

RICS Brexit Position Statement: Infrastructure

Infrastructure Funding

EU membership provides access to a number of EU funding streams – notably, the European Investment Bank (EIB) and European Structural and Investment Funds (ESIF).

EIB investments in the UK reached EUR6.9bn in 2016 – the fifth largest in the EU – with infrastructure projects accounting for 47% of this figure. Between 2012 - 2016 the UK economy benefited from circa EUR31.3 billion of investment¹

Coupled together, the total investment from the EIB Group in the UK in 2016 was EUR8.1bn², with the funding feeding into infrastructure projects across the energy, transport, communications and water sectors, spanning across the UK.

These significant sums of money have ensured shovel ready projects in the UK have reached financial close.

The uncertainty surrounding future relations means there is a high probability that accessing such funds will diminish, thereby severely impacting the delivery of infrastructure projects in the UK, particularly in the absence of contingency arrangements.

The loss of both funding streams could have a significant impact on project delivery and start-ups and across the UK. However, we are encouraged by the announcement, in August 2017, from the UK Chancellor regarding the establishment of National Investment Fund (NIF). The UK Government has recognised the support the ESIF provides for British businesses, and this fund will be an emulation of the ESIF in terms of SME financial support.

Position:

RICS calls on the UK Government to act promptly to keep EIB funding or introduce a new lender, or lending mechanism, to plug the gap created from the potential loss of EIB funds, particularly for shovel ready infrastructure projects that are of great importance to the UK.

Adoption of International Standards to boost infrastructure investment

The uncertainty surrounding the terms of the UK's exit from the EU has led to apprehension by investors illustrated by recent contractions in the sector. Mitigating negative investor sentiment is challenging, however, steps can be taken to encourage investment in the built environment through mechanism providing assurance. This can be achieved through the adoption of regulated international standards.

With the UK's ageing infrastructure currently depleting and at capacity, and public sector investment set to fall from to 1.4% of GDP by 2020 – from 3.2% in 2010 – the private sector has a critical role to play in updating and delivering new infrastructure.

RICS' *Attracting Infrastructure Investment Through International Standards*³ paper sets out the case for using International Construction Measurement Standards (ICMS) to attract private investment in infrastructure projects. ICMS can be a key tool to manage investments by setting out capex costs for projects for different phases of construction, thereby allowing investors to monitor progress against costs as set out during project conception.

The UK Government must implement ICMS for public sector projects to ensure transparency and monitoring of costs.

Position:

To encourage private investment, RICS calls on the UK government to:

- **identify projects that will generate revenue;**
- **provide guarantees to minimise investor risk during the construction phase; and**
- **provide political certainty by seeking cross-party support for projects.**

International Construction Measurement Standards (ICMS)

ICMS aims to provide global consistency in classifying, defining, measuring, analysing and presenting entire construction costs at a project, regional, state, national or international level⁴.

Consistent practice in presenting construction costs globally will bring significant benefits to the delivery of construction. Globalisation of the construction business has increased the need to make meaningful comparative analysis between countries allowing investors to make informed decisions when comparing similar projects across geographies.

In short, ICMS will allow the UK Government and foreign investors to compare like-with-like for large scale construction projects. This will cultivate transparency and increase trust across the built environment.

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¹ <http://www.eib.org/projects/regions/european-union/united-kingdom/index.htm>

² <http://www.eib.org/projects/regions/european-union/united-kingdom/index.htm>

³ http://www.rics.org/Global/RICS_Infrastructure_Policy%20Paper_200917_jf.pdf

⁴ <http://www.rics.org/uk/knowledge/professional-guidance/international-standards/icms-international-construction-measurement-standards/>