

Delivering change

How city partnerships make the most of public assets

Simon Jeffrey
June 2017



About Centre for Cities

Centre for Cities is a research and policy institute, dedicated to improving the economic success of UK cities.

We are a charity that works with cities, business and Whitehall to develop and implement policy that supports the performance of urban economies. We do this through impartial research and knowledge exchange.

For more information, please visit www.centreforcities.org/about

About the author

Simon Jeffrey is a Researcher and External Affairs Officer

s.jeffrey@centreforcities.org / 020 7803 4325

Acknowledgements

The authors would like to thank Turner & Townsend and Bevan Brittan for the support which made this research possible.

The authors would also like to thank Bevan Brittan, Birmingham City Council, Bristol City Council, Bristol Is Open, Cushman Wakefield Birmingham, Leeds City Council, Liverpool Knowledge Quarter, Local Government Association, Newcastle City Council, Newcastle Science Central, New Economy, Scottish Canals, South Cambridgeshire Council, Stoke-on-Trent City Council, Tees Valley Combined Authority, Transport for London, Turner & Townsend.

All mistakes are the authors' own.

Supported by



About Turner & Townsend

Turner & Townsend is an independent, global professional services company specialising in asset based programme and project management, cost and commercial management, technology solutions including BIM, and advisory services, including real estate consulting, facilities management, change management and operational excellence.

We work collaboratively with our clients, providing knowledge and people to help you make the decisions that will achieve the outcomes important to you, and keep them front of mind from asset strategy review through to operations.

We have been supporting clients in the UK and Ireland for over 50 years. From a network of 16 offices, we provide a combination of local knowledge and global best practice, from both the public and private sectors. Through our extensive work with the public sector, we understand central and local government challenges and aim to embed best practices, drive innovation, and share knowledge to realise sustainable benefits across the asset lifecycle.

About Bevan Brittan

Bevan Brittan is the largest provider of legal services to the public sector, ranked Tier 1 for both Local Government and Healthcare. We act for every local authority in England and most in Wales and have a team of 20 Partners solely focused in providing advice to local government. The range of services we provide includes but is not limited to governance & due diligence, commercial contracting and litigation, property, estates rationalisation and planning, district energy and waste collection and infrastructure. We have also been a key player in the housing sector for over 30 years and have provided extensive advice on housing development and housing delivery vehicles. This experience gives us an unrivalled perspective on the range of issues you face and we would be delighted to talk further with you.

Executive Summary

Cities are the concentrations of people and assets that drive the UK economy. Local government leaders are the chief custodians of place and holders of significant public assets within cities – from office buildings and land, to former coal mines and disused fibre optic ducting networks.

Local authorities are the leading partners in collaborations across the public and private sectors. These partnerships shape local economic development and provide the homes, workplaces, skills and transport that cities need to thrive. This report sets out the five lessons for successful partnerships to help cities make the most from their assets.

Partnerships across local government boundaries allow policies to be pursued and problems to be solved at the scale of the economy at which people live their lives – the city. Working with public and private partners within and without a council's footprint empowers cities to lever in the full range of assets from land, buildings and transport infrastructure according to their vision for the local economy. It is at this level that a city's assets can have the biggest impact on the opportunities, incomes and public services of residents.

The imperative and opportunity to use a city's public and private assets in new ways to both reduce costs and demands on services, and raise revenues, has been increased by a period of sustained budget cuts, as well as greater freedoms for cities granted in the 2011 Localism Act.

But there are clear challenges when identifying opportunities and making the most out of assets through partnerships:

- Significant gaps in knowledge of local public and private assets
- Producing an economic development vision to make the most out of these assets
- Different organisational cultures and aims in asset-backed partnerships
- Providing the capacity and clear project management for these partnerships
- Creating a framework for the use of assets within a partnership that balances stability with flexibility

Cities up and down the country are already working across boundaries and sectors to improve quality of place and to shape the economic development of their wider city region. These findings will be well understood by many innovative and entrepreneurial cities who are already using their assets in new ways. This report aims to share the wide variety of ways cities are using their assets, as well as distil the common elements required to ensure asset-backed partnerships deliver on their potential.

Based on in-depth interviews and reviews of the literature, this report sets out the **five recommendations** for local authorities looking to respond to the challenges above and make the most out of their assets through collaboration:

- 1. Know your assets and share that knowledge** - If cities or potential partners are not aware of the assets in a city and the opportunities they present, then they cannot be taken.
- 2. Have a clear sense of how assets can help deliver your economic vision** - Providing clarity on where land for both housing and employment and transport infrastructure will be needed to ensure local growth over the next 20 years allows partners from public and private sectors to see how their assets can support this.
- 3. Have a commercial mindset when thinking about the value and potential of public assets** - Cities must have a clear focus on the gap in the market that they are looking to use their assets to fill, who their competitors will be and the potential for and scale of risk.
- 4. Provide adequate resources and tools to ensure success of asset-backed collaborations** - Without staff and funding dedicated to a new project or partnership, those within partner organisations will often – naturally – concentrate on their own work and progress will falter.
- 5. Ensure strong institutional partnerships for asset-backed partnerships** - Separate organisations with different goals, cultures, incentives, and timelines require clear structures on how assets will be used from the outset. Shared civic goals and good personal relationships strengthen these partnerships but also allow flexibility in the use of assets in response to changing circumstances.

Introduction

The success or stagnation of the UK economy depends upon the strength or weakness of its cities. While comprising just 8 per cent of land, cities are home to 54 per cent of the population and 60 percent of jobs. Cities are home to a deep pool of land and property assets with highly diverse ownership that offers significant opportunities to cities and considerable challenges.

Local government leaders are the chief custodians of cities. **The public assets they control give local authorities the leverage to play a leadership role among other public and private sector partners to drive local economic development.** In every city, publicly-owned land and buildings are being used to lead, shape and unlock the housing, transport and commercial development required to realise long-term economic goals and improve the quality of place for citizens. By working closely with partners from across different sectors, the full potential of these assets can be realised.



But cities' real economic footprints stretch beyond their administrative boundaries. Only 50 percent of people live and work in the same local authority. People's lives within cities are not divided by a change in colour of street signs or lampposts, so crossing council boundaries means little to anyone commuting to work, going to the cinema, or visiting friends. **Local leaders can achieve far more with their assets by working with their neighbours to align policy to the level at which the economy operates: the city or city region.**

Local authorities are increasingly working together across boundaries to utilise their assets. Cities recognise the opportunities that collaboration brings for responding to the needs of local businesses and communities, and to deliver policy more efficiently. For example, Cambridge City and South Cambridgeshire councils are working together to align local plans to deliver the housing and commercial space needed to accommodate its rapidly growing economy and population. The new metro mayors elected earlier this year will be working with the local leaders in their combined authority to ensure the public sector assets in their cities can be best used to develop the housing,

transport, and employment growth required and achieve the economic vision the mayors were elected on.

Partnerships also bring the experience and expertise in developing and using assets owned by other organisations to the table. This helps to deliver greater long-term returns and reduces the risks for councils, more than would be possible working alone. Local authorities are using their land and buildings in joint ventures with private sector developers to lever in their commercial experience, expertise and funding to deliver projects that fit local economic development priorities and bring in higher long-term returns than site disposal.

The opportunities for local authorities to use their assets in partnerships to shape city-wide economic development has been enhanced by the 2011 Localism Act and ultra-low borrowing from the Public Works Loan Board. This has allowed councils to become more entrepreneurial with their assets and raise revenue in new ways. Now, rather than having a set of prescribed powers, councils enjoy the same ‘general power of competence’ as an individual. Local authorities are free to do anything within the law. New forms of partnership to lever public assets to raise revenue, reform how public services are delivered and shape economic development are open to local government and have already been taken up by ambitious and entrepreneurial local leaders.

One thing that is explicitly ruled out in the Localism Act however, is the ability to set taxes so the greater freedom to borrow, invest and act must be set against the **limited flexibility for local authorities to raise taxes in the face of increasing demand on services or falling income**. Council tax is worth only 5 per cent of UK taxes and, without local referenda, councils cannot raise it by more than 2 per cent. This is in contrast to leaders in many other cities around the world. **Within this relatively inflexible system, councils are increasingly managing public sector assets in ways that increase revenues.**

The imperative to utilise public assets for commercial returns and to drive economic development has been heightened by the austerity programme implemented since 2010 by the Coalition and Conservative governments in response to the financial crisis. **Local government funding has borne the brunt of cuts and budgets will continue to fall.** Between 2009/10 and 2016/17, excluding grants for education, police and fire services, English council revenues fell by 26 per cent, from £59 billion to £44 billion in today’s prices.¹ This squeeze on funding from central government is set to continue. Driven by increasing social care costs, if they remain constant, local government faces a £5.8 billion funding gap by 2020.

¹ Amin-Smith, N et al (2016) A time of revolution? British local government finance in the 2010s, London: Institute for Fiscal Studies. Available at <https://www.ifs.org.uk/publications/8705>

The other major local source of revenue is business rates. Currently, councils retain £11.6 billion from business rates, or 12.4 per cent of total revenue expenditure.² If proposals for councils to retain 100 per cent of business rates are pursued again after the election, it will strengthen the incentive for local authorities to use their assets to provide greater commercial revenues and develop a wider business base and rates income.



The greater freedom local authorities have in using revenue income over capital income adds to the incentive for authorities to hold onto, or improve, existing commercial assets and borrow to purchase or develop more. The ongoing commercial revenues that come with this, and the control over local economic development it gives authorities, means that purchasing new assets is preferred to the previous policy of disposing of assets for capital receipts.

The first report *Delivering Change: making the most of public assets*³ set out how to think about different types of publicly owned assets, and how they can each play a role in supporting local growth through refurbishing and repurposing, selling and acquiring. The asset types were:

- **Liabilities:** assets with little strategic benefit and/or low income generating potential
 - which sometimes incur a net cost to just hold onto.
- **Financial assets:** good income generating assets, through rental yields and/or their potential to generate business rates.
- **Strategic assets:** sites held or acquired for a strategic economic growth purpose where the investment decision is not driven by direct financial returns.

This report will build on the key elements of how cities and partners can work across sectors and boundaries to maximise the economic impact of their assets which were set out as recommendations at the end of that report:

2 DCLG, local authority revenue expenditure and financing: 2016-17 Budget, England

3 McGough, L & Bessis, H (2015) Delivering Change: making the most of public assets, London: Centre for Cities

1. Economic growth strategy focused on core growth areas
2. Good data on all local public sector assets
3. Relationships across places and between organisations
4. Commercial culture underpinned by leadership buy in and support

The aim of this report is to share the wide variety of approaches that local and combined authorities are already taking to making the most out of their assets by working in partnership. Expanding on the findings from the first report as well as from these case studies and a number of in-depth interviews, we have pulled out in detail the elements common to successful asset programmes: knowing what those assets are, how to fit them into a strong vision for the local economy and getting the most out of working with partners to realise that vision.

Much of this will be familiar to city leaders, but by drawing these lessons out clearly and sharing best practice, this report will be of use to all leaders looking to make the whole of their assets, public and private, greater than the sum of their parts.

Box 1: Mayors

Making more out of public and private assets is a core element of all the deals agreed between central government and local authorities for mayors. The mayors' success or failure will depend on their ability to harness diverse public and private assets across their cities.

Each mayor elected on May 4th in Greater Manchester, Liverpool City Region, West of England, West Midlands, Tees Valley and Greater Cambridge and Peterborough is **reviewing public and private assets** across their city through a Land Commission or Joint Asset Board, and most will be **setting a spatial strategy for the next 20 years** to ensure that the economic vision makes the most out of those assets.

Mayors have powers over transport that will be important to connect and unlock significant public assets.

The mayors have a **high profile and clear mandate** from voters to help councils, government and the private sector make the most productive use of asset by looking at their strategic value to the city, rather than local authority.

The benefits and challenges of collaboration

Why collaborate?

Local government leaders are working across public, private and administrative boundaries for the simple reason that by doing so they can **amplify their influence over economic development and get more from their assets with partners than they can alone**. Collaboration means leaders can draw upon the full range of assets within their city as well as draw in assets, scale and expertise from the wider city region, widening the opportunities available and raising the level of development.

Even within the public sector or a single organisation, the different goals and performance measures of specific teams, departments or locations can restrict that organisation's ability to achieve its overarching purpose.

For local authorities wanting to improve the performance of their local economy, this can be even more difficult: many of the assets that would help to develop the homes and commercial space needed in the locations that will give the greatest impact are divided across any number of public and private bodies, while councils won't have the powers or funding to take sole control of many projects or infrastructure needs. The complexity and diversity of land ownership, especially within our cities, is made clear on the Who Owns England interactive map,, available at <http://map.whownsengland.org/>.

Collaboration breaks down the walls between partners to make the most out of mutually beneficial assets and shared purposes, which:

- 1. Allows partners to take a more strategic approach to a larger range of assets**, rather than be limited by acting on a site-by site basis. Collaboration can create greater gains more in line with local priorities.
- 2. Reduces risk and shares costs**
- 3. Gives access to additional funds** – either because several local authorities are working together and bringing money, or because one specific institution can then access additional funds
- 4. Offers more human resources**: benefiting from one organisation's specific skills or knowledge to deliver the project
- 5. Allows new opportunities for partnership** - not only between existing partners, but successful partnerships can spur ambitions for future, additional cross-boundary working

What are the major challenges of collaboration?

Our interviews with cities identified a number of obstacles to identifying potential collaboration and making partnerships work. Each of these obstacles has the potential to cause opportunities to be overlooked or, once underway, fail to deliver to their full potential:

- Understanding the full range of opportunities available within a place – **who owns what and where** – and sharing that knowledge with potential partners in order to take that opportunity is difficult. In some places, parts of the public sector may be unwilling to disclose all assets publicly if they think that they may then lose control of how they will be used.
- **Deep knowledge of the local economy** and how it is likely to develop in the mid to long-term is difficult but important – partnership takes time and incurs risk, and it is difficult to factor this in successfully if it is not clear how a project will fit into the future economy of the city.
- **Different organisational cultures** – public and private sectors stepping out of their core functions expose themselves to greater risk of failure without taking steps to address this higher risk and measure progress. Different organisations will often have very different timescales for when they can take decisions and expect to see results, as well as how they measure the success of those results.
- **Capacity** – funds are limited and individuals can be busy with existing work. Collaboration to make the most of assets requires additional dedicated resources to overcome inertia and realise benefits.
- **Inflexibility** – all projects will be buffeted by events foreseen and unforeseen. Without a strong institutional relationship backed up by strong personal connections between partners, collaborations can be overly rigid and brittle, unable to bend with the wind of external shocks and internal developments.

How to collaborate?

The importance of and opportunities for collaboration are clear, in particular the need to support local authority budgets. But as more cities look to make even greater use of their assets in partnership with their neighbours, government agencies or departments, or the private sector, there are clear lessons from the cities across England that are leading the way in doing so. **Below we set out the five key lessons we recommend for cities wishing to use their assets with partners in order to shape their local economy and get commercial returns to support their bottom line.**

Our findings on how assets can be best used through partnership can be divided into two main and related parts:

- 1. Understanding of the local asset base and how that fits into the economic vision** – identifying the full potential for collaboration within a city across sectors and boundaries, and building a vision that harnesses these partnerships achieve a clear economic goal, with strong empirical grounding. These are set out in points **1 and 2**.
- 2. Providing the resources and support for the partnership to make the most of the asset** – how to bring together partners from across public or private sector boundaries with overlapping but not identical aims and ensure the partnership maintains momentum and direction. We look at these elements in points **3, 4 and 5**.

Each of these recommendations has been drawn from the case studies as well as interviews regarding other collaborations. These case studies will hopefully demonstrate the variety of ways in which cities are looking at or using their assets with partners, as well as animate the five key findings.

1. Know your assets – and share that knowledge

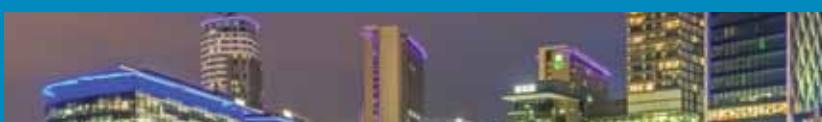
Incomplete information obscures opportunities. If cities or potential partners are not aware of opportunities, then they cannot be taken. Having a deep knowledge of the assets in an area, and sharing that knowledge, can also help to **reduce the costs and the time for planners and developers**. For local authorities working with their peers in combined authorities or other regional arrangements, this **knowledge must underpin any Spatial Economic Plan or spatial framework**.

'Know your assets' was one of the key recommendations from our earlier report on public assets.⁴ Central government's condition that local authorities add their assets to the Electronic Property Information Mapping Service (e-PIMS) in order to participate in the One Public Estate program demonstrates the importance that central government puts on places knowing their assets and sharing that knowledge to get the most out of them.

Many authorities, either separately or through participation in the One Public Estate programme are already aware of their public asset base or getting to grips with it. **But e-PIMS does not include private land owners, some government departments' holdings and is still incomplete in some local authorities.**

All local authorities should be helped by a proposed Digital National Asset Register. It will include e-PIMS, Ordnance Survey, Land Registry and other data, using GIS mapping to increase the utility and accessibility of it. **Even with the inclusion of the Land Registry there will still be gaps.** 16 per cent of the land in the UK has no evidence of ownership as it has not been bought or sold since the 19th century.⁵

While we concentrate on physical assets, within the wider vision for the economic development of a city, how these assets are used to enhance or encourage broader and more intangible assets such as universities, culture and firms, has to be considered.



Mapping Greater Manchester's public assets and data to improve planning

In 2013, Greater Manchester Local Enterprise Partnership recognised that there was a **lack of comparable, city region-wide data on infrastructure**, which could hinder the speed and quality of decisions made by planners and the applications of developers.

Funded by £330,000 from the Cabinet Office Release of Data Fund, Greater Manchester Local Enterprise Partnership commissioned New Economy to create a single map to allow **planners and developers across the 10 local authorities to easily see Greater**

Case study...

⁴ McGough, L & Bessis, H (2015) Delivering Change: making the most of public assets, London: Centre for Cities

⁵ <https://www.gov.uk/government/organisations/land-registry/about>

Manchester's infrastructure and housing information. Salford City Council was appointed to build the map and two part-time staff from the council worked on the project while New Economy provided two full-time-equivalent staff to develop the map.

The first map was completed in five months and included public and private sector data. It has now been expanded with more datasets on heritage, flooding, property prices and river quality and is now looking to expand to include other socioeconomic indicators to support public services.

MappingGM offers users **polygon rather than point data**. This gives them an idea of the size and shape of an asset, allowing them to more quickly and clearly see the potential and limitations of a site, and whether utilities, flood risk or other factors important to developers and planners need to be considered.

It is estimated that every time MappingGM is used, **it saves planners the one to three hours** it takes to digitise sites as the private sector can add their own plots directly onto the map.

Outcomes: Greater Manchester Spatial Framework

MappingGM has been used to help the Greater Manchester Spatial Framework (GMSF) consultation and call for sites from the private sector. The GMSF aims to set out where the housing and commercial land that Greater Manchester will need over the next 20 years will be found. This:

- Gives a **clearer picture of assets at the level of the functional economy**, across arbitrary administrative borders.
- **Offers greater knowledge and number of opportunity areas** in what will likely be a contentious process.
- **Allows the private sector to align plans and projects to Greater Manchester's economic development** ambitions over the next 20 years and make strategic, rather than case-by-case decisions.
- Helps with the development of the Greater Manchester Plan which is non-statutory and requires agreement from all members of the combined authority and the mayor.
- Has increased public engagement in the consultation.

Other cities are looking into producing such a tool to map their assets and infrastructure to get a clearer picture of the opportunities that these provide and for users to engage with.

2a. Have a clear and shared vision for the geography of your future economy to make the most of existing assets

A deep understanding of the public – and as much as possible private – assets within a city gives local leaders and policymakers the best basis on which to build a **clear vision of the economy and how to use local assets to achieve that.**

A clear vision that sets out the amount of housing and employment land needed to support local growth and the transport infrastructure required to unlock sites gives partners from public and private sectors the chance to get involved and offer their support in making that happen.

With a horizon stretching up to 20 years into the future and beyond, **having partners signed up to this clear vision helps to overcome the hurdles** that inevitably hit any local economy or project.

A well developed and long-term vision is highly valued by the private sector when looking to invest in an area or go into partnership with a local authority on a project. Investors want to know how an individual development will be supported by wider developments.

Involving the business community, other public bodies and the public from an early stage in creating this vision offers greater stability and buy-in.

Most **metro mayors will be leading on the creation of a spatial development strategy**, based upon the Local Enterprise Partnership's Strategic Economic Plan. These spatial frameworks combine a deeper knowledge of the economy with a clear picture of future land demands and how to make these two work best together.

One benefit of setting out this strategic vision clearly is to head off 'zero-sum' political conflicts. If decisions are seen to be taken on a site-by-site basis rather than as part of a long-term economic development strategy, then investment in one part of a local authority or city region can be viewed as simply at the expense of investment of other parts of the local or combined authority. This can lead to projects being blocked by those areas even when it will have the highest impact for the wider economy.

Without a clear, joint vision that demonstrates how different parts of a city will benefit directly from focused investment in city centre development, local economies run the risk of piecemeal development that forgoes the bigger opportunities on offer.

2b. And ensure that it is evidence based

A vision for assets that draws on the well understood drivers of urban economic growth will improve jobs and wages. As we highlighted in our first report, **strong city centre economies are important for the growth of high-knowledge, high-wage jobs**. This boosts the wider economy and creates the opportunities for career progression that are the most important factor in retaining graduates, a priority for many cities.

Ensuring that the vision is based on long-term factors will also improve its durability, which will be tested during political, economic, and financial shocks.

As part of the West Midlands Land Commission,⁶ Sandwell Council highlighted how a clear picture of the geography of the economy at the city region level is affecting how it views its assets. The authority recognises the increasing trend towards jobs being located in Birmingham City Centre but this raises issues for the future of Providence Place, a site in West Bromwich with outline planning permission for employment purposes. The site had been marketed since 2012 but had received no serious interest. Understanding the evidence about the wider economy is informing the local authority's next steps for the site.



Case study...

City centre 'leading' development at Smithfield, Stoke-on-Trent

As a city made up of six towns each with its own identity, Stoke-on-Trent lacks the dense city centre that drives a strong city economy for clear historical reasons.

Over a decade ago, the Regional Development Agency (RDA), Advantage West Midlands sought to address this problem. Hanley town centre was designated a regeneration zone to support the **creation of a high-density central business district**. In partnership with Stoke-on-Trent City Council and development partner Genr8, it set about assembling the land at Smithfield to allow the development of Grade A office space that would accommodate over a thousand jobs in the city centre and drive the economic development of the wider city economy. The wider scheme also included plans for housing to encourage more people into the city centre.

This clear vision for the local economy and the role of using of public assets to realise it, has meant that the project has been able to overcome a number of political, economic and financial challenges since its inception.

As in many cities, the financial crisis hit the viability of commercial property development as the likelihood of private sector tenants fell away. As a key part of its economic development strategy, the council decided to push ahead with the development and move its own staff

6 West Midlands Land Commission, 2017. p29 <https://www.wmca.org.uk/media/1743/adocpackpublic.pdf>

from 40 smaller sites to become anchor tenants in the two buildings. Although Advantage West Midlands pulled out of the project, as it was unable to support the project if the development was to be occupied by the public sector, the council and Genr8 continued to develop the site, as it was important to deliver these two office buildings as a leading development for the city centre.

Advantage West Midlands was abolished in 2011 after it pulled out of the scheme with the site now owned by the council. Despite this, the RDA's successor Stoke-on-Trent and Staffordshire LEP continues to support a strong city centre for Stoke as a core element of its Strategic Economic Plan.

Stoke's polycentric character can be viewed as a combined authority in microcosm. Sustained investment in Hanley to develop its city centre, rather than the other five towns created political difficulties for councillors from other towns. The case for continued investment in this asset was not made clearly to the public, especially those from other towns, who understandably **viewed it as coming at the expense of investment in their place.**

This meant that the project faced significant local political instability in addition to the economic instability caused by the financial crisis:

- Stoke voted for a directly elected mayor in 2002. The first contest was won by a 'Mayor 4 Stoke' candidate. Labour then won in 2005, before the role was abolished in second referendum in 2009. The council was in 'no overall control' from 2006-2011, then Labour regained control from 2011-2015 before the City Independents and Conservative coalition took control to the present day.
- The council held elections by thirds until 2010, meaning elections were often just over the horizon and long-term projects could not show results before becoming an election issue. All out elections started in 2011 with four-year terms.
- The 2015 election was fought on a ticket to stop the concentration of council workers at Smithfield – the 'Six Towns' approach. This was opposed by the Staffordshire Chamber.

The evidence behind the economic vision for the city and the role of this asset in getting towards it has meant that the development was able to overcome this instability. The new council elected in 2015 wanted the development to be more commercially minded, but it continued to support the scheme. Other public sector bodies, including Staffordshire Police and Stoke-on-Trent Clinical Commissioning Group moved into the first building. The second building proved attractive to a joint venture between Severn Trent and United Utilities that was in need of Grade A office space in the area, adding 500 jobs to the city centre.

Smithfield has also been a catalyst for other stalled city centre developments. A new retail development which had previously failed to get funding is back underway in Hanley and a hotel is set to be developed on the Smithfield site. Commercial income to the council has doubled from £1 million in 2015 to over £2 million today with the aim of £5 million by 2020.

3. Local authorities must have a commercial mindset when thinking about their assets and set clear and achievable goals in advance and measure results against them

Working with the private sector to make the most out of assets requires a commercial mindset from local authorities. While many local authorities have experience in commercial services and feel comfortable with the risks associated with this, for those that do not, are moving into a new market or scaling up significantly, having a clear commercial mindset that is shared and understood at all levels of the local authority, is vital. There must be a clear focus on the gap in the market that they are looking to fill, who competitors will be, and the potential for and scale of risk.

Setting out early on what the benefits should be and then measuring them is important to ensuring that projects stay on track and are able to provide the commercial or public service returns that they were originally set up to deliver. **Key performance indicators (KPIs)** help to make sure everyone involved in a project understands whether it is a success against clearly defined criteria. They give the councils and partners the time to step in and make changes if results are not going to plan. Another benefit of a clear long-term plan and KPIs is that they will also help to overcome ‘best value’ issues that can arise for councils when involved in long-term partnerships.



Case study...

Resetting a Bristol City Council joint venture to achieve its initial goals

Bristol Is Open (BIO) is a joint venture between the University of Bristol and Bristol City Council to provide services and knowledge that capitalise on a unique publicly-owned asset belonging to the city – a broadband cable ducting network – and the strengths of its university. But due to a **lack of business focus, lack of investment** and **insufficient organisational structure**, the asset and the partnership was failing to meet its objectives. BIO required recurring investment from shareholders, was being run on goodwill and was not meeting its KPIs.

BIO was set up with a £5.3 million capital grant from central government but could not be funded every year. From the outset it was clear that the joint-venture had to make enough money to build up reserves and reinvest. The partnership aimed to use the city’s ducting network to develop an open programmable city by putting in place a platform to develop and prove ‘Smart Cities’ technology.

The collaboration was meant to allow the city to use this asset to lever in expertise and investment into the city from the technology, media and telecommunications industries, universities, local communities, and local and national government. This fitted into the **broader vision of Bristol's economic development**, as well as the then Mayor of Bristol's goal of becoming a more sustainable and equal city using the 'smart' approach. It would attract firms and academics to the city to use the platform and help to train engineers for the future. The partnership would eventually supply state-of-the-art services to the shareholders and other potential customers on a competitive, commercial basis.

This vision for the asset to help support the city's economic development meant that action was taken to put the joint venture on track. An outside body was brought on board with experience of how to operate in this market and make the most of the network and skills of the university. It added to the assets and skills of the city and University and set out to:

- **Develop a new business plan**
- **Renew focus to offer only the services of highest market value**
- **Design and implement a new organisational structure**
- **Introduce new funding arrangements**

As shown in section 4 below, having the right resources to run the project was also a key part in improving the governance arrangements that made the organisation more commercially minded. **A new, independent chair with extensive knowledge of the industry was brought in to provide outside, expert guidance to the board.**

Previously the board was equally split with two representatives from each organisation, meaning that BIO was still heavily beholden to the shareholders' separate interests. The independent chair helped ensure the focus was on the long-run success of the joint venture – to the benefit of both partners– rather than on the understandable short-term interests of the board members' parent organisations.

With a change in political leadership in Bristol in 2016, there were some shifts in the vision for the city's economy from the new mayor. BIO was flexible enough to refocus its work so that the asset was used to more clearly support these new aims as part of the original plans for the programme.

Today the joint venture is on a stable financial footing, performing according to the original aspirations, and Bristol's unique public asset is being used to help shape the city's economic development in tune with the new mayor's ambitions for the city. BIO has helped Bristol to be named a leading UK Smart City.

4. Ensure adequate resources and tools for partnerships to take advantage of public assets

When local authorities are looking at how to make the most out of their assets to support the local economy, they must **provide the extra dedicated resources that collaborations using those assets will require**, otherwise they will fail to realise the proposed benefits. Resources are required for setting the overall vision as well as making the most of assets in individual partnerships.

Dedicated resources, committed primarily to the success of a partnership rather than the partners, helps to maintain the direction and momentum of a project. Helping to fund this kind of dedicated resource to provide clear project management has been a central recommendation of the One Public Estate programme. Without dedicating staff to a new project or partnership, those within partner organisations will often – naturally – concentrate on their own work and progress will falter.



Case study...

Getting the most out of Transport for London's varied property assets

With the central government's removal of its capital grant, Transport for London (TfL) has been forced to raise more revenue to fund itself and its capital investment.

Lack of affordable housing in the capital is an economic as well as a social problem identified by the Mayor of London and business bodies such as London First. Elected in 2016, Sadiq Khan has set out a clear vision for affordable housing in London and TfL and partners understand that they need to support this vision.

TfL brought in expertise from large developers to set up a Property Partnership Framework (PPF) so that it can collaborate with developers to deliver affordable housing in line with the broader vision quickly. This also helps meet the objective of the TfL Business Plan, which aims to earn £3.4 billion in non-fares income by 2023.

TfL has a large, diverse, and strategically important asset base with huge potential to support, shape, and also limit growth, covering 5,700 acres (including road and railways).

With the work of the PPF, **it took TfL six months to fully understand its assets** and what opportunities existed within them that fitted the Mayor's economic vision for London.

Working with Deloitte, over 500 potential major development sites were narrowed down to less than 75 for consideration within the PPF.

The previous strategy of asset disposal has now become a strategy of entering into partnerships with developers. **This brings with it both greater risk and greater opportunities requiring a change of mindset, and the addition of specialist skills and capacity.**

The PPF is made up of 13 developers out of over 50 applications, which frontloaded the administrative burden of setting up joint ventures on each site. This selection process is designed to speed up the creation of joint ventures for sites as they are brought forward.

To offer each site individually without the PPF would impose a greater administrative burden on TfL and developers, and slow down the procurement process as sites would also have to be offered through the Official Journal of the European Union (OJEU). TfL could have decided to avoid some of these burdens by choosing a single development partner, but the volume and variety of sites would be too great for any single developer.

The framework should allow TfL to release one site per month. Collaborating with the PPF also allows TfL to do soft market-testing of sites with partners and improve the offer according to responses.

Setting up a partnership of this kind is difficult and requires expertise. According to TfL, the essential requirement for making such a partnership work is to **make sure that the right people are in place who have the appropriate commercial experience and skills** to understand the value of the assets and their market potential.

TfL's commercial development team has grown from five to 30 people in recent years. TfL's Head of Commercial, Graeme Craig, has said that to get a 'private sector' development team that can achieve the mayor's aims and TfL's business plan requires wages comparable to those paid in the private sector. The team includes former heads of retail at major developers such as Land Securities who have experience in identifying the opportunities and risks in the market. It can be a difficult thing to argue for, but **to be more commercial, organisations need to understand their environment and their partners.**

The first of the PPF sites, for 400 homes at Kidbrooke in a joint venture of TfL and Triangle London Developments, also benefited from strong personal relationships (see section 5). Network Rail owns 26 per cent of the site and has allowed TfL to use this land in order to enable an improved transport hub. These negotiations are likely to have been aided by the strong relationship between current chair of Network Rail, Sir Peter Hendy, who is also the former Commissioner of TfL and Mike Brown, his successor.

5. Ensure strong institutional partnerships for asset-based collaboration

Separate organisations with different goals, cultures, incentives, and timelines will often find that despite clear and convincing reasons for partnership initially, events can cause challenges along the way.

Strong institutional relationships based on joint ventures or local asset-backed vehicles as described in our previous report, supported by clear rules on how public assets will be used, are necessary for the long-term success of any partnership. Broader shared goals for place are helpful when unforeseen problems arise. If the partners involved view the collaboration as having a wider civic impact than the a single project, then greater flexibility towards achieving this wider goal can overcome the rigidity of narrow, contractual relationships.

Good governance supported by strong personal and professional relationships between partners, especially at senior level, have been vital for many partnerships to ride through the inevitable rough patches.



Newcastle Science Central

Newcastle city centre is the engine of the city economy. High-knowledge firms looking to attract skilled staff from across the wider region and be close to other firms and clients are keen to locate there. The internationally respected university is also looking to expand in the city centre to support research and innovation in the city. But as in many UK cities since the 2008 financial crisis, the collapse of speculative commercial development has threatened the city's economic development.

The Newcastle Science Central Partnership allows the city to work with Newcastle University in a 50-50 joint venture to use a valuable asset it owns – a large site on the edge of the city centre that was previously a brewery and before that a colliery – to help deliver their shared vision of city growth driven by science and technology.

As well as their shared aims, the collaboration enables partners to achieve their individual aims: the city's need to increase commercial space and enable innovation; and the university's need to create more space for research and innovation. **A strong framework for partnership in a joint venture in which two thirds is owned by the city and**

one third by the university, alongside personal relationships and flexibility, has helped to make the most out of this city centre asset.

Newcastle Science City was announced as one of a number of Science Cities in 2004 – and as such its initial focus was heavily on science. The long period since has seen economic and political conditions around the project change significantly, including the 2011 abolition of one of the initial partners, the regional development agency One North East which was involved in assembling the site. At this point the council acquired the site.

This required flexibility on both sides of the partnership to stay on track and ensure that the site would have the greatest impact on the city and university in light of the new conditions. The site's history as a colliery meant that there were additional funds generated from the venture. Preparation works before construction began included the open-cast mining of thousands of tonnes of coal, the revenues from which were invested into the site.

At first the partnership was an initiative set up to manage a programme of delivery that would drive economic growth through science and innovation in the city. At its peak, the team was made up of 36 people and delivered projects to engage citizens, improve skills, support higher aspirations, provide business support and business growth, as well as marketing.

With the abolition of RDAs and the change to a different budgetary environment, a core team of three now drives the Newcastle Science City Partnership forward. The partnership, including delivery teams within both Newcastle City Council and Newcastle University, is now more focused on the goal of addressing the city's need for office space at the site.

The flexibility to update the aims of the site was helped by the ambition of Newcastle University's leaders to play a greater role as a civic institution, working alongside the council's leadership. **The shared civic vision and good personal connections at high levels between both organisations has supported the partnership's growth** and helped to set the initial framework for collaboration.

The city set out its economic vision for the city centre in its Core Strategy and Urban Core Plan and **how the Science Central site fits within the broader vision for the city's economic development has been updated.** As the economic conditions have changed, this flexibility and clear city centre vision allowed the initial focus on science give way to more emphasis on business growth and innovation.

Making the partnership work required significant effort. Although the two organisations have a shared vision for Newcastle, they have different legal standing, aims and cultures that must be accommodated. For example, Newcastle University is a charity, limiting how it can act in profit-making endeavours. This requires flexibility as new commercial property is developed on the site.

The council is aware of companies that are keen to move into the city centre but can't because developers are not able to take on the risk of building new space. **Partners are clear that Newcastle Science Central helps fill that clearly identified gap in the market and this evidence has led the partnership to act to meet this demand.** Together they delivered a financial and strategic return from the asset.

Legal & General have bought into the development company, **bringing their commercial expertise as well as working capital to help continue development.** The company's chief executive has personal ties to the North East and an interest in developing the Northern Powerhouse.

The structure of the partnership allows flexibility for future development based on the appetite of partners and has established a legal structure that is flexible in taking forward individual developments.

Using this flexibility and strong evidence base for developing in the city centre, this public asset is now on its way to driving growth in the broader city region, with more buildings set to open this year. It is on track to host two prestigious National Innovation Centres (Ageing and Data), a national research centre in energy systems, as well as a high specification commercial laboratory space to meet the needs of the city's growing life science sector. Two large Grade A commercial office buildings are next in the pipeline to be complete by 2019.

Once complete, as well as business rates revenue, the city's asset will help its university and the wider economy to grow as it becomes home to a new high-knowledge science quarter in the heart of the city, with 4,000 jobs, 500,000 ft² of new commercial space and 450 homes.

Conclusion

Cities across the UK are finding new ways to work with partners to harness their public and private assets in order to shape economic development. From taking advantage of ducting networks in Bristol to going into partnership with developers on dozens of sites around London both to build homes and fund the transport network, cities are using their assets, with the input of external expertise, to improve the opportunities and prosperity of their residents.

For any city looking to make the most out of its assets by working across public and private boundaries, overlooking any of the five recommendations outlined in this report limits the potential returns, economic and financial, of any partnership:

- 1. Know your assets and share that knowledge**
- 2. Have a clear sense of how assets can help deliver your economic vision**
- 3. Have a commercial mindset when thinking about the value and potential of public assets**
- 4. Provide adequate resources and tools to ensure success of asset-backed collaborations**
- 5. Ensure strong institutional partnerships for asset-backed partnerships**

More must be done to work across local government boundaries so that the use of assets through economic development policy is made by cities at the level of their functional economy, allowing them to support economic growth. In those areas that elected metro mayors earlier this year, a clear framework for making better use of city assets is in place. But for those without, making strategic use of assets to support the local economy regardless of local authority boundaries, the task is still difficult and local considerations for land or property use can outweigh wider benefits.

Using public assets to gain a commercial return that can plug gaps in budgets left by nearly a decade of austerity has been a key driver for cities to form partnerships over recent years. The potential to drive up jobs, wages, housing development and invest in transport should be the goal for assets in the next decade.

Partnerships

Centre for Cities is always keen to work in partnership with like-minded organisations who share our commitment to helping cities to thrive, and supporting policy makers to achieve that aim.

As a registered charity (no. 1119841) we rely on external support to deliver our programme of quality research and events.

To find out more please visit:

www.centreforcities.org/about/partnerships



June 2017

Centre for Cities
Second Floor
9 Holyrood Street
London SE1 2EL

020 7803 4300

info@centreforcities.org

www.centreforcities.org

© Centre for Cities 2017

Bevan Brittan 

 Turner & Townsend

Supported by Turner & Townsend
and Bevan Brittan

Centre for Cities is a registered charity (No 1119841) and a company
limited by guarantee registered in England (No 6215397)