

FIN(4) 05-13 Paper 2

Importance of property in economic development

1. There are long-standing challenges with respect to infrastructure in Wales, in particular the geography and population distribution. Economic research has identified that good infrastructure, including availability of quality land and property, together with transport and ICT, is a condition of a strong economy. Similarly, there is a very real cost to having poor infrastructure.
2. A successful economy depends on a number of elements being in place. Property is one of these being a fundamental operational requirement of all businesses from home-worker to large-scale manufacturer.
3. Suitable and available property is a key factor in decisions by inward investors in considering their location decisions. Investment promotion agencies across the world provide information on the availability of land and property for potential investors. In many cases, site and property provision form a central part of the incentive package.
4. In most competitor countries, the public sector has a strong property function and a supply of site and property availability. Like most countries, land and property markets vary greatly across Wales. There are areas where there are high levels of demand and the market delivers an appropriate and affordable property solution, in other areas, there are lower levels of demand or the market is not as developed and, therefore, not delivering the type of properties required by business.
5. The Welsh Government has wide-ranging powers to acquire, dispose, manage, develop and fund property-related activity. These powers, combined with the property assets in the Business, Enterprise, Technology and Science (BETS) portfolio, provide a potent resource to support all types of business whether involving public or private sector property solutions, and to contribute to economic development and prosperity.

Rationale

6. It is important that BETS holds a range of strategic sites and premises (both in terms of location and size) capable of meeting the needs of significant or strategically important economic development projects, and also in terms of providing accommodation where the private sector is not sufficiently active.
7. There are five principal advantages:
 - **Competitiveness.** As illustrated, competitor countries promote their site and property availability as part of their investment “offer”. To compete with similar economic development organisations, BETS needs to have a similar portfolio of sites and premises available.
 - **Certainty.** In taking investment and location decisions, business wants to be confident in the supply of sites and property availability. They need early visibility

and certainty that there are solutions to meet their needs. This requires the Welsh Government to be sure that the land being promoted can be available immediately for the investment and can be promoted as part of a Welsh competitive “offer”.

- **Speed.** The ability to utilise public assets to support projects without reliance on third party ownership decisions is, and has been of critical importance in winning FDI projects. Perhaps, most notable in recent years is the delivery of the Amazon Facility in Fabian Way in Swansea, achieved within the challenging timescale set by the company. This was largely because of the ability of the public sector to put forward a site to work closely with local authority partners to ensure delivery within timescale.
 - **Flexibility.** Private sector property owners have their own criteria for disposing or letting of their property based on desired investment criteria/ returns. This is apparent in terms of both pricing and/or terms of occupation (lease length and terms, covenant strength etc). Whilst the public sector must operate within the general requirements to trade on market-value terms, it has wide discretion as to whether (and to whom) to sell, option or lease its land to meet the needs of a particular investor.
 - **Deliverability.** In many part of Wales the modern property needs of businesses are not met by the market resulting in unsatisfied occupier demand. Insufficient business accommodation may result in businesses not fulfilling their growth potential. This market failure is addressed by the Welsh Government through a focussed property team with strategic land holdings, which provide the ability to respond to specific market opportunities through direct development, support funding, and land assembly/ management activities.
8. The nature of this activity is often medium to long term in nature and benefits from careful planning. It is important therefore to have a rolling programme of investment and realisation to inform both short and long term decision making and increase longer term competitiveness.

Asset Management Principles

9. The property portfolio is managed according to the following strategic Asset Management principles:
- Policy
 - Governance and Leadership
 - Delivery Measures for Strategic Asset Management
 - Good Practice in relation to the wider public sector

Policy

10. Strategic Land is the principle asset class within the BETS portfolio. As part of the annual business planning process, the portfolio is reviewed to ensure that assets held are relevant in pursuit of economic development objectives, or other wider government objectives, and to establish those assets available for sale to support programme expenditure.

Governance and Leadership

11. A forum has been established to challenge and scrutinise proposals relating to all aspects of the property programme and in particular to ensure that project proposals meet policy, financial, compliance and best practice considerations.

Delivery Measures for Strategic Asset Management

12. A single contract delivery model for management of the whole portfolio is currently being awarded to improve the efficiency and effectiveness of the property management function. This will enable the production of a comprehensive condition survey of the portfolio in due course.

Good practice by Welsh Government in relation to the wider public sector

13. BETS Officials are member of the National Assets Working Group which operates across the Welsh public sector to improve services by identifying, facilitating and supporting the delivery of efficiencies and innovation in the operation of the public estate and its corresponding assets.