reserve Preserve assets

Raising income through maintaining assets could reduce the need to cut services. Adam Leeder explains how local authorities can achieve this feat

newspaper headline about the recent TaxPayers' Alliance (TPA) report on assets owned by local authorities, which argued that it is 'deeply hypocritical' for councils to hold sizeable asset portfolios at the same time as increasing council tax to protect services, caused a stir.

The TPA is right in one sense. Local government is 'asset rich and cash poor'. Collectively, local government holds £170bn of assets. However, there is no 'right' or 'wrong' answer to the question - 'should a council own a fish stall?" In fact, it is the wrong

Councils should ask themselves a more nuanced set of questions about how to manage their existing assets, and also consider investing in new assets. What is the case for shedding or retaining each asset? Could the council consider innovative investments in new assets?

When a disposal is appropriate, how can councils maximise the return they make? What steps could central government take to help councils to take a more strategic view of their assets?

The case for local authorities selling their assets is well established. Central government cuts meant local authority spending per head of population fell by 23.4% in real terms during the last Parliament.

In this new economy, raising capital receipts through selling assets - which are not free to maintain - could reduce the need to cut those services.

The Audit Commission estimates that the total annual cost of maintaining the local government asset base is approximately £5bn.

If an asset is costing more to maintain than it is either yielding in revenue or appreciating in value, then it may well be ripe for disposal. Councils have already cut their collective footprint by nearly a third since 2004.

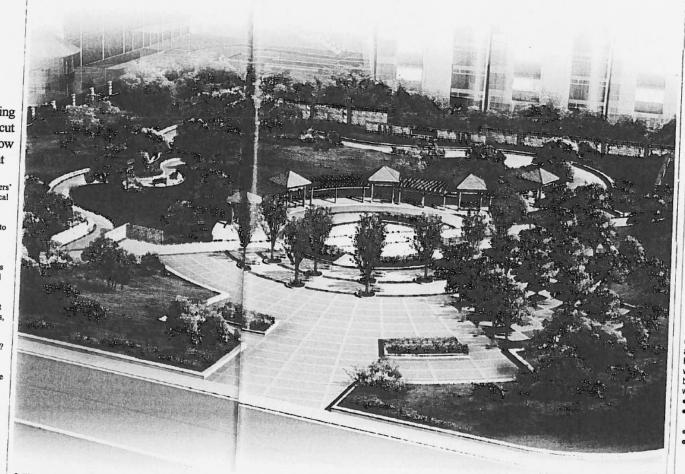
However, many council-owned assets can go well beyond funding their existence and generate considerable returns. For example, Basingstoke & Deane BC raises £15.5m a year through its commercial property portfolio.

Given that a capital receipt can only be spent once by its very nature and in light of the expectation that local government budgets will continue to be cut over the next five years, assets which provide a sustainable revenue source are of considerable ongoing value. Furthermore, deciding whether to retain an asset is

not just a question of financial viability. Any asset can potentially be used as a tool to boos

an area's economic and social wellbeing.

Council-owned land can be turned into affordable housing. A council-owned retail unit can be used to



Selling up: council land can be turned into affordable housing

support a fledgling entrepreneur.

A council-owned restaurant can provide catering apprenticeships and new skills to people out of work.

Of course, assets can still do this if they are held by the private sector or the charitable sector. However, when assets are owned by others, it will be harder for a council to leverage them to meet corporate objectives.

These arguments are increasingly encouraging councils, buoyed by the relatively low cost of borrowing, to go beyond maintaining their existing asset base and look to buy up new assets as strategic long-term investments - which often appreciate in value at a faster rate than if banked at current low

For example, Ipswich BC recently purchased a 30-acre site on the outskirts of the town for £10m. The plan is to use the site's good links to the A14 and development potential to attract new jobs to the local area.

When a council does decide to dispose of an asset it is important that this is done strategically so that it generates the maximum possible return,

Recent research from think-tank Localis suggests that 17% of councils have disposed of assets below their optimal value.

In particular, councils should explore where they can work with other public sector organisations to jointly dispose of assets

For example, two pieces of adjoining land can be worth more to a developer together than they would be if generated through two separate sales.

Central government initiatives such as One Public Estate and greater transparency around public ownership of assets, led by the Government Property Unit, have helped councils identify such opportunities.

Longer-term funding settlements for local government would also encourage more strategic

In summary, there are strong financial and policy arguments for councils maintaining control of assets.

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If the question is: 'Should a council own a fish stall?' the answer depends on how many fish it sells and what social value that stall adds to the community.

While holding on to assets is not always the right approach, the combination of extensive asset ownership and funding cuts should not necessarily be a recipe for a fire sale of council assets.

Instead, each asset needs to be judged on its own merits, on a case-by-case basis in terms of the economic and social value it generates.

Adam Leeder is a consultant at BDO UK (LLP)

* The Daily Telegraph - Revealed: the cheese factory, nightelubs, farms, gol felubs and wet fish stall owned... by your