

The public wealth of cities and regions

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Outline

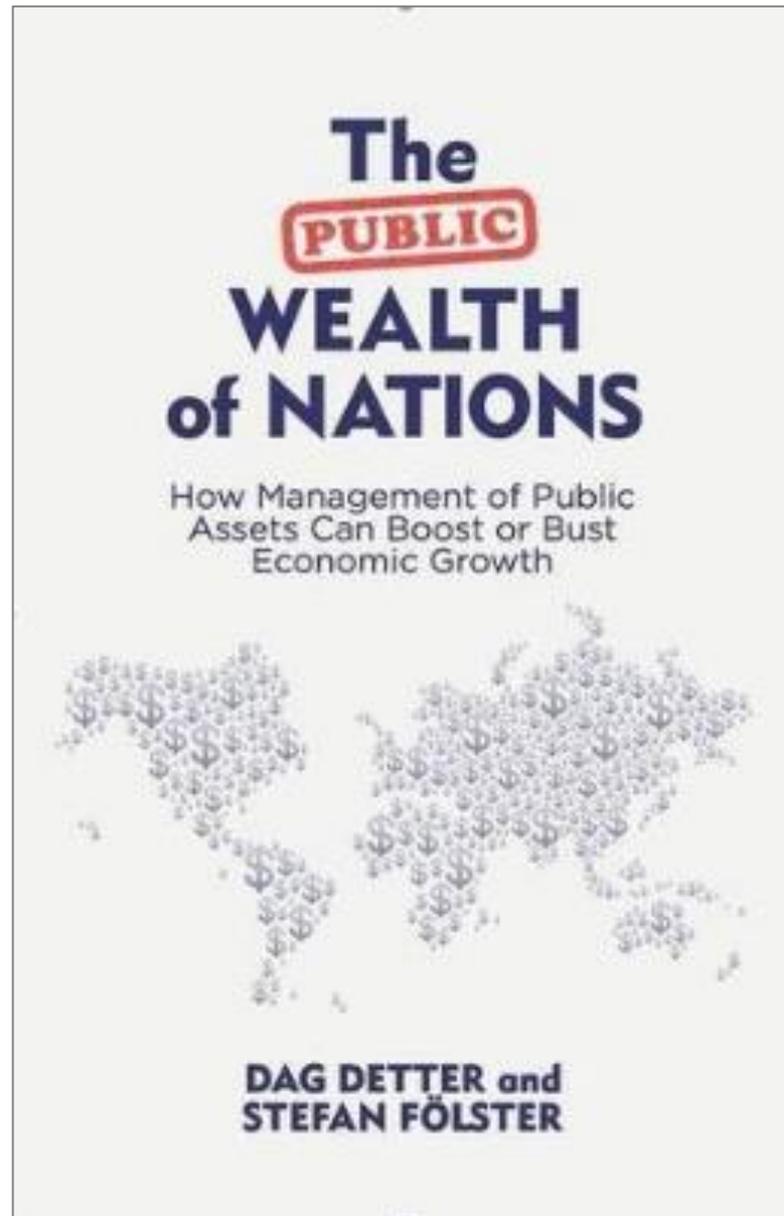
- Context...international and UK
- ‘The public wealth of cities and regions’...or ‘Future profits vs. short term cash in the great British sell-off’?
- iBUILD research questions, methodology and activities
- Defining and valuing public assets
- Strategies and institutional models for public asset ownership, management and governance
- Emergent conclusions

Context I...international

- Austerity, fiscal consolidation and the sale of public assets
- Questions about the role of the state
- Sub-national and local governments transforming into 'commercial actors'
- National government concerns about under-utilisation, under-valuation and hoarding of 'surplus' public assets

Context II...UK

- Political and macro-economic priorities of deficit and debt reduction, and housing 'crisis'
- Revenue squeeze amongst central and local government (e.g. asset maintenance costs)
- Widening and deepening of public sector reform agenda (e.g. Capital Asset Pathfinder, One Public Estate)
- National Infrastructure Commission public assets focus:
 - Commercial use of assets to 'release' resources for investment
 - Infrastructure and housing relationship
 - Public land and property as infrastructure sites (e.g. 5G, water and electricity)



Arguments...

- “estimate of global public commercial assets totalling US\$75 trillion...large holdings are owned by local and regional governments” (2015: 199, 1)
- “phony war” (2015: 1) between public ownership and privatisation
- Improve “the quality of public asset governance” via “professional wealth managers working with a measure of political independence in national wealth funds” (2015: 1, 7)
- New institutional vehicles at arms-length from central national and city/regional governments – ‘Urban’ or ‘Regional Wealth Funds’

Issues...

- Overly broad definition of public assets (e.g. includes state-owned enterprises)
- Narrow 'economic' approach and valuation of 'commercial' public assets
- Social and environmental values muddled/missing
- Narrow set of models for 'professional public asset management'
- Professional and technocratic single objective (value maximisation) > normative and political choices with multiple objectives (economic, social, environmental)



**Future profits vs short term cash:
What's at stake in the
THE GREAT BRITISH
SELL OFF**



A report by **we own it** and **nef**
economics as if people
and the planet mattered

Arguments...

- Public asset sell-offs may generate short term cash but forego future profits
- Public asset sales risk net losses to the taxpayer
- Need longer-term perspective on building and sustaining inter-generational wealth
- The state as legitimate and efficient owner and manager of public assets

Issues...

- Limited number of case studies
- Overlooks new, multiple and decentralised public ownership forms
- Primarily national-level focus
- Partial attention given to the role of land as a public asset

Research questions

- How can we define public assets and what are their different types?
- How are public assets being valued and how are economic, social and environmental values being captured and utilised?
- What are the emergent strategies for public asset management?
- What are the institutional models for public asset ownership, management and governance?
- What can approaches to the ownership, management and governance of public assets contribute to the roles of national and local government in infrastructure development, economic growth and public service delivery?

Research methodology and activities

- Integrated iBUILD research project – cross-disciplinary and cross-institutional
- Secondary literature review – academic and policy
- Exploratory case studies in selected localities (e.g. North East, Leeds, Manchester, London, Staffordshire and Cornwall)
- In-depth semi-structured interviews with key actors (e.g. national and local government officials, property developers)

Defining public assets

“Any resource that is owned by a public entity and that can reasonably be expected to provide a future benefit, by providing an economic return or a social or environmental benefit” (McCann and MacFarlane 2016: 5).

Types of public assets

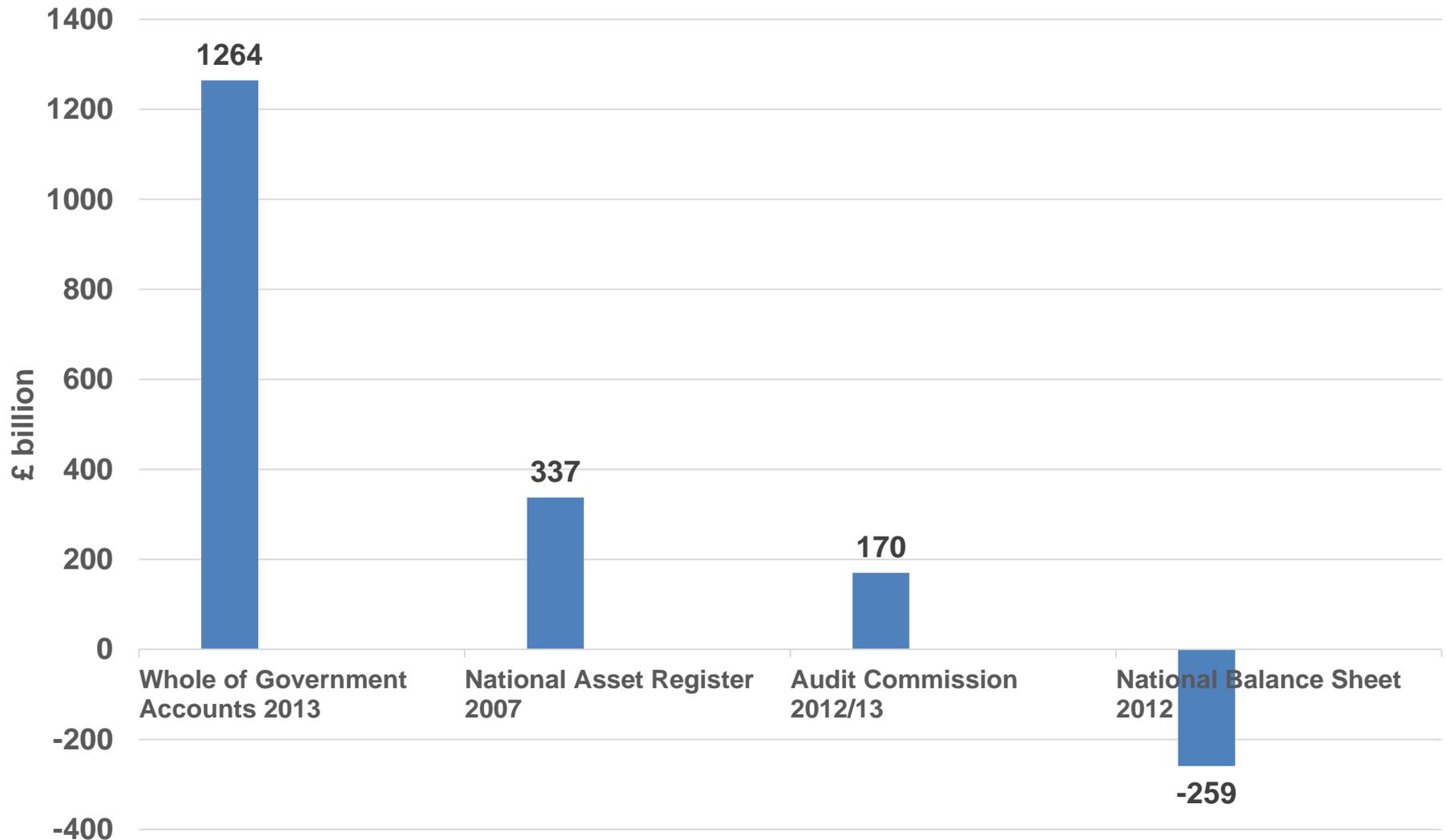
- **‘Operational’** – in use e.g. local government service centre(s)
- **‘Non-operational’** – investment or commercial/income generating e.g. airports, enterprise parks, energy networks, leisure facilities and ports
- **‘Surplus’** or **‘under-utilised’** – not in use/under-used e.g. former central government or local authority buildings and facilities
- **‘Strategic’** – development or regeneration e.g. city centre land holdings



Valuing public assets I – international

- International Financial Reporting Standards addressing differences in accounting methods and (inter)national comparison
- Separate accounting for ‘surplus’ or ‘held for sale’ assets
- Public financial accounting – ‘book value’
- Accrual accounting “assign a capital charge for holding surplus property to reflect the opportunity cost of withholding property from its highest and best use” (Detter and Fölster 2015: 67)
- Establishing ‘commercial’ or ‘market’ value – e.g. as collateral for borrowing or for procurement

Valuation of public assets II – UK



Source: Adapted from Detter and Fölster (2015: 48)

Strategies for public asset management

- Development and management of system for identifying, collating and managing (public) register (cadaster) of public asset data
- Moves away from departmental approach to asset management
- Adoption of more corporate and commercial approach to asset and estate management
- Aspirations for more integrated public asset ownership, management and governance

Strategies for public asset management – examples

- **Public asset data** – e.g. Staffordshire CC, London and GM Land Commissions
- **Cross-departmental approaches** – e.g. HMG Property Co
- **Corporate and commercial approaches** – e.g. Kent CC
- **Integrated approaches** – e.g. One Public Estate, Bristol Property Board



Institutional models for public asset ownership, management and governance I

| Type | Example |
|------------------------------------|---|
| Strategic Partnerships | Staffordshire Penda Partnership |
| Local Asset-Backed Vehicle | Evolution Gateshead |
| Land Commissions | London and Greater Manchester |
| Pension Fund Investment | Manchester City Council and GM Pension Fund |
| Public-Private Partnership | Schools and education buildings |
| Public-Private Shareholder Company | Manchester Airport Group |

Institutional models for public asset ownership, management and governance II

| Type | Example |
|---|--|
| Public sector-owned infrastructure | London Underground |
| Local authority/public sector integrated service centre | Cornwall 'blue light' emergency service centre |
| Former public sector-owned now in private ownership | Birmingham NEC |
| Former public sector-owned now in community ownership | Jesmond Community Leisure |
| Local Stock (Housing) Voluntary Transfer | Coventry City Council |
| In-house public sector property management | NHS Property Services |

Emergent conclusions

- Short-term and immediate financial and political pressures
- Potential public wealth of **some** cities and regions...
- Broaden valuation of public assets = integration of economic, social and environmental dimensions and longer-term
- Multiple types of public assets, management strategies and institutional ownership and governance models = adapt to fit with local/regional/urban needs, purposes and circumstances
- Devolution for local, regional and/or urban 'wealth funds'
- Normative and political choices about what the state can/cannot do and should/should not do...i.e. owner/manager/developer of assets or simply legislator/regulator of market actors?

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