

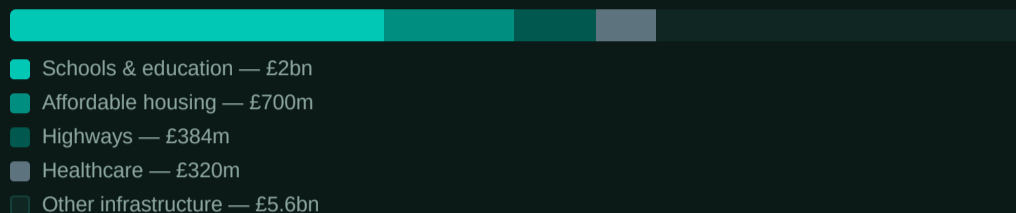
Britain's unspent billions — why allocated public capital cannot be deployed

Two headline case studies and the three structural pathologies that explain the entire phenomenon

CASE STUDY 1 — DEVELOPER CONTRIBUTIONS

£9bn

S106 + CIL unspent by English and Welsh councils (HBF, March 2026)



The circular absurdity

Councils holding £384m in unspent highways contributions are simultaneously using road infrastructure capacity deficits as grounds to refuse new planning applications — for roads that could already be funded.



CASE STUDY 2 — LEVELLING UP FUNDS

10%

Proportion of £10.47bn actually spent by local authorities by September 2023 (PAC / NAO)



The 'shovel ready' myth

85% of main construction contracts for Round 1 projects due by March 2025 were unsigned. The PAC said it was "astonishing" that projects billed as immediately deliverable could not be started, and found "no compelling examples" of what the policy had delivered.



Labour cancelled £100m of projects at the 2024 Autumn Budget. All remaining funding must be spent by March 2026 — the same deadline constraint that produced the original delivery failure.

WHY PUBLIC CAPITAL CANNOT BE DEPLOYED — THREE STRUCTURAL PATHOLOGIES

01

Annual budget cycles punish good management

Treasury rules require unspent capital to be surrendered at year-end. "Budget Exchange" allows limited carry-forward but the mechanism is complex and capped. Departments either scramble to spend unwisely before 31 March, or return money to Treasury that is then lost to the programme. Multi-year capital projects cannot be sensibly managed on a 12-month horizon. The NHS alone had a cumulative £6.7bn underspend over 13 years despite a £15.9bn maintenance backlog.

02

Procurement systems cannot absorb money at speed

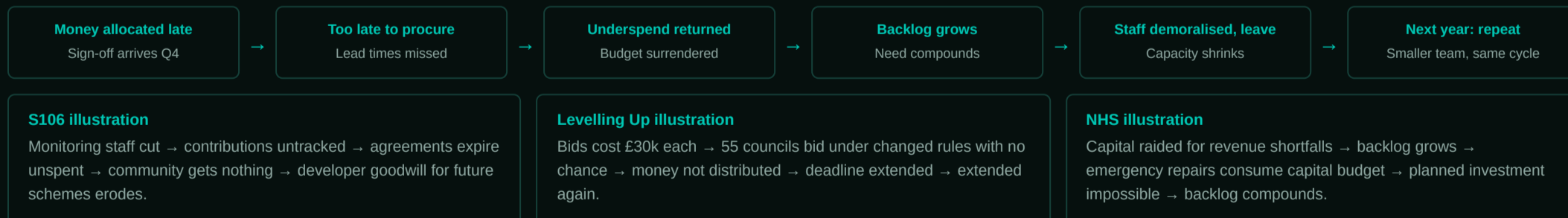
Capital can only be deployed as fast as the procurement machinery allows — and that machinery is slow by design. Competitive tenders, sign-off hierarchies, planning consents, legal agreements, contractor capacity and supply chain lead times all create friction. When money arrives late — as Treasury sign-offs often do — it is physically impossible to begin procurement, complete surveys, appoint contractors and break ground before the financial year closes.

03

Capacity erosion destroys absorptive ability

A decade of austerity cut the teams responsible for spending capital: project managers, surveyors, planning officers, procurement specialists, S106 monitoring staff. English councils reduced planning investment by 42% over 8 years. The NHS lost thousands of estates staff. You cannot deploy capital faster than institutional capacity allows — and that capacity was systematically destroyed. It cannot be quickly rebuilt even when money becomes available.

THE DOOM LOOP — HOW THE THREE PATHOLOGIES COMPOUND EACH OTHER



S106 illustration

Monitoring staff cut → contributions untracked → agreements expire unspent → community gets nothing → developer goodwill for future schemes erodes.

Levelling Up illustration

Bids cost £30k each → 55 councils bid under changed rules with no chance → money not distributed → deadline extended → extended again.

NHS illustration

Capital raided for revenue shortfalls → backlog grows → emergency repairs consume capital budget → planned investment impossible → backlog compounds.

PROPERTY MARKET IMPLICATIONS

S106: check the IFS before buying

A council deploying long-held S106 infrastructure is about to improve the neighbourhood. A council with a rising unspent balance and falling IFS compliance signals that promised infrastructure will not arrive — suppressing values in affected areas for years.

Levelling Up: catalyst value when it finally lands

Towns with awarded but unspent LUF money are in a holding pattern. When spending begins — identifiable via procurement notices and FOI — it acts as a local catalyst. Entry before visible construction starts captures the full uplift.

The information asymmetry

IFS compliance has fallen from 90% to 75%. Levelling Up reporting was called out for "worrying lack of transparency." Investors who read primary documents operate with a genuine informational edge over those who wait for the market to price in the news.