefore, be considered as part of a wider toolkit of available policy options. The government should also be cautious about applying what works well in London to other parts of the UK.

Market-led proposals

Australia is a world leader in encouraging the private sector to submit proposals to government on infrastructure projects or engage with projects of recognised need for direct consideration through market-led proposals. Every state has a framework for introducing market-led proposals. For example, Queensland's 'exclusive transactions' process encourages submissions from the private sector seeking a commercial arrangement with government to provide a service or infrastructure that aligns with the state government's objectives.¹⁰

The ICE has previously recommended that market-led proposals regarding rail in the UK be reformed in a way that simplifies applications and ensures intellectual property is protected or rewarded in the event of a successful bid. Infrastructure clients have adopted an intellectual property reward approach in the past. London Underground's Innovative Contractor Engagement programme in 2011 included the protection of contractors' intellectual capital for innovation, through confidentiality agreements and a two-stage procurement model asking first for specifications which London Underground then purchased to put to full competition for delivery.¹¹

Asset recycling

There may be policy circumstances where the government's best option, financially, is to act as a provider and builder of economic infrastructure assets and institutions, which can then be sold or licensed for a time-limited concession, creating a virtuous circle of development. The proceeds can then be recycled to provide additional capacity, improve other assets or support the government's overall balance sheet position. This practice is known as asset recycling.

In Australia, the various tiers of government agreed to the National Partnership Agreement on Asset Recycling (NPA) to 'unlock funds from existing state-owned assets to invest in additional infrastructure'. The agreement ran from 2014 to 2019. A review found the benefits included A\$2.3 billion in funding provided to the participating jurisdictions and unlocking over A\$15 billion in additional economic infrastructure. The investment in additional infrastructure boosted economic activity through increased construction activity and employment demand.¹²

⁹ International Transport Forum (2024) [Land Value Capture and Public Transport Funding](#)

¹⁰ Queensland Government (2023) [Exclusive Transactions](#)

¹¹ ICE (2018) [State of the Nation 2018: Infrastructure Investment](#)

¹² Australian Government (2019) [Review of the National Partnership Agreement on Asset Recycling](#)