



Summer Budget: a CIHT Review

July 9 2015

Chancellor of the Exchequer, George Osborne, announced a major change to the funding of England's Strategic Roads Network (SRN) in the Budget.

In 2020, and for the first time since 1937, Vehicle Excise Duty (VED) raised in England will be ring-fenced for use on the Strategic Roads Network (SRN). Government estimates that this new Roads Fund will be worth around £4 billion per annum. A second Roads Investment Strategy (RIS) will be prepared in this Parliament to guide spending priorities.

While welcoming the promised funding stability, CIHT are concerned by the lack of any similar certainty for the 97% of the network comprising local highways. Councils have to wait for September's Spending Review to learn their income for future years.

The value of VED will be stabilised by the Chancellor's reforms to prevent the growing popularity of lower – but not zero - emission vehicles escaping payment. From April 2017, only new vehicles with zero CO2 tailpipe emissions will escape VED. Others, including low emission hybrids and small diesels, will pay on banded rates in the first year, subsequently moving to a standard £140 annual charge.

The Chancellor reported progress on devolution of power to combined authorities and the development of a Northern Powerhouse.

Existing combined authorities in South and West Yorkshire and on Merseyside are in negotiation to receive further powers. Accepting a "metro mayor" continues to be a condition of major transfers, and some city region leaders remain reluctant to accede to this.

The Chancellor reiterated his commitment to a Northern Powerhouse, committing to establishing Transport for the North (TfN) in statute and continuing its development with £30 million additional funding over three years.

Following the West Midlands' announcement of a combined authority, the Chancellor also announced that two proposals from the East Midlands had been received. Outside the metropolitan areas, a deal devolving powers to Cornwall is also reportedly close.

As previously announced, Network Rail's incoming Chairman, Sir Peter Hendy, will work with Chief Executive, Mark Carne, on a review of the organisation's troubled investment programme. The Chancellor announced that Government would channel more of public subsidy through train operators, rather than Network Rail. Looking further ahead, Nicola Shaw, Chief Executive of High Speed 1, has been asked to advise on the longer-term funding and organisation of Network Rail. She will report prior to the next Budget in March 2016.

The UK Government has committed to 3 million apprenticeship starts in England during this Parliament. Today's Budget introduces an employer levy to fund these, although further details is to be included in the Spending Review.

Sue Percy, Chief Executive, CIHT said:

"CIHT welcome the recognition that infrastructure investment is a driver of economic growth. Transport infrastructure is vital to the whole spectrum of society. Investment will create and retain jobs whilst supporting economic recovery."



"Whilst we welcome the announcement today of a creation of a new road fund, we will need to review what the detail behind this means for our sector as a whole. This has the opportunity to provide certainty and continuity of funding for the strategic road network. We believe that the UK government must also begin to address the funding of our local roads which make up over 97% of the network."

"We are pleased to see the creation of a statutory body that will provide recognition for integrated transport in the north of England. We look forward to working with this body through our national and regional member networks."

"CIHT welcome the focus on apprenticeships as skills development is a key area of concern for the growth and progression of the highways and transportation industry. Industry trends show that with fewer graduates entering and an ageing current workforce, action must be taken to secure the pipeline of skilled engineers and transportation professionals for the future."

"CIHT calls for the government to continue to support apprenticeship schemes as a way of attracting new entrants, providing training relevant to industry needs, and assisting the UK to compete successfully in global markets."