› Built environment
› Central government
› Defence
› Devolved
› e-government
› Education
› Enterprise and innovation
› Finance and pensions
› Health and social care
› Home affairs
› International
› Management and HR
› PFI and partnerships
› Procurement
› Sustainable futures
› Transport

Email to Friend | Printer Friendly Copy

Councils should be allowed to borrow more

Wednesday, November 22, 2006

Local authorities should be allowed to borrow more and have the freedom to plan, finance and deliver projects themselves, a parliamentary committee of MPs and Peers was told.

The All Party Parliamentary Urban Development Group heard experts in local government, the development and finance sectors and think tanks tell them that the government's "obsession" with borrowing rules constrained local authorities' ability to pay for infrastructure by borrowing against future revenue streams and this had the effect of jeopardising development schemes.

James O'Shaughnessy of the think tank Policy Exchange said local authorities had to "save up" before they could invest and had been "under-borrowing" since 1979. He added that the value of outstanding local authority loans is now around £30bn less than if local government borrowing had kept pace with inflation.

And 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."

The committee also heard developers and investor witnesses claim that a mass of private equity funds was available but they avoided infrastructure investment because of the uncertainty created by centralised government control and the lack of local authority financial autonomy. They said that infrastructure was required ahead of a development rather than as an afterthought.

The group will put the findings of the evidence session in a report in January and set out its recommendations for change.