

The public wealth of cities and regions?

Valuing the Infrastructure of Cities, Regions and Nations,
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Outline

- The argument...
- Context
- ‘The public wealth of cities and regions’...or ‘future profits vs. short term cash in the great British sell-off’?
- Defining and valuing public assets
- Strategies and institutional models for public asset ownership, management and governance
- Conclusions

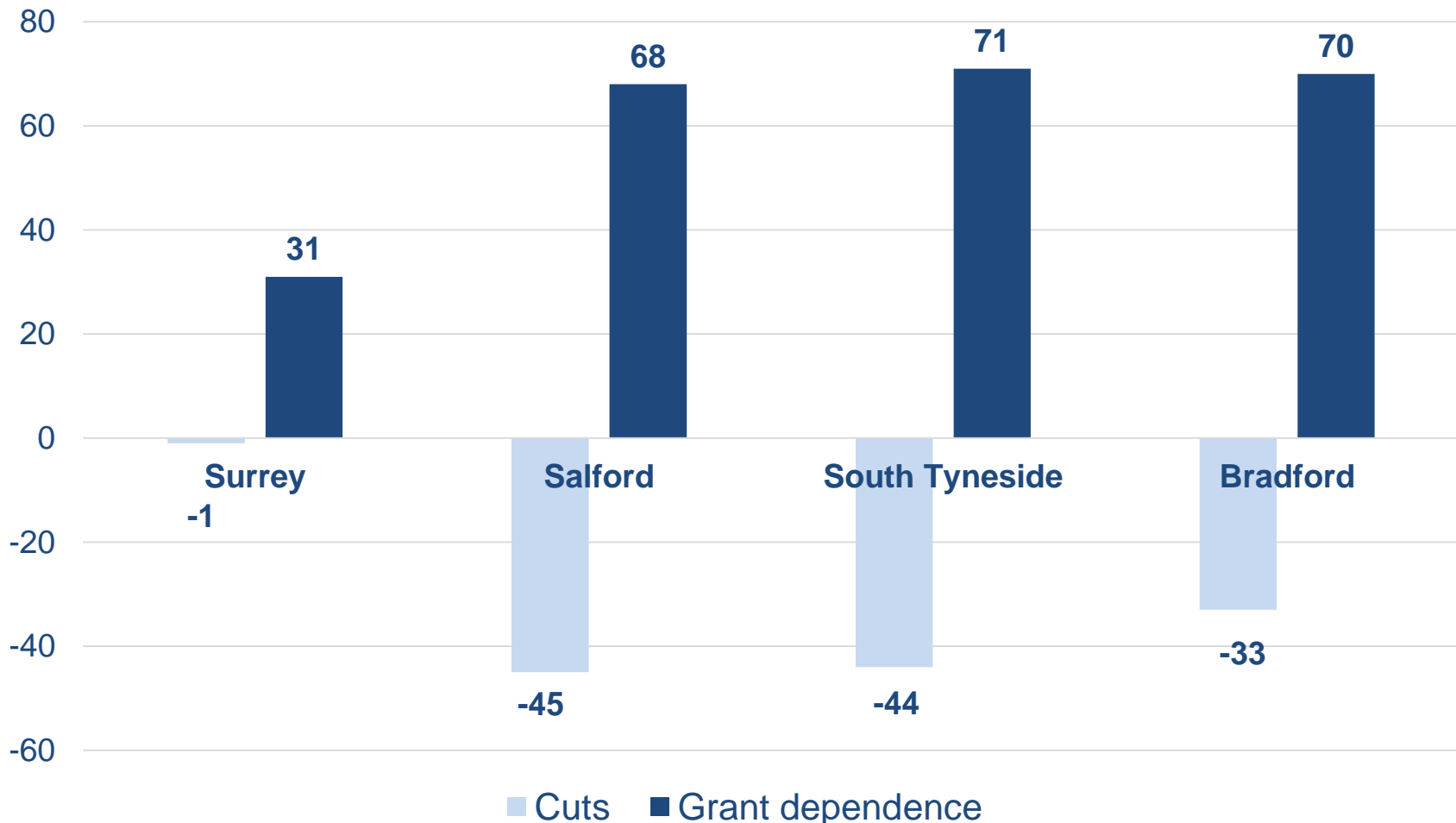
The argument...

- Financialisation as a socially and spatially variegated process
- Financialisation, austerity and decentralisation compelling national and local state actors into (re)considering ownership and use of assets to fit with local circumstances and fund public services
- Dilemma faced by revenue-squeezed local government: sell, hold and/or buy assets?
- Some local authorities are adopting and/or re-inventing commercial ethos and behaviours
- Multiple typologies of public assets, management strategies and institutional ownership and governance models
- Differentiated geographies of local and regional public wealth

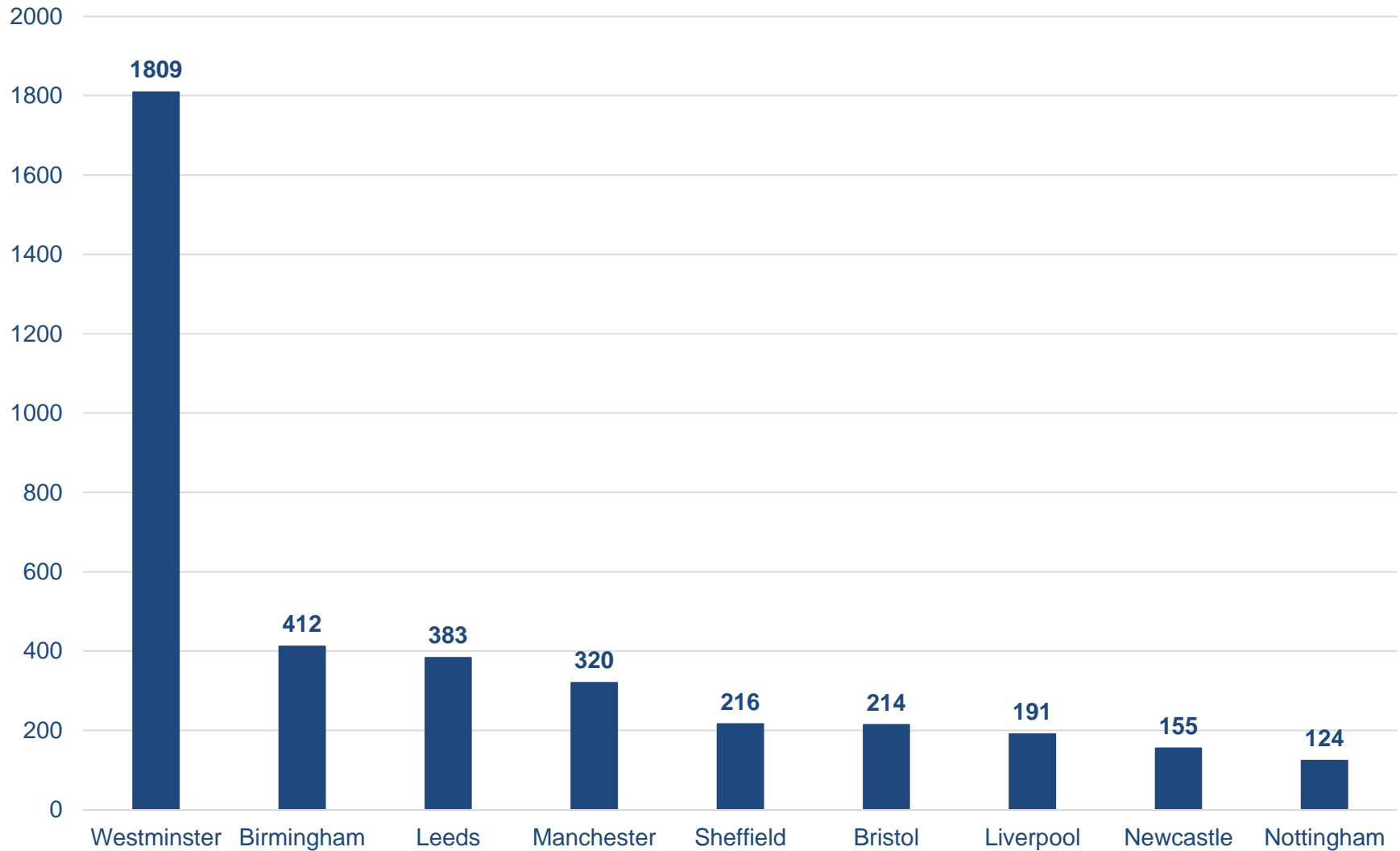
Context...

- Austerity, fiscal consolidation and budgetary pressures to sell or lease public assets
- Sub-national and local governments encouraged to become 'commercial actors'
- Widening and deepening public sector reform
- National government concerns about under-utilisation, under-valuation and hoarding of 'surplus' public assets
- Future local government funding – incentive/risk-based and uneven?

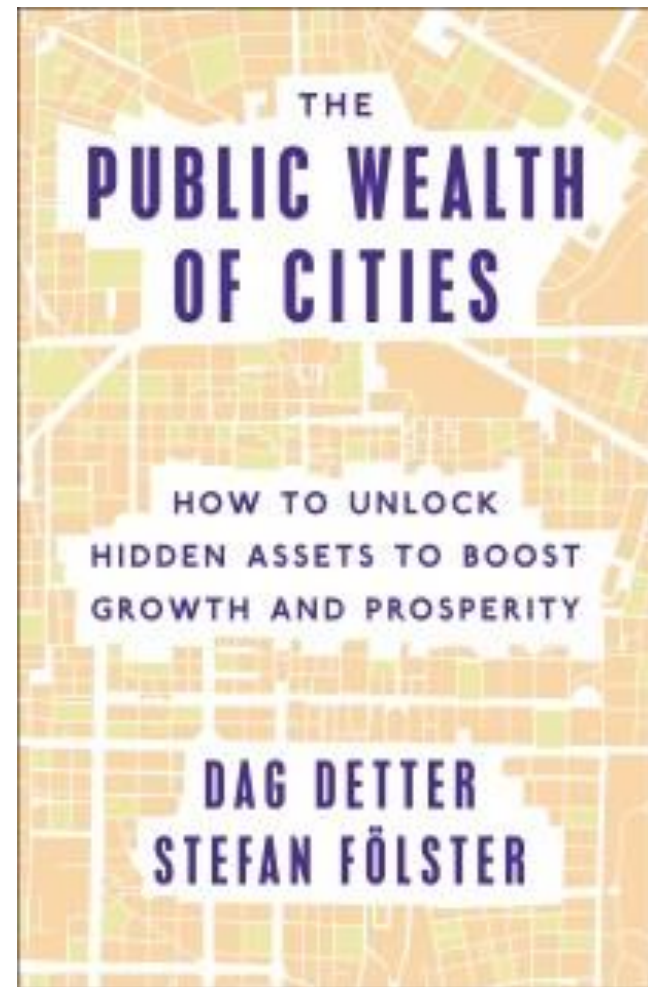
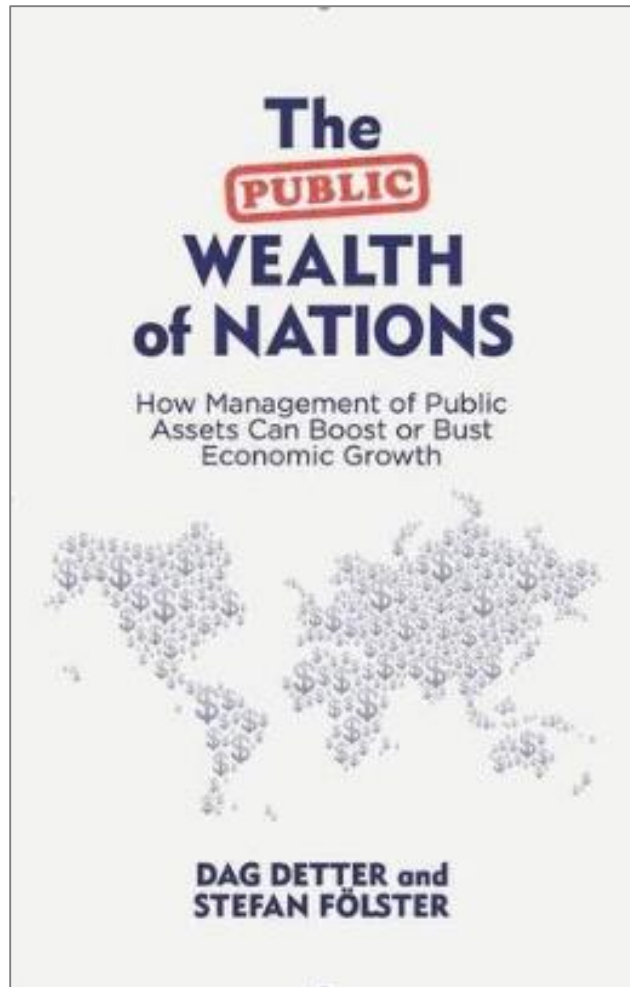
Real-terms % change in local government service spending (England) against % of grant income between 2009/10 – 2016/17



Business Rate (Net) Projected Income (£m) 2015/16



Source: Department for Communities and Local Government NNDR1 (2015/16)



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’
- Many cities are unable to understand the ‘balance sheet’

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)
- Could and should physical asset (including infrastructure) ownership and management be detached from political influence?



Arguments...

- Public asset sell-offs may inject short term cash but could result in loss of future long term revenues
- Public asset sales risk net losses to the taxpayer
- Need longer-term perspective on building and sustaining inter-generational wealth
- The state as a legitimate and efficient owner and manager of public assets

Issues...

- Limited number of case studies
- Overlooks new, multiple, hybrid and decentralised forms of public ownership and management
- Primarily national-level focus
- Partial attention given to the role of publically-owned land as a public good and/or productive asset
- Binary 'choices' public or private?

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 assets

- **‘Operational’** – in use e.g. local government service centre(s)
- **‘Commercial’** – investment or income generating e.g. airports, retail centres, enterprise parks, energy networks, leisure facilities and ports
- **‘Surplus’** or **‘under-utilised’** – redundant/under-used e.g. former central government or local authority buildings
- **‘Strategic’** – development or regeneration e.g. city centre property/land holdings



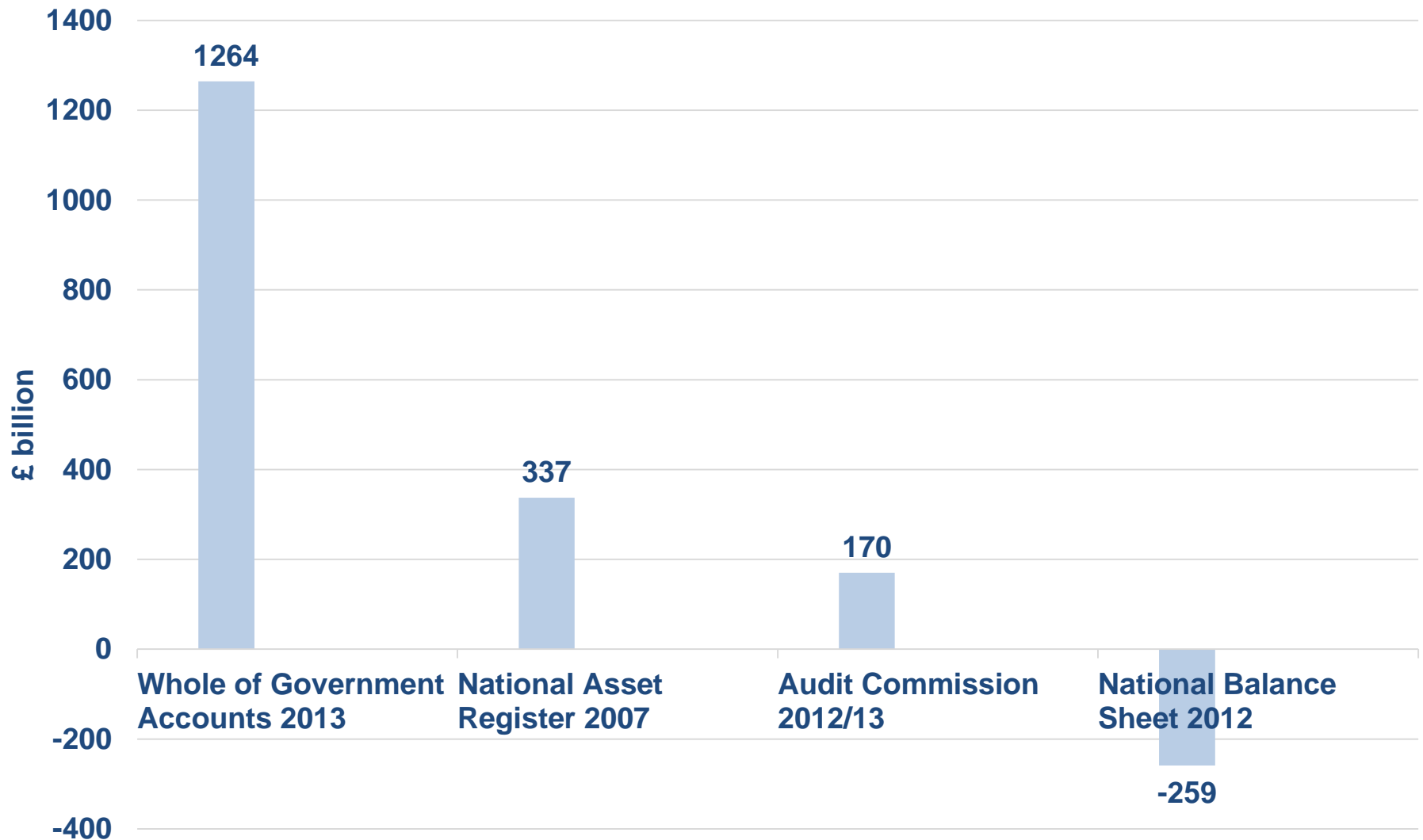


“While local authorities are furiously selling assets to plug gaps in their budgets resulting from central government funding cuts, they have simultaneously been accumulating property assets across the country. Such has been the buying spree that they are now a significant force in the commercial property market. This is largely thanks to cheap finance provided by an arm of the UK Treasury” (John Plender, “A quirky and hazardous corner of British public finance”, The Financial Times, 15 February 2017).

Valuing public assets I – international

- International Financial Reporting Standards seek to address 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

Valuing public assets II – UK



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

Strategies for public asset management

- Developing systems for mapping, collating and monitoring public asset data
- Adopting 'corporate real estate' approaches to asset management
- Aspiring to strengthen integration of public sector asset ownership, management and governance
- Addressing 'societal challenges' e.g. housing, reducing carbon emissions, etc.
- Using cheap borrowing to buy assets to yield revenues

Institutional models for ‘public asset’ ownership, management and governance

Type	Example(s)
Strategic Partnerships	Staffordshire Penda Partnership, Siglion (Sunderland)
Local Asset Backed Vehicle	Evolution Gateshead
Land Commissions	London, Greater Manchester
Pension Fund Investment (pooled)	Manchester City Council and GM Pension Fund, Local Pension Partnership (Lancashire/London) Global Equity Fund
Public-Private Partnership	Schools and education buildings
Public-Private Shareholder Company	Manchester Airport Group, Newcastle Airport
Public Sector Commercial Landlord	Guildford BC, Spelthorne BC, Runnymede BC, ARCH (Northumberland), Warrington & Co

Conclusions

- Financialisation is designed, negotiated, managed and regulated by multiple actors in different geographical and temporal contexts and political-economic and institutional settings
- Pressure on local state actors from financialisation, austerity and decentralisation = sell, hold and/or buy assets?
- Uneven examples and accommodations of municipal entrepreneurialism *and* managerialism to plug revenue gaps, generate income, stimulate growth and fund public services
- Differentiated geographies of local and regional public wealth
- Normative and political choices about what the state can/cannot do and should/should not do...i.e. owner/manager/developer of assets or legislator/regulator of market actors?

Acknowledgements

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