

Fiscal analysis & the knowledge economy

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Context

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Increasing focus on balance sheets in fiscal policy

Fiscal policy making has historically focused on flows (revenue, expenditure, borrowing), but there is an increasing analysis of stocks (assets & liabilities)

2012: Publication of Whole of Government Accounts starting with FY 2009/10

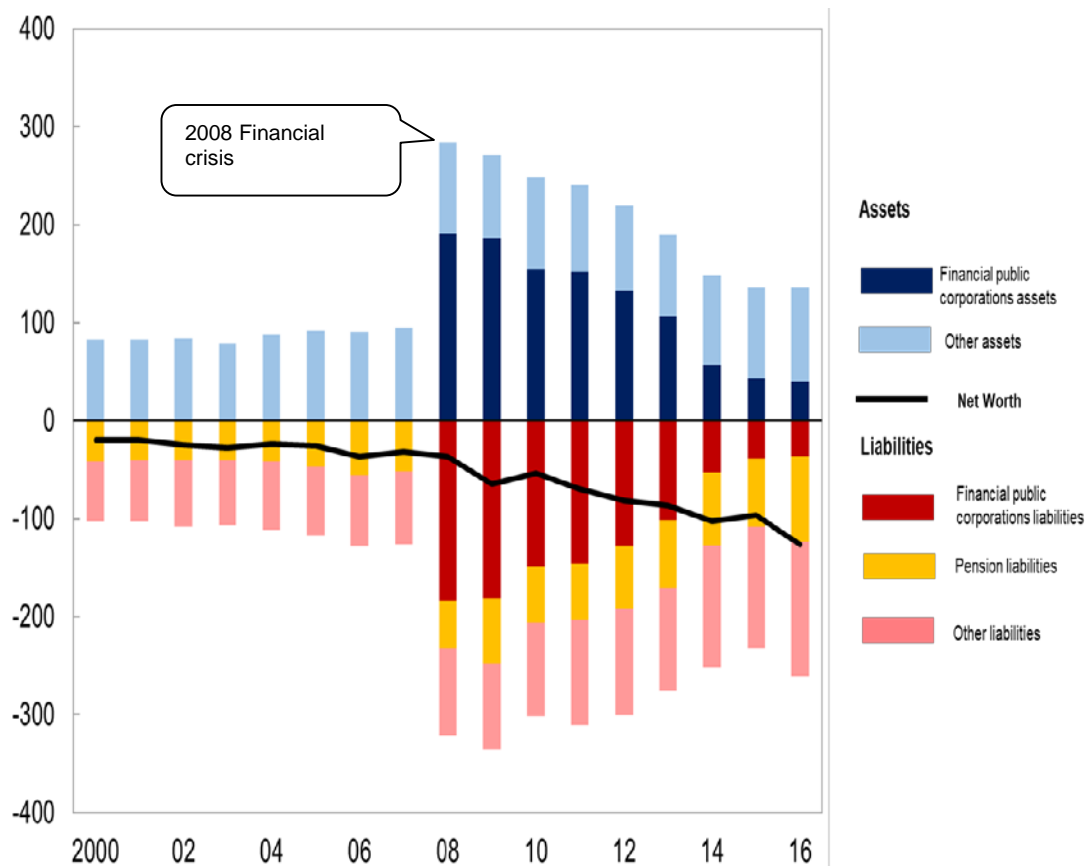
2016: Public Accounts Committee / National Audit Office call for greater use of WGA in Public Financial Management

2016: IMF Fiscal Transparency Evaluation of UK highlights contingent liabilities

2017: Balance Sheet Review launched

2018: Publication of "Getting smart about intellectual property and other intangible assets"

UK Public Sector Assets, Liabilities, and Net Worth, % of GDP



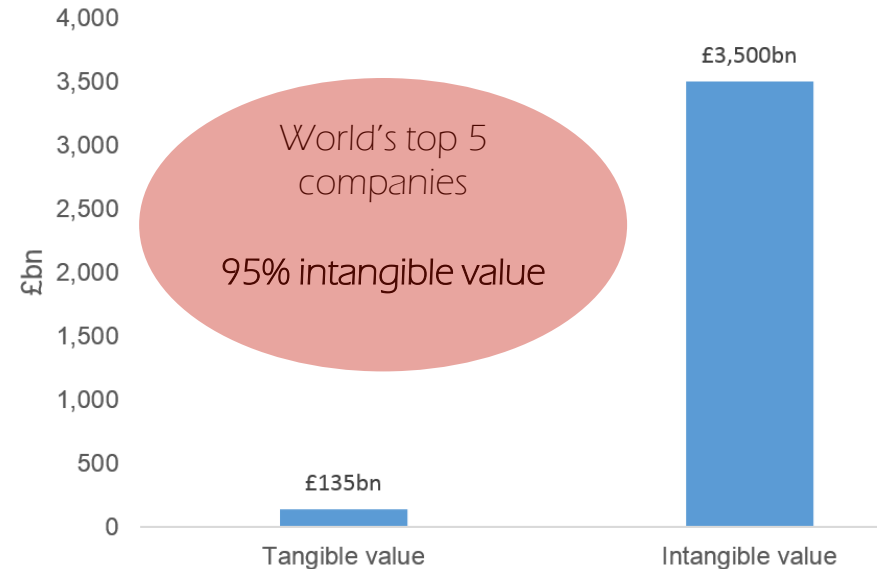
Knowledge assets are playing an increasing role in economic value

Investment into intangibles in UK economy is c.50%



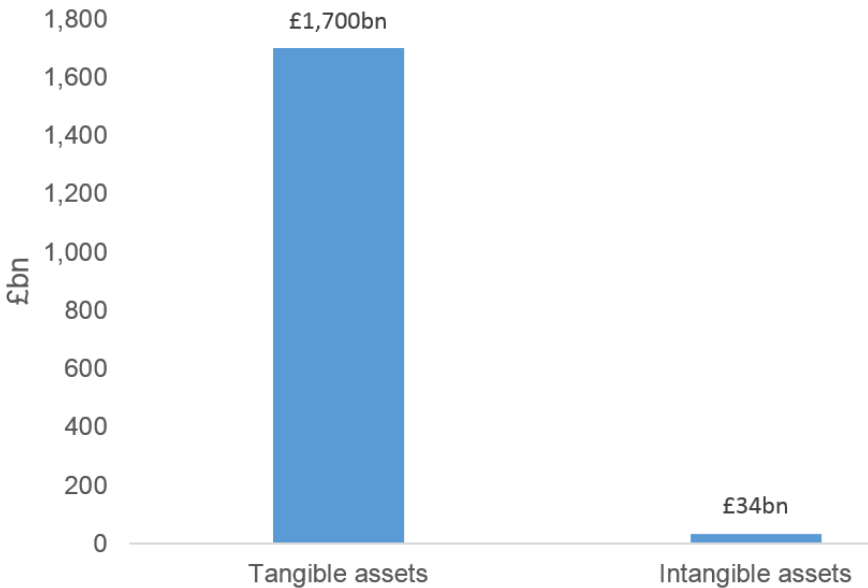
ONS: Experimental estimates of investment in intangible assets in the UK: 2015, February 2018

...Leading companies attribute much higher value to Intangibles

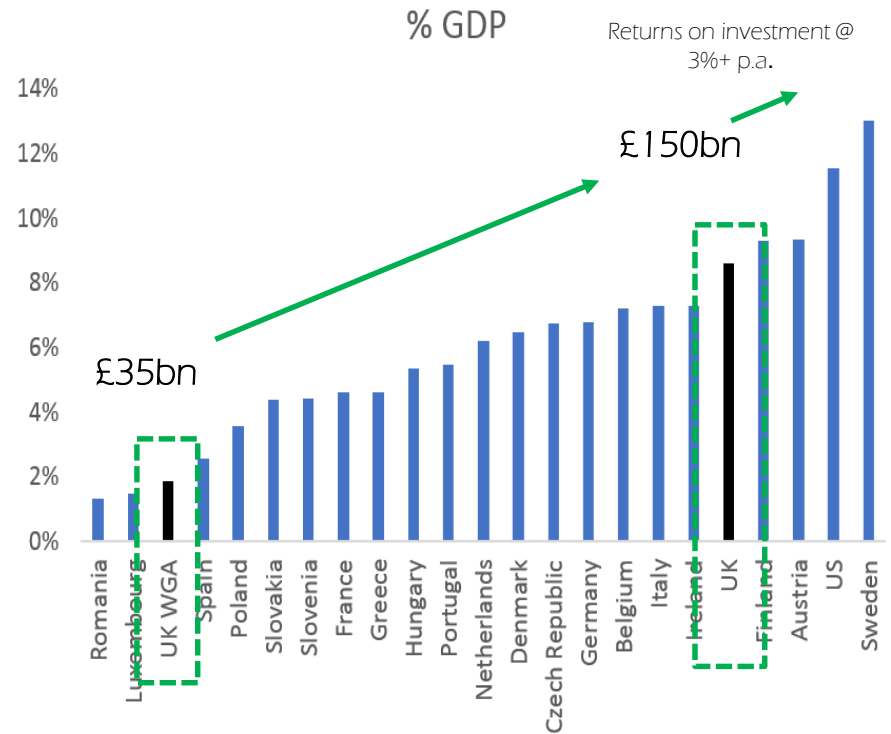


But knowledge assets have limited recognition in the public sector...

Intangibles on Government balance sheet = 2% of total



SPINTAN estimates: £150bn



Examples

What are knowledge assets?

- More likely to be recognised under accounting definitions

- Less likely to be recognised under accounting definitions

WGA Accounting estimate: £35bn

SPINTAN estimate: £150bn

Software licences

Development costs

Patents

Trademarks & brands

Data & Analytics

Methodologies & standards

- *Know-how*
- *Skills*
- *Ideas*
- *Innovation*

Royal Botanic Gardens
Kew

PRINCE2®

3 x case studies

Application in different field



Unique IP

Developed in military

Used on mobile phones

Collaboration



EMI ↔ NHS collaboration

Role of public sector

- Convened
- Developed
- Incubated

Significant patient benefits

Import & re-export



Ideas generated outside UK – US academia

UK public sector:

- Imported idea
- Applied in the real world
- Developed into a service

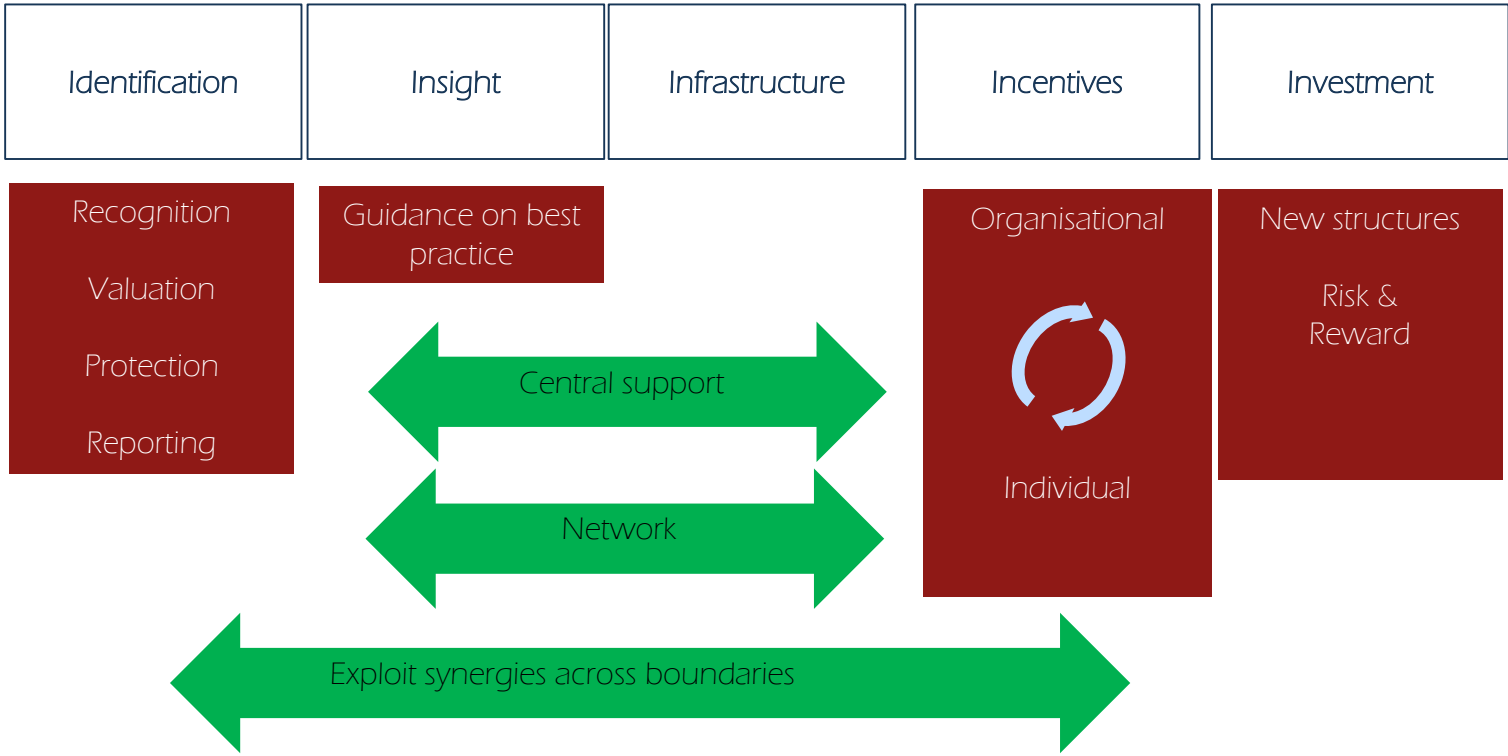
Strategy

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Report at Budget 2018

 HM Treasury

Getting smart about intellectual property and other intangibles in the public sector:
Budget 2018



Recommendations

- Value is maximized when travelling across boundaries
- Organisations often don't know what they hold
- Expertise required to develop and apply in different fields
- Limited sources of central guidance
- Incentives for organisations and individuals in the public sector

