PIC

Planes, trains and regulatory gains.

January 2026

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Foreword.

The UK has historically underinvested in its housing and infrastructure. It now needs to build and invest more to boost the quality of UK infrastructure. The current administration recognises this and are taking steps to address the barriers to investment.

However, as they suggest there is much more that needs to be done to unlock development. Reform is a process – not an event – and we are at the beginning of this process.

There is a paradox – the clear need for greater infrastructure investment is not translating into enough viable projects coming through. All major parties are beginning to recognise this challenge, and support for fundamental reform to the machinery of government – the civil service, the regulatory system and how the UK plans for and delivers development is increasing. Where we refer to the need for reforms to 'the government' in this paper we are referring to the institutions of government and not passing judgment on any individual political party or politician.

To contribute to this emerging debate, PIC has developed 28 recommendations drawn from our investment experience to help unlock UK development. There are immediate, tangible recommendations, some of which PIC has long advocated for. Providing specialist planning support to hard pressed local authorities with complex infrastructure applications. Expanding the use of government guarantees for projects. Rolling out social value approaches to boost support for development. Creating more standardised public private partnership models and project designs for different asset classes to speed up delivery. These can be undertaken now within existing policy frameworks.

There are strategic recommendations that will require fundamental change in how government works, these will take time and will likely be modified in implementation. Adopting a zoning approach to planning to free up development in the cities and towns where it is most needed. Asking each regulator to nominate a small group of peer foreign regulators so products and services approved by these regulators will be fast tracked in the UK. Reviewing the legacy planning rules which are making developments unviable and stripping them back.

To address the UK's infrastructure issues, the apparatus of government will need 'money where your mouth is' measures. That means pulling every single lever you can see, whilst hunting for the ones you can't. The political will to deliver tough choices that will achieve the long-term objective of better housing and infrastructure.

For example, we could consider charging a fee to object to development for people who live far from developments or who submit large numbers of objections to tackle the super nimby individuals and groups blocking growth. Ending the cap on the recovery of legal costs in environmental cases that are being used to block development so there is no incentive to pursue frivolous claims. Allowing developers to offer community financial and service incentives to win consent for development as is used in places such as France.

PIC exists to pay the pensions of our current and future policyholders. To do that we need a pipeline of investable projects right here in the UK. These 28 ideas are presented to policymakers as steps that can be taken to unlock more projects to achieve our shared goal to deliver the better infrastructure the UK needs and deserves.

Rob Groves
Chief Investment Officer
Pension Insurance Corporation plc

About PIC.

PIC's purpose is to pay the pensions of its current and future policyholders. Our investment strategy is carefully constructed to provide the cashflows to match all future pension payments over the coming decades. The best way to do this is by investing in very secure assets like UK government and high-grade corporate bonds, and the infrastructure the UK needs.

Our appetite for risk is low and our timeframe for success is measured over decades, not the next four quarters. We have already invested more than £14 billion in UK productive finance assets such as social housing, renewable energy, urban regeneration projects, and the UK's universities. We have more than £29 billion invested in the UK and have a total portfolio in excess of £50 billion. So far, we have paid more than £16 billion in pensions to our policyholders, with a 99% customer satisfaction level.

Executive summary.

The challenge

Britain's failure to complete a single reservoir since 1992, despite the population increasing by 10 million, is a clear example of the failure of the UK's infrastructure policy, but the truth is that Britain is just not building much infrastructure in general.[1]

UK electricity availability has declined since 2005[2] and there are long delays for electricity grid connections which are setting back development.[3] Housebuilding peaked in the 1960s and has just slumped to a ten-year low.[4] In the last few years, housing affordability, has only modestly improved from recent near historic lows.[5]

The delays in providing basic infrastructure from housing to data centres are setting back UK economic growth[6] and reducing living standards. Schroders Capital and the National Energy System Operator estimate that ending the gridlock in electricity grid connections could deliver £40 billion a year of extra economic growth.[7] Keeping legacy infrastructure working costs more – eating into the funding needed to deliver essential new infrastructure. It does not have to be this way. We need to break the cycle and increase investment in UK infrastructure – the question is how to achieve this?

We must recognise this is a **systemic failure** not a blip or the fault of one party or politician. The UK has underinvested in its infrastructure for decades[8] and lagged its international peers.[9] This has happened under recent governments of all sides. This underinvestment has contributed to low rates of economic and productivity growth which creates concern about the long-term sustainability of public finances. The machinery of government needs to be recalibrated so that the civil service and regulators better support economic growth. Where this report refers to a need for government to act or change, we are referring to the machinery of government and not to the current Labour government.

To catch up the UK needs to invest more, for longer and in a sustained way. To build a planning system where 'fast tracking' a 3rd runway, or a reservoir, or a high-speed train line means delivery in 3-5 years not 10-20 years at best. We need to build a culture which likes to say "yes" to development and to economic growth. The wider economic costs that delay investment or load on extra regulatory costs on development should be made clearer and changes should be made to ensure these costs fall less on those trying to build new infrastructure and more on those who are obstructing it.

The problem

With a fiscally constrained public sector the question is, who will pay for the infrastructure we need? Some commentators have suggested that it is institutional investors who need to step up, take more risks and boost their investment. However, the issue isn't a lack of money to invest or insurers attitude to risk – it is that there isn't sufficient supply of readily 'investable' infrastructure and housing projects to meet overall investor demand.[10]

The overall UK pension risk transfer market is set to assume about £600bn over the next 10 years, of which about a third – £200bn – would ideally be invested in UK housing and infrastructure. PIC is already investing in key infrastructure projects – with £50 million in the Havant Thicket Reservoir (set for completion in 2031)[11] and £300 million in the Haweswater Aqueduct – one of the UK's most significant water infrastructure upgrades in decades. PIC want to invest more, but until we can tackle the problem of pipeline, this investment can never be unlocked in the timeframe the UK needs.

The UK government has announced a range of policy measures to begin to address these shortcomings through the 10-year Infrastructure Strategy, the reforms to Nationally Significant Infrastructure Projects, the Planning Bill and its measures to ease planning bureaucracy, the creation of Direct Procurement Contracts in the water sector and the establishment of the National Wealth Fund and National Housing Bank. However, as the government's Infrastructure Strategy itself recognises, these measures represent a start on addressing the problems – there is widespread agreement that there is much more to do and a welcome appetite among all parties to consider bold ideas for reform, which this report contributes to.

The government has taken positive steps to help unlock key developments, but the machinery of government still acts to delay development and increase its cost. There is a need for greater coordination, breaking down the departmental and regulatory silos to unlock development and measures that change the incentive structure, so it backs the builders and not the blockers.

The solution

What is needed are Public Private Partnerships [PPPs] between central and local government and institutional investors such as PIC to bring forward more supply of investable projects.

Officials at the national level could parcel up the funding opportunities where appropriate to maximise investment flows, recognising that there are a range of investors with entirely different risk appetites and objectives. This will require root and branch reform of the UK's fragmented and siloed regulatory system, and some of the softer aspects of the planning system, to align the interests and incentives for regulators and Arms' Length Bodies to make them back economic growth.

How we get there

We propose a combination of immediate reforms; some can be implemented within existing policy frameworks, and strategic reforms: some of which will likely take longer but will help address the deeper structural issues and build a system more receptive to development.

Policy recommendations.

Immediate recommendations

PIC has advocated key policies to unlock development within the existing system, in its recent work:

1. **The creation of a Pipeline Fund** to support project development with a central group of planners funded by the private sector but controlled by a public body such as the National Infrastructure and Service Transformation Authority (NISTA), providing targeted support for local authorities to accelerate key projects because we recognise that key projects experience significant delays due to a lack of planning capacity in local areas.
2. **Government and local authorities should ensure development benefits local residents by greater use of social value approaches in planning, as described in PIC's 'Citizen Gain: Creating social value that lasts' report:**

- All stakeholders – national and local government, the private sector, and others – need to agree on and adopt a common definition of social value creation into their documentation, processes and governance structures.
- Local needs – and the preferences of the people who live there – will vary, so developing place-based ideas of social value creation is likely to be more useful than applying rigid national templates.
- Social value partners – local authorities, developers, investors – should make use of the broadest possible range of opinion research and consultation tools to explore local views on social value needs.
- Build networks through creating formal, standing partnerships with major private and public sector organisations including "anchor" institutions to develop their approaches to social value.
- Local authorities and private sector organisations should take a longer-term view of social value, calculating and planning for the benefits projects will deliver over decades, not years.

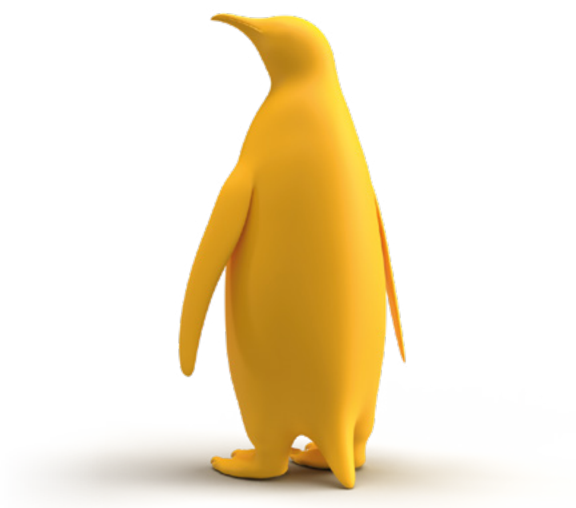
PIC welcomes the steps being taken to look to expand the use of government guarantees, with the National Housing Bank currently developing their strategy on how they will deploy guarantees effectively. It is also positive that the government is working to develop new PPPs in areas with clear revenue streams as part of the Infrastructure Strategy.

To help deliver on both we need the institutional incentives to support through the following:

- 3. **Increase the use of Government guarantees:** Through making sure that the assessment of the new government financial institutions (the National Wealth Fund, the National Housing Bank, and the British Business Bank) includes due consideration of the housing and infrastructure they facilitate not just if they achieve a return on capital employed.
- 4. **Boost the number of Public Private Partnerships (PPPs) to accelerate infrastructure development through:**
  - Developing a new, flexible public-private partnership model to fill the gap left by the end of the Private Finance Initiative (PFI).
  - Approving standardised project finance templates for a range of different assets recognising the distinct models needed to make different investments work.
  - Creating and expanding the use of standardised infrastructure designs such as on nuclear power plants and greater use of modular housing to reduce costs.

Strategic recommendations

Incremental reform won't be enough to deliver the infrastructure we need, so PIC has developed Strategic Recommendations based on desk-based research and discussions with our infrastructure team to address the root causes of the UK's current issues in delivering infrastructure projects.



Strengthen the pro-growth mindset in government

These build on the recommendations in 'Reservoir Underdogs: Unlocking regulatory challenges to delivering new reservoirs.' This proposed the creation of a new strategic champion for the water industry to plan, fund and deliver infrastructure based on the Olympic Delivery Authority model used in London 2012, creating a new regional significant infrastructure project model to allow mayors to drive forward these projects and having flexible price reviews to ensure investment reflects changes in need.

5. **Build a dedicated growth body within the Government:** Grant it powers to review any UK government budget or regulation to propose savings/policy changes and require departments to respond to savings proposals and update periodically on progress.
6. **Create a strategic delivery group:** For the projects deemed Nationally Significant Infrastructure Projects (NSIPs) and expand the projects qualifying for such status to encompass categories of infrastructure where the need is most acute e.g. larger housing developments.
7. **Develop a bi-annual benchmark including a selected peer group of countries that are global leaders in infrastructure delivery:** To help us to understand where the UK is falling short and to ask why this is not happening here and how can we do it.
8. **The UK Government to work to maximise the number of UK infrastructure projects coming forward:** To deliver a large increase in private investment and provide insight on which opportunities will be of interest to debt or equity investors and the level and type of government financial support available for each project adding on their existing work on the infrastructure pipeline.
9. **Building on the launch of the Sterling 20 group, the government should look at the Office for Investment's (OFI) service offering and look to expand key services to domestic investors** recognising the large pool of capital available domestically for investment in UK infrastructure. As evidenced in PIC's recent report 'National Champion Investor Status'. For example, the UK Government previously announced reforms to bolster the OFI and the creation of a bespoke service to help investors navigate the planning and skills landscape, such services should be available to domestic investors.[12]

Encourage long-term private investment in public housing and infrastructure

10. **Adopt a zoning approach to streamline planning approvals** and unlock urban development to boost productivity and economic growth.
11. **Ensure regulators use pricing policy to build long-term resilience and sustainable consumer costs through more flexible price reviews** in sectors like water to ensure user bills finance the necessary infrastructure.
12. **Promote shared risk models over full risk transfer in future public-private partnerships** to address the issues with PFI that contributed to its cancellation such as requiring private contractors to engage in soft facilities management (FM).

Increase government capacity and delivery

13. **New Metro Mayors should focus on maximising the size of local labour markets** by working with other Mayors to join up cities in the North and Midlands through transport and housing policy.
14. **Reform public sector procurement to replace the current adversarial approach with a new emphasis on public-private collaboration** to encourage long-term partnerships to build local supply chains.
15. **Support councils and regional authorities by lending centralised specialist resources to help them negotiate a new wave of PPPs** using the new standardized partnership models for different assets and project designs. NISTA could coordinate this.

Market and realise the UK's investment potential

16. **Help local authorities package and promote a pipeline of investable opportunities to encourage redevelopment of inner cities and brownfield sites/public land.** There are clear examples of regions which are doing this well such as Great South West[13] highlighting the investment opportunities[14] and the work of the West Midlands Combined Authority Investment Zone which we can learn from.[15] In addition, there could be a central website for councils representing areas with large towns and small cities to promote development opportunities and a body of marketers at a central level that they could draw on to promote them.
17. **Secure private sector input earlier in the process to help shape how public assets can be used to generate maximum commercial and social value.** Achieve this through greater transparency on public land assets and an open-door approach for private companies to propose ways of using them better.

Crowd in long-term patient capital

18. **Government to explore measures to help increase the number of projects which qualify as investment grade** through smart use of the National Wealth Fund and National Housing Bank.
19. **Consider handing Mayors new powers to fast-track key projects by deeming them Regionally Significant Infrastructure Projects** as advocated in PIC's recent report 'Reservoir Underdogs: Unlocking regulatory challenges to delivering new reservoirs.'

Implement smarter regulation

20. **Establish a new fast track regulatory process by asking each regulator to select a small peer group of foreign regulators as trusted regulators for their economic sector/ area of responsibility:** So, if a regulator from a country or economic bloc of high standing such as Singapore or the European Union approves something you can have it fast tracked for approval in the UK. This would apply the approach that has been deployed for Pharmaceuticals and recently with nuclear technology to other sectors of the economy. The regulators that would be approved as peer countries would differ by sector. There could be exceptions for sensitive areas such as food standards. The UK would retain the authority and flexibility to re-regulate as required because the system would not be exclusive. We would not be signing up to another nation's standards, just using them as a guide.
21. **Work to align regulator processes, plans and targets so their mandates do not conflict** and that they each support economic growth.
22. **Review the building safety rules to ensure we do not make 'the perfect the enemy of the good' by discouraging high rise development** and having people stay longer in their current accommodation, which may be less fire safe.

Reform incentives to encourage growth

23. **The UK should remove this cap on the recovery of costs for Aarhus cases and leave this convention to allow its removal, which Lord Banner has previously indicated is necessary. This could be part of any new planning bill.**[16] As a signatory to the Aarhus Convention, the UK, through the Environmental Costs Protection Regime (ECPR), applies a cap to cost recovery in Aarhus cases so that legal challenges to environmental decisions are not 'prohibitively expensive.'
24. **Review all international conventions and legacy UK planning regulations to downgrade commitments and strip out rules which are preventing or delaying development.** Each rule that adds extra costs makes more sites unviable, so it's important to reassess the costs and benefits of these rules to help close the regulatory gap that is rendering projects non-viable.
25. **Charge non-local organisations/people for submitting objections to planning applications** just as we charge people who submit planning applications and consider imposing charges where individuals are submitting a high volume of objections to different planning applications to limit the ability of activists to impose high and disproportionate costs on the wider community.
26. **Allow developers to offer direct community financial incentives to win local consent for development** as explored by the UK government when fracking for shale gas was under consideration, using local ballots to ensure full transparency.[17] Learning also from international partners such as France where nuclear power plant approvals have included incentive packages such as free high-speed internet, tv subscription packages and lower local taxes for local residents.[18] These incentives meant local politicians lobbied to host nuclear reactors rather than sought to oppose them.

Boost innovation and performance in government

27. **Allow pay variation outside of normal civil service terms for institutions such as the Office for Investment (OfI)** to attract and retain skilled staff and link pay with performance.
28. **Ensure continuity of officials in the OFI and Government Departments** to deliver greater accountability, build institutional skill and allow effective partnerships to form.

These proposals are offered as a basis for discussion with a view to enhancing the level of collaboration between institutional investors and government to deliver world-class infrastructure and unlock the UK's economic potential.

Introduction.

In this report we explore the current structural issues that are holding back UK investment.

We examine what needs to be put in place to enable institutional investors to boost investment in UK infrastructure. We identify simple **Immediate reforms** to help reduce current financing and planning issues within the existing system, and more extensive **Strategic reforms** to help change the system to address the broader structural issues and get Britain building again.

Chapter 1.

The scale of the challenge

Low UK investment is a generational phenomenon – not a short-term issue. The UK has had the lowest investment in the G7 countries for 24 of the last 30 years.[19] EY projects that by 2040 the UK will have an infrastructure spending shortfall of £700 billion. They detail how £1.6trn of UK infrastructure and capital projects are currently unfunded and "closing this deficit without government spending would require private sector investment to more than double from current levels by 2040."[20]

Analysis for the Second National Infrastructure Assessment indicates that overall investment needs to increase from an average of around £55 billion per year over the last decade (that's around ten per cent of UK investment) to around £70-80 billion per year in the 2030s and £60-70 billion per year in the 2040s.[21] Despite this, research for the Purposeful Finance Commission, a forum for leaders from across the country to overcome barriers to local regeneration which is chaired by PIC, has found that almost half of local authorities (46%) across the UK saw a decline in infrastructure investment between 2018 and 2022.[22]

Setting priorities

In PIC's experience the issue is not an aversion to risk by UK institutional investors – it is the UK's aversion to prioritising economic growth and the infrastructure to achieve it. Investment, like life, is about trade-offs and as FT Columnist Janan Ganesh notes the UK lacks a 'growth preference.' He argues, that 'almost everyone in politics has something they prioritise over it.'[24] The question is why? In short – many local voters don't see the value of local development (and to be fair, in many cases this has been lacking), and vote-hungry local MP's jump to scupper planning reforms in the House of Commons in the name of preventing new houses in their constituency.[25]

Infrastructure delivery cycles also do not align with political election cycles so the incentive to back development is reduced as politicians endure the pain of getting developments approved and the disruption of development while later politicians enjoy the benefits that the new infrastructure can bring. The net result is that there is plenty of demand (for investment), there just isn't the supply of projects to satisfy that demand.

Financing the infrastructure needed

The National Wealth Fund (NWF) has stated that UK institutional investors are "not taking anywhere near enough risk."[23] They want institutional investors to invest:

- In the green transition and achieving net zero targets.
- At an earlier stage and in projects which are not yet yielding cashflow.
- At a greater scale – they argued that £30-50 billion per year was needed to grow the technologies the NWF wanted to grow.

The argument is that institutional investors need to embrace their animal spirits and that there is no major clash between the responsibilities they have to their investors and policyholders, and the investment needs of the Government and the UK economy.

A short-term mindset

The UK government machinery has suffered from persistent institutional bias against long-term thinking and is captured by short-term special interests. All parties tend to privilege current spending and short-term fiscal rules over capital expenditure. For example, cancelling road and rail infrastructure upgrades to reduce the current budget deficit. We are paying the price today of investments the UK did not make 15-20 years ago. A combination of projects can deliver an outsize multiplier that the individual project would otherwise not. The benefits are felt over decades, and they compound.

Former Liberal Democrat leader Nick Clegg remarked in 2010 that nuclear power was not a solution as it would only come on stream in 2022.[26] Clearly, he could not have known that 2022 would see a huge energy shock hit the UK and global economy and a few nuclear power plants coming online would have been hugely beneficial but the preference for quick solutions over long-term sustainable results was regrettable.

Britain must plan to deliver for the energy needs of our economy in 2040 through action now. Ensuring there is cheap, and reliable energy will make all our other infrastructure and housing objectives cheaper to achieve – there is no 'low energy' high income country and so the focus must be on providing more electricity capacity at a much lower cost.

It is structural, it has not always been this way

Politicians of all parties need to acknowledge that the issues with the planning system are structural. The extra cost, delays and lower levels of housing and infrastructure development are not a system bug. The system is designed to restrict private development and channel the lower level that is approved to specified areas. Private development is not legal until permission to develop is granted. There is no general right to develop or compensation for infringements to this. This is not the way it has always been in England.

Prior to 1947 England had a 'nascent zoning system', as noted by the Centre for Cities.[27] They state that "an authority which wanted to pursue a local plan – setting restrictions on the number, density, appearance and uses of buildings – would have to compensate landowners for any reductions in property value which were due to the restrictions imposed." In areas where there was a local plan, applications that complied with the restrictions in it could be built by right. This system provided certainty and a bias towards development and much private housing was built.

Post the 1947 Town and Country Planning Act land development rights have been nationalised. It is no accident that private housing development post war (as opposed to local authority delivery) has consistently been lower in volume (and quality) than in the 1930s. Between the 1940s and 1970s local authorities took the lead in housing development funding and delivery. The urgent need for slum clearance and to replace properties destroyed in WW2 led to a surge in public housebuilding but total housing development (public and private) has been lower since the late 1960s.

The Government is unlikely to abolish or radically reform the 1947 Town and Country Planning Act and later reforms such as increases in the green belt. However, there needs to be a more honest conversation about the constraints these measures impose on housing and infrastructure delivery and thereby economic growth. When planning decisions are nationalised, they become political. Consequently, political will, both local and national, is needed to push through development.

Designing carveouts to deliver growth

This is why politicians are always looking to devise workarounds to speed up their favoured projects – by associating them with an event of national importance or creating specific institutions tied to a defined area for this exact purpose e.g. development corporations. These approaches provide welcome relief for these projects but leave the overall system in place for smaller and future projects.

National events such as the Olympics galvanise political will to get things done and circumvent the usual bureaucratic procedures. The 2003 London Assembly report on the 2012 London Olympics bid stated the games was an opportunity "to accelerate much needed regeneration in East London." The Ministerial Foreword to the Government's 10-year infrastructure strategy cites the 2012 Olympic Games as an example of us building "the best infrastructure."

Specialist bodies have been set up to regenerate specific geographic areas. An example would be the London Docklands Development Corporation (LDDC). Powers were taken away from the London Boroughs, the LDDC was granted the profits from land sale for development, a grant from the government, full planning powers and tax advantages. More recently, the ill-fated Truss administration trumpeted investment zones and expedited delivery of nationally significant projects. The current Government has sought to expedite 150 Nationally Significant Infrastructure Projects (NSIP) by the end of the Parliament and is reportedly considering further reforms to speed up planning for such projects.

There is a tacit admission that the current planning system is a barrier to getting these infrastructure projects delivered when the project is of sufficient size e.g. national significance. However, with the NSIPs regime in place (since 2010) to expedite such decisions the average time it took for a project to secure development consent increased from 2.6 years in 2012 to 4.2 years in 2021. The government have acted to reduce pre application planning requirements to reduce this and are looking to further streamline the NSIP process.[28]

National targets such as the 1.5 million homes target rely on thousands of much smaller projects being delivered – these projects will be delivered within the existing planning system – consequently there is scepticism about whether they can be achieved without more extensive planning reforms.

The costs of inaction

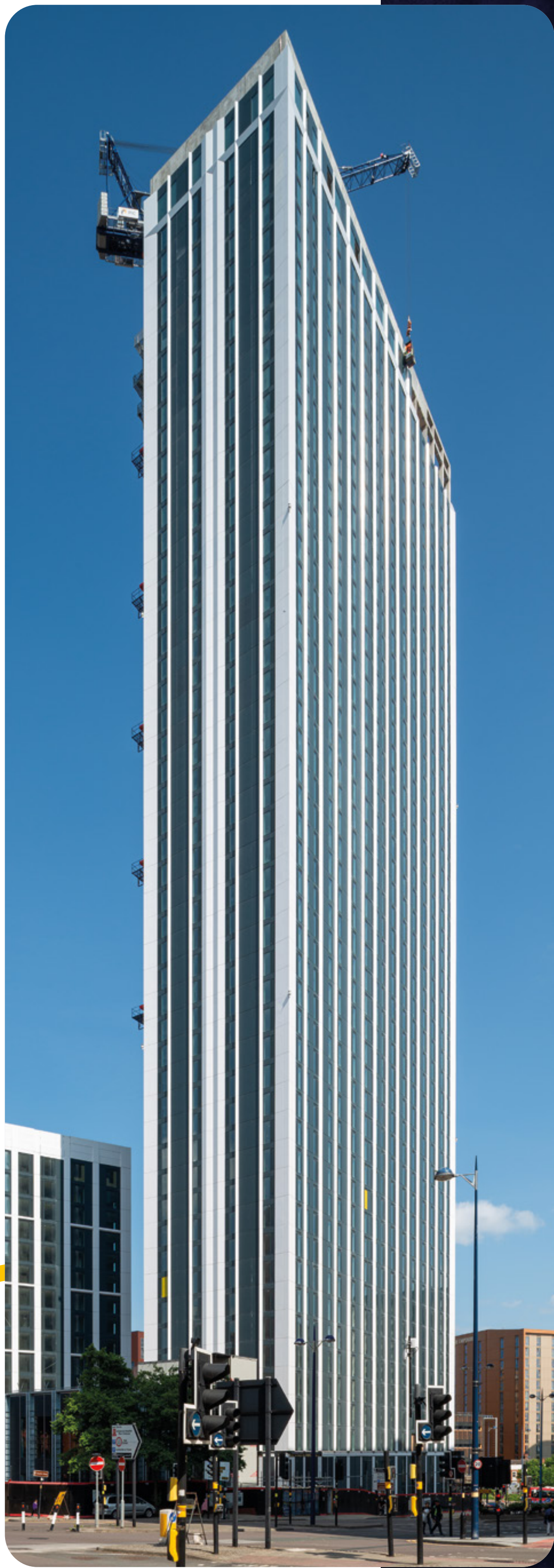
The Adam Smith Institute estimates that the existing planning system is reducing UK GDP by almost £140 billion per annum. They propose that by allowing development on existing dwellings (not the green belt) with a right to redevelop properties up to eight stories tall in UK cities, the UK GDP would increase in real terms by 6.1 per cent.[29]

UK cities outside of London are far less dense than the capital and similar European cities. The Centre for Cities notes that residential density in city suburbs has decreased in some big cities in the last decade. The combination of low land values and the higher costs of development in brownfield areas already mean development will not occur without public support; so, efforts to densify UK cities are set back.

The situation is set to get worse as The Building Safety Regulator (BSR) is currently rejecting or having withdrawn by the applicant around 70% of applications.[30] For comparison, the planning system usually rejects around 10% of applications. Applicants try to be as compliant as possible to minimise delays and costs, this suggests BSR development applicants don't know how to comply with their standards and approach. Research for the Purposeful Finance Commission found that work on around 800 high-rise residential new-build and refurbishment projects are currently being blocked by building safety checks and the number of build-to-rent units nearing approval had fallen by 41pc to just 17,315 units last year. It is easier to build low rise developments or not build at all.[31]

Increasing spending alone won't address the issues because without reform much will be wasted. The think tank Britain Remade found that the Lower Thames Crossing's 63,000-page planning application alone (£250 million) cost double what it cost Norway to build the Laerdal tunnel, the longest road tunnel in the world. It estimated that rail and road projects are up to eight times more expensive than other European nations which it attributed to NIMBY opposition and red tape.

Planning is increasing project timescales. The UK Government estimate that over half (58%) of decisions on major UK infrastructure were taken to court. In 'Investment and Infrastructure' the first report of the Purposeful Finance Commission, a developer involved in a regeneration project in the North of England reported that they spent 80% of the lifespan of the project on securing planning permission, with just 20% spent on the physical construction of the building.



Chapter 2

What is needed to increase investment

There needs to be a long-term political commitment to address the weaknesses in the UK infrastructure sector and the viability gap (explained below), which we would categorise as largely a regulatory gap, which prevents the pipeline of investable projects we need being brought forward.

Political support and a long-term strategy

The 10-year Infrastructure Strategy notes that recent infrastructure projects have been impacted by "political decision making that is erratic, short term, and undeliverable." This gave private investors little confidence that the policy assumptions they build into their financial models will be honoured and make it difficult to build successful PPPs.

The experience with the Nuclear Regulatory Review led by John Fingleton is instructive. Commentary suggests that the taskforce's recommendations were tweaked to give the government flexibility over implementation but that the reforms faced internal opposition because some thought its recommendations to reduce unnecessary barriers and costs for nuclear development may breach environmental, trade and human rights obligations.[32] Fingleton said there was a 'mindset that favours process over outcome'.

In the Autumn Budget 2025, the Chancellor welcomed the Nuclear Regulatory Review 2025's 'approach' and the 'principle of all recommendations' and clarified that the implementation plan would be in accordance with the UK's international obligations, national security, planning, environmental and court processes suggesting that their approval was caveated.[33] Days later Prime Minister Starmer said they accepted the recommendations and would use them as a blueprint for other sectors in the industrial strategy.[34] Whether Fingleton's recommendations are adopted promptly and in full will be a powerful sign of the commitment to growth.

The government has moved to give investors greater confidence through:

- Providing greater clarity on forward plans through the establishment of the British Infrastructure Taskforce, the creation of the 10-year Infrastructure Strategy and the upcoming online infrastructure pipeline. However, the infrastructure strategy states it represents a "start to turn the corner" with more to do.
- Recognising the regulatory barriers to growth. The PM has spoken of the need to back the builders not the blockers and the Labour Growth Group, a leading pressure group says it is committed to tearing down the barriers to growth. They state – "We believe that many of the barriers to unleashing a new era of growth in the United Kingdom are political and we exist to confront those barriers."

Current Government ideas on reforming the planning system could speed up planning by reducing the number of court challenges, the number of statutory consultees and boosting housing targets. Increasing the land available for development through brownfield passports, development orders around commuter stations and reclassifying some low-quality greenbelt land as 'grey belt' would also be welcome reforms. However, further action will be needed to bridge the viability gap that many infrastructure projects now face as explained below.

The viability gap is largely a regulatory gap

The viability gap is where a projects costs exceed its expected return. In many cases government grant funding is needed to close this gap or the project cannot go ahead. However, the number of viable sites and the size of the viability gap is heavily influenced by the burden of constantly changing regulation which inflates project costs and makes more sites unviable, even with historic levels of grant funding. To increase the pipeline of projects we need to cut the burden of regulation to help deliver far more houses and infrastructure per pound invested.

What does PIC mean by an 'investable' project?

The short definition is that the project needs to reward us as an investor for taking on the risk of investing in these types of assets, as referenced to the spread between the risk-free rate (gilt yields) and the rate of return on the assets in question, whether listed corporate debt or privately sourced infrastructure assets. For an infrastructure project, 'investable' will also cover factors such as if the project has planning permission, is it approved for connection to the electricity grid, are there skilled people in place to build the project or is it nearing completion and ready to be refinanced.

How does this relate to the cost of borrowing?

That's an additional point that will be of interest to the borrowing entity. The higher the overall cost of borrowing, as referenced to gilt yields, the lower potential profits.

What does "increasing risk in investments" mean in practice for life insurers?

Institutional investors, including insurance life companies, have been criticised by the NWF for failing to take enough risk and invest in the net zero transition.[35] Insurance companies like PIC take calculated risks within the bounds of our regulatory framework, Solvency UK.

There needs to be an understanding that different types of investors are suited to different types of asset and stages of the investment cycle. We recognise the steps the NWF are taking to increase the use of government guarantees and these can be a powerful tool to help make a greater range of investments investment grade and thus allow insurance investors to invest in these kinds of assets. However, it will be difficult to increase insurance investors investment in the following areas without action to derisk them:

- New or emerging technologies as we prepare for the net zero transition, these tend to have less predictable cashflows, are less likely to be investment grade and could not achieve the earnings projected and required to match insurance company's requirements to finance their obligations.
- Sub-investment grade bonds – known as junk bonds for a reason – and for which we would have to hold more corresponding capital as they are typically not suitable for matching long-term pension liabilities.

Providing funding at an earlier project stage where the risk is materially higher and expected cashflows may not materialise. This is where the NWF might usefully focus its guarantees if it is looking to crowd in institutional investment. Alternatively, they can develop policies to make a greater range of projects investment grade utilising existing Government financial institutions and increase the pipeline of projects by addressing constraints within the planning system and (reinvigorating the PPP model), as we explore overleaf.

Chapter 3.

What is to be done? Boosting UK infrastructure investment

PIC has developed a series of Immediate Reform recommendations, where action can be taken within existing policy frameworks. We then explore Strategic Reform recommendations; these will take longer to implement but begin to address the key structural issues.

Immediate reform recommendations.

Working within the existing planning structures PIC has been exploring the barriers to achieving the 1.5 million homes target[36], and has ongoing work looking at providing key energy and water infrastructure. PIC has proposed changes to speed up development within the existing system by addressing the key challenges that are currently slowing it such as local planning capacity and the lack of local consent for development:

Setting up a pipeline fund where private firms would pay into a central pot that would be used to fund a central group of planners that local authorities could then access as needed for complex projects to speed them along. Administered by a public body such as The National Infrastructure and Service Transformation Authority (NISTA) it would take the form of a public-private partnership.

On social value, the reason much local development is blocked is because the benefits to local existing residents are not clear and social value helps capture them and ensure development delivers such benefits. PIC believes it is essential to identify clear local needs and provide them as an integral part of the project to ensure that development delivers for existing residents – which is key to securing local consent.

On funding, PIC propose changes to Government financial institutions involved in progressing development such as the NWF, British Business Bank and the National Housing Bank to help crowd in private investment through the following:

Guarantees for Growth: Government guarantees help increase investment without necessarily extending funds. A guarantee enables a higher rating for bonds issued to fund the project and a lower cost of capital. It reduces the amount of capital an insurance company must hold, in turn reducing the return required and therefore the cost of financing for the project. However, there are three emerging issues that need to be addressed.

First, how the fiscal rules operate could influence how much the government use guarantees. Changing the debt target from public sector net debt to public sector net financial liabilities reduced the overall debt target and softened the rules. However, it also brought Government guarantees into that calculation, this could potentially disincentivise the provision of such guarantees.

Second, government financial institutions are expected to make a return exceeding their cost of capital and guarantees would be marked down in any period of economic distress – the very period when they would be most needed.

Third, this approach does not factor in where these institutions are achieving savings to the public purse and the value of the assets they create – this is the reason we created these bodies e.g. to build more housing and have more clean tech investment etc so this should be part of how they are financially assessed.

On Public Private Partnerships PIC suggest there is a need for:

A new financing model: The decision to end the use of PFI by the last Government removed a well-known vehicle to direct private finance to deliver public infrastructure. There is now no standard formula for bringing projects forward as there was under PFI. Nor is there a central resource skilled in managing projects of this type.

Consequently, each department is developing its own replacement for PFI. The Infrastructure Strategy plans to explore the feasibility of using new PPP models for taxpayer-funded projects and the use of PPPs in projects and sectors where there is a revenue stream provide an opportunity, even though they suggest it will be used in limited circumstances, to develop a robust model on this.

We need to develop more standardised funding models for different categories of assets that can be used across the government to bring in private investment that addresses the weaknesses in the PFI approach without abandoning the benefits it brought. For big projects it is difficult to estimate the ultimate cost or cashflows so some flexibility must be built-in, but investors prefer core models that have a track record to draw upon.

Key weaknesses in the PFI model could have been rectified without PFI's abolition (as we will explore in greater detail in due course). While each individual government department seeks to develop its own replacement model the cost and complexity for the private sector has increased to little benefit.

Standard construction designs: Procurement teams should adopt the KIS approach – keep it simple. Nuclear power here is a key example. We have in the past inflated the cost of nuclear power by having unique design specifications.[37] The Fingleton review says simpler modular or standardised solutions would be better and more cost effective.[38] Government proposals to speed up the approval of new reactor designs are welcome but expediting approval of designs approved by foreign regulators of an equivalent standing also makes sense, as has recently been agreed with the United States.

Strategic reform recommendations.

Strengthening the pro-growth mindset in the Government sector

Domestic Investors: With their domestic focus UK-based institutional investors can be champions for UK investment. Of the total gross capital stock, foreign investment is equivalent to 21.9%, while 78.1%, or around £8 trillion, was under the ownership of domestic investors. Boosting domestic investment creates a virtuous circle, where UK pension liabilities are backed by UK infrastructure. This creates intergenerational equity in the UK. Domestic investors are based in this country and are incentivised to seek the best outcomes.

Strategic Delivery Group: Create a new body within Government to drive forward delivery of NSIPs. To overcome the siloed regulatory structure the strategic delivery group could be given a comply or explain mandate to hold regulators to account. This would ensure there is one body accountable and empowered to deliver, reducing the duplication and delay.

Growth Body There is a danger that if growth is said to be everyone's responsibility it becomes nobody's priority. The creation of a body within the Government whose task is to propose cuts to regulation, to scrutinise budgets and make departments focused on the growth mission would be beneficial. Departments should be required to respond on the implementation of savings proposals and update on progress. The Growth Mission Board could play this role.

Comparators: Each regulator should select the best foreign regulators in their economic sector to compare the UK's performance with. We should ask what the best country in each business sector is doing and how that differs from the UK approach. As part of this, the UK Government should conduct an exploratory study to identify the key factors making infrastructure investment in the UK more expensive and more protracted than our peers.

Encouraging a long-term mindset focused on partnership

We need fundamental reform in areas like planning, public procurement, and customer billing so we can begin to build multi-decade partnerships between the public and private sectors to deliver the investment needed.

Adopt Zoning for growth: The attempt to fast track NSIPs is welcome, but it still leaves thousands of small and medium size projects subject to that same planning bureaucracy. Collectively these smaller projects will add up to a large stock of investment that we are missing out on and without which national targets such as 1.5 million homes cannot be achieved.

If the Government does not repeal the Town and Country Planning Act 1947 and denationalise building rights it can at least expand the 'presumption in favour of building' that is being introduced near commuter stations, so it becomes a zoning system that liberalises planning within major UK cities. This would help change the culture, so the default answer to development is yes in major cities.

Sustainably lower consumer bills: Regulators should consider the long-term costs of different policy choices in areas such as consumer billing and concentrate on building a more resilient UK. Part of that must be a focus on investing to keep consumer bills down in a sustainable way rather than sacrificing long-term investment for lower bills in the short-term. We have seen this in the water sector where investments in reservoirs were not made when borrowing costs were cheap and now the investment is being made due to necessity when it is more expensive. This is covered in greater detail in the PIC report 'Reservoir Underdogs: Unlocking regulatory challenges to delivering new reservoirs.'

Similarly, UK electricity prices are among the highest in the developed world, research suggests that UK industry is paying 60% more per unit of electricity than any other European nation and that around a quarter of a typical UK electricity bill comes from policy costs, including environmental taxes and subsidies.[39] Energy policy should be structured to deliver lower UK electricity prices in the medium to long term through greater investment, without this both infrastructure and housing costs will be inflated given their high energy usage. Implementation of existing and planned Net Zero rules should also be subject to full cost benefit analysis to ensure their impact on electricity prices is fully considered.

Risk transfer and the new PFI: The now defunct Private Finance Initiative (PFI) often attempted to transfer all the risks of a project to the private sector, even extending to soft facilities management (FM). This increased costs and damaged public trust. There is a need to share the risk not just transfer it and this should be reflected in future public-private partnerships including those being explored in the infrastructure strategy for health and public estate decarbonisation projects.[40]

Increasing Governmental capacity and delivery

Central Government can boost investment by supporting local authorities.

Councils need help to speed up planning approvals (as detailed in our Smart Reform recommendations) and to craft public private partnerships that work. What they can sometimes lack is capacity and enough specialised expertise in specific areas. Central government must help fill the gaps. They can establish a central repository of resources for councils to call upon to help them negotiate effective public private partnerships:

Delivery and public private partnerships: Wates have proposed the creation of a new dedicated Public Private Government Delivery Partnership Delivery Body to be set up in the Crown Commercial Service with initial help from the Infrastructure and Projects Authority "to oversee negotiation, awarding, and management of a new wave of public-private partnerships."[41] We believe this idea has merit.

Procurement to build skills and capacity: Having a less adversarial and segmented procurement system would mean that a local area could partner for the long-term with a private investor/developer. The UK faces a skills shortage in key areas necessary for a rapid expansion in housebuilding and the public mood is sceptical about further immigration. Ideally, as a large institutional investor we want the confidence of a pipeline of work to invest in building up local skills and the supply chain in an area.

Marketing and realising the UK's potential

Councils need help to package assets effectively, and to sell the value of these projects to the public and investors that may be sceptical and may not understand the benefit.

Placemaking/pitching for investment: As institutional investors, given the fixed costs and specialist skills needed to underwrite investments, we need assets of sufficient scale or the pooling of lower value assets to collectively make a project or scheme that warrants investment. Currently, we will respond to councils looking for a partner with an idea in mind. This is a very inefficient way of boosting investment. Ideally, we would have more transparency about state assets and an open-door policy by local authorities for private entities to offer a vision of how they could be used more efficiently/creatively.

Don't waste the 'Mayoral moment': With so many new regional mayors having recently been created and with extensive newly devolved powers and budgets, this is an opportunity to encourage them to think of the investable opportunities they can create. Through more effective regional partnerships between these Mayors, we can begin to look at increasing the size of potential labour markets of major cities outside London, so Liverpool, Sheffield and Manchester have the transport links between them that London has itself.

Supporting local authorities to commercialise opportunities: Many new Mayors may lack the teams with capacity or experience to take full advantage of this opportunity. There is a danger that this sets back development in the short-term as these new bodies take time to establish themselves. Creating a specialist pool of commercial experts at a national level to support local areas to engage with investors and look at the opportunity and how each area can batch investments to allow for larger projects to attract bigger investors would be a worthy development. This could be promoted on a central website. It could be administered through NISTA or a new body. It would be funded through private investment and could receive a part of the value created through a share of future revenues.

Targeted incentives to secure local consent: Housing development does change communities, and existing inhabitants have an effective veto, so it needs to be sold to existing communities. Incentives could be targeted to minimise opposition to development. Using the approach developed by PIC as explored in our report 'Citizen Gain: Creating social value that lasts' they can identity things that each community uniquely needs to ensure that compensation is delivered in a way communities want – for example a development that had a bad mobile phone signal could address this and thus reduce local opposition to it.

Reducing the cost of financing infrastructure projects

When PIC makes an investment, the regulator requires we hold capital in case the cashflows of the asset we are investing in disappoint. If we invest in projects that are lower rated, then we must hold more capital, because of the higher risk. Addressing the regulations that increase project delays or add extra costs helps reduce the overall project risk making it easier and cheaper to lend.

Nationally Significant Infrastructure Project (NSIP) expansion: The UK Government has established criteria to designate different projects as NSIPs, this could be expanded to include a greater number of projects/sectors of the economy such as large housing developments and the infrastructure to support them.

Revise the Fiscal Rules that disincentivise the use of Government guarantees: Recent changes mean that guarantees are now included in the Government's chosen debt metric – which has changed to Public Sector Net Financial Liabilities. This means the attraction of directly funding projects via gilts has increased but the fiscal rules will prevent this, so many projects won't happen, and vital investments won't be made. We think this creates perverse outcomes that the Government did not intend, and it should explore how it is impacting investment and make necessary revisions.

Smarter regulations to deliver better infrastructure:

We should trust regulators from similar advanced nations. Until recently the UK was subject to EU law. Under EU law through the principle of mutual recognition, established in the Cassis de Dijon judgment, if a product is legally produced and marketed in one Member State, it must be allowed to circulate and be marketed in other Member States, even if it doesn't fully comply with all local regulations. While retaining the right to make changes as a sovereign country we could consider:

A new fast track approved regulator system: Singapore recognises regulators around the world. If an approved regulator has cleared something, then approval can be fast-tracked in Singapore. UK regulators could effectively subcontract some decisions to other trusted regulators and create a system that likes to say yes and at a lower cost. Post Brexit we already use this system for pharmaceuticals and have just extended it to nuclear technology.

In pharmaceuticals, the UK Medicines and Healthcare Products Regulatory Agency operates the International Recognition Procedure under which it partners with regulators in Australia, Canada, Japan, Singapore, Switzerland and the USA, as well as the European Medicines Agency, individual EU member states and those in the EEA (European Economic Area).[42] The then Chancellor Jeremy Hunt promised it would ensure drugs approved by trusted regulators were granted "rapid, often near automatic sign-off". [43]

In the nuclear sector, the UK Office for Nuclear Regulation and the US Nuclear Regulatory Commission have agreed a memorandum of understanding to:

- **"Cut duplication and fast-track decisions:** Targeting reactor design reviews within two years, and nuclear site licensing within one year. The Environment Agency will explore accelerating site permitting.
- **Share the regulatory load:** Regulators will lead on specific aspects of reviews and mutually recognise each other's assessment, with appropriate due diligence to ensure legal compliance and retain independent decision-making.
- **Accelerate second-jurisdiction reviews:** Where one regulator has already assessed a design, the second regulator will maximise acceptance of assessment of completed work to avoid duplication and speed up deployment.
- **Focus on technologies that are already in licensing**, or ready to enter the process in the UK and/or the US."[44]

The UK can choose trusted foreign regulators by sector and fast track approvals from those regulators; each UK regulator could be asked to nominate 3-5 peer countries for fast tracking. The UK would retain the sovereign power to end this if an incoming government had a different approach. It would also apply this approach only in areas it felt comfortable with partners that suited the UK approach. For example, given the controversy around chlorinated chicken and food safety concerns a deal on agricultural standards with the US may not occur but clearly this has not proven a bar to nuclear collaboration.

Building safety regulation: We want the densification of cities and towns but building safety regulation brought in with the highest of motives is now having perverse effects. It is trapping people in less safe homes and preventing the densification of cities we need. Recent changes that require developers to obtain approval from the building safety regulator for buildings over 7 storeys – on top of the substantial delays in approval the system is generating already for buildings over 18 storeys – risk leading to perverse outcomes. A drop in new high rise accommodation risks trapping people in older less fire safe properties and creating unintended barriers to urban density by forcing developers and investors to look at relatively economically inefficient low rise developments.

Sensitive to the issues involved, a review of how building safety regulations are impacting the Government's aims regarding the densification of cities and the provision of 1.5 million new homes within 5 years would be advisable.

Changing incentive structures to encourage growth

The UK has developed a cultural opposition to development because of the incentives in our existing planning system.

This imposes high costs and delays on projects, reducing returns and deterring potential investors. Dismantling the structures which entrench this will not be easy but is necessary.

Cost of conventions: Under the Aarhus Convention environmental challenges are granted special legal protection which cap the recovery of costs from those bringing a challenge where the objection to development is on certain grounds e.g. national law related to the environment.[45] We would support efforts to remove this cap which is holding back investment and the UK should leave this convention to achieve the removal of the cap.

Cutting the burden: Following this precedent the UK Government should review all the international conventions, agreements and accords that the UK has signed up to post WW2 that affect planning and infrastructure development and do a full impact assessment of them as though they were being proposed anew. Knowing what we now know would we sign up to them? Should they remain binding or be reduced to advisory?

A separate assessment of the ongoing costs of the Town and Country Planning Act 1947 could also help inform a national conversation about planning reform and economic growth. All regulators should have economic growth as a key goal and consider the economic impact of any new regulation. With the tight fiscal situation there are no easy answers on funding public services and increasing living standards – it may be time to address these long-standing structural issues that have impacted UK growth.

Rebalancing the costs: The UK Government could consider charging those who oppose planning applications who live a designated distance from the development e.g. 5-10 miles a fee. The size of the fee should be significant enough to limit the capacity of individuals and small organised groups to persistently oppose all development, imposing huge opportunity costs on society at little cost to themselves.[46] This creates a structural bias in the current planning system against development. If you want to build you must pay for a planning application. If you want to object you pay nothing.

Research by Demos suggests that over half the population do not know how to take part in consultations about developments.[47] Activist campaign groups and a small number of motivated individuals thus have an outsized influence. For example:

- In 2023, 85% of noise complaints about Heathrow were made by just ten people (60,490 of the 71,041).[48]
- One campaign group opposing spending on what it terms ‘damaging roads’ is reported to have cost the UK taxpayer £200-300 million by objecting to new road projects.[49]
- A new service called Objector offers to provide ‘policy-backed objections in minutes’ which suggests that AI could turbocharge nimby objections to development.[50]

The UK Government could impose a charge for objecting to a planning application if the development is beyond a specified distance from the objector and could limit the right of third-party campaign groups to object to development if they do not have sufficient local connection. With appropriate protection for people who live in the immediate vicinity of a development who could raise objection without charge. There could also be charges imposed where there is an excessive number of objections made by individuals or a cap on the number of objections that can be logged by individuals.

Compensation: Developers should be free to pitch residents to back developments in exchange for a monetary or a service incentive and for this to be voted on at local elections as a ballot measure alongside the councillor’s vote. Developers could make informed targeted offers to incentivise a drop in opposition to development and government should explore mechanisms to allow developers to make direct offers to residents to enable this. It could be that the developer provides specific infrastructure or amenities, or it could be a cash incentive provided that was subject to a local ballot and was done in a way consistent with national law.

Boosting innovation in Government

We need to celebrate success more. It should not be a problem for companies to make money on public sector projects or for civil servants who are delivering them to be paid well provided both are linked to performance.

Relationship continuity: Senior civil servants working in the Office for Investment (OFI) and Government Departments should be incentivised to see projects through from start to finish. Business is about relationships and if there is regular churn in personnel then businesses will not have the continuity of service and staff with the knowledge to deliver a tailored service. Staff in the OFI can be assigned specific largescale private companies to boost investment and judged based on the share of winnable investment they secure (both foreign and domestic).

Rewarding performance: The Government should review how staff are allocated to the OFI, the compensation paid, the incentives and the current record of delivery in boosting investment. Aligning jobs in this area with the rest of the civil service in terms of pay scales is not appropriate. If funds are tight, it may be necessary to change remuneration packages to allow higher pay with different pension arrangements. Government should not be shy about paying very well for high performance and ruthless in combatting low achievement.

Conclusion.

Institutional investors want to invest more in UK infrastructure and have plenty of funding available to do so. The barrier to that happening is that not enough investable projects are coming forward. Part of the change needed to address short-term financial pressures is about the NWF showing a greater willingness to extend government guarantees and equity to projects to allow institutional investors to invest more in the area's government wants investment such as housing.

In the long-term structural changes are needed to planning policy and how different levels of government interact with the private sector to stop these factors acting to frustrate efforts to generate economic growth. This should include a new focus on long-term capital investment to address decades of underinvestment and a new partnership between the public and private sectors with new funding structures and partnership models to drive economic growth.

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Notes.

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