



**PRESS RELEASE**

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## Whitehall bureaucracy stifles transport improvements



Britain's transport crisis will not improve unless the Government loosens its strangle-hold on the finances available to cities and towns.

Vital redevelopment schemes, like the proposed Birmingham Gateway, are being put on hold because city councils are denied the ability to raise the funding for essential transport infrastructure.

These are two of the findings of an inquiry by the All Party Urban Development Group (APUDG) into infrastructure provision in the UK. The inquiry report, published today, concludes that our excessively centralised system of finance is stifling new investment in Britain's transport infrastructure.

The report, *Loosening the Leash*, says that Britain's infrastructure crisis is partly due to Whitehall micro-management, excessive bureaucracy, too many funding streams, and financial rules that constrain local government's ability to help fund their own infrastructure.

The Group calls on the forthcoming Lyons Inquiry and Comprehensive Spending Review to devolve funding and financial powers to Britain's cities and towns – which need financial freedom from Whitehall to deliver better transport.

The report recommends two new local financial powers that would increase local investment in vital infrastructure:

- Tax Increment Financing – already used in the United States and Australia – would allow local authorities to build infrastructure *ahead* of new development.
- Supplementary Business Rates, with business support, could be used to ring-fence money for transport improvements.

The report also warns that the proposed Planning Gain Supplement (PGS), due to be introduced in 2009, could result in further centralisation, bureaucracy, and infrastructure delay. The Government has promoted PGS – a tax levied on the increase in land values that arise when land is granted planning permission – as a solution to infrastructure funding needs. But the APUDG is concerned that some of the proposed tax will be taken and redistributed by the Treasury – and that it will not provide the up-front infrastructure funding that our cities and towns need. Government must urgently clarify PGS, before rushing into implementation.

**Clive Betts MP, Chair of the All Party Urban Development Group, said:**

*“Britain's cities are being held back by our centralised funding system. Government needs to empower city leaders to take more of their own decisions. Today's report recommends some new local financial powers, for cities to fund more of their own transport systems. Our message is clear: greater devolution is essential for the future success of our cities.”*

**David Wechsler, Chief Executive, Croydon Council, at the Group's oral evidence session in Parliament on 20 November 2006 said:**

*"Decision-taking is highly centralised, one of the consequences of which is that in looking to extend the [Croydon Tram] system .... we do not have any means ourselves of generating the next phases of development. The consequence is that we are constantly bidding for resources in the national context, a context in which inevitably quite small sub-regional schemes, which are perhaps only of interest to us locally, tend to be squeezed out, understandably, by larger national considerations."* (For the full transcript go to [www.allparty-urbandevelopment.org.uk/reports.html](http://www.allparty-urbandevelopment.org.uk/reports.html))

**John Shipley, Leader, Newcastle County Council, said:**

*"Over the past decade, huge progress has been made in our cities, but much remains to be done and many constraints need to be removed. We must be much more radical in thinking about the public-private relationship, and this report should make a contribution to that debate."*

## NOTES TO EDITORS

1. *Loosening the Leash: How local government can deliver infrastructure with private sector money* is the APUDG's first formal report. It follows a Parliamentary inquiry session held on 20<sup>th</sup> November 2006, which took evidence from city leaders and chief executives, members of the development community, and key think-tanks. It also draws on 20 written submissions to the APUDG, as well as stakeholder interviews and desk-based research. It is available for free download at the APUDG website: [www.allparty-urbandevelopment.org.uk](http://www.allparty-urbandevelopment.org.uk).
2. *Loosening the Leash* outlines the key barriers to delivering transport infrastructure in the UK, including:
  - **Over-centralisation:** Whitehall controls the great majority of infrastructure financing levers, and prevents cities from raising money to fund local priorities – making most infrastructure projects dependent on Whitehall approval and funding.

### **EXAMPLE: BIRMINGHAM NEW STREET REDEVELOPMENT**

'Birmingham Gateway' is a £500 million-plus public-private investment aimed at the redevelopment of the city's New Street Station. The scheme, which would transform access to Birmingham city centre, has recently received the endorsement of the DfT after years of lobbying from actors across the West Midlands. However this has not led to the resolution of long-standing funding issues.

Of the £340m in public-sector funding required for the project to go ahead, a gap of £140m remains to be filled despite the station's central position on the national rail network – and the efforts of Birmingham City Council, Advantage West Midlands, and local private-sector stakeholders.

New Street's funding issues are a classic example of:

*Excessive centralisation:* looking to Whitehall to fill funding gaps, rather than using local taxes and financial tools to generate the required funding,

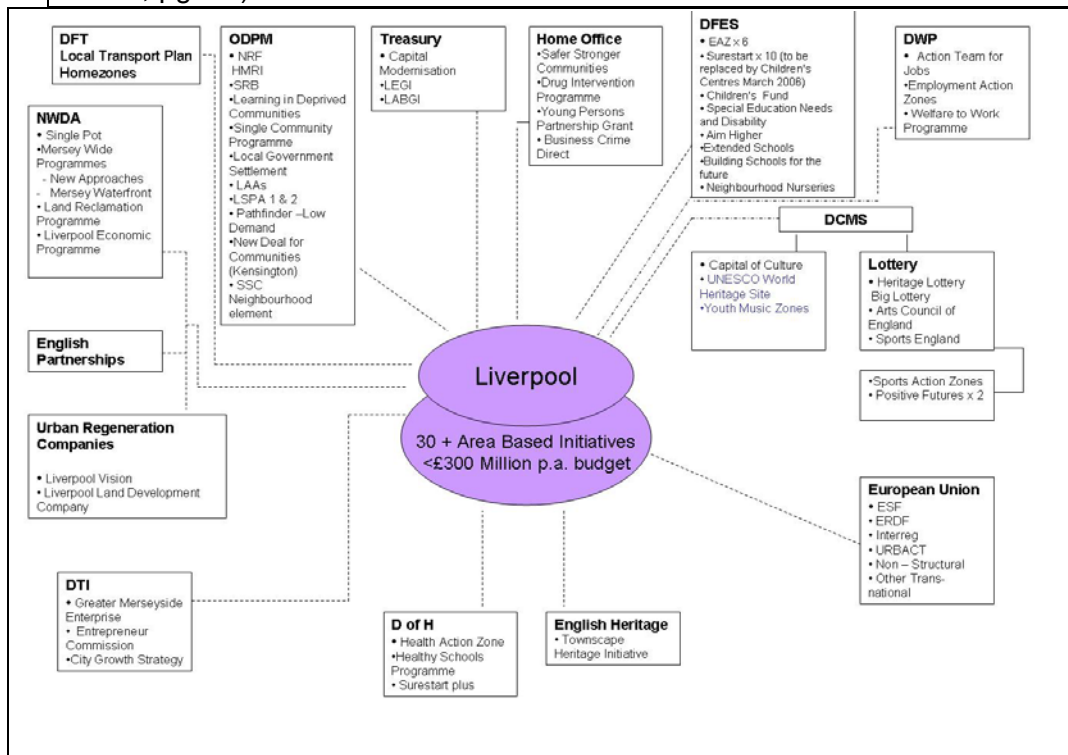
*Financial fragmentation:* difficulty of knitting together a coalition of funders, large and small, to complete a vital piece of infrastructure. With the appropriate financial powers at the local level – such as a supplementary business rate or Tax Increment Financing (TIF) – some of these hurdles

could be overcome, and the Birmingham Gateway scheme could proceed more quickly. However, changes such as TIF and supplementary business rates would require new primary legislation. (*Loosening the Leash*, pg. 13)

- **Financial fragmentation:** there are too many funding streams involved in the delivery of infrastructure, leading to confusion, inefficiency, and delay. Fragmentation means that innovative funding solutions are hard to find, and infrastructure takes even longer to get built.

### EXAMPLE: LIVERPOOL FUNDING STREAMS

The graph below illustrates the various funding streams used in infrastructure and regeneration projects in Liverpool alone – over 30 funding pots were identified, each with specific conditions attached (*Loosening the Leash*, pg. 18).



- **Weak strategic co-ordination:** public sector strategies, targets and investment activities are poorly timed and co-ordinated – both with each other and private sector timescales
- **Lack of capacity and skills:** in some areas, local authorities lack capacity and expertise – with planning departments overstretched, and staff turnover generating delays

3. *Loosening the Leash* puts forward a range of potential solutions to these problems, including:

- **Simplify the infrastructure financing framework:** fewer, bigger Whitehall funding streams – with more straightforward requirements. Shift the balance of control and oversight away from the centre, toward local authorities, wherever possible.
- **Greater financial and political autonomy for city leaders:** this would enable cities and towns to raise revenue and borrow money to support their priority infrastructure projects. From small road improvements through to major new tram schemes, cities need greater freedom to design, build and

finance local infrastructure improvements. Local authorities must be given the ability to forward fund infrastructure in order to attract development into their areas.

- **Introduction of local financial tools to forward-fund infrastructure:** A menu of new tools is required. This could include Tax Increment Financing, Supplementary Business Rates, and new forms of public-private joint ventures. Private equity is available, but is underutilised thanks to Treasury rules limiting local authorities' ability to borrow and to securitise debt against revenue streams (see pg. 10).
4. *Loosening the Leash* calls on the **2007 Comprehensive Spending Review** to include clear proposals for financial and political devolution to local authorities. Without devolution, cities will be unable to deliver the infrastructure – transport systems, utilities, etc – needed to underpin economic growth.
  5. Further background:
    - High quality transport infrastructure is required to underpin continued economic growth in the UK.
    - Research suggests that infrastructure is one of the greatest barriers to business growth in the UK:
      - 48% of businesses see transport problems as having a substantial impact on their profitability and 54% of firms believe that the UK's transport system has deteriorated since 2000 (CBI, 2005).
      - Transport-related problems are estimated to cost £15bn per year to the UK economy (British Chambers of Commerce, 2006).
      - Over the past 30 years, UK transport spending as a percentage of GDP has been 10-20% less than that of France or Germany
      - National productivity would grow between 1.12% and 1.2% if journey times were reduced by 10% across Great Britain
  6. The All-Party Urban Development Group (APUDG) is a cross-party body of MPs and Peers committed to progressing urban renewal and sustainable development in the UK. Its officers are:
    - Clive Betts MP (Labour – Sheffield Attercliffe – Chair)
    - Lord Richard Best (Cross-bench – Vice Chair)
    - Andrew Pelling MP (Conservative – Croydon Central – Vice Chair)
    - Baroness Scott of Needham Market (Liberal Democrat – Vice Chair)
    - Rt Hon Nick Raynsford MP (Labour – Greenwich and Woolwich – Hon Chair)
  7. The Secretariat for the APUDG is provided jointly by the British Property Federation ([www.bpf.org.uk](http://www.bpf.org.uk)) and the Centre for Cities at ippr ([www.ippr.org/centreforcities](http://www.ippr.org/centreforcities)), which carries out independent research on behalf of the Officers.

**For further information and to arrange interviews with Clive Betts and Local Government Leaders/ Chief Executives contact:**

Dr Adam Marshall, Senior Researcher, Centre for Cities  
020 7470 6119 / 07855 833918 / [a.marshall@ippr.org](mailto:a.marshall@ippr.org)

Chris Carter  
020 7802 0116 / 07841 080991 / [ccarter@bpf.org.uk](mailto:ccarter@bpf.org.uk)

Andy Teacher  
020 7802 0113 / 07968 12 4545 / [ateacher@bpf.org.uk](mailto:ateacher@bpf.org.uk)