



cutting through complexity

UK Government Construction Pipeline

KPMG Analysis

February 2015

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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.

Introduction

The UK Government's Construction Pipeline ("the pipeline") is a detailed list of Government-led current and planned construction and infrastructure activity. It comprises central Government construction data and other public sector national and regional data provided by Government Departments and presented by Barbour ABI. It is designed to provide contractors, suppliers and investors with a long-term view of planned projects and programmes from 2014 to 2020 and beyond.

The December 2014 pipeline reflects projects and programmes (herein "projects") with committed funding. The total allocated value is £128 billion, categorised, for the purposes of this pipeline, into three spend periods: 2014-16, 2016-20, and 2020 and beyond. The pipeline includes 3,148 projects in 16 sectors across 15 regions.



Changes since July 2014

There is a total increase of 1,262 projects and programmes since the previous edition of the pipeline in July 2014 (from 1,886 to 3,148 in December 2014). This is largely due to projects that were previously grouped into larger programmes and categorised under “England” now represented as individual projects in their respective regions. As such, England is the only region to see a decrease in projects (39% by volume). This greater clarity as to the location of projects predominantly relates to Justice and MoD projects (1,256 projects) and is spread proportionately across all geographies.

	Dec-14	Jul-14
Total 2014 to 2016 (£ billion)	37.8	38.2
2016 to 2020 Estimated (£ billion)	50.2	46.6
Beyond 2020 Estimated (£ billion)	39.7	31.4
Total Allocated Value (£ billion)	127.8	116.2
Total Projects	3,148	1,886

A number of large and high profile programmes have been added to this iteration of the pipeline, as can be seen in the £11.6bn increase in total allocated value. These include:

- An increase in spend in the energy sector of £7.5bn, all relating to Nuclear Decommissioning projects; and
- The second phase of the Priority Schools Building Programme with funding of £2.5bn.

Sector overview

Of the 16 sectors, 96% of the pipeline value comprises projects in Transport (£66.5 billion), Energy (£22.3 billion), Education (£13.0 billion), Ministry of Defence (MoD) (£7.9 billion), Housing and Regeneration (£4.9 billion), Health (£4.3 billion) and Flood (£4.0 billion). The remaining 4% of the pipeline value covers sectors including Police Forces (£1.3 billion) and Intellectual Capital (£1.4 billion), Waste, Justice, Further Education, the Coal Authority and Home Office (all <£1 billion each).

The number of projects in each sector do not mirror the spend proportions. For example, MoD, Justice and Police make up 80% of the entire portfolio of pipeline projects, yet contribute only 8% of total pipeline value. In contrast, Transport and Energy, which have the highest designated construction value (70% of total pipeline value), contribute only 6% of the entire pipeline of projects, by volume.

Figure 1: Allocated pipeline value by sector

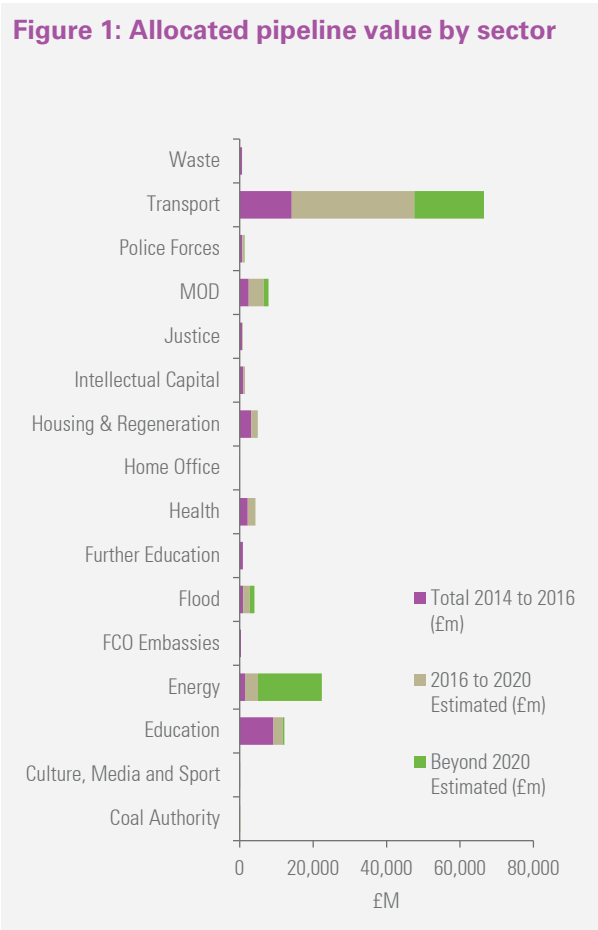
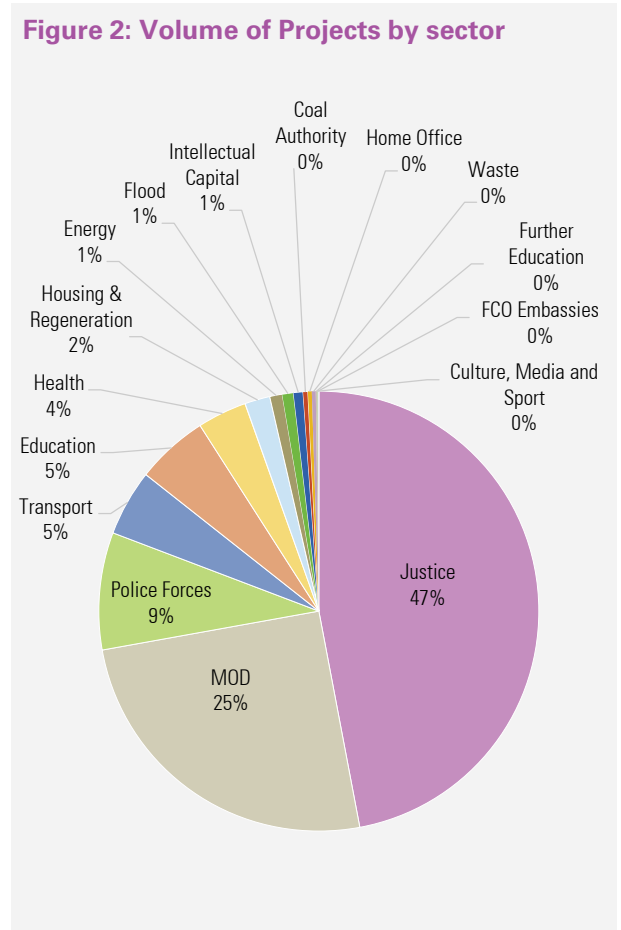


Figure 2: Volume of Projects by sector



Sector highlights

Transport



£66.5 billion (52%) of the pipeline is attributed to transport. Largest projects include:

- HS2, which makes up more than 36% of the total allocated Transport investment (£23.9 billion currently profiled)¹;
- Highways Agency (HA) projects which account for £17.3 billion of allocated transport spend, including £7.1 billion of transport projects included within the Road Investment Strategy;
- Local Authority (LA) transport projects which make up nearly £17.0 billion of total allocated spend; and
- the remaining £8.1 billion of spend for Crossrail.

Health



The 114 health projects are mainly spread across the English regions, with all projects due to commence construction by 2016 including:

- 13 large NHS-led capital programmes, totalling £2.6 billion of capital spend; and
- 101 small works and capital programmes procured via the Procure 21 framework (£1.7 billion).

Energy



- All of the £22.3 billion of energy projects within the pipeline relate to Nuclear Decommissioning, most of which will start before the end of the decade.
- Almost half of the spend relates to one single project – the disposal facility to treat UK legacy radioactive waste (£11.1 billion).
- Most energy projects in the UK are procured by the private sector, not directly by Government, and consequently do not appear in this pipeline, but are included in the 2014 National Infrastructure Pipeline.

Housing and regeneration



The pipeline includes £4.9 billion to be spent on Housing and Regeneration, all before 2020. Of this:

- £3.7 billion related to the affordable housing programmes and projects across England, English regions and Wales;
- £0.6 billion relates to the long-term Decent Homes Backlog programme; and
- £0.6 billion is for housing PFI programmes currently in construction.

Education



£12.1 billion of the pipeline (10% of total allocated spend) relates to Education and the majority of this is expected to be spent by 2020 including:

- £4.5 billion relates to the Priority School Building Programme (inclusive of £2.5 billion for the second phase announced in the summer of 2014);
- £2.7 billion relates to Unallocated DFC + Maintenance + Basic Need grants. These are expected to be announced in early 2015; and
- £2.5 billion relates to the balance of spend as identified in Investing in Britain's Future 2013.

Justice, MoD, and police



MoD, Justice and Police Forces projects account for over 80% of projects by volume, but only 8% (£10 billion) of total allocated spend. Spend across these three sectors relates to investment in refurbishment, maintenance programmes and minor improvements/works/capital programmes, and includes some new infrastructure.

¹ The full value of HS2 is £50 billion as captured in the NIP 2014. £23.9 billion is the amount currently profiled across the spend periods in this pipeline

Regional overview

Each project and programme within the pipeline is categorised to one of 15 regions, reflecting in most cases the part of the UK in which the project is being or will be constructed. Some projects and programmes are regarded as benefiting the whole of the “UK” or “England” (or are yet to be allocated to a specific sub-region) and are categorised to one of these two overarching “regions”. This may also be the case where the location of a project has not been confirmed. One of the 15 regions is “Overseas” for projects and programmes funded by the UK Government but outside of the UK.

Projects attributed to “England” represent the largest total spend in the pipeline (36%). The £46.4bn attributed to England includes HS2 and a number of Highways Agency and Local Authority led transport projects. The South East and South West have the highest volume of projects (1,109) – over a third of the entire pipeline. Over 88% of the projects to be delivered in these regions relate to MoD, Justice and Police.

Figure 3: Construction value by Region (£m)

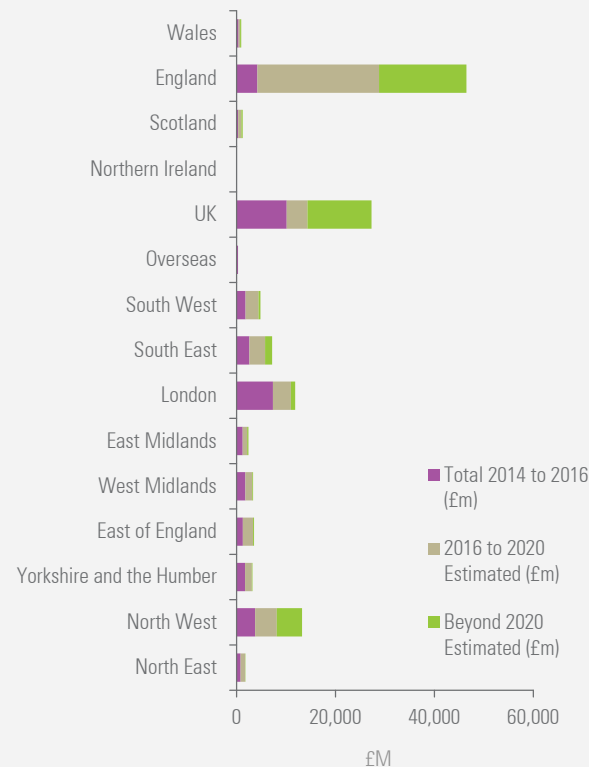
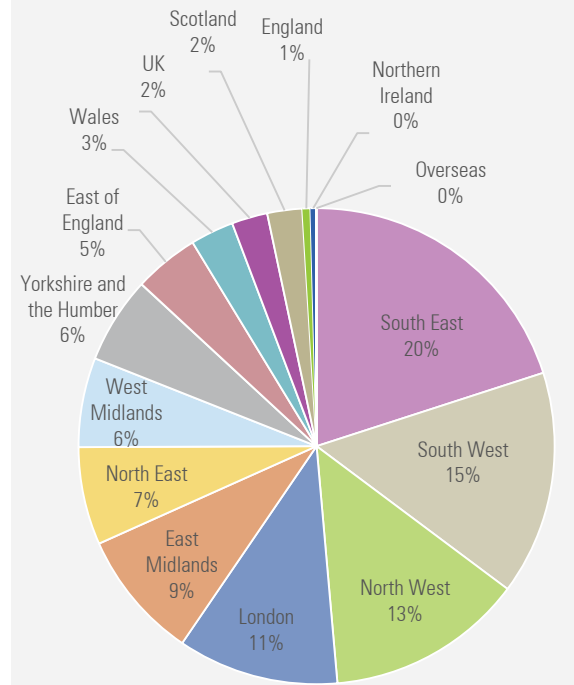


Figure 4: Proportion of allocated spend by region



Regional highlights

The UK

76 projects are categorised to the “UK” region, with a total value of £27 billion including:

- £14.0 billion for 2 energy projects (the Nuclear Decommissioning Geological Disposal Facility (£11.1 billion) and the “other NDA spend” Decommissioning project (£2.8 billion);
- £10.5 billion of education projects (15 projects), including the £2.7 billion for “Unallocated DFC + Maintenance + Basic Need” grants, £2.5 billion balance of spend identified in Investing in Britain's Future (June 2013) and £4.4 billion for Priority School Building Programme Capital (including £2.5bn for PSBP Capital 2) to be invested in UK schools; and
- £1.0 billion for 9 Intellectual Capital projects (research based).

England

Of the approximately £46.4 billion (36.4%) categorised to “England”, most relate to top-priority projects in the National Infrastructure Plan and Investing in Britain’s Future 2013:

- Flood defence schemes (£1.2 billion);
- HS2 (£23.9 billion);
- A number of HA programmes (£12.1 billion) including the Road Investment Strategy; and
- Local Authority-led transport projects (£8.3 billion).

South East and South West

The South East and South West regions account for approximately one third of projects by volume, but only contributing to 9.4% of total pipeline value. Of the 1,109 projects in these regions, over 88% are in the Justice, MoD and Police Forces sectors.

Other English regions

All other English regions have a range of projects and programmes from across 14 of the 16 sectors. The largest projects by value relate to transport (including Crossrail (in London), major Local Authority and Highways Agency led transport projects (including the £1.4 billion for the A14 Huntingdon to Cambridge) and Affordable Housing projects. The largest number of programmes by volume are in the Justice and MoD sectors.

Overseas

There is only one programme categorised as “Overseas”, the Foreign and Commonwealth Office (FCO) Capital Programme.

Scotland, Wales and Northern Ireland

A total of 180 projects are included from across Scotland, Wales and Northern Ireland², of which 174 projects relate to the MoD and Justice sectors.



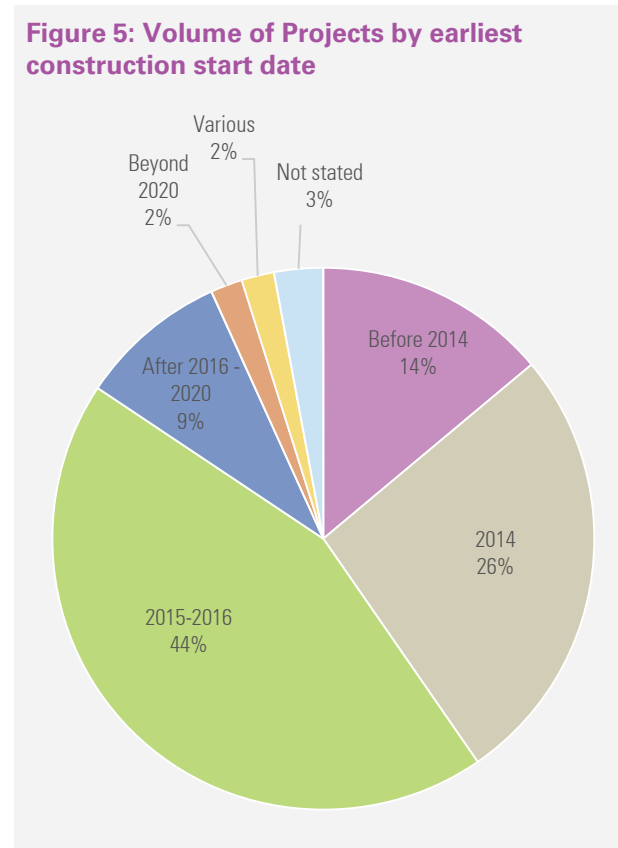
² Infrastructure Projects in these devolved administrations have been excluded from this pipeline. Scotland, Wales and Northern Ireland all produce their own separate pipelines or plans

Construction start date overview

The pipeline is segmented by earliest construction start date of the underlying projects³. The uplift in the number of projects due to start is indicative of the forecast increase in construction activity in the next 2 years, which will exacerbate the challenge for the construction industry of the already acute shortage of skilled labour.

Analysis has been undertaken to determine the expected date that construction on each programme will begin. The programmes have been divided into 7 categories: Before 2014, 2014, 2015-2016, 2016-2020, Beyond 2020, Various and Not Stated. 84% of the projects (with known construction dates) are due to start construction by 2016 and 11% after 2016. 5% of projects in the pipeline did not detail a specific construction start date.

Earliest Construction Start Date	Total 2014 to 2016 (£m)	2016 to 2020 Estimated (£m)	Beyond 2020 Estimated (£m)	Allocated Total	Projects starting construction per period	Cumulative projects in construction
Before 2014	10,510	5,304	1,437	17,250	438	438
2014	7,330	3,112	1,661	12,103	833	1,271
2015-2016	5,033	13,676	5,806	24,515	1,385	2,656
After 2016-2020	1,395	14,833	7,203	23,431	279	2,935
beyond 2020	52	168	12,100	12,320	60	2,995
Various	4,230	5,074	1,428	10,732	61	3,056
Not Stated	9,256	8,080	10,091	27,427	92	3,148
Total	37,806	50,246	39,726	127,778	3,148	



³ These construction start date categories are not included in the pipeline, and have been categorised for the purposes of this report using the spend period categories as the basis i.e. where a project has a forecast services commencement date as 2017, it has been included in the 'After 2016 to 2020' category.

Construction start date highlights

Before 2014



The “Before 2014” category relates to existing assets that are due to undergo maintenance or upgrade work and projects which commenced construction before 2014. Crossrail is the single largest project included in this category with £8.1 billion of pipeline spend. Other projects include:

- 46 housing projects (mainly decent homes backlog) at a value of £2.2 billion;
- 28 transport projects (mainly LA & HA pinchpoint projects) with a total value of £9.1 billion;
- 270 Justice, MoD and Police Forces (£1.2 billion); and
- 57 health (Procure 21) projects (total £0.8 billion);

2014



833 projects (26%) were expected to commence construction in 2014 with a total value of £12.1 billion. Projects include:

- 1 nuclear decommissioning programme relating to Other NDA spend (£2.8 billion);
- 163 Education projects relating to LA devolved budgets for Basic Need, Maintenance and Devolved Formula Capital (£2.5 billion);
- 604 Justice, MoD and Police Forces projects (£2.2 billion); and
- 14 Transport projects (£2.0 billion) relating to major works.

2015-2016



43% of the volume of projects (1,385) included in the pipeline are due to commence in the next 2 years, but represent only 19% of allocated spend (allocated value of £24.5 billion). This is due to the inclusion of 1,282 MoD, Justice and Police Force projects which have proportionately lower spend per project (total value £3.1 billion). Other projects include:

- £14.3 billion for 52 Transport projects (including £7.1bn for SR13 funded Roads Investment Strategy projects; £4.4bn for the HA road renewals programme; and £1bn of Smart Motorway projects);
- £3.0 billion for 5 Energy (nuclear decommissioning) projects;
- £2.3 billion for 33 Health projects (remaining Procure 21 projects); and
- £1.6 billion for 4 Housing projects (the remaining PFI and unallocated affordable homes funding)

After 2016-2020



19% of the total pipeline (£23.4 billion) is expected to start construction after 2016-2020 representing 8.8% of the total number of projects starting construction, including:

- £16.4 billion to be spent on HS2;
- £1.8 billion of MoD projects, accounting for 251 of the 279 programmes in this category; and
- £2.9 billion on Nuclear Decommissioning projects.

Construction start date highlights (cont..)

Beyond 2020



Approximately 10% of projects by allocated spend are to commence construction beyond 2020. Of the 60 programmes in this category, 57 are in the MoD sector (£0.4 billion), two projects relate to nuclear decommissioning (the legacy waste disposal facility (£11.1 billion) and providing capacity to treat fuel at Sellafield (£0.8 billion)) and the remaining one is a Coal Authority programme (Mine Water Treatment Schemes).

Various



£10.7 billion (8%) of the overall pipeline are categorised as having various construction start dates (61 projects). Approximately one third (20) of these are Flood defence projects across England, mainly concentrating on reducing the flood risk to homes (£3.2 billion). The remaining 41 programmes are in the Transport sector, including Local Authority led major works projects and Highways Agency renewal schemes.

Not stated



The “Not Stated” category includes those programmes that have either no stated construction start date or those projects with a start date yet to be determined. 92 programmes are included in this category, representing approximately one fifth of the allocated pipeline value. The largest of these projects are:

- HS2 rolling stock, with an estimated spend of £7.5 billion (which is unlikely to require construction in the traditional sense but rather the purchase of stock required for the HS2 service and would likely fall into the end of the construction period expected to go beyond 2020)
- Highways Maintenance Block Funding (£5.9 billion) to help local authorities repair the local road network and which is largely expected to be spent by 2020; and
- £2.7 billion of unallocated maintenance and basic need funding for schools, expected to be spent between 2015 and 2016.

68 of the 92 projects are MoD projects with no specified construction date, and no specified pipeline value.

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