

Summary paper: Funding, financing and governance for effective infrastructure delivery

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This paper summarises the key themes which were discussed at the third knowledge sharing event in the National Infrastructure Commission's 'Next Steps for Cities' programme. This paper has been developed in collaboration with the event speakers and city representatives across the country.

Funding, finance and governance for effective infrastructure delivery are some of the most difficult issues that cities are grappling with. Getting these issues right will be vital for enabling the delivery of ambitious infrastructure strategies and delivering transformational infrastructure projects. Any credible infrastructure strategy will need to demonstrate that it can be paid for and successfully delivered.

The Commission recommended that government should support selected major projects outside of London, but also recommended that the benefitting city should raise at least 25% of the funds for these projects themselves. It isn't all about central government devolving funding; it's also about cities having the power to find their own ways to finance projects. When it comes to financing, these are two parts of the puzzle that can and should go together.

➤ **Governance and delivery mechanisms**

One of the biggest benefits of devolution is that it allows cities to adopt systems of governance that give them the levers they need to meet their objectives, promote growth and support their communities. Devolution is not a prerequisite for the development of a credible and successful local infrastructure strategy, integrating transport, housing and employment. If cities are empowered and enabled to deliver on their infrastructure strategies through devolved powers and funding, there is huge potential to improve prosperity and quality of life for millions of people.

Authorities should consider the governance and delivery mechanisms that would best meet their needs to bring their local infrastructure strategy to fruition. Even for places that do not benefit from devolved settlements, a well-designed infrastructure strategy can help places to make the most of more uncertain and ad hoc funding arrangements.

A range of institutional and governance structures have been deployed across cities of all scales and levels of devolution. Some have a mayoral combined authority, whereas other non-mayoral authorities have a more dispersed model of leadership and decision-making. There is no right outcome from designing these structures and institutions. The critical consideration that is common to each of these models is to maintain longevity in decision making against the background of relatively short term political cycles (this is particularly important in places that have politically marginal elections, or elect by thirds).

An additional benefit of having a strategy is that it can help to positively coordinate the various parties responsible for delivery e.g. housing delivery, grid connections/reinforcement and roadworks. This could be through existing agencies and institutions such as local

enterprise partnerships or Business Improvement Districts, or it could be through new agencies such as development corporations. In considering what deliver mechanisms it might be helpful to consider what policy levers are required to implement an infrastructure strategy? To what extent are they within your control, which areas can your city affect most easily? What can be delivered with existing policy levers? Could more be achieved through devolution?

In developing their strategy, Exeter considered how their strategy could be delivered through a range of approaches, including Exeter City Futures, a community interest company bringing together local councils, service delivery agencies and universities.

➤ **Engagement and consensus-building**

Some of the most successful infrastructure plans and strategies have emerged from processes that have sought to engage and build consensus around the strategy. This can take many forms, including with internal colleagues or external stakeholders or working across political parties.

Particular emphasis should be placed on involving traditionally hard-to-reach groups such as BAME populations, young people and those in deprived communities. Liverpool City Region's engagement for the Spatial Development Strategy prioritised engaging these underrepresented groups. Actively and meaningfully involving community voices and getting public support can help to demonstrate to politicians that these initiatives have a level of popular support and can be helpful in overcoming reluctance among political actors for interventions they perceive as contentious.

A cross-party working group can also be a good way to bring politicians together behind the proposals, helping to build a broader base of support and mitigate risks by preventing political hurdles posing challenges to the programme. Sometimes, these give panel members anonymity to allow them the freedom to express genuine views of the strategy.

➤ **Cities need to find their own ways to finance projects, alongside devolved funding**

Locally raised finance, alongside government settlements, will be critical to delivering infrastructure strategies. The National Infrastructure Assessment recommends that government should allocate significant long term funding for major transport capacity upgrades in selected growth priority cities. The recommendation makes clear that cities benefiting from these major projects should provide at least 25 per cent of funding. In terms of funding and financing, cities should look at innovative methods to raise funds for infrastructure projects. A range of mechanisms have been used by cities across the UK to partially fund or forward fund infrastructure provision, including Nottingham's Workplace Parking Levy and the Milton Keynes Tariff. London has used and is exploring different approaches to Land Value Capture. Many local authorities have become more commercially oriented in how they finance projects, though these kinds of approaches will not be a replacement for funding from central or local taxation.