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Pooling Public Resources to Overcome Rural Challenges

Summary

Ivan Annibal argues that rural assets are often hard to manage individually by public bodies and that there would be merit in the development of a rural sovereign wealth fund operated by an organisation with the sort of remit and know-how currently exhibited by Highlands and Islands Enterprise. Managed together, this larger scale would provide opportunities for raising investment, mutually reinforcing cross subsidy across a whole portfolio of resources and economies of scale in terms of maintenance and management and with the potential to invest in solutions to the problem of coping with the additional cost of providing services to rural areas.

This think piece has been prepared for Agri-Bulletin by Ivan Annibal, Rose Regeneration who work with communities, government and businesses to help them achieve their full potential:
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I live near a former RAF base. I've just finished working on a masterplan for its future with the stated aim of moving it from "Base to Place". Now you might think that this mission derives from its former defence role. If so you would be wrong. It derives from the need to put right 30 years of unplanned, chaotic and haphazard private sector development since the MoD walked away from it. Worse than the chaos is the fact that it has been disposed of and its assets (some repeatedly) have been sold on for short term profit in a way which has significantly increased the demands for social intervention from the public purse. Its housing is now in a poor state, with a significant number of challenged families, living in accommodation owned by private absentee landlords. It has the lethal mix of a fireworks factory, next to an antique centre, next to residential accommodation for the elderly. Its services remain un-adopted and failing. I could go on.....

I am also Chairman of a Charity that was gifted a 230 acre remediated pit tip by a Regional Development Agency in its last days. It seemed like a great legacy gesture at the time. A decade on, having ploughed nearly all our reserves into trying to make a recreational asset of it, we still have to develop a clear plan for its future.

These are just two examples of rural assets which have been poorly disposed of amongst many instances of the frittering away of rural resources. I have spent most of my career in rural development pondering what might have been if we had done things differently. That is why when I read the following extract from Andrew Lansley's Article in the recent RSA magazine my interest was more than piqued:

"Another route would be to pool all commercial public assets, from property and land to public companies, into a public ownership fund, thus mobilising assets that already exist. Managed independently, such a fund could generate returns to be used for wider public benefit, prevent the shrinking of the asset base and ensure that a higher proportion of the gains from economic activity are reinvested for productive use"

Earlier in my career I had “accidentally” proposed such an approach in the context of a small east coast settlement, Mablethorpe. I had suggested that the huge economic development challenge of regenerating this place, which has been dying on its feet since the Beeching Axe fell on its railway line in the 1960s, was to offer to put every public asset in the place into a joint venture with a private sector partner. Trade-offs would be required around development and risk but there may well have been scope for capturing some really significant investment. The idea ended up in the “too hard to do box”.

15 years down the line, encouraged by Mr Lansley’s article my enthusiasm has been renewed. I think there would be real merit in the development of a rural sovereign wealth fund. Operated by an organisation with the sort of remit and know-how currently exhibited by Highlands and Islands Enterprise. Let me explain:

There are thousands of publicly owned rural assets across England. Individually their value and potential is limited. The responsibility for a) maximising their value and b) thinking innovatively about them as assets is vested in over 100 local authorities a similar number of health organisations and a slew of public agencies and third parties. In most authorities they are managed and disposed of by individuals with very limited expertise. In a sublime example of how entrepreneurial thinking is still alien to the public sector in this context, I was once hauled over the coals in local government for producing a job description for a property manager that appeared to encourage “wheeling and dealing” in real estate.

In the current environment where there are significant cultural and practical impediments at the level of the individual local agency to realising the value of individual assets resources such as those referred to above have become liabilities. You only have to think about the current arrangements for managing small library buildings within the local authority sector as a whole to get a sense of where I am coming from.

If these individual assets were to be combined into one enlightened and flexible management arrangement, we would have some tantalising possibilities. Their large scale would provide opportunities for raising investment, mutually reinforcing cross subsidy across a whole portfolio of resources and huge economies of scale in terms of maintenance and management. I believe this could be done in a way which is not inconsistent with local ownership (particularly in view of the fact that at the very local level many of things I am talking about are seen individually as a drain on resources rather than an asset). Moreover, if the income generated from these assets was redistributed through an equitable formula to the public bodies that “owned” them they could represent a really powerful means of providing a commercial income stream to support public services.

How might it work?

We could start by requiring all surplus Government assets in rural areas in England (identified using the rural urban classification) to be vested in one new agency. An alternative management plan (rather than simple disposal) could be developed for their use based on maximising their earning potential as a group. Their book value would remain with the departments that “owned” them whilst the income would be invested in a new rural sovereign wealth fund. In conjunction with a business plan agreed with those departments the agency would then work with local public bodies to invest the resources to overcome the challenges arising from the rural service premium. The rural service premium is the additional cost of providing services in rural areas. It arises from market failure due to sparsity. Innovative approaches to tackling this market failure, based principally on building the capacity of rural communities, would be the main target in the sights of that agency.

The agency would have a purpose based on the model of Highlands and Islands Enterprise (HIE) namely: “to generate *sustainable* and *inclusive* economic growth across the Highlands and Islands.” HIE is really successful because it has a mentality which fits “rural” it was not designed in “Westminster” and it therefore understands that rural development only succeeds when it sits at the heart of a triangle comprising the three corners of: social, economic and environmental interventions. It knows that unless you join things up in rural places your actions don’t maximise your impact. This is why HIE has played a key role facilitating community led housing and micro-

business growth in a way which sustains remote rural places and which currently seems alien to the “big is beautiful” mentality of organisations in England like Local Enterprise Partnerships.

The agency would have the potential to incorporate assets from local authorities and other public bodies such as hospital trusts. Where they pooled their resources with it they would be entitled to a proportionately enhanced share of its income and a role in its governance. It could also raise investment funding from local authority pension funds and other ethical public sources. It could begin a dialogue with faith communities about managing surplus or under used elements of their property portfolio.

Why would this approach make such a significant difference?

Rural communities lack the critical mass to appeal to investors. Whilst people in the public sector often bemoan the challenges of providing public services in rural areas, the private sector with no such obligation simply doesn't have such places on its radar. This means that rural places often face a double whammy of poor public sector provision and no private sector provision. How many villages can you think of with no services and almost exclusive reliance on the private motorcar to function for their residents. This means that many rural places are not viable environments for those under 30 and those over 75 who lack either the asset base under 30 or the good health over 75 to live in them independently. We currently fiddle around the edges of these challenges with small scale resources ameliorating the problem on a haphazard settlement specific basis. A rural sovereign wealth fund could provide the big resources needed to get to the heart of the central problem rather than continuing to “strike individual matches in the dark”.

As with any major change there will initially be more naysayers than positive supporters. In a post Brexit world, driven partly by those who have felt excluded from the mainstream, many of them living in rural areas, surely there is some merit in thinking about this issue in more detail. There is a need for a radical new approach to rural development once the current funding and investment regime linked to Brussels is “turned off”. I think rural policy in England has focused heavily on agriculture and conservation, a rural sovereign wealth fund could put rural communities back alongside these issues at the heart of things. Whilst the current huge change facing this country is daunting, at such times of major upheaval opportunities present themselves. This is the one big opportunity I would like people to think about in that context. It gives us the chance to prove that we can address the challenges facing rural communities, by pooling our assets, on the basis of the mantra *from many we are one*.

Ivan Annibal, 20 February 2017

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