




Public Sector Land and Asset Disposals

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Overview

- The government is committed to releasing surplus assets and land for housing in order to drive economic growth. Over the last Parliamentary session (up to 2015), savings of approximately £1.8 billion were made by vacating and selling property regarded as being surplus to requirement: it is estimated that the current value of public land and property exceeds £358 billion.
- The *Spending Review and Autumn Statement* also brings forward further reforms to the planning system, including ‘establishing a new delivery test on local authorities, to ensure delivery against the number of homes set out in Local Plans •supporting the availability of appropriate land for housing, by releasing £4.5bn worth of public sector land with capacity for 160,000 homes representing a more than 50% increase on the government’s record in the last parliament.’
- Local authorities will be major contributors in the provision of land for housing. Local government is expected to sell assets with a value of £11.7bn by the end of this parliament. The sale of land is being driven by the need to raise revenue and reduce costs as well as the need to increase development.
- The disposal of public sector land and assets is not solely confined to the provision of new housing. Instead, there is an acknowledgement that this also includes varied and more sympathetic management of surplus historic assets owned across a range of estates – from central government to local authority ownership.
- The potential impact of the disposal process on the historic environment, as well as the strategic importance attached to it by the Treasury, demand a coordinated, engaged, response from the sector.
- This assessment provides detail on the strategic background to the government’s disposals programme, and outlines a number of potential recommendations for response.

Horizon	Horizon 1 (1-3 years)	There is a pressing need for more housing, and more sympathetic use of existing public assets, and this has led to a government drive to dispose of unused (or underused) public land and property. This generates substantial income (£4.5bn in this current parliamentary term) and frees enough land for 160,000 houses.
Importance	High	Recent government announcements about the disposals programme indicate that it will accelerate, with new income and housing numbers targets. The impact on the historic environment is unknown but the threat posed could be substantial but as well as the 'threat', it presents us with an opportunity for positive engagement.
Credibility	High	The government disposals programme, and its new financial and housing targets feature prominently in the Autumn Statement (November). There are, therefore, emphatic strategic drivers underpinning it.
Response	Recommendation:	Full engagement with the agencies (such as the Homes and Communities Agency) and local authorities, who are managing the disposal process on behalf of the government; assessment of past impacts of the disposals programme; assessment of resources and data required to contribute, positively, to the programme.
	Dissemination:	External
Links	Associated Horizon Scan(s)	2013-14 Government Disposals Programme 2013-27 Disposal of Public Property – Defence Estates 2015-21 Prison Disposals
	Other Links:	Fixing the Foundations (July 2015); Autumn Statement (November 2015)
Consultees	HEIT colleagues, Adala Leeson, Will Holborrow, Victoria Thomson, Carol Pyrah, Others via the H2020 Constructive Conservation Group	
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1. INTRODUCTION

Between 2011 and 2015 savings of approximately £1.8 billion were made by vacating and selling property regarded as being surplus to requirement: it is estimated that the current value of public land and property exceeds £358 billion. This release of public assets has been driven by (1) the need to reduce costs and raise revenue within the public sector; and (2) the need to use the better use of those assets to both stimulate growth and to increase the rate of house building.

The trend in house building in England has been on a downward trajectory since at least 1970¹. Successive governments have attempted to shape policy in order to increase the rate of construction to meet demand. Recent analysis indicates that 250,000 new houses need to be built each year, in England alone, to keep pace with demand. In response, government is developing a number of strategic initiatives to increase the housing stock levels, with the stated aim of reaching a target of one million new homes by 2020².

A key element is the programme of disposal of public sector owned land and assets and as a result the government is committed to releasing surplus assets and land for housing and to drive economic growth.

This theme is addressed again in the *Spending Review and Autumn Statement (November 2015)*³ and in order to address it, and achieve a satisfactory rate of construction, it is expected that all sectors will play a role in the delivery of new housing. Furthermore, the government ‘will remove constraints that prevent private sector organisations from participating in delivery of these programmes, including the constraints to bidding for government funding.’ The stated intention to sell £4.5 billion worth of government land and property, creating space for more than 160,000 new homes (a detailed breakdown is provided in Appendix 1), and implement a new commercial approach to land and property management. This will contribute towards the government’s target of £5 billion of receipts by 2020.

To date, the DCLG’s data shows that, by the end of March 2015, government had disposed of land with capacity for an estimated 109,950 homes, across 942 sites. The biggest contributors were the Ministry of Defence (around 39,000 homes), the Homes and Communities Agency (around 21,000, on behalf of the Department for Communities and Local Government) and the Department of Health (around 15,000).

A House of Commons Committee of Public Accounts report on ‘Disposal of public land for new homes’ was highly critical of the process to 2015. The Committee stated that, in their view, the Department for Communities and Local Government cannot demonstrate the success of the land disposal programme in addressing the housing shortage or achieving

¹<http://www.ons.gov.uk/ons/rel/hpi/house-price-index-guidance/trends-in-the-uk-housing-market-2014/housing-trends-article.html#tab-Housing-Tenure-in-the-United-Kingdom-and-Across-the-Nations>.

²<http://www.cchpr.landecon.cam.ac.uk/Projects/Start-Year/2014/Other-Publications/Housing-need-and-effective-demand-in-England>

³[Autumn Statement](#) (November 2015)

value for money because it does not collect information on the actual number of houses built or under construction, the proceeds from land sold, or whether the parcels of land were sold at market value. Instead, it chose to focus only on a notional number for 'potential' capacity for building houses on the land sold by individual departments in order to determine 'success'. It did not collect basic information necessary to oversee the programme effectively and, where it did collect programme-level data, there were omissions and inconsistencies. The Committee noted that the Department did not know how many of the 109,950 'potential' homes had actually been built or whether the land had been sold at the right price, and invited it to comment in response to the National Audit Office report.

The government expects local authorities to be a major contributor in the provision of land for housing. A recent DCLG paper⁴ notes that: 'Local government is equally committed to driving an increase in the supply of homes. In the year to December 2015, planning permission was granted for 253,000 new homes. Local government is expected to sell assets with a value of £11.7bn by the end of this parliament, with the disposal of land for housing a key part. At Budget 2016, the Chancellor announced that, local authorities and central government are collaborating on a public sector land ambition, working with their partners to release surplus local authority land with capacity for at least 160,000 homes, supporting the government's policy on estates regeneration'.

The disposal of public sector land and assets is not solely confined to the provision of new housing. Instead, there is an acknowledgement that this also includes varied and more sympathetic management of historic assets owned across a range of estates – from central government to local authority ownership.

The DCLG paper, '*Local Authority Assets. Disposal Guidance*', for example, focusses on outlining the range of government support and empowerment available to local authorities when disposing of their surplus assets – including land and built structures. The key driver is to encourage the release of public sector assets 'for more productive use, supporting growth and efficiency'. Specifically, from 1 April 2016 to 31 March 2019, local authorities will be able to spend receipts from asset sales⁵ (excluding Right to Buy) on the revenue costs of reform projects, subject to the conditions set out in the Secretary of State's direction of 11 March 2016. Local authorities will now be able to reinvest the proceeds of asset sales in their services, enabling them to deliver more for less.' This is at a time where some authorities (particularly those in the north and some London Boroughs) are struggling to fund their statutory services.

Although local authorities are usually required to dispose of land on the basis of 'the best consideration reasonably obtainable'⁶, in certain circumstances local authorities may

⁴ https://www.gov.uk/.../uploads/.../160316_Land_disposal_guidance.pdf

⁵ <https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2016-to-2017#other-documents-related-to-final-settlement-2016-to-2017>

⁶ <https://www.gov.uk/government/publications/disposal-of-land-for-less-than-the-best-consideration-that-can-reasonably-be-obtained-circular-06-2003>

now be able to dispose at less than the best consideration -the Royal Institute of Chartered Surveyors has published guidance on this⁷.

A recent Law Commission Report on Conservation Covenants recommends the introduction of a new statutory scheme of conservation covenants in England and Wales⁸. The proposed statutory scheme would 'give individual landowners the opportunity, using private agreements, to contribute to conservation efforts being made across England and Wales and to preserve important features of their property for the public and for future generations.' Responsible bodies will be charged with making informed and important decisions as to the creation, management, enforcement and (in some cases) discharge of conservation covenants – local authorities are accepted as 'responsible bodies'. This proposed scheme has been well-received by government⁹

There has been direct government support for the disposal process in relation to local authority assets, in the form of additional funds:

- £6m to extend the One Public Estate Programme¹⁰ to a third phase of council partnerships;
- a further £31m announced at the 2015 Spending Review to support local authorities to work with others and design more efficient management strategies.

The government has established a number of guiding principles for the process of disposal, and have instructed local authorities to identify and establish the most appropriate method for selling the assets identified¹¹.

A report by the Green Balance – *Local Authority Heritage Assets: Current Issues and Opportunities* (2012) – was commissioned jointly by English Heritage and the Heritage Lottery Fund, in order to stimulate further thinking about how the heritage sector can most effectively support local authorities and other organisations in managing their

⁷ <http://www.rics.org/uk/knowledge/guides-advice/local-authority-asset-management/local-authority-asset-management-07-disposal-of-land-at-less-than-best-consideration/>

⁸ <http://www.lawcom.gov.uk/project/conservation-covenants/> - reports and other documents accessible via this link.

⁹ On 29 January 2016, the Secretary of State for Environment, Food and Rural Affairs thanked the Law Commission for its "excellent work, thorough analysis and thoughtful recommendations" and committed to explore the part that conservation covenants could play in her Department's 25-Year Environment Plan

¹⁰ The One Public Estate programme is a pioneering initiative delivered in partnership by the LGA and the Cabinet Office Government Property Unit (GPU) and aims to facilitate closer working ties between public sector bodies in a locality, in order to develop an integrated approach to managing their land and property; boost local growth; and achieve efficiency savings which can be re-invested. It began as a pilot programme in 2013 and recently announced 107 councils in 24 partnerships were successful in joining a third phase. Following the Summer 2015 Budget allocation of £6m, the 26 November 2015 Spending Review extended One Public Estate with £31 million funding to support more local authorities to work with other local public sector property owners and design more efficient asset management strategies. More at:

http://www.local.gov.uk/onepublicestate/-/journal_content/56/10180/6678286/ARTICLE#sthash.Yd76BMML.dpuf

¹¹ Full details can be obtained in the DCLG paper *Local Authority Assets. Disposal Guidance*

heritage assets, at a time of acute financial stress¹². The research illustrated variation in the structures which local authorities use to manage their heritage properties and widely varying levels of integration between building conservation officers and property managers. These are reflected in the differing Asset Management Plans, policies and practices which affect heritage properties. With declining budgets in local government, reduced activity and fewer staff (including conservation officers), more buildings are becoming surplus in addition to the background pattern of changing requirements for different types of building. The research reports on the trends in these issues, how they affect heritage properties and how local authorities respond. The benefits of repair, maintenance and keeping buildings in use are highlighted, together with special difficulties when heritage properties earn no income, have no alternative user, or are located in poorer areas where local authorities struggle to look after them. The report also highlights current and likely future impacts of a persistent economic downturn.

The Green Balance made a number of recommendations relating to local authority-owned heritage assets; the availability of heritage expertise in local authorities; repair and maintenance of assets. There are also targeted comments on closures, disposals, management transfers and demolitions and the role of the third sector in taking on responsibility for the repair and upkeep of historic assets.

The Localism Act 2011 gives new rights to community groups to bid to acquire 'assets of community value' which might cease to be available to local communities. It is worth noting that 'value' for these purposes refers to the use of the asset and not to its fabric.

The issue of community ownership was examined in the Quirk Review¹³ which reviewed the transfer of public assets to community management and ownership concluding that 'the social and community benefits of appropriate transfers to community-led organisations can outweigh the risks – and those risks can be minimised and managed.' That Review refers to the General Disposal Consent Order 2003, which allows which 'allows a local authority to dispose of assets (freehold or leasehold) at less than best consideration within defined limits to secure the promotion or improvement of the economic, social or environmental well-being of its area.'¹⁴

The government want to ensure transparency in this process, so all data on central government assets, as well as some local authorities, is now held on the ePIMS website – available through the Government Property Finder portal – www.gov.uk/find-government-property. Government are currently consulting on whether all local authorities should be using this service. If agreed as a constructive way forward, all public sector assets being readied for disposal would be collated in a single database.

¹² <http://www.greenbalance.co.uk/heritage>

¹³ Barry Quirk, May 2007, Making assets work, (The Quirk Review of community management and ownership of public assets), Department for Communities and Local Government

¹⁴ http://libraries.communityknowledgehub.org.uk/sites/default/files/making_assets_work_-_the_quirk_review_of_community_management_and_ownership_of_public_assets.pdf

As a result, and in an attempt to harmonise and streamline the process, the government have instructed the Homes and Community Agency (HCA)¹⁵ to provide support to any local authorities that request help with their disposal strategies.

The HCA has recently produced a new Land Development and Disposal Plan¹⁶ which lists the sites that are likely to be available for sale between now and March 2017. The HCA will update this list on a quarterly basis.

2. CONTEXT

It has been estimated that 40% of developable land and 27% of brownfield land suitable for housing sits within public sector land banks. Equally, there are opportunities for widening the ownership base – including community management – of many assets, and for diversifying use to include other, non-residential, occupation. According to the latest data, local authorities in England hold £225 billion of assets, including over £60 billion in property not used for schools or housing. 250,000 hectares of land are held by the Central Government estate in England - 13,000 hectares (5%) are most suitable for residential development and these sites could deliver 600,000 homes. Further analysis of assets held by the GLA shows there is space for at least an additional 100,000 homes. A Savills report estimated that as many as two million new homes could be delivered on public sector land holdings. The firm's estimate is based on detailed analysis of public records of the Central Government Estate and the land holdings of the GLA as well as market knowledge of the potential for development on NHS and Local Authority land¹⁷.

As mentioned above, the pressure to dispose of public sector assets is being driven by two different objectives:

- Reduced public sector budgets mean that there is pressure to ensure that property portfolios are efficiently managed and any property that is not required is moved out of ownership, ideally with a high return.
- Pressure to release public sector land to support both housing and economic growth.

These dual factors mean that the next 5-10 years will see a substantial amount of the public estate end up in alternative ownership. *Fixing the Foundations*¹⁸ observed that the low rate of house building negatively impacts on productivity, restricts labour market flexibility, and harms the 'aspirations of those who would like to own their own home.'

¹⁵ The HCA is the second largest land disposal body in the public sector, and as the government's preferred organisation for the disposal of surplus central government land, the HCA has developed significant expertise in land disposal policy and practice. Disposal sites in London are currently being managed by the Greater London Authority (GLA).

¹⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/495041/LDDP_160126_full.pdf

¹⁷ <http://research.euro.savills.co.uk/pdfs/spotlight-public-land.pdf>;
http://www.savills.com/_news/article/105347/184238-0/11/2014/public-land-could-deliver-as-many-as-2-million-new-homes

¹⁸ *Fixing the Foundations* (July 2015)

The forthcoming *Housing and Planning Bill*¹⁹ will have a direct impact on the disposals process, specifically:

- *NC32 – Engagement with Public Authorities in Relation to Proposals to Dispose of Land*: This new Clause requires Ministers of the Crown, when developing proposals for the disposal of land, to engage on an ongoing basis with local and other authorities. The new Clause also confers a power to require specified public authorities to engage with other such authorities (e.g. local authorities) when developing proposals for the disposal of land.
- *NC33 – Duty of Public Authorities to Prepare Report of Surplus Land Holdings*: Requires public authorities to prepare and publish reports containing details of land that is surplus to requirements and has been retained as surplus for longer than two years or, in the case of property that is wholly or mainly residential, longer than six months; and why surplus assets have not been released. Regulations will make further provision about reports, and guidance will give more detail on determining whether land is surplus.

All individual government departments (and related agencies such as the HCA), as well as Local Authorities, have been mandated to include disposal plans on the electronic Property Information Mapping System (e-PIMS). e-PIMS allows users to locate, view, and access key property details, and analyse the map to identify vacant or underutilised space. e-PIMS data is made available on a quarterly basis on data.gov.uk. (Since March 2012, this has included surplus public sector land and assets).

3. ISSUES

Many of the issues relate to the scale and timing of the disposal process with a key problem being a lack of data on the type of property most likely to be disposed of. In particular, we have no information on the proportion of heritage assets in public ownership that might be considered for disposal.

Widening the scope of concern away from a purely housing supply focus is essential. The disposal of public land and assets, whether held by central government departments, related agencies, and local authorities, impacts on a wide range of areas and structures, with varying end-uses: housing, commercial/industrial, social and community-based too.

The report from Savills commented that a lack of transparency regarding the totality of these assets remains a major cause for concern. Limited public data currently makes it impossible to conduct a comprehensive analysis of all public land.

Whilst Savills estimate that the public estate held by central and local government in England is worth £358 billion according to figures from the Cabinet Office, there is little clarity regarding what form these assets take.

¹⁹<http://services.parliament.uk/bills/2015-16/housingandplanning.html>

The potential use of the various types of disposal is also unknown. Pressures to stimulate both housing and economic growth are likely to be key factors. However, we may also be entering a period of increased community ownership as public bodies seek to use property transfers as a way of stimulating community activity (again, in line with central government policy). Changes in ownership and use may well lead to the alteration of existing fabric and historic value.

4. POTENTIAL RESPONSES FOR SECTOR

- To date, the sectoral response might be characterised as piecemeal and reactive but with the disposal process now embedded as a fixed government programme, there is a pressing need for a collaborative approach across the sector. This has already been acknowledged as a priority by the Heritage 2020 Constructive Conservation & Sustainable Management Working Group. The principal response may well be to produce an accurate assessment of current (and future) sites for disposal, across all sectors.
- We need to gather data on planned disposals. This could be collated and managed on a GIS platform. The issue here, of course, is that there doesn't seem to be a current, comprehensive, data set that lists all of the available (or soon to be) public sector land and assets in England.
- It would be useful to do a brief analysis of whatever data we can gather, to help us understand the scale, location, timescale of the issue allowing us to note the limitations of the data in the process.
- We need to learn lessons from recent examples of where heritage assets have been disposed of. For example, case study-based analysis could be undertaken looking at a variety (e.g. type, ownership, geography) of sites that have left public ownership. For each of these sites: what happened; who were involved; what was the outcome; was the process viewed as a success; and what were the lessons learnt?
- The key player here is the HCA. They publish a quarterly list of disposal sites, but our response to this is currently ill-defined. It is very clear that we must, as a priority (re) establish a productive working relationship with the HCA and decide who is to take the lead with this.
- The sector should seek to engage at a strategic level with government, expressing concern at the potential impact of the pressure for public bodies to dispose of assets without a clearer idea as to the impact on the sustainability of the those assets.
- The Green Balance report is now 4 years old (published March 2012). It may well be timely to update the research and refresh the large number of recommendations contained within it. Such as:
 1. identifying and defining the trends in closure, disposal, transfer and demolition of local-authority owned heritage assets, from the past five years until the present, and illustrate with examples.
 2. drawing conclusions on the current state of affairs and to predict likely trends over the next five years (e.g. which types of asset are more likely to be subject to transfer, change of use or redundancy); to make recommendations for further research or action from key stakeholders.

APPENDIX 1 PUBLIC SECTOR LAND AND ASSET DISPOSAL PROGRAMME

The Public Sector Land and Asset disposal programme is a complex, multi-agency, endeavour. Much of the central government programme is being managed by the HCA and it is anticipated that the Agency will work closely with local authorities to help out, as requested, with their own disposals work. The main contributing Departments and ALBs (taken from the e-PIMS website) are:

- Ministry of Defence (Military and Naval)
- Ministry of Defence (Civil)
- Vehicle and Operator Services Agency
- NHS Trusts
- NHS Foundation Trusts
- Primary Care Trusts
- Strategic Health Authorities
- Ministry of Justice
- Department for Environment, Food and Rural Affairs
- Department of Energy and Climate Change
- Department for Transport
- Department for Communities and Local Government
- Department of Health
- Cabinet Office
- Home Office
- Foreign and Commonwealth Office
- Department for Business, Innovation and Skills
- Security and Intelligence Agencies
- Department for Culture, Media and Sport
- Environment Agency

Estimated receipts (£ million) from sale of land and property (2016/17 to 2020/21) are:

Department or Agency	Value of receipts (£ million)
Dept of Health	1,950
MoD	1,000
MoJ	640
DCLG	410
DECC	200
BIS	120
FCO	75
Other departments	140

Estimated housing capacity of land released by 2020:

Department or Agency	Numbers of houses
MoD	55,000
DfT	38,000
DCLG	36,000
DoH	26,000
MoJ	5,000
BIS	1,000
Crown Estate	2,500

Local government is equally committed to driving an increase in the supply of homes. In the year to December 2015, planning permission was granted for 253,000 new homes. Local government is expected to sell assets with a value of £11.7bn by the end of the current parliament, with the disposal of land for housing a key part. At Budget 2016, the Chancellor announced that, local authorities and central government are collaborating on a public sector land ambition, working with their partners to release surplus local authority land with capacity for at least 160,000 homes, supporting the government's policy on estates regeneration.