Asset-rich and income-poor. 
Emerging mixed modes of urban governance under fiscal crisis

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Asset-rich and income-poor: emerging mixed modes of urban governance under fiscal stress

Abstract

Public asset disposal and other practices of privatisation, with associated processes of displacement, have been suggested as key manifestation of neoliberal urban agendas. However, observed experiences of public asset management, ranging from divestment to leasing, renting, outsourcing do not always fit within a simple notion of the neoliberal urban politics. Rather than a clear-cut trajectory from managerialism to entrepreneurialism, this diversity of experiences hints at a mixed mode of local governance, where different agendas and rationales coexist in a framework of increasing imbalances between revenues and commitments to public service investments. This paper considers local government practices in the management of public property assets under conditions of fiscal austerity and discusses their consequences, on a theoretical level, for urban governance studies.

Key words
Public assets management, Fiscal austerity, Devolution, Urban governance
Introduction
Despite a diversity of fiscal regimes, local governments have a rather limited number of options for resourcing their budgets and sustaining their spending. Put simply, local government’s revenues are a combination of locally raised revenues and central government’s transfers, the balance between the two an indicator of fiscal autonomy, a measure of how much a local administration is dependent on its local economy or central government’s grants.
The onset of the economic recession in 2008 and of austerity packages designed to reduce government deficit through cuts to public sector expenditure, have significantly altered this combination and have put local governments at the front line of running and delivering public services in the context of decreasing financial resources affecting staff numbers, revenue spending and investment capacity.

Image 1. Total local government spending (€ / capita). (Source: Eurostat)

Image 2. Total local government capital spending (€ / capita). (Source: Eurostat)
Cities and their administration are indeed hit in at least three different ways: by the government cuts to local budgets, which include reduction of government grants but also fiscal reforms and reforms to budgeting rules and limits to spending capacity; by an economic recession which restrict the local tax base and therefore expected tax revenues; and, subsequent to the economic recession, by changing requirements and increased needs for social service provisions, partly due to demographic changes, such as increased unemployment, migration, growth in children and elderly population and partly due to welfare cuts, which, although orchestrated by central governments are more likely to be dealt with politically and financially by local governments. These “structural imbalances between revenues […] and ongoing commitments to public services and workforces” has been identified as the underpinning of austerity urbanism (Peck, 2012).
Trends towards fiscal devolution, such as the 2012 Localism Act in the UK, although suggesting a contested empowerment of local government (Lowndes and Pratchett, 2012), entail the risk of an increased reliance, or even complete dependence, of local authorities on territorially and locally based assets as their critical fiscal base and income resource and the connected potential outcome of increasingly uneven spatial development. How do local administrations respond to fiscal stress and changes to their spending and revenue raising capacity when the local tax base is also declining and offers small fiscal and political gains (Mouritzen, 1992) and central government grants are being cut?

The shift towards entrepreneurialism in urban governance (Harvey, 1989) can be described as one response to changing modes of production, shaped around the goal of attracting inward investment and pursuing economic growth in the face of
increased widespread erosion of the local economic and fiscal base and subsequent interurban competition for resources. A clear shift from redistributive to growth policies is also associated with the rise of entrepreneurialism. Large-scale, flagship and event driven urban developments are one route through which these responses are deployed, and one that has come to symbolise the archetype of entrepreneurial governance, although this route is not available at all times or to all municipal governments. Challenged by critics of neoliberal urban politics for their role in the restructuring of the social, economic and spatial configurations of cities towards more profitable economic activities and increasing rent incomes, these forms of urban development are also capable of increasing local tax returns (Swyngedouw et al., 2002; Weber, 2002; Weber, 2010).

The mechanisms of planning gain, value capture or infrastructure levy, allow local governments to require that private urban developments contribute the resources needed to support the delivery of social and welfare infrastructures, limiting the impact that public investments would have on the spending side of local government finances but there is increasing evidence that under the current economic climate these instruments, which depends on private development initiatives, are not being successful in their planned intent and that the balance between the private and the collective benefits delivered by urban developments is leaving the latter short-handed.

On the spending side, local governments can and do turn to practices of downsizing, re-organisation, out-contracting and straight-out privatisation of public services such as housing, health, education and care. Indeed, paralleling the marshalling of market competition and business-like ethos into entrepreneurial urban growth strategies, new public management theories and policies have, under the banner of efficiency, challenged the state as exclusive service provider, a rationale that has been used, even in the lack of evidence, to justify the package of neoliberal anti-welfare and anti-statist agendas implemented by both left and right-wing governments in the last thirty years.

It has been argued that the economic and fiscal crisis have put the “free-market project [...] on the ropes” (Peck et al., 2010) but even before the events associated with this recession, a number of empirical studies were beginning to revisit the market-state and public-private distinctions (Levi-Faur and Sharon, 2004; Hefetz and Warner, 2007); the association of entrepreneurial governance with private capital
(Bernt, 2009); and to highlight the diversity of trajectories with which neoliberalism and neoliberalization were taking shape (Peck, 2004; Peck, 2011).

Against this background, this article aims to discuss local government practices in the management of public property assets under conditions of fiscal austerity and discuss their consequences, on a theoretical level, for the understanding of urban governance and explore the neoliberal “unitary logic of the market” (Peck and Tickell, 2002) in the responses of local governments to current financial pressures.

In the face of shrinking local government incomes, municipal assets have become strategic resources in the formation of local budgets, not just through their disposal but also through their role as investment and operational property portfolios as Eric Pickles, then Secretary of State for Communities and Local Government, reminded in 2010 when he suggested “local authorities [in the UK] should raid the piggy bank”. At the same time they are the physical spaces through which public sector services are delivered (Phelps, 2011); and they are urban objects, part of the urban landscape, capable of playing a role in programmes of urban renewal as well as in the preservation and enhancement of urban diversity. They are both a public good and a productive asset (Kaganova and Nayyar-Stone, 2000). Because of this multidimensional role municipal assets are also a suitable context to explore the potential conflicts, coalitions or influences between budgetary requirements and planning objectives, and to revisit the notion of local administrations as single-focus and single-agenda organisations.

Taking UK and Italy as examples of diverse fiscal regimes, planning systems and degrees of political and fiscal autonomy, I outline models and practices of municipal asset management in the context of changes to local government finance and discuss how ideas of local governance might be shaped through these processes. In so doing I concentrate on city-wide strategies and practices in the management of operational and strategic asset portfolios which have evolved in response to the economic recession and to the more recent wave of budgetary restrictions imposed by the so-called austerity politics.

Cases are drawn from of a selection of local authorities in the two national contexts and represent a broad spectrum of government structures (unitary, two-tier, voluntary cooperation) suitable for addressing the implication of local government finance for governance (Bird and Slack, 2007). Cases are also selected for the diversity of local
economic and social environments and conditions, which are assumed here to affect agenda setting and political priorities.

Focusing on the nature of the governance relationships that develops around the management of municipal assets, I argue that:

- The combined effects of the recession which has hit local economies including property markets and of austerity measures and budgetary constraints has caused a diversity of practices, rationales and outcomes in public property asset management where by disposal is one amongst many;
- The role of public property assets as internal resources for welfare, for urban regeneration, for budgets, generate multiple coexisting agendas and the dominance of one over the other is dependent on “inherited regulatory landscapes”, local political culture, local economic and social priorities;
- The pressure towards efficiency in the management of operational assets can encourage a search for coordination and voluntary institutional and multi-level spatial arrangements that can potentially lead to a collaborative governance;

In order to explain this argument, the paper first discusses recent reviews of the neoliberal idea, which have called for a more diversified and localised understanding of its implementations. Secondly it reviews the debates in public assets management literature on the strategic role of municipal assets considering that the latter seems capable of filling some of the gaps in the analytical framework required to describe the practices through which public asset are included in local government strategies and political agendas. Next, the paper will provide accounts of public asset management models and practices in Italy and the UK focusing on the relationships that local authorities develop with the property and financial markets, with other public sector and government entities and the internal relationships between planning and property decision making structures within local authorities. Finally a comparison of these experiences with existing assumptions in urban governance studies will be made, drawing implications for the understanding of urban politics in the context of fiscal austerity.

**Fragmented, networked, local neoliberal projects**

Public asset disposal and other practices of privatisation of space, with associated processes of displacement have been suggested as key manifestation of neoliberal urban agendas, the urbanisation of class politics and the reordering of accumulation /
distribution (Jessop, 2002; Swyngedouw et al., 2002; Klein, 2007) and as an expected outcome of local government’s response to austerity measures. However, available practices and regulatory systems for public asset management, ranging from divestment to leasing, renting, outsourcing, and even the diversity of conditions under which disposal of public properties are carried out, do not always fit within a simple notion of neoliberal governance but rather support the assumptions of this paper of a mixed governance response to the combination of fiscal constraints and economic recession. The paper explores these practices through the lenses of the key expectations surrounding the rise of neoliberalism: deregulation, state retrenchment, roll-out of business logic and market interest and the use of public-private partnerships in their design and delivery. More than thirty years after its appearance in both governments’ agendas and academic debates (Harvey, 2005; and for a review see Sager, 2011), there is consensus about both the “necessary incompleteness of neoliberalism” (Peck and Tickell, 2002, p.96) and its variegated local implementations, the “nonnecessary connections between neoliberalism and emergent forms of statecraft and governmentality” (Peck, 2004, p.395). Indeed, although there is a “unitary logic of the market” (Peck and Tickell, 2002, p.387) these is no “neoliberal universalism” (Peck et al., 2010, p.111). The austerity agenda as well, with its connotation as the Trojan horse of neoliberal ideologies to local state, is one which can only be understood in its actual implementations and diversity (Lobao and Adua, 2011).

Bernt (2009) has also challenged the hegemony of entrepreneurialisation of local politics, investigating urban governance as coalition-building in the context of economic and population decline and subsequent loss of fiscal revenues. Both the impacts of fiscal stress onto modes of governance and the adoption of the notion of “networked forms of local governance” (Bernt, 2009, p.756) as better equipped to acknowledge the different local responses, are of relevance here. This investigation of public sector asset management in the context of fiscal stress, engages directly with these dimensions. The networked forms of local governance are further operationalised as: relationship with property market players and conditions; horizontal and vertical relationships with other local or supra-local governments; local governments’ internal structures for decision making on public sector asset employment.
Mixed rationales in municipal property asset management

Literatures on public sector assets and their management is still limited although growing, also in response to a growing professional and disciplinary interest from both real estate and public management. There are two aspects of these literatures that are of relevance here.

First the literature and best practice guidance have noted the importance of the multi-faceted nature of public sector property assets. Public property assets are, within the framework, duty and responsibility of public management, a public good for which no consideration of efficiency can effectively take place. This interpretation has been joined since the 1980s (and in consequence of US local governments' fiscal crisis (Kaganova and Nayyar-Stone, 2000, p.309) by a different vision of assets as productive goods with potentially measurable social and economic benefits and an associated set of management practices including accounting and inventory. In evolution to this notion, the public sector asset management literature has seen the emergence of “corporate real estate management [...] as a distinctive discipline to exploit this previously ‘hidden’ resource” (Phelps, 2011, p.157) followed by the development of a number of indicators to measure performance towards public sector’s corporate goals (for a discussion see (Phelps, 2011)).

Second, the realisation, brought forward by the fiscal crisis, that public sector assets can be translated into local governments income has accelerated the shift from their considerations and valuation as fixed asset to strategic resource (Kaganova and Nayyar-Stone, 2000; Kaganova, 2012) and has, in turn, required changes in skills, political attitude and in the organisational environment all of which can affect the design and implementation of management mechanisms for acquisition, holding and disposal of public assets.

By suggesting that public real estate management must adapt to corporate practices, this literature share disciplinary territory with New Public Management, a set of theories concerned with public sector organization and functioning, based on the promotion of business rationales, efficiency and entrepreneurship (Borins, 2000; Kettl, 2000). This set of theories and associated institutional and local government reforms which sustain the primacy of apolitical and technocratic discourses in public sector management, are, in their turn, one of the many dimensions through which the neoliberal project has been implemented (Clarke et al., 2000; Brenner and Theodore, 2002).
The two dimensions (the conceptualisation of assets within public sector management agenda and the management approach) are interconnected. For inventory and accounting purposes, assets are broadly grouped into the operational and investment categories in the UK and the available and unavailable categories in Italy, with the former in both context representing properties that are used as points of delivery for public sector services and the latter being made available as revenue generating investments. The two categories are not closed siloes and it is indeed in the remit of local governments to allocate individual properties to one or the other. This allocation is dependent on existing decision-making structures as well as on public sector entrepreneurship and on local strategic or opportunistic assessments of their best use. This entrepreneurship is not necessarily an attribute of the public sector organisation as a whole as it can be of individual sectors within the organisation or be found in elected members or senior technical staff. Decisions about management and employment of assets can arise from negotiations over agendas for their chosen role for the local authority or for one of its components. This investigation of public sector asset management in the context of fiscal stress, engages directly with these analytical dimensions and conceptualise public property assets as public goods and the infrastructures of welfare delivery, as revenue generating assets and, additionally, as urban objects. It considers the concept of “entrepreneurship”, albeit conditioned by structures, an indicator of urban politics and investigate it both through the networked form of local governance as conceptualised above and through the role given to public sector assets.

**The governance of public sector property assets**

The analysis was based on in-depth interviews with senior local government representatives from planning policy and property management to discuss asset management plans and individual instances or strategies for the employment of assets. Interviews were also designed to highlight the internal relationships between agendas, to respond to a critical conceptual argument put forward in this paper that governance modes (and a combination of modes) can be explained as a compromise or negotiation between sectors and their political agenda. At a time of fiscal crisis, can we assume that budgetary agendas will determine public property management strategies? Although the discussion makes reference to individual cases of property
management, the units of analysis are individual municipalities and materials are discussed and aggregated at this level.

The interviews identified cases and incidences of asset management from the following municipalities in Italy (Ferrara, Padua, Trieste) and the United Kingdom (London Borough of Wandsworth, London Borough of Islington, London Borough of Barking and Dagenham, Cambridgeshire County Council, Cambridge City Council). Cases that emerged from the interviews ranged from asset disposal plans, voluntary inter-institutional coordination structures, disposal and lease contracts and individual cases of asset employment. All cases have informed the reflections built in the next sections but few have been selected for a more detailed discussion for their capacity to highlight and bring evidence to the roles played (or not) by the two driving forces of austerity measures: a reduction in overall budget capacity and an increased devolution of fiscal powers to the local state seen as a route towards the establishing of strategies for local resource expansion (Lobao and Adua, 2011). In the next sections these are articulated along two analytical discussions:

- of local governments relationships with or understanding of public sector assets management as revenue generating assets and urban objects embedded in real estate markets;
- of local governments’ strategies for the optimisation of operational asset management as sites of service delivery and revenue generating assets in the context of increasing local autonomy.

Image 7. The analytical framework for public sector property asset management
**Surplus municipal assets at the crossroad between public finance and planning-led agendas**

On many dimensions, public sector assets can be conceptualised as real estate assets. Local government strategies for their employment inevitably require some form of interaction with the markets for real estate and they will be subjected to market trends and volatility. The impact of market trends on municipal asset management is particularly evident when chosen employment strategies rely on the active interest of private market parties. The disposal of surplus assets (both from the operational and investment portfolios) become difficult or stall altogether in a weakened market which is unlikely to respond with a positive interest in acquiring more property, particularly of the kind offered by local authorities, often burdened with planning, building or conservation regulatory latches which further limit the interest of private investors in their redevelopment or reuse.

Local authorities strategies for asset management are also influenced by a growing suite of supra-local and global institutions (such as the EU, the IMF, the World Bank see [Hackworth, 2002]) that regulate the structural conditions under which they can operate actively as investors or as recipient of investment such as interest rates and levels and types of investment and indebtedness that is allowed for public sector. Indeed, (Peck, 2012, p.626) has clearly stated that “the refurbished rationale for austerity measures is that the imposition of strict fiscal discipline and government spending cuts is the (only) way to restore budgetary integrity—thereby securing the confidence of the investor class, appeasing the jittery markets and paving the way to growth” and the debate on how to review public sector accounting to increase the confidence of capital markets into local government ([Caperchione and Salvatori, 2011](#)) is on-going. However the large majority of the interviews discussed that local authorities do not consider budget integrity as a route to attract financial investors but rather seek to lower debts, borrowing or interest rate repayments which, under existing budgetary and austerity constraints, limit their investment capacity.

An example of how management strategies and agendas for public sector assets interact with the restrictions of budget integrity is the case of the PUV (*Programma Unitario di Valorizzazione*, Integrated Programme for Valorisation (of public real estate) of Ferrara. Italian regulations for local governments’ finance allow them to divert capital receipts captured from developments to be diverted from capital
investment to revenue spending. These regulations were introduced soon after Italy joined the Euro Area and they imposed the same budgeting constraints of the Maastricht Treaty to local governments, a prelude to other austerity measures to come. However the local government of Ferrara, despite or maybe because of the economic recession, has managed since 2010 to reduce current spending and therefore to ring-fence limited capital resources towards investment in public infrastructures. This political decision has released the pressure to dispose of public assets for capital financing when their market value is at its lowest and opened opportunities for shifting the focus of the agenda for asset management towards the requirements of urban renewal. The PUV was produced jointly by the planning and asset offices of the local authority and brought together in a single programme for action, all the assets identified as disposable within the boundaries of the local authority whether owned by the city or other public sectors (province, region, central government). The disposal provisions for each asset, including its market price, were designed to comply with planning policies and the development needs of the city, therefore setting a cap to financial negotiations with private market developers. The PUV was also a plan-led response to the statutory budgetary requirement to list all surplus assets in the annual budget proposal, and, where needed, to amend the status of these assets in the local development plan with an aim for disposal. By doing so, it rearranges, at least on paper, the hierarchy of plan over financial considerations imposed by central government.

The acknowledgement of the difference between the value of an asset on its own (often based on valuation methods which do not account for market values) and its potential market value as part of an urban setting is legible also in the case of Wandsworth Borough Council’s Tooting Town Centre regeneration. Here a centrally located development site occupied by a care home jointly owned by two housing associations was transferred into council’s ownership in return for a symmetrical transfer from the council to the housing associations of a site in a less central location, comprised of vacant land and a school used as training centre, for a mixed development including market housing and independent living accommodations for the residents of the care homes on the vacant land and for a council-funded development of a primary school on the site of the training centre subsequently leased to an independent status school (a now popular UK education model introduced by New Labour which requires local government to give up permanently
or temporarily, via long leases, the right on the land). The site acquired by the council in the more central location was subsequently put on sale at market value for expected capital receipt.

The scheme was made possible by a number of conditions which can be enlisted partly in support of the assumption that local government’s understanding of market dynamics play a role in making decisions about surplus asset management; partly in the recent deployment of austerity measures: cuts of government funding to housing associations, requiring them to downsize; the willingness of the council to pay the housing associations for the difference in value between the sites in the understanding that more profit would be made by the disposal of the more central site; changes in the approach to elderly care provision towards a more independent style of living (which can be ascribed to a shift towards a consumeristic approach to welfare); by the provision of additional housing development capacity on the site which would have guaranteed financial profit to the housing associations (Wandsworth Borough Council, 2011a; 2012).

The markets for public sector real estate are therefore also embedded into local economies, structures and trends. While housing is a leading market in the South East of England, which would allow for the type of strategy adopted by Wandsworth Council, in the Italian cases investigated, the real estate market is dominated by retail investments and particularly large scale out-of-town shopping centres. The city of Padova, located in the north east of Italy in a regional context which has seen a considerable growth of large shopping malls in the past 15 years, has adopted a planning strategy aimed at protecting inner-urban retail fabrics within the urban area. The strategy constrains out of town or suburban public assets, for the large part vacant military barracks, to social, industrial or leisure uses, therefore preventing new shopping mall in out-of-town locations where they would act as strong competitors to small scale urban retail environments. This policy has restricted, sometimes cancelled, the interest of developers for their surplus portfolio. These conflicts of interests between what the market wants and therefore would facilitate the disposal or reuse of surplus public assets and what the local strategies for urban development aim for, seem to represent a combination, under the same governing authority, of what Porter (2009) identified as separate “market-directing” and “market-obeying” strategies.
Planning systems and their structures of regulations, norms, and institutions play an important role in the nature of the relationship between planning and asset management strategies. The PUV for the city of Ferrara is embedded in a plan-led planning system by which plans are binding rule for proposed developments and provide certainty in negotiations with private developers (Gielen and Tasan-Kok, 2010).

The development-led nature of the British planning system, which sees local plans as guidance rather than binding regulations, allows for discretion in the assessment of the positive and negative impacts of the proposed development on local urban environments. The planning procedure in the UK requires that all applications for development, even those originating from a department internal to the local authority administration, must be assessed by the same local planning department and on their own merits.

This system allows for three types of relational structures between the local authority as landowner and the local authority as planning authority in cases of site disposal. First the local authority as landowner can dispose of an asset on the open market and future development is decided through a standard planning procedures. Second, the local authority as landowner can market the site / asset subject to a binding permission for development which has been discretionally assessed and granted by the local authority as “planner” to itself as “landowner”. This second route allows the public sector more control over the future development of an asset even after disposal and reduces the bureaucratic transaction costs of private initiative (Buitelaar, 2004). Third the contractual agreement for the disposal of a site or asset can be designed to have binding covenants for land uses or other aspects of the development process from site remediation to demolition to the provision of social infrastructures. The London Borough of Wandsworth has used the second of these available routes in several cases of site disposals. (Wandsworth Borough Council, 2011b; 2011c). Although it has not been possible to collect documented evidence of the third approach, by which covenants are embedded in contracts that bind the parties involved in the development and management process, the interviews for Wandsworth Borough Council, Cambridgeshire County Council and Islington Borough Council have discussed them as standard practice.

The increasing use of legally binding contracts in public sector service delivery has been the concern of debates around the contractualist turn in governance (Raco,
This turn also entails “significant ‘liberty costs’ in which ‘there is a quite accretion of restriction – an accretion hardly visible because it is hidden behind technical rule-making, mystifying legal doctrine and complex bureaucracies’” (Levi-Faur, 2011 p.4, quoted in Raco, 2013). Indeed from the first to the last relational model described above, there seem to be a progressive internalisation and a removal from public sight of agenda setting and decision-making. However, the use of contracts and, in this case, the packaging of a site or asset with a permission for a pre-defined type and size of development, could also be more positively interpreted as a “re-tooling of the state” towards the binding of private operators to the goal of the public sector (Raco, 2013).

Cases that support a more positive interpretation of the contractual re-tooling of the state are the special leasing agreements used by local governments of Ferrara and Padova to facilitate the re-use and refurbishment of dismissed public sector assets (particularly large scale industrial area). These are specifically targeted at community or cooperative organisations, creative industries’ start-ups, at a time when the economic recession has reduced the interest of larger private investors or routed their focus towards profit-making developments, which might not be in line with local planning agendas. The contractual model is of a long-term lease agreement by which the asset is let at an affordable rent in exchange for the upgrade, refurbishment and maintenance of the property.

**The search for efficiency in operational asset management through spatial and institutional coordination**

The literatures considering questions of devolution and in particular fiscal devolution to local government are extensive but fragmented and diversified in their assessment of the positive and negative impacts of these processes (Darby et al., 2003). Brenner and Theodore (2002, p.369) identify the devolution of new tasks and of social welfare functions and the creation of new revenue collecting structures as “moments of creation” in the localisation (and differentiation) of the neoliberal project (Peck, 2011).

But the idea that more fiscal autonomy for local and regional levels can promote stronger economic growth and development, a rationale that underpins different political ideologies towards devolved government, has so far received scarce evidence (Rodriguez-Pose and Ezcurra, 2011). Positive evaluations of devolution from a democratic perspective associate it with the aims of ‘strengthening civil
society’, ‘social capital’ or ‘community participation’ whose vacuity of practical meaning and political direction is epitomised by their appeal to both left and right (Rodriguez-Pose and Sandall, 2008, p.57). Critical accounts of devolution maintain that fiscal autonomy, especially when associated with a reduction of fiscal equalisation instruments, which have a fundamental role in reducing geographical disparities, could lead to fiscal competition and uneven spatial and economic development, spill-over effects of mobile resources (Rodriguez-Pose and Gill, 2003). The austerity agenda is precisely one which promotes devolution as a combination of reduction in public spending and increased reliance of local governments upon local sources of revenue, promoting, in the case of the UK, the ethos of localism as one of self-government (Lowndes and Pratchett, 2012). This notion of autonomy is one that assumes a reliance or dependence on the local context but it can also alternatively be interpreted not as “the degree of separation from the wider economic sphere [and the dependence from the local sphere], but rather as the degree of control over the social construction of place” (Hackworth, 2002, p.707).

Under the pressure for the optimization of the operational portfolio (the set of assets used directly by the local administration or by its partners for the provision of services and the running of the administrative organisation), local authorities investigated in this study have adopted this notion of autonomy as ‘control over’ to pursue an alternative outcome: some (Islington Borough Council, Cambridgeshire County Council, the city of Ferrara, the city of Trieste) have moved beyond self-reliance and established cost-saving and assets consolidation strategies based on horizontal or vertical coordination with other territorial government organisations in search for a spatial (fiscal) governance as much as spatial planning (Adams and Tiesdell, 2010); others (Wandsworth Borough Council, the city of Padova) have adopted more inward looking strategies, aiming to optimise the use and allocation of operational resource and asset within the geographical and institutional boundaries.

The general model promoted for the optimisation of operational portfolios is based on the rationale to reduce the physical space needed to deliver public sector functions whether front-end service delivery or back office activities to the extent that entire single properties can be vacated and declared surplus and available for other uses including disposal, particularly those that are deemed as inadequate from a functional, energy, location perspective. Where the local authority is the landowner of the property this can be disposed for capital receipt or rented for the generation of
revenue streams. Where the local authority is renting from others, the process generates a reduction in current spending for the outgoing rent. These processes have been accelerated by the reduction of government support for revenue spending and also, particularly in the UK by the cuts to local governments’ staff (Audit Commission, 2008; Audit Commission, 2009).

Cambridgeshire is a two-tier governance structure comprising one county council and six district level councils. The remit for asset management within the county boundaries is split between the two tiers: the county is responsible for the management of education, social care, transport and leisure services and the estates associated with these while districts hold the housing estates. Making Assets Count is Cambridgeshire County Council’s voluntary partnership between the county, its six districts and the fire, health and police district authorities with the aim to increase efficiency through the coordination of information about operational assets availability and needs (Cambridgeshire County Council, 2012). The coordination (which involves accounting procedures as well as a decision making structure comprised of all the participating authorities) applies to the occupation and disposal of existing assets as well as to capital investments in new assets. The County council acts as both coordinator and partner. Its voluntary nature allows flexibility for partners to decide how and whether to get involved. Islington Borough Council is considering a similar spatial coordination with neighbouring London boroughs. The differences between models of collaborative strategy can be explained as declinations of the notion of the under-bounded district (Hamiduddin and Gallent, 2012). In the case of Cambridgeshire, the two-tier system of government has created a division of the portfolios between county and districts, which constrains the search for efficiency that the MAC programme aims to overcome. In the case of Islington, the inner urban location and high urban density does not provide the capacity to further consolidate the use of operational assets and the borough looks beyond its boundaries for collaboration with neighbouring authorities.

**Assets to income to assets to collective benefits?**

This paper has argued that under fiscal stress and in the absence of capital, the response of local governments, seen through the lenses of public sector asset management is mixed. Some display a neoliberal entrepreneurial approach and behave actively as landowners and developers (Wandsworth Borough Council) and
pursue financial returns albeit under the motivation to guarantee social service provisions. Some display entrepreneurial management approaches (Cambridgeshire, Islington) through which they go beyond their spatially bounded notion of self-governance towards a search for collaborative spatial and fiscal governance. Some display entrepreneurship in response to poor market interest in the use of public assets and search for innovative and flexible regulatory practices (Ferrara, Padova), redesigning, wherever possible, the constraints that allows them to mobilise social resources into the management of public assets and pursue a urban redistributive rather than growth agenda.

This picture, however limited to few cases, is different from an established literature on the shift from managerial to entrepreneurial governance. First, local authorities find it difficult to pursue a growth agenda because economic growth is simply not available. Even interviews with local authorities in areas less affected by the economic recession, have confirmed that the landscape in which they were used to operate and negotiate development with the private sector has changed. Second converting the wealth embedded in public property assets for a different use, can take a diversity of meanings: capital receipts from the disposal of surplus assets can be used to reduce public sector’s debts and related high interest payments, allowing local governments to invest, but whether the net gain from the conversion of asset to income to new asset brings a net social benefit would need further research.

In a context of decreasing local public sector revenues, we would expect fiscal and public finance considerations to manifest themselves in a shift towards the allocation of public assets from the notion of public goods to one of revenue generating productive assets. But here the nuances in the way fiscal austerity is localised are important. The notion that public property assets are urban objects embedded in urban spaces, local economies and networks of property market players, is exploited very differently in the effort to realise the productivity of public assets. In the case of Wandsworth this is a means to an end, repackaging the assets to increase its market value and therefore revenues. In the case of Ferrara’s Integrated Programme, the urban dimension is an end in itself and assets are marketed and on occasions, opportunistically repackaged as part of an urban strategy.

Peck (2011) has looked at how neoliberalism has been spearheaded through fiscal crisis of New York and environmental crisis of New Orleans, the environmental disaster being effect and cause of a crisis of funding as well which geared spending
Towards neglecting environmental considerations. The general idea that austerity measures are an opportunity to implement even further the neoliberal agenda of competitiveness, deregulation, market logic, has been revisited in this paper in light of the variety of practices, models and cases of municipal asset management.

If fiscal austerity is a planned route into pushing anti-welfare, anti-state agendas, into reinventing the relations between public services and the public according to consumeristic patterns, the cases investigated demonstrate how changes to welfare provisions impact on the management of public assets drive the efficiency rationale in the management of the operational portfolio: freeing more assets for disposal, investment, costs cutting.

Fiscal stress can also be described as a situation where financial and political capital have both been eroded or exploited to their limits, the latter measured by “the degree to which political leaders are supported by various important groups in society, including voters, administrators and other public employees” (Mouritzen, 1992, p.22).

In the responses to fiscal stress, any remaining political and financial capitals can be traded: financial benefits (through taxation or expenditures) can be used to raise the political capital of an administration; political capital can be used (and eroded) to increase financial capital by either reducing expenditures or raising tax levels. This is present in the diversity of political decisions as manifested in the attitude towards investment risk, institutional and budgetary constraints and in the decision about under which logic public sector property asset are enlisted.

The majority of local authorities staff interviewed have, however, also affirmed a sense of self-determination in their strategic decision on how to manage assets, denying the established view that central governments can guide, impose or steer local decisions. Fiscal austerity measures combines fiscal cuts with fiscal autonomy, under the assumption (turned into political ideology) that it will make local governments more responsive to local needs but, although there is agreement in the interviews about what these are, there is a diverse interpretation of how they should be addressed and how public property assets are part of the solution. The urgency to take control the outcomes of the processes for the holding, management and disposal of public assets can lead on the one hand to flexible responses that unpack the meaning of urban wealth to include society in the list of active players. However, the same urgency can encourage responses that are more isolated from direct, participatory public accountability when the pressure for the delivery and
maintenance of social service and infrastructures is used to justify a more technocratic response.

References


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