



**All Party Urban Development Group**  
promoting sustainable development and urban renewal

## **PRESS RELEASE**

# **‘GOVERNMENT BORROWING OBSESSION HOLDING BACK INFRASTRUCTURE’**

A parliamentary committee of MPs and Peers heard that the Government’s ‘obsession’ with borrowing rules constrained local authorities’ ability to pay for infrastructure by borrowing against future revenue streams. The committee was also told that infrastructure was the key catalyst for development, and by not providing it upfront, many development schemes were unlikely to succeed.

The All Party Parliamentary Urban Development Group’s inaugural inquiry session took evidence from experts in local government, the development and finance sectors and leading Westminster think tanks.

James O’Shaughnessy of the think tank Policy Exchange explained that local authorities were forced to ‘save up’ before they could invest and had been ‘under-borrowing’ since 1979, with the value of outstanding local authority loans now close to £30 billion less than they should have been if local government borrowing had kept pace with inflation[1].

Adam Marshall of the think tank Centre for Cities at ippr told the committee, “The government should be a funder not a deliverer of infrastructure. Local authorities - especially in our biggest cities - should have the freedom to plan, finance and deliver local transport projects. Government departments spend too much time micromanaging trams and bus lanes, rather than tackling national projects like Crossrail.”

Developers and investor witnesses to the committee explained that a mass of private equity funds were available but they avoided infrastructure investment because of the uncertainty created by centralised government control and the lack of local authority financial autonomy needed to get the products provided and cash flow on-line.

Developers argued that infrastructure was required ahead of a development rather than as an afterthought. Examples were given of Ebbsfleet, where infrastructure provided up front allowed development to succeed, and Canary Wharf, where development proceeded without infrastructure and only succeeding belatedly due to the establishment of the Docklands Light Railway.

This committee’s inquiry comes ahead of the Pre-Budget Report on 6 December and a range of independent reviews – including the Eddington Review of Transport, Barker Review of Planning and Lyons Inquiry into Local Government.

Chaired by Clive Betts MP, the inquiry aims to identify the key barriers to private investment – including centralised decision-making, multiple government agencies,

complex funding streams and the lack of local financial autonomy. The group will include the findings of the evidence session in a report in January setting out its recommendations for change.

[1] For further background see: 'Paying for Local Investment: New Finance Mechanisms for Local Government' March 2005 published by Policy Exchange and New Local Government Network

### **Notes for editors**

The Parliamentary oral evidence inquiry session into 'devolution and private sector funding of infrastructure' was held on 20 November 2006.

For further information about the group go to: [www.allparty-urbandevelopment.org.uk](http://www.allparty-urbandevelopment.org.uk)

### **Ends**

For more further press information, or interviews with Clive Betts MP contact Andrew Teacher

M: 07968 12 4545

T: 020 7802 0113

E: [ateacher@bpf.org.uk](mailto:ateacher@bpf.org.uk)