



UK Government Construction Pipeline

KPMG Analysis

—

March 2016 Construction Pipeline



Contents

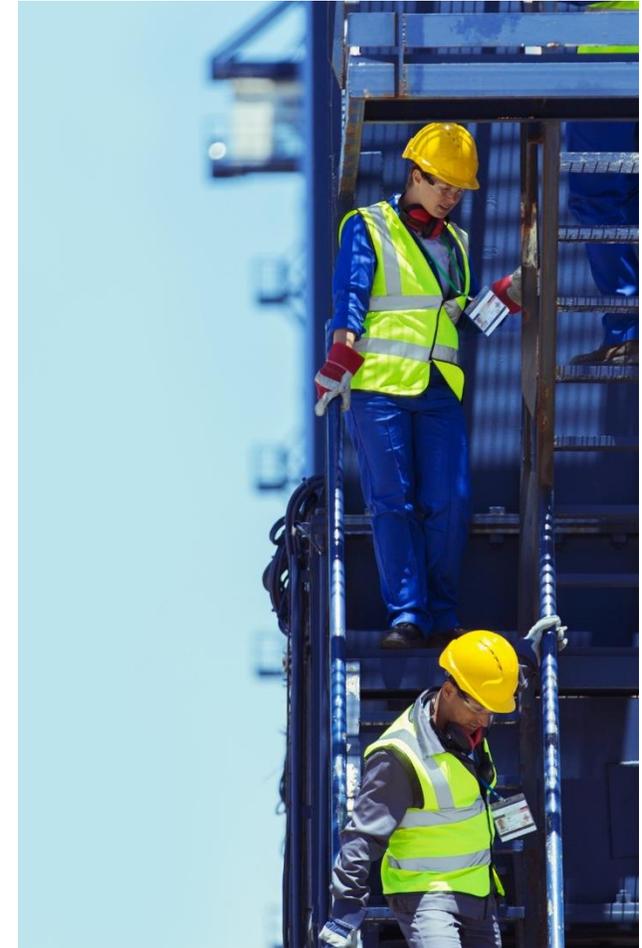
| | | Page |
|---|---------------------------|------|
| 1 | Introduction | 3 |
| 2 | Changes since August 2015 | 4 |
| 3 | Sectors overview | 5 |
| 4 | Regional overview | 7 |

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 is a detailed list of Government funded 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. It is designed to provide contractors, suppliers and investors with a long-term view of planned projects and programmes from 2016 to 2020 and beyond.

The March 2016 pipeline reflects projects and programmes with a total allocated value of £181 billion, categorized, for the purposes of this pipeline, into six spend periods: 2015-2016, 2016-17, 2017-18, 2018-2019, 2019-20, and 2020 and beyond. The pipeline includes 14,705 projects in 15 sectors across 14 regions.



Changes since August 2015

There is a total increase of £62.6 billion in the volume of projects since the previous edition of the pipeline in August 2015. The majority of this uplift (79%) is due to be spent beyond 2020

| Value of projects | | |
|------------------------------|----------------|----------------|
| £m | Aug-15 | Mar-16 |
| Total to 2020 (Estimated) | 78,422 | 91,840 |
| Beyond 2020 (Estimated) | 40,302 | 89,521 |
| Total allocated value | 118,724 | 181,361 |

The largest changes in the pipeline are due to:

- An increase of £32 billion in the transport sector attributable to the HS2 high speed rail project
- An additional £15 billion in the education sector, due to an increased balance of spend as identified in ‘Investing in Britain’s Future’
- A £10 billion increase in the value of the energy sector pipeline attributable to additional spend on nuclear decommissioning

Sector overview

Of the 15 sectors, 84% of the pipeline value comprises projects in Transport (£92.2 billion), Energy (£32.3 billion*) and Education (£27.9 billion). A further 15% comes from Ministry of Defence (MoD) (£6.9 billion), and Science and Research (£6.9 billion), Flood (£4.9 billion), Health (£4.3 billion), Justice (£1.8 billion), Housing and Regeneration (£1.4 billion) and Police Forces (£1.3 billion). Waste, Further Education, the Coal Authority, Culture, Media and Sport and Home Office all represent £1 billion or less per sector in project value.

The number of projects in each sector do not mirror the spend proportions. Housing and Regeneration, Justice and Flood make up over 70% of the entire portfolio of pipeline projects, yet contribute only 5% of total pipeline value. In contrast, Transport has the highest designated construction value (51% of total pipeline value), and contributes only 5% of the entire pipeline of projects, by volume

Note: * Most energy projects in the UK are procured by the private sector, not directly by Government, and consequently do not appear in this pipeline. These projects are included in the spring 2016 National Infrastructure Pipeline.

Figure 1: Allocated pipeline value by sector

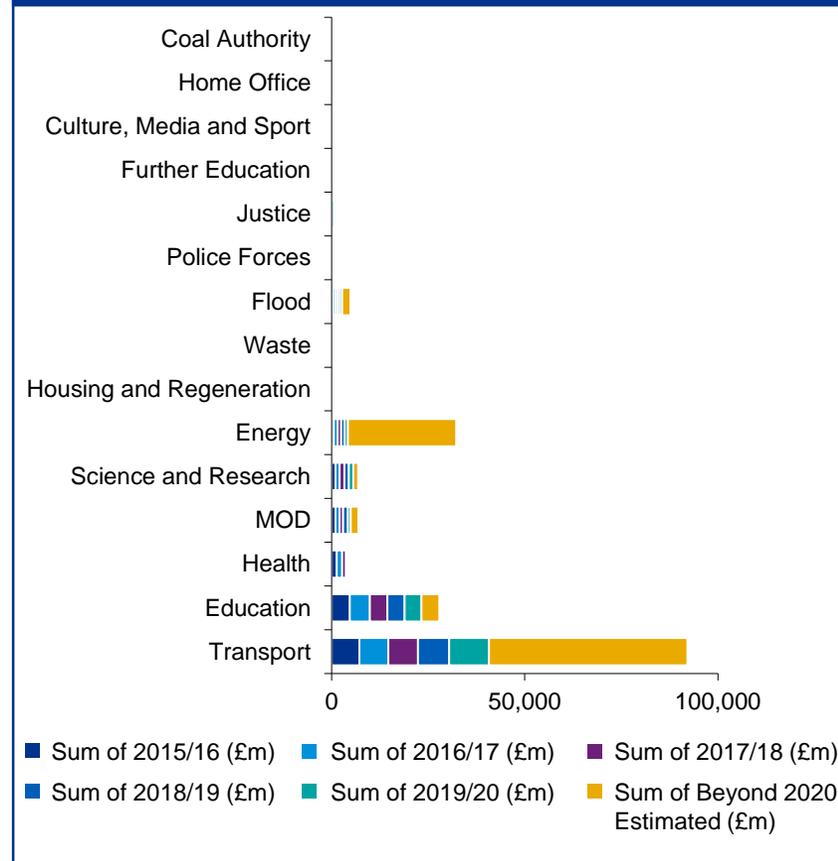
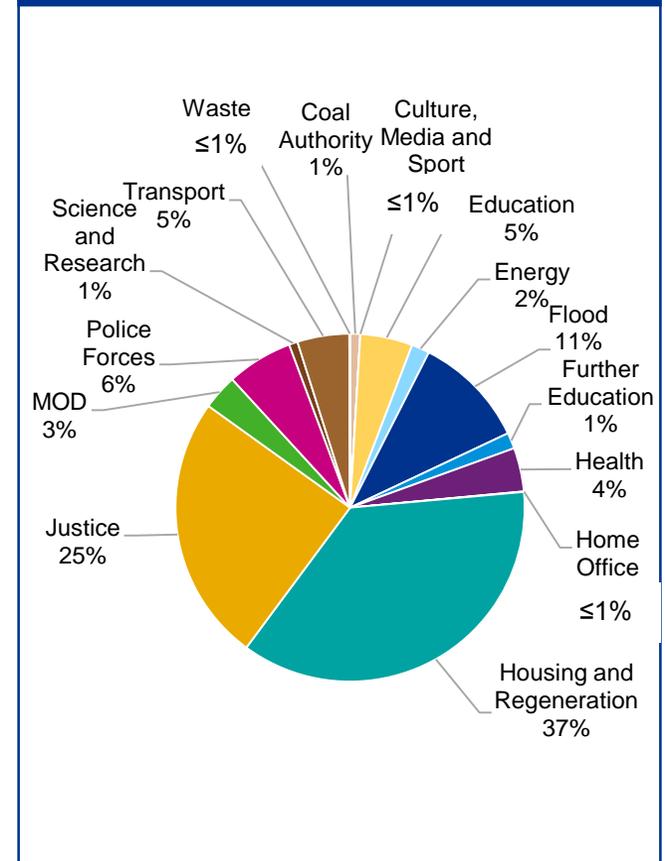


Figure 2: Volume of projects by sector



Sector highlights

Transport



£92.2 billion (51%) of the pipeline is attributed to transport. The largest transport projects include:

- HS2 Phases One and Two, which make up 60% (£55.3 billion) of the total allocated Transport investment, the majority of which, is forecast to be spent beyond 2020
- The remaining £6 billion of spend for Crossrail (£5.5 billion to be spent by 2018) and Highways England (HE) projects which account for £11.3 billion

Energy



- All of the £32.3 billion of energy projects within the pipeline relate to Nuclear Decommissioning, most of which will be spent beyond 2020. 69% (£22 billion) is for the disposal facility to treat UK legacy radioactive waste and other NDA estate new construction capital projects
- Most energy projects in the UK are procured by the private sector, not directly by Government, and consequently do not appear in this pipeline. These projects are included in the spring 2016 National Infrastructure Pipeline

Education



The majority of the £27.9 billion education spend is expected to be spent by 2020. This includes:

- £5.9 billion devolved budget to Local Authorities and schools for basic need and school condition allocations
- £3.9 billion relating to the Priority School Building Programme
- £16.3 billion relating to the balance of spend as identified in Investing in Britain's Future

Health



The 597 health projects are mainly spread across the English regions. They consist of:

- 10 large NHS-led capital programmes, totalling £2.2 billion and 587 smaller works and capital programmes procured via the Procure 21 framework (£2.2 billion)

Housing and regeneration



The pipeline includes £1.4 billion to be spent on Housing and Regeneration, all before 2018. This includes:

- £1.1 billion (79% of allocated spend) relating to the affordable housing programmes and projects across England and the remainder allocated to housing PFI programmes currently in construction

Justice, MoD, and police



- MoD, Justice and Police Forces projects account for over 34% of total pipeline projects by volume, but only 6% (£10 billion) of total allocated spend which relates to investment in refurbishment, maintenance programmes, minor improvements, and some new infrastructure
- Notable projects include Defence Infrastructure Organisation Capital Programme (£6.9 billion)

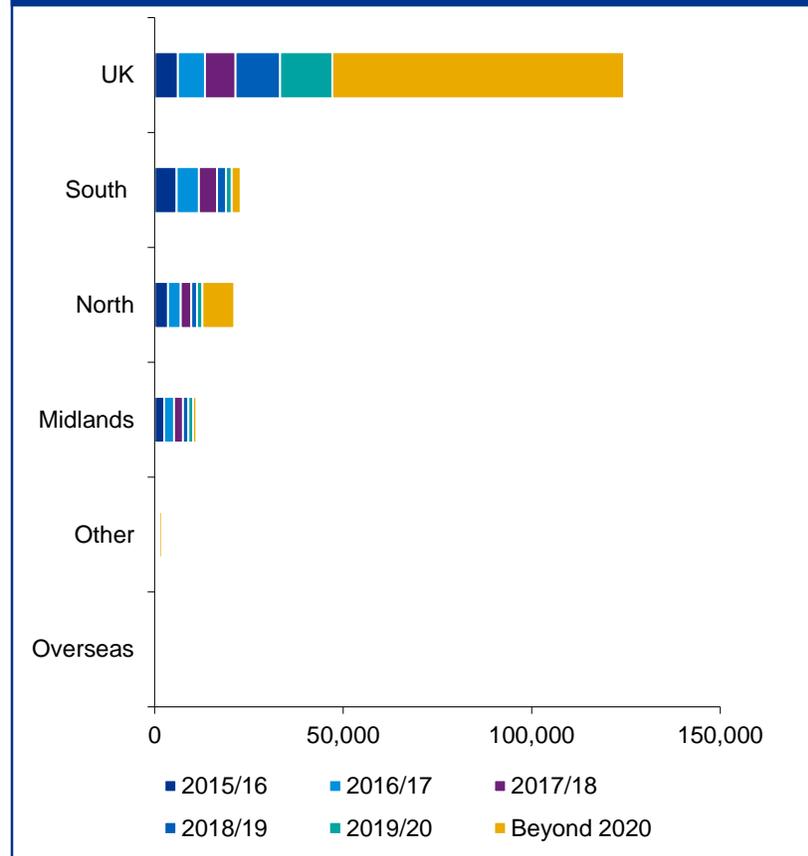
Regional overview

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'. This may also be the case where the location of a project has not been confirmed. One of the 14 regions is 'Overseas' for projects outside of the UK funded by the UK Government

Projects attributed to 'UK' represent the largest total spend in the pipeline (69%). The £124.5 billion attributed to the UK includes HS2, the balance of spend for education identified in Investing in Britain's Future and a number of nuclear decommissioning projects, including the disposal facility for UK legacy radioactive waste. The second highest spend is represented by the South at £22.8 billion (13% of the pipeline) followed closely by the North at £20.7 billion

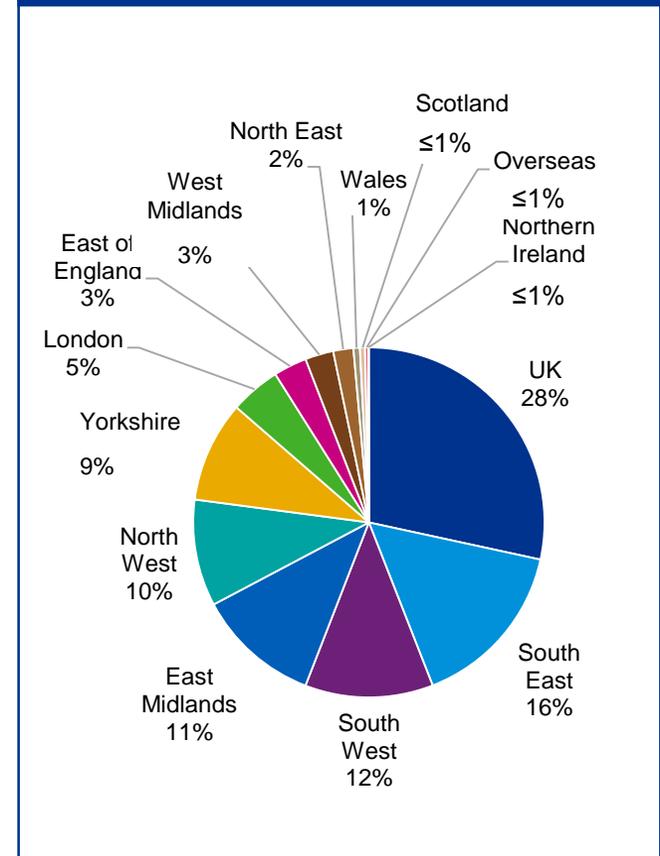
Note: * The majority of infrastructure projects in these devolved administrations are excluded from this pipeline. Scotland, Wales and Northern Ireland all produce their own separate pipelines or plans.

Figure 3: Construction value by region (£m)



Source: [...]

Figure 4: Volume of projects by region



Source: [...]

Regional highlights

South

- Investment in the South has stayed relatively flat since the last iteration of the pipeline representing the second largest spend in the pipeline at 22.8 billion with a total of 4,710 projects. Funding for London is £9.7 billion, South West £4.5 billion and South East £8.6
- Approximately 50% of spend in the South (£11 billion) is attributable to transport, due in the majority to Crossrail followed by roads and highways. Out of the 4,710 projects in the South there is a clear focus on housing making up 49% of the projects for the region

North

- The North represents the third largest spend in the pipeline at £20.7 billion with a total of 3,085 projects, North West contributes £15.2 billion, North East £1.6 billion and Yorkshire and Humber £3.9 billion. Energy represents the highest spend with 9.9 billion (48% of sector spend) allocated to nuclear decommissioning projects
- Transport has the second highest spend in the North with £5.8 billion made up of 220 projects relating to roads and highways.

Midlands & East

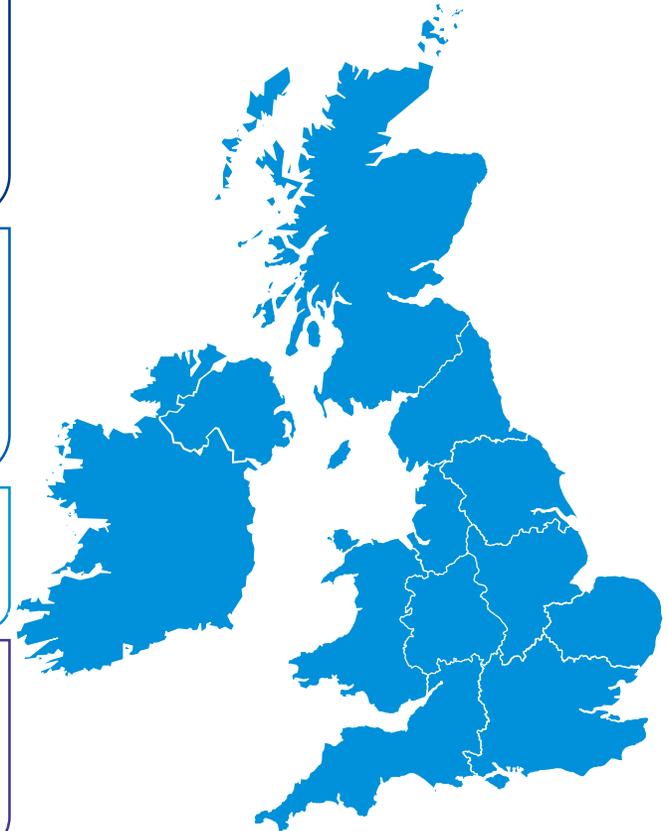
- Spend in the Midlands and East has stayed stable since the last iteration of the pipeline representing the fourth biggest spend by region at £11 billion with 2,538 projects
- Transport represents 57% of the midlands budget at £6.3 billion

Other regions

- A total of 162 (£1.9bn) projects are included from across Scotland, Wales and Northern Ireland, of which 130 projects relate to the MoD, Justice and Police sectors.
- 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

- There are 44 programmes categorised as 'Overseas'. Of these, 42 projects are from the Defence Infrastructure Organisation (DIO) Capital Infrastructure Programme, totalling £418 million





Contact us

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
Sector Insights Manager – Infrastructure,
Building and Construction

T. +44 (0)20 7694 5255
M. +44 (0)7824 499682
E. helen.oxenbridge@kpmg.co.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 Graphics: CRT060595C