

The Case for a Rural Sovereign Wealth Fund

Brexit means rethinking how we run our country, and that applies to rural Britain as well as the urban areas. The stories of rural assets poorly de-commissioned and badly managed are legion. 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 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"

I think there would be real merit in the development of a Rural Sovereign Wealth Fund in this context. 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 limited expertise.

If these individual assets were to be combined into one flexible management arrangement, this would raise 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 consistent with local ownership. 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 powerful means of providing a commercial income stream to support public services.

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 additional costs arising from the rural service premium.

The agency would have a purpose based on the model of Highlands and Islands Enterprise (HIE) namely: "to generate *sustainable* and *inclusive* economic growth." HIE is successful because it 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 contexts you can't maximise your impact. This is why it 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 Councils.

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 proportionate 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.

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? 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.

Following a Brexit vote driven partly by those in rural areas who feel excluded from the mainstream, 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 far too much on agriculture and conservation. a rural sovereign wealth fund could put rural communities back at the heart of things.