Report by the
Comptroller and Auditor General

Highways Agency

Getting best value from the disposal of property

HC 58 Session 1999-00
9 December 1999

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John Bourn	National Audit Office
Comptroller and Auditor General	28 October 1999

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For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 0171-798 7400

email:nao@gtnet.gov.uk

Web site address: http://www.open.gov.uk/nao/home.htm

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Executive summary

1 Over the past five years (1994-95 to 1998-99) the Highways Agency has raised £238 million in proceeds from the disposal of land and buildings. This property, most of it residential, was acquired for planned road schemes. Some of the property was sold because, although affected by the road scheme, it was not needed for the actual construction of the road. In other cases property became surplus because road schemes were cancelled. Disposals peaked at around £65 million in 1997-98.

2 When the Committee of Public Accounts considered our previous report on "Acquisition, Management and Disposal of Land and Property Purchased for Road Construction" (HC 492, Session 1993-94, June 1994), disposals had been at a level of only £10 million in 1992-93 and £19 million in 1993-94, in relation to acquisitions of over £170 million (all at 1999 prices). In its report (HC 43, Session 1994-95) the Committee did not therefore comment directly on the proceeds of disposal, though it did recommend that the Agency should set clear targets for the disposal of surplus properties, and should do more to sell or let vacant properties for social housing.

3 In view of the recent high level of sales, this report looks at whether the Agency has achieved best value from disposals of property. This is partly a matter of the way in which prices have been set and sales have been concluded. But it also includes the way in which properties have been looked after during the period, averaging four years, for which they will have been in the Agency's ownership.

4 We found that, since 1994-95, on disposal the Agency had on average obtained 68 per cent of the price it had paid for properties, after taking inflation into account; a fall in value of 32 per cent. For properties affected by a road scheme but not needed for construction, the average fall in value was 42 per cent, at least partly reflecting the actual impairment caused by the road. However, three quarters of recent disposals have been the result of scheme cancellations, where the threat of roadbuilding and the extent of blight will have greatly diminished. But even in these cases the average fall in property values was 27 per cent, perhaps partly reflecting buyers' fears that road plans may be reinstated.

5 We found that the loss in value tends to increase with the length of time that properties have been held by the Agency, increasing to 37 per cent after ten years. Some of this loss in value on resale may reflect the way in which properties have been looked after while in the Agency's ownership.

6 Where properties were originally intended for demolition, they may not have been judged worth repairing, so some deterioration might be expected. However, 80 per cent of the properties purchased since 1970 have either been sold or are still in management. For many properties, therefore, demolition is by no means inevitable and protection of the property to secure rental income and preserve capital value should be an important factor in their management.

7 We found evidence that some property has deteriorated while in the Agency's ownership, and that this adversely affected capital values. We found no difference between the loss in value on sale for those properties more likely to be demolished, and the loss for those always likely to be resold (because they were not essential to road construction), suggesting that the Agency could do more to differentiate between these two classes of property.

8 Aspects of management relevant to the protection of property values include adequate maintenance, maximising occupancy, and effective security. The Agency's guidance emphasised the need to balance maintenance costs against prospective rental income from properties but, as a result of our examination, the Agency agreed that its guidance on maintaining capital value needed to be clearer. Better records of the condition of properties would also have permitted closer monitoring of their state of repair. The Agency undertook a review of all aspects of property management in 1997, and in November 1997 began to tighten its controls over maintenance.

9 Occupancy has fallen back somewhat from a peak of 80 per cent in 1996, and overall occupancy targets have been missed, although in 1999 the Agency has significantly reduced the percentage of habitable properties unoccupied for more than six months. The decline in occupancy is attributed to the increased number of properties declared surplus and held vacant awaiting sale, though the Agency has in some cases managed this problem by phasing sales. The Agency was generally well-informed about threats to the security of its properties, and was responding to them. In exceptional cases excessive security costs may be avoided by demolishing buildings in advance of need. In one case, however, 200 houses in habitable condition were demolished without a written business case, though the road scheme was subsequently cancelled.

10 The methods used to sell properties were generally effective in securing market value. There was significant regional variation in estate agency fees, and probably some scope for greater use of competitive tendering in appointing estate agents. Properties are still taking some time to sell once declared surplus, which contributes to the problem of unoccupied property. There has been an increase in

the average time taken to sell properties, from 20 months in 1994-95 to nearly 27 months in 1998-99. Progress towards faster disposals has been slowed by the large amount of property released by cancellations and waiting to be sold.

Recommendations

11 Our main conclusion was that more could be done to safeguard the value of properties owned by the Agency. The following recommendations are directed at the Agency although in practice they might be implemented by agents.

Repairs and maintenance

a) The Agency needs better management information to differentiate between properties which it expects to be sold and those likely to be demolished (paragraph 2.11);

b) the Agency should review and update its repairs and maintenance guidance to take clearer account of the fact that the Agency's properties are more likely to be sold than demolished (paragraph 3.7);

c) the Agency should seek advice from its property advisers in cases where the costs of major repairs may not be recovered through forecast rental income, to see whether the repair may have a beneficial impact on the resale value of properties (paragraph 3.8);

d) the Agency should ensure that its information systems include a reliable record of the condition of its property, from acquisition to disposal, for the purposes of management and analysis (paragraph 3.10);

e) the Agency should press ahead with its plans for an improved maintenance programme, particularly for those properties where the future of the scheme is uncertain and there is no imminent date for the start of road construction (paragraph 3.13);

f) the Agency should ensure that individual property files include a sound cumulative repairs record (paragraph 3.14).

Maximising occupancy

g) The Agency should consider phasing sales more often following the cancellation of large schemes, so as to retain more tenants in properties for longer before eventual marketing and sale (paragraph 3.21).

Demolition as an alternative to security measures

h) The Agency should introduce a requirement to obtain approval on the basis of a written business case for all demolitions which are to take place before the main construction contract is let, to ensure that demolition is fully justified (paragraph 3.28).

Maximising sale proceeds

i) The Agency should document the business case underpinning decisions to go to auction and the key steps taken in the auction itself. Such decisions should take explicit account of the financial implications of auction rather than private treaty sale (paragraph 4.9).

Minimising disposal costs

) The Agency should explore variations in regional practices and costs for sales management services, estate agent fees, and the use of competitive tendering by some District Valuers to select estate agents, with a view to setting benchmarks for savings and improved service (paragraph 4.14).

Time taken to sell surplus properties

k) The Agency should monitor and review its performance in selling vacant residential properties, to bring the time taken to nearer to the Treasury guideline of achieving disposal within six months of gaining vacant possession (paragraph 4.19);

l) the Agency should evaluate its disposal performance against key performance indicators, which are not at present produced routinely (paragraph 4.20 and Figure 22).

Part 1: Background

1.1 This Part of the report describes the Agency's property holdings and the programme of disposals resulting from changes in the roads building programme. It also sets out the scope and issues covered in our report, and describes our methodology.

The Highways Agency's property business

1.2 The Department of the Environment, Transport and the Regions (the Department) has overall policy responsibility for roads. The Highways Agency (the Agency) was created in April 1994 to take on responsibility for the construction and management of England's 6,500 miles of trunk roads and motorways. Prior to April 1994, the Agency's functions were carried out by the then Department of Transport.

1.3 Figure 1 shows that the Agency acquires land and buildings which are either on the route of a planned road, or close enough to be blighted by it. The legal powers used for this purpose are explained more fully in Appendix 2. Some of this property acquired for road schemes becomes surplus and can be disposed of:

- property which is affected by the road scheme, but is not essential to its construction, is acquired from former owners and is available for immediate resale; and

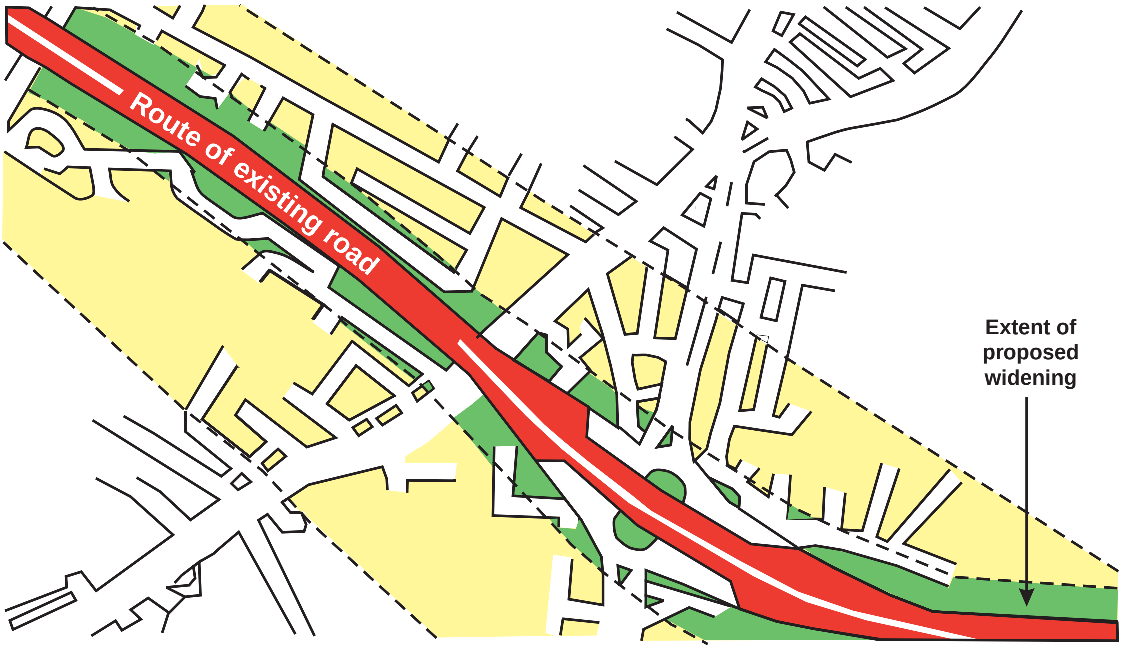
- property which is acquired for road schemes which are subsequently cancelled or where the route changes, which can then be sold.

1.4 In March 1999, the Agency held 2,652 pieces of property which had been acquired for road building, valued at some £217 million. The Agency manages and maintains this property until a decision has been made to go ahead with road construction or a property is declared surplus and sold. While the Department's approval for construction of all major roads schemes is always required, it largely delegates to the Agency responsibility for the land and property activities arising from these approvals.

Figure 1

How properties are acquired for road schemes and then disposed of

The Agency acquires property on or near the route of a proposed new road or road improvement, and some of this later becomes surplus and can be sold.



	Properties near the route of the new road	Properties on the route of the new road
How they are acquired	Owners of properties affected by the road, but not needed for construction, may ask the Agency to purchase their property at its pre-scheme value.	The Agency acquires the properties it needs for road construction, either while the route is being planned or shortly before work commences.
Why they are later declared surplus and sold	These properties are not needed for road construction or access, and can be resold, usually straightaway.	During planning, which can take ten or more years, the route may change or the scheme may be cancelled, rendering properties surplus to requirements. Sometimes, only part of the property is required for the scheme.

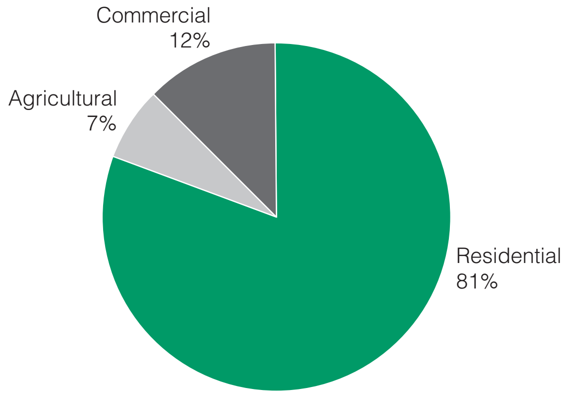
Source: National Audit Office

1.5 Most properties acquired for road building are residential. Figure 2 shows that residential properties account for just over 80 per cent of the Agency's acquisitions by value. The average purchase price of properties sold between April 1994 and March 1999 was £107,000 although nine per cent of properties were purchased for more than £200,000 (all at 1999 prices).

Composition of the Agency's property portfolio by value, at 31 March 1999

Figure 2

Just over 80 per cent by value of the property acquired by the Agency for road building is residential.



Source: Highways Agency

Note: Percentages based on unindexed acquisition prices.

1.6 Some properties can be sold soon after acquisition because although they are affected by the planned road scheme they are not essential to construction. In other cases, particularly where final decisions on the road scheme are awaited, it can be some time between the acquisition of a property and its eventual use or disposal. Properties eventually demolished for road building have often been held for over 10 years. Properties declared surplus and sold have on average been held for four years. Once a property has been declared surplus the Agency aims to sell quickly at open market, vacant possession value.

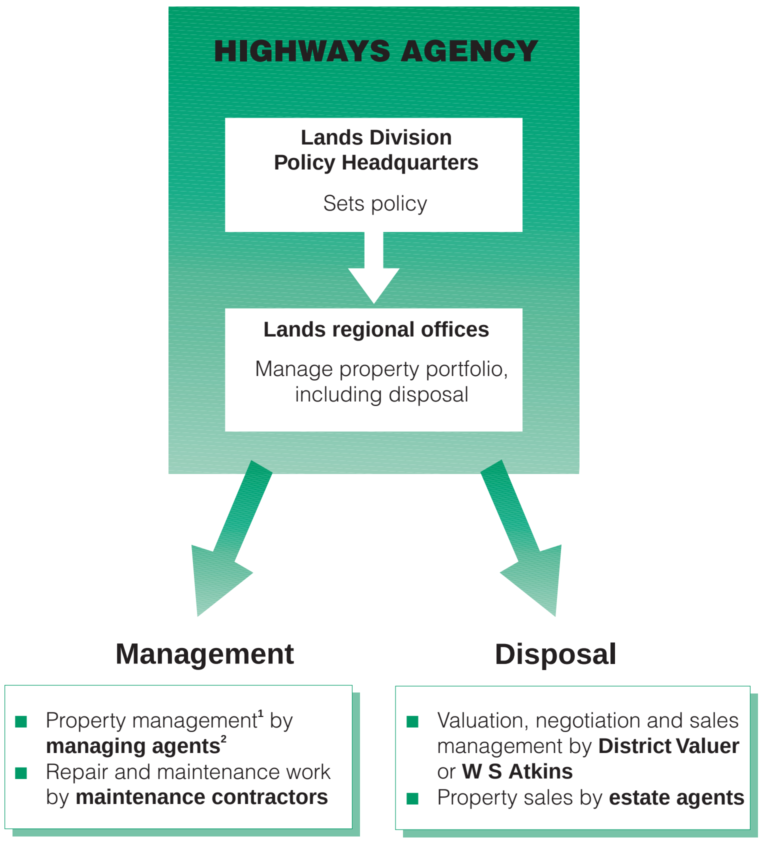
1.7 Within the Agency, Lands Division is responsible for the acquisition, management and disposal of properties. It liaises closely with the Agency's Operations Division, which determines the Agency's acquisition, utilisation and disposal requirements for all individual road schemes, and with the Agency's Finance Branch. Lands Division, based in five regional offices and a central policy branch in London, employs almost 60 staff on property management functions at a cost of around £2 million a year. Most of the Agency's properties are managed by professional managing agents, except in London, where the Agency uses a mixture of professional managing agent, local authorities and registered social landlords, as well as directly managing a large part of its portfolio, pending transfer to Transport for London (part of the Greater London Authority) next year. In arranging disposals, the Agency makes extensive use of District Valuers employed by the Valuation Office Agency – referred to as the Valuation Office in this report –

and, since 1997 W S Atkins, to provide valuation, negotiation and sales management services, and it appoints estate agents to sell its properties. Figure 3 shows the roles and responsibilities of the main players.

Figure 3

Roles and responsibilities for the management and disposal of properties

Lands Division's role is to monitor and review the work of its managing agents, valuers and sales agents.



Notes: 1. Most of the Agency's properties are managed by managing agents except in London, where the Agency uses a managing agent, local authorities and registered social landlords, as well as directly managing part of its portfolio.

2. The Agency employs residential, commercial and agricultural managing agents.

Source: National Audit Office

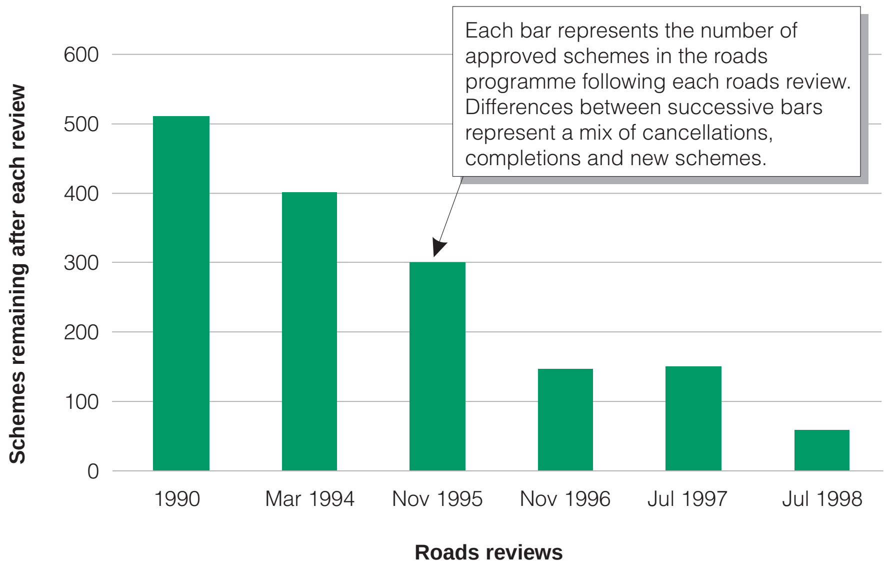
The impact of changes in the roads programme on the Agency's property holdings

1.8 Prior to the creation of the Highways Agency in 1994, roads planning had been based on an expanding programme of road building, as outlined in the then government's White Paper "Roads for Prosperity" (Cmd 693, 1989). Since 1994, however, there have been five major reviews of the roads programme which led to the cancellation of around 276 trunk road schemes. The number of trunk roads schemes in preparation and under construction has fallen from some 500 in 1990 to 59 in 1998 (see Figure 4). Properties acquired for a further 93 schemes have been retained pending decisions about the long term future of these schemes.

The effect of reviews on the roads programme 1994 to 1998

Figure 4

Following a large increase in the number of schemes in the roads programme in 1990, successive reviews since 1994 have reduced the roads programme to just 59 schemes by 1998.



Source: The Department of the Environment, Transport and the Regions

Note: Of the 59 schemes in preparation or under construction, 37 were approved in the July 1998 review.

1.9 In its White Paper, "A New Deal for Trunk Roads in England" published in July 1998, the Government set new priorities for national investment in trunk roads:

- to improve the maintenance of existing roads;
- to make better use of existing roads; and
- to tackle some of the most serious and pressing roads problems through a carefully targeted programme of improvements.

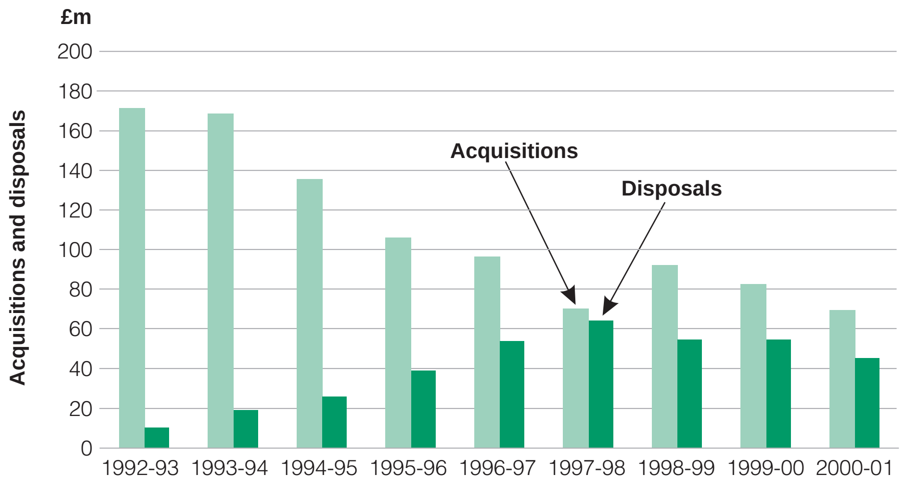
Appendix 3 gives more of the background on current national road policy.

1.10 As a result of the reductions in the roads programme in the 1990s, the Agency's expenditure on acquisitions of property has declined significantly, and proceeds from disposal have risen. Figure 5 shows that in 1992-93 the Agency's predecessor spent £172 million on acquiring properties; by 1997-98 expenditure had fallen to £71 million. At the same time, proceeds from disposals have risen from £10 million in 1992-93 to peak in 1997-98 at around £65 million reducing to around £45 million a year from 2000-01 once the bulk of surplus property has been sold. Over the period from 1994-95 to 1999-2000, revenue from disposals is expected to amount to nearly £294 million (all amounts stated at 1999 prices).

Expenditure on acquisitions and proceeds from disposal since 1992-93, at 1999 prices

Figure 5

Expenditure on acquisitions has significantly declined, while proceeds from disposal peaked in 1997-98.



Note: Prices have been indexed to quarter 1 1999 prices using the GDP deflator.

Source: National Audit Office, using Highways Agency data

1.11 Figure 5 shows continuing expenditure on acquisitions of around £92 million in 1998-99 despite the fall in the number of road schemes. Some 70 per cent of likely expenditure between 1998-99 and 2000-01 relates to property purchases from earlier road schemes, to be made under statutory compensation procedures which allow most vendors discretion to complete their sale over a long timescale.

1.12 After discounting and taking house price inflation into account, a typical property acquired, managed for four years and then sold has a net cost to the Agency of around £54,000, and each additional year in management costs £3,400 (both at 1999 prices). Two thirds of this cost is due to the substantial gap between the prices at which the Agency acquires properties and the prices it sells them for. These calculations are explained in Appendix 4.

The issues addressed in this report

1.13 Since 1994 the Agency has had to dispose of many surplus properties, and proceeds from disposal have been rising each year, to reach a peak in 1997-98. Sale prices have generally been lower in real terms than those at which properties were acquired. Some of this loss reflects impairment caused by the road or by blight but some of the shortfall may also be due to aspects of the Agency's management.

1.14 This report therefore focuses on whether the Agency has secured best value for property which is not required for road schemes.

- Part 2 discusses **the losses on disposal of property acquired for roads;**
- Part 3 looks at **what happens to property values while in Agency ownership;** and
- Part 4 looks at **how the Agency sells property.**

1.15 We looked at the acquisition, management and disposal of road property in our earlier report "Department of Transport: Acquisition, Management and Disposal of Land and Property Purchased for Road Construction" (HC 492 of 1993-94, June 1994). The Committee of Public Accounts subsequently took evidence on the basis of that report and published its own report (HC 43, Session 1994-1995). The Department of Transport and the Agency responded to the Committee's recommendations in a Treasury Minute (Cmd 2990, October 1995). Appendix 1 shows the Committee's recommendations, and the Department of Transport and the Agency's response and progress to date in implementing changes.

1.16 The Committee made two recommendations on the disposal of property, both of which were accepted and implemented by the Agency.

- The Agency should review its arrangements and set clear targets, with the Department, for the identification and disposal of surplus properties.
- The Agency should do more to implement the Government's policy on selling or letting properties vacant for more than six months for social housing.

The Committee did not comment directly on the proceeds of disposal. Disposals were still at a low level (Figure 5), since the major scheme cancellations of the last five years had yet to take place. The Committee did however make recommendations on the management and occupancy of properties, both of which are relevant to maintaining resale values.

- On management, the Agency should specify managing agents' responsibilities for the state of repair and ensure that agents are meeting standards.

- On occupancy, the Agency and its agents should do more to maximise the proportion of tenanted properties.

In response, the Agency has revised its management agreements to provide for repairs audits of agents, and to include targets for vacancy levels.

Our methods

1.17 In carrying out the study we had discussions with staff at all levels within the Agency, both at central London and at regional offices; analysed the Agency's computerised property management information system; and examined the Agency's papers. Our work also included a detailed examination of a sample of 145 properties drawn from 17 major road schemes across all five of the Agency's regional offices (Figure 6). Appendix 5 describes our methodology in more detail.

1.18 The Agency reviewed its property management procedures in March 1997 and property disposal procedures in May 1998. Where appropriate, we have referred to the Agency's findings and subsequent proposals for action in the rest of this report.

Figure 6

The seventeen road schemes examined by the National Audit Office

The seventeen schemes examined by the National Audit Office covered a wide geographical spread and included schemes which were either cancelled, completed or under review.

Manchester Office	
A5225 Hindley Bypass [1]	(Withdrawn)
M62 Relief Road	(Cancelled)
M66 Contract 3	(Under construction)

Birmingham Office	
Birmingham Northern Relief Road	(Awaiting start)
M42 Widening	(Cancelled)
A45 Junction improvements	(Cancelled)

Bedford Office	
A10/M25 Hoddesdon Bypass	(Cancelled)
A1(M) Junctions 6-8	(Under review)
M25 Junctions 16-19 improvements	(Cancelled)
A406 Bounds Green-Green Lanes	(Withdrawn)

Exeter Office	
A4/46 Batheaston Bypass	(Completed)
M4/5 Second Severn Crossing	(Completed)

Dorking Office	
A27 Worthing-Lancing	(Cancelled)
M20 Junctions 3-5 improvements	(Cancelled)
M25 Junctions 10-12 improvements	(Cancelled)
A40 Gypsy Corner and Western Circus	(Cancelled)
A406 East London River Crossing	(Cancelled)

Note: 1. Although the scheme has been withdrawn, the properties are being retained pending a decision from the local authority on a smaller scale improvement.

Source: Highways Agency

Part 2: Losses on disposal of property acquired for roads

2.1 This Part of the report considers the extent of the loss in capital value of property during the Agency's stewardship; and explores possible reasons for this loss in value.

The gap between acquisition and disposal prices

2.2 Between April 1994 and March 1999 the Agency sold 3,300 properties, and for 2,810 of these properties we were able to calculate the difference between acquisition and sale price. Although there was a wide variation in the difference between the acquisition and disposal prices of individual properties, on average the Agency sold properties for around 68 per cent of the price it paid for them, after taking inflation into account. This 32 per cent shortfall represents an average of £33,755 per property (at 1999 prices). The average shortfall in the Agency's five regions varied from 58 per cent (Manchester) to 23 per cent (Bedford). Since 1994, only 111 properties (just over three per cent of the total) have been sold for more than their acquisition price, after taking inflation into account.

2.3 The gap between acquisition and disposal prices reflects a number of factors:

- **Blight** because a property is directly affected or threatened by the announcement, construction or completion of a road scheme, which lowers the price buyers will be prepared to pay for it. Disposal prices may continue to be depressed even where a scheme has been cancelled, due to apprehension amongst buyers about a possible resurrection of the scheme.

- Deterioration in a property's state of repair whilst under the Agency's **management**, leading to a lower sale value. (Part 3 of this report)

- Any loss caused by a **sales** process which fails to obtain the best price for a property. (Part 4 of this report)

2.4 Blight is likely to be inevitable once a road scheme has been announced, and there may be little that the Agency can do to mitigate the resultant loss in value. Losses of value attributable to management factors should however be within the Agency's control. We looked at three ways of identifying losses within management control.

- Loss of value while under management is likely to be progressive, in contrast to the initial fall due to blight.
- Where schemes have been cancelled, losses on sales will be less likely to reflect blight.
- Properties expected to be resold should be managed to conserve more of their value than properties which the Agency expects to demolish.

Loss of value while under management

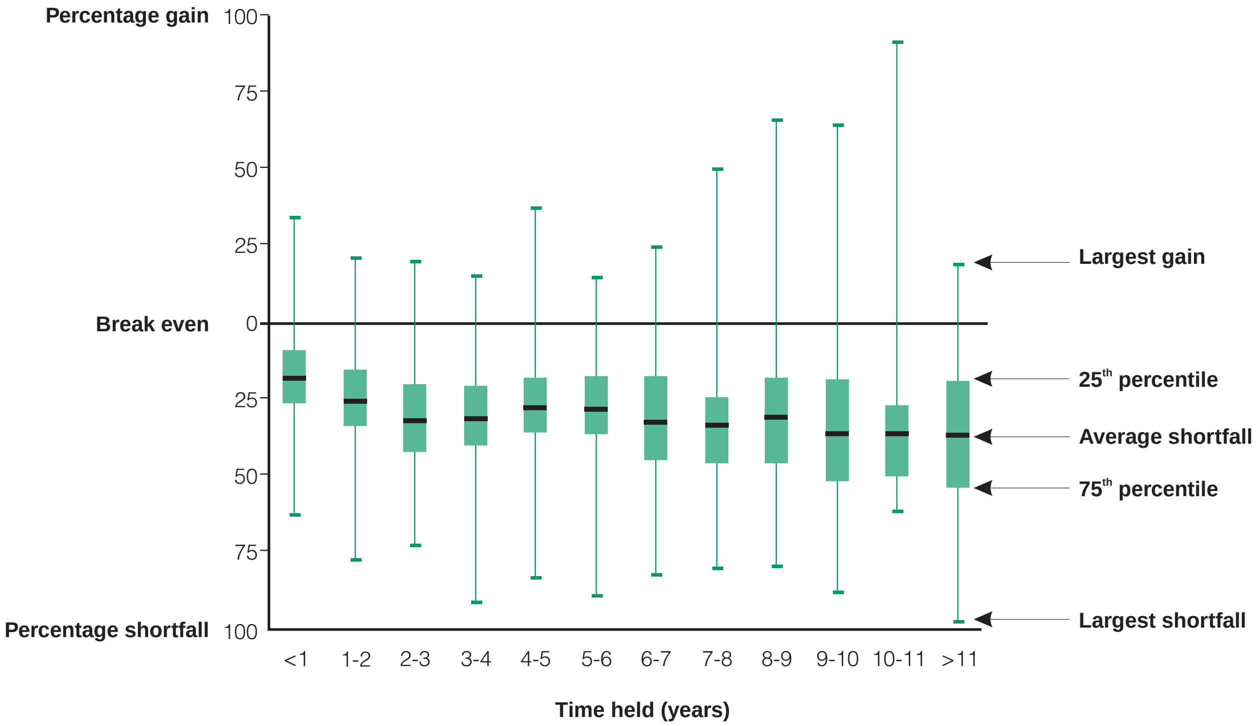
2.5 There is a loss in capital value whilst properties are in management. We found that the disposal prices of properties sold within one year of acquisition were on average 19 per cent lower than acquisition prices. This average shortfall fluctuates but tends to increase over time. After reaching around 33 per cent in the next two years, it recovers to 29 per cent by year 4, before rising again to 37 per cent by years 9 to 11 (Figure 7).

2.6 Some of this loss in value will be the result of blight or ineffective sales processes. However, these two factors are unlikely to be affected by the period for which the property has been held, which suggests that a significant proportion of this loss in value over time reflects the way the property is managed.

Figure 7

Difference between acquisition and disposal prices for individual properties, compared to time the Agency held them

The shortfall between acquisition and disposal prices increases gradually with time.



Note: Acquisition prices indexed to date of disposals.

Source: National Audit Office

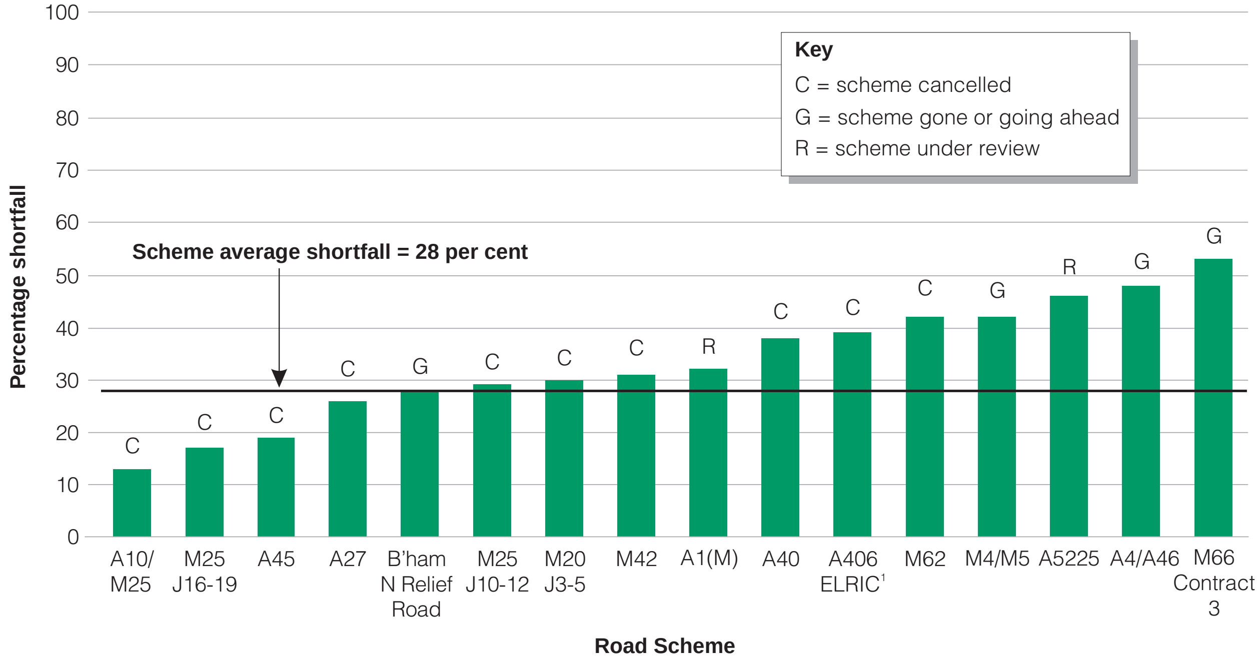
Cancelled versus ongoing schemes

2.7 Figure 8 shows that the gap between acquisition and disposal price is generally higher for those schemes in our sample which had gone or were going ahead, and lower for those schemes which had been cancelled. We found a similar result for all properties sold between April 1994 and March 1999. The average shortfall for properties where schemes went ahead was 42 per cent. These will have suffered inconvenience for reasons such as traffic noise, the loss of a garden or restricted access. However, three quarters of recent disposals have been the result of cancelled road schemes, and these properties still lost 27 per cent of their value. In part, some of this shortfall will reflect lingering blight, but management may also have been a factor.

Figure 8

Average shortfall between acquisition and disposal prices on properties sold since April 1994 on schemes examined by the National Audit Office

The average shortfall varies between 13 per cent and 53 per cent of acquisition prices, with an average shortfall of 28 per cent.



Notes: 1. ELRIC – East London River Crossing.

2. Acquisition prices indexed to date of disposals. The shortfall has been expressed as a percentage of indexed acquisition prices.

3. One scheme we examined (A406 Bounds Green) had resulted in few sales, and is excluded from this Figure.

Source: National Audit Office

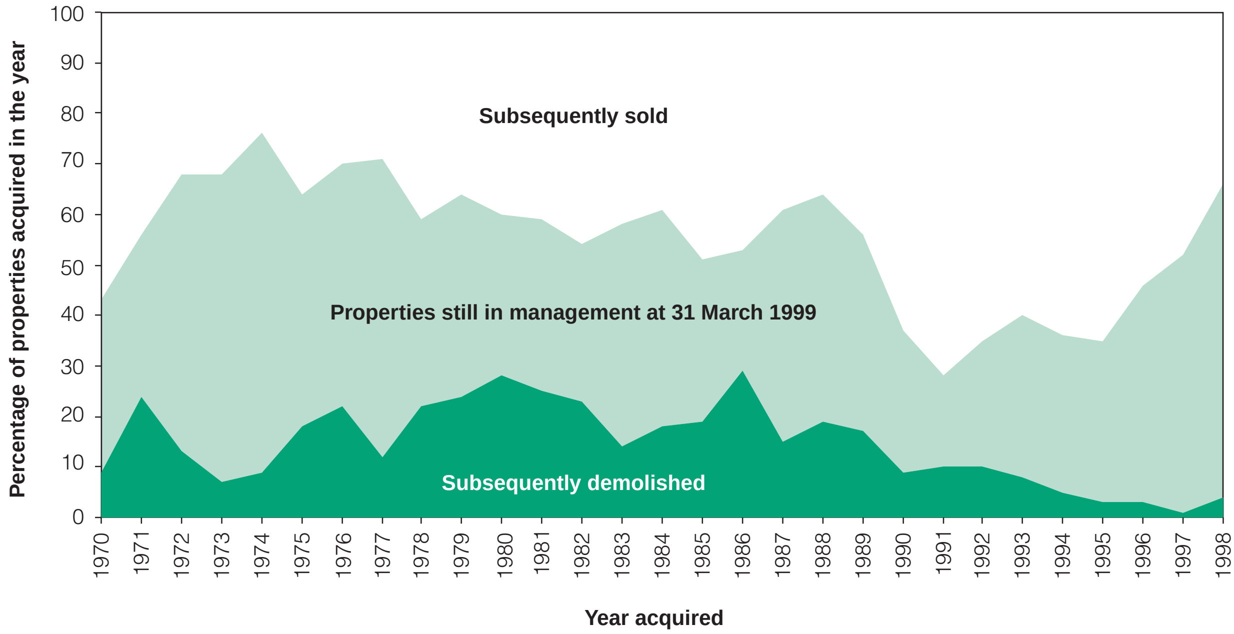
Demolition or resale

2.8 Figure 9 shows that since 1970 many more properties have been retained in management or sold than have been demolished. No more than 30 per cent of properties acquired in any single year have been demolished for road building in subsequent years, and an average of just 18 per cent of properties acquired between 1970 and 1990 had been demolished for road use by 31 March 1999.

Figure 9

The use made of properties acquired since 1970, at 31 March 1999

The proportion of properties acquired in any year and subsequently demolished for road building has never exceeded 30 per cent, and has averaged 18 per cent for properties acquired between 1970 and 1990.



Source: National Audit Office, based on Highways Agency property management database data

2.9 In some cases, the Agency will know at the time of acquisition that a property will eventually be resold – because it is not essential to road construction. In other cases, the eventual use of a property will be uncertain until the final decision is reached on a road scheme. For individual schemes, however, the Agency should be able to distinguish between those properties along a route which are likely to be demolished, assuming the scheme goes ahead, and those which are more likely to be resold. The Agency might therefore be expected to maintain properties which are not essential to the building of the road with a view to protecting their resale value. On the other hand, for properties likely to be demolished the Agency might reasonably perform no more than minimum maintenance: these properties might therefore be expected to show a significant loss in resale value.

2.10 There is no precise way of determining whether this is true in practice, since the Agency's systems and records do not differentiate properties in this way. A proxy for the distinction is the split between properties acquired because they are on the line of the proposed road, and so likely to be demolished, and those which are off the line, and so always likely to be sold. This proxy is not exact, because even on-line properties may escape demolition if only part of the site is needed, but it should give the broad picture. We found little or no difference between loss in value for the two types of properties (Figure 10), suggesting that the Agency's policy towards the upkeep of property in management may not sufficiently differentiate between these two groups of properties. However the Agency lacks the management information that would be needed to distinguish directly between depreciation on properties acquired for ultimate resale and those acquired for probable demolition.

Loss in value, by type of property and result of road scheme[1]

Figure 10

The percentage shortfall between acquisition and disposal prices is similar for properties on and off the line of proposed roads.

	On the line of the proposed road	Off the line of the proposed road
Scheme went ahead	**33%** (63)[2]	**37%** (197)
Scheme cancelled	**27%** (601)	**24%** (423)

(numbers in brackets represent numbers of properties for which data are available)

Notes: 1. This analysis is based on only those properties for which the National Audit Office was able to calculate the indexed acquisition price and where on or off line status is recorded – around 40 per cent of the Agency's property management database records of properties sold between April 1994 and March 1999. The average loss on sale for those properties not included was 47 per cent, which accounts for the difference between the figures in Figure 10 and those cited in paragraph 2.7.

2. Not all on-line properties acquired for schemes which went ahead were needed for road construction. In some cases, only part of the property was required, or changes to the route resulted in the property being declared surplus and sold.

Source: National Audit Office analysis of Highways Agency data

2.11 The Agency needs better management information to differentiate between properties which are likely to be sold and those likely to be demolished. Such a distinction should be possible in practice but, of necessity, this will be influenced by the accuracy of information available to the Agency on the likely final route of individual schemes.

2.12 Part 3 of this report looks at the Agency's approach to property management. It considers how far the Agency seeks to differentiate between properties which are likely to be sold and those likely to be demolished, and whether it could be more effective in limiting loss of value in respect of properties destined for resale. It also considers the information requirements for effective management of property assets, including the need for realistic and up-to-date assessments of the likely end-use of properties.

Part 3: Protecting asset value whilst properties are in management

3.1 To protect asset value pending use or disposal of properties requires the achievement of three key objectives:

- **Carrying out essential repairs and maintenance:** repairs and maintenance preserve the internal and external condition of a property, thus protecting its value as well as improving its potential for letting.

- **Maximising occupancy:** achieving high occupancy rates is generally held to reduce the likelihood of squatting, vandalism and deterioration that might otherwise arise from leaving properties empty. Tenanted properties also bring in rental income.

- **Carrying out effective security measures:** security measures protect empty properties from squatting or vandalism, and thus help preserve resale value.

3.2 This Part of the report examines how well the Agency has met each of these three objectives.

Repairs and maintenance

3.3 Responsibility for repairs and maintenance programmes rests, in most cases, with the Agency's managing agents. These agents have authority to carry out minor or routine repairs and maintenance, but must consult the Agency in complex or expensive cases. Managing agents use contractors to carry out repair work.

The Agency's approach to repairs and maintenance

3.4 If a property has already been declared surplus and is awaiting sale, the Agency will only carry out essential repairs. Decisions on the repair of other properties depend on the type and cost of the repair.

Managing agents use contractors to carry out repair work

3.5 Managing agents have delegated spending limits for minor or routine repairs which enable them to appoint and pay contractors, and bill the Agency, without waiting for Agency approval. We found no evidence that minor or urgent repairs had been left undone or deferred unnecessarily.

3.6 In respect of major repairs, such as a new roof or major structural works, the Agency requires its managing agents to make a business case for approval by the Agency before work can proceed. If the Agency is uncertain whether expenditure is justified by the remaining economic life of a property, it will usually seek advice from the Scheme Engineer, the valuer and the managing agent. The Agency's guidance to staff notes that properties should not be allowed to decline with a loss of capital value and that a scheme of maintenance may be appropriate for longer life properties. Elsewhere, however, the guidance directs that authorisation of repairs on habitable properties is conditional on the sum involved not exceeding the forecast rental income over the life of a property. These two messages might conflict in the case of repairs and maintenance where costs exceed forecast rental income, but where the excess cost might be recouped in beneficial impact on the capital value of properties.

3.7 **The Agency should review and update its repairs and maintenance guidance to take clearer account of the fact that the Agency's properties are more likely to be sold than demolished. This need not assume sale rather than**

demolition in every case, but take into account issues such as the likelihood of the property being resold as well as the length of time a property is likely to be held by the Agency. In June 1999, the Agency amended its guidelines on maintenance to take these points into account.

3.8 Especially where significant sums are involved, **the Agency should seek advice from its property advisers in cases where the costs of major repairs may not be recovered through forecast rental income, to see whether the repair may have a beneficial impact on the resale value of properties.**

State of repair of properties during Agency's stewardship

3.9 The condition of the Agency's property affects the size of the gap between acquisition and disposal prices (Figure 11).

The link between state of repair and loss of value, for properties sold between April 1994 and March 1999

Figure 11

There is a clear link between the state of repair of a property and the loss in value when sold.

State of repair[1]	Number of properties	Percentage of properties sold[2]	Percentage loss in value
Good	1222	43	28
Fair	1024	36	31
Bad	266	9	37
Unlettable	26	0.9	43

Notes:
1. Records the District Valuer's assessment of condition upon acquisition or in March 1994, when the Agency's whole estate was valued by the District Valuer.
2. This column does not sum to 100 per cent – another 11 per cent of properties were not classified by state of repair.
3. The analysis excludes properties for which there is no acquisition or disposal price on the Agency's property management database, or where the "condition" field is blank.

Source: National Audit Office, based on Highways Agency property management database data

3.10 We looked at what is known about the state of repair of properties sold or held by the Agency:

- Figure 11 shows that around 10 per cent of properties **sold** between April 1994 and March 1999 were classified by the Agency as in a bad or unlettable condition, and another 36 per cent were assessed as being in a fair condition.

- At 31 March 1999, the Agency **held** 75 properties (4 per cent of all properties) classified as repairable and another 108 properties (6 per cent of all properties) classified as unlettable.

Agency records do not show whether the condition of these properties was improved prior to sale, or whether properties held or sold in less than good condition were acquired in that state or had become so whilst in management. The introduction of more rigorous and frequent condition surveys and improved repairs records (see paragraph 3.14) should in future provide better information on the extent and cause of deterioration. **The Agency should ensure that its information systems include a reliable record of the condition of its property, from acquisition to disposal, for the purposes of management and analysis.**

3.11 Although we found a lack of systematic or comprehensive data on the extent of deterioration of properties whilst under the Agency's management, on the schemes we examined concerns were expressed by various parties about maintenance and repairs, and a general deterioration in property condition during the Agency's ownership. In particular:

- Four District Valuers (connected with the M62 Relief Road, A27 Worthing - Lancing, A45 and A10/M25 Hoddesdon Bypass) told us that the condition of properties had deteriorated considerably since acquisition due to the lack of proper maintenance, which had adversely affected sale prices. In the case of the M62 Relief Road (Manchester), a large number of properties had been vandalised in the early days following the cancellation of the scheme. The London Borough of Greenwich (A406 East London River Crossing), Broxbourne Borough Council (A10/M25 Hoddesdon Bypass) and Bury Metropolitan Borough Council (M62 Relief Road) told us that they had received complaints from tenants about maintenance issues. All the schemes noted here were cancelled.

- All five of the Agency's main residential managing agents commented on the need for the Agency to introduce a planned programme of maintenance work to improve the standard of repair of its properties. One managing agent told us that the condition of the Exeter portfolio was very poor when it took over as managing agent in 1996.

- 17 out of 58 tenants who responded to an Agency survey in Exeter and Bedford regions in 1998 commented on the poor condition of the Agency's properties at the start of their tenancies.

3.12 In 13 of the 17 schemes we looked at we also found evidence that the condition of properties had deteriorated during their time in management. Some properties, particularly on the M62 Relief Road and the Birmingham Northern Relief Road, were prone to damage by vandals or targeted by thieves. Some larger, high value, properties acquired for the A1(M) scheme had deteriorated because they had been left empty and unheated. More commonly, properties sold by the Agency were in need of repairs to external woodwork, internal redecoration and modernisation of bathrooms and kitchens.

Lack of maintenance can lead to woodwork deterioration

3.13 The Agency told us that it was concerned about the state of repair of its properties and that it was in the process of drawing up a planned programme of maintenance with its managing agents. **The Agency should press ahead with its plans for an improved maintenance programme, particularly for those properties where the future of the scheme is uncertain and there is no imminent date for the start of road construction**. The Agency told us that, with the assistance of its property advisers it has drawn up a programme of cyclical maintenance and will be issuing this to all managing agents and operational staff with updated guidance.

Controls over maintenance

3.14 In March 1997 the Agency reviewed all aspects of property management and the Agency's relationship with its managing agents. This review led to substantial changes in the Agency's contracts with its managing agents, which it began to introduce in November 1997. In respect of repairs, the review had the following impacts:

- **Use of contractors:** agents were required to keep a written record of actions taken in respect of all repairs, and required to certify on all contractors' invoices that the work has been completed satisfactorily.

- **Condition surveys**: the Agency plans to commission the Valuation Office and W S Atkins to provide full schedules of condition for all future acquisitions. These schedules will establish what, if any, work may be required to bring properties up to a lettable condition and provide a better means of assessing how managing agents are performing and whether properties are being cared for by tenants.

- **Repairs records**: the Agency plans to maintain cumulative repairs records on individual property files, a practice recommended by the Royal Institution of Chartered Surveyors and the Valuation Office. **We found frequent repairs records were not always kept together on the Agency's property files and consider that the need for a sound cumulative repairs record is pressing.**

- **Managing agent inspections**: the Agency requires its managing agents to conduct pre- and post-repair inspections and to contact tenants after every repair to establish that repairs have been satisfactorily completed. The Agency also expects managing agents to inspect the condition of vacant properties monthly, and all occupied properties at least six monthly.

3.15 The Agency has asked the Valuation Office and W S Atkins, as part of their repairs audits, to monitor agents' compliance with the tighter management contracts introduced in May 1998. Audits completed to date have confirmed the need for tighter controls (Figure 12). The Agency has now let a national contract with the Valuation Office for regular audits covering all aspects of agents' performance.

Repairs audit findings

Figure 12

Repairs audits have identified a range of weaknesses in work commissioned by commercial agents.

All five of the Agency's main residential managing agents have been audited by the Valuation Office at least once, although in one instance, the Agency has so far only audited work in one of the three regions in which its agent manages properties. The audits have highlighted a range of problems, including:

- Poor record keeping, blurring the trail from identification of need for repair through to post-repair inspection;
- Poor specification, monitoring and inspection of repair work, resulting in unnecessary work.

The Agency told us that these points had been taken up with the agents concerned, and remedial action required. Lessons learned which have a wider relevance have been incorporated into new guidance to all agents.

Source: Highways Agency and Regional Building Surveyor

Maximising occupancy

3.16 Occupied properties are less likely to be vandalised or suffer from major deterioration, and should retain more of their value on resale. Maximising occupancy is also of general importance in the management of publicly-owned housing, to ensure effective use of the available stock.

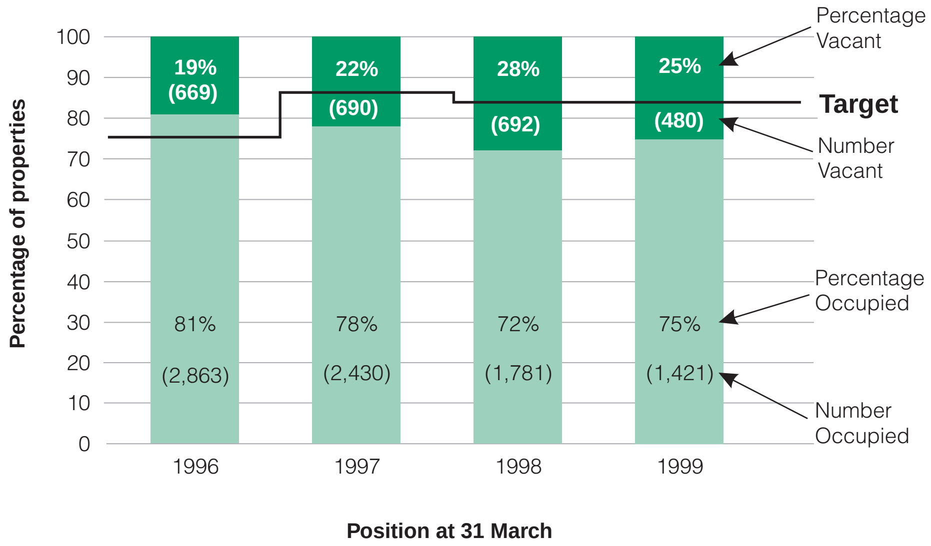
Outcome against occupancy targets

3.17 Since 1995-96, the Department has agreed with the Agency an annual target for occupancy, expressed as the proportion of its total housing stock to be occupied. Although the target has been raised over the last four years, the Agency's occupancy rates fell in the first three and have improved only slightly in the last. Figure 13 shows that between 1996 and 1999 occupancy fell, from 81 per cent to 75 per cent, though the target was raised from 75 per cent to 82 per cent over the same period. As a result, the Agency missed its targets in 1997, 1998 and 1999.

Performance against housing occupancy targets 1996 to 1999

Figure 13

The Agency achieved its 1996 target but occupancy levels have fallen short of targets for the last three years.



Source: Highways Agency

3.18 The target was raised from 75 per cent to 83 per cent in 1997 due to a concern to reduce the numbers of empty homes held by government departments and to encourage the Agency to take prompt action to tenant or dispose of vacant properties. Since August 1997 the Department has also required the Agency to explore the scope for bulk sales of surplus tenanted or empty properties to local housing authorities or housing associations in areas of housing stress. The occupancy target was reduced slightly to 82 per cent for 1998 and maintained at this level for 1999. Figure 13 shows that this failure to meet percentage occupancy targets was because in the first three years the number of vacant properties actually increased whilst the number of tenanted properties fell by a third. In 1999, the overall level of occupancy increased as the number of vacant properties fell.

3.19 Since 1995-96, the Department has also agreed annual targets with the Agency for the proportion of habitable stock vacant for over six months. The Agency missed these targets in 1997 and 1998 but achieved a significant improvement in 1999 (Figure 14).

Habitable stock vacant for more than six months, between 1996 and 1999

Figure 14

In the two years to March 1998 over 10 per cent of the Agency's habitable stock was vacant for more than six months, but by March 1999 this was reduced to less than 5 per cent.

	Percentage of habitable stock which is vacant for more than six months	
	Target	**Achieved**
At 31 March 1996	9	8.3
At 31 March 1997	7	11.2
At 31 March 1998	9	10.5
At 31 March 1999	7	4.5

Source: Highways Agency

Reasons for the Agency's under-performance against its occupancy targets

3.20 The Agency attributes this lower percentage occupancy in 1997, 1998 and 1999 to the greater number of surplus properties held vacant awaiting sale, which it could not then sell. As Figure 15 shows, in 1995-96 and 1996-97 the number of properties declared surplus by the Agency tripled compared to 1994-95, because of successive reviews and reductions of the roads programme. The Agency obtained early vacant possession of many of these surplus properties with a view to a quick sale, but in many cases found it difficult to sell them. After a disappointing year for sales in 1995-96, the Agency greatly increased its sales in the next three years, but not enough to catch up. When selling proved difficult, the Agency tended to keep these properties empty, rather than seek to re-tenant them.

3.21 When dealing with large scheme cancellations, the Agency will sometimes phase the disposal of its surplus properties to avoid flooding the local market and depressing prices unnecessarily. In these cases, the Agency aims to keep properties occupied whilst sales are phased.

- Examples of this policy in practice were the Agency's handling of sales following cancellation of the M20 Junctions 3 - 5 (326 properties) and A10/M25 Hoddesdon By-pass (365 properties). Phasing enabled the Agency to retain proportionately more tenants in properties for longer periods before marketing and sale, by extending existing tenancies or re-letting. The local authorities involved told us, however, that the scale of the Agency's disposal programme caused considerable disruption to the local community and housing market.

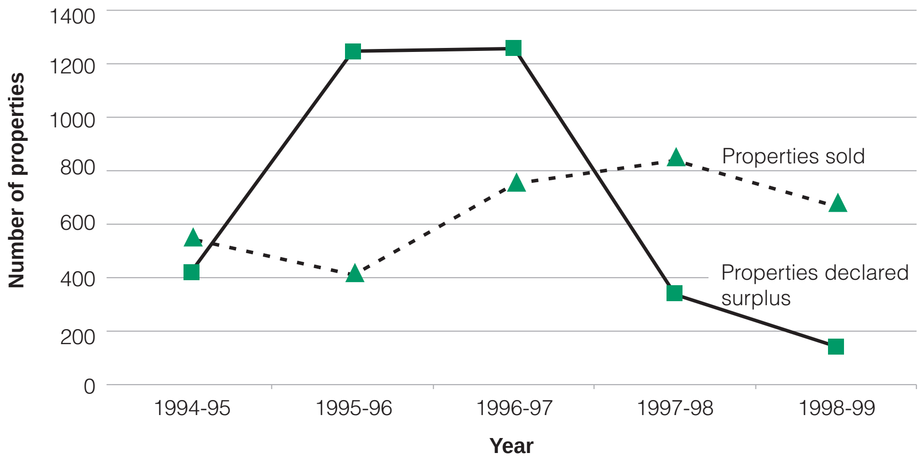
- In contrast, following the cancellation of the M62 Relief Road (350 properties) in Manchester the Agency pressed ahead with disposal rather than extend existing tenancies or relet properties becoming vacant. This policy resulted in a large number of vacant properties awaiting sale.

The Agency should consider phasing sales more often following the cancellation of large schemes, so as to retain more tenants in properties for longer before eventual marketing and sale.

Properties declared surplus and sold, 1994-95 to 1998-99

Figure 15

The Agency has increased the number of sales, but not enough to catch up with the peak in properties being declared surplus.



Source: Highways Agency

Other types of vacant property

3.22 Properties vacant awaiting sale accounted for around 50 per cent of all vacant property at the end of March 1999. Another 6 per cent were scheduled for demolition prior to a road scheme commencing. Both these categories are unlikely to be suitable for re-tenanting. But there were also other categories of vacant property which the Agency intend to, or may be able to repair and tenant: 44 per cent of vacant properties fall into this category (Figure 16). The latter include 15 per cent assessed as "beyond economic repair": the Agency told us it was working with the Empty Homes Agency to establish whether these properties could be refurbished.

Figure 16 **Untenanted properties, by cause of vacancy, as at 31 March 1999**

In March 1999 around 56 per cent of empty properties were awaiting sale or demolition, but the other 44 per cent might be re-tenantable.

Note 1: The Agency is working with the Empty Homes Agency to establish whether there may be scope for refurbishing some of these properties.

Source: Highways Agency

The Agency's plans to improve occupancy

3.23 The Agency expects to improve occupancy considerably in 1999-00. The number of properties declared surplus has been reducing since 1996-97, and greater certainty about the future of schemes should help occupancy and disposal planning. The Agency aims to improve its overall occupancy rate in part by continuing its sales programme to reduce the number of surplus empty properties on its books and, wherever it can be justified, by bringing poor quality properties up to lettable condition.

Security

3.24 Securing empty properties discourages vandalism, theft and squatting, and may help preserve the capital value of the property. There are two levels of security:

- basic measures taken when a property first becomes empty; and
- measures taken in response to more serious threats.

Basic security

3.25 If a property is vacant, the Agency will instruct its management agents to have tanks drained, all services disconnected and all windows, and gates and doors secured against trespass. We found that occasional lapses nevertheless occurred. In a small percentage of cases, pipes or radiators had not been drained, leading to leaks and damage which caused reductions in the sale prices negotiated for these properties.

The Agency uses a variety of security methods, principally metal shuttering or boarding, to protect its properties

Responses to more serious threats

3.26 Generally, we found that the Agency was aware of the various threats to its properties, including targeted theft, squatting, vandalism and determined occupation by road or environmental protestors. It was generally able to maintain sufficient day-to-day intelligence about threatened properties, through contacts with managing agents, the police, tenants and others, and to act quickly. Agency staff and managing agents conducted frequent visits to the most seriously threatened properties to review the effectiveness of security strategies. To secure its properties against such threats, the Agency used a variety of methods, principally metal shuttering, boarding or bricking-up, and occasionally houseguards.

3.27 Where security costs are prohibitive, the Agency may exceptionally demolish buildings before they are required for confirmed road schemes. The Agency's guidance indicates that demolition should not normally occur before a site is actually required for works, but is less clear about the need to seek approval for demolition in these exceptional circumstances, and the extent to which a full business case is needed. We found different approaches within the Agency. In August 1998 the Agency approved the demolition of 12 Birmingham Northern Relief Road properties, based on a comprehensive business case. In contrast, we found no record of approval or written business case to demolish 200 properties in 1995-96 on the A40 Gypsy Corner and Western Circus schemes (Figure 17).

Figure 17

Decisions to demolish properties on two schemes

The Agency presented a written business case for approval of demolition on the Birmingham Northern Relief Road scheme but not on the A40 Gypsy Corner and Western Circus scheme.

Birmingham Northern Relief Road

- In August 1998, the Agency obtained advance approval to demolish 12 vulnerable properties on the planned route, if these properties should fall vacant and prove unlettable. The Agency prepared a written business case. It argued that the potential demolition cost of these properties (around £130,000) and loss in value from demolition (around £300,000) was less than the estimated costs of securing the properties of around £1 million.

A40 Gypsy Corner and Western Circus

- In 1995-96, the Agency demolished 200 properties to prevent vandalism and squatting in the run-up to planned road building. The scheme was later cancelled, in July 1997. The Agency did not prepare a business case for demolition. In selling these sites, the Agency is likely to realise lower proceeds than if the properties had remained intact. Most of the demolished properties were in fair condition and the local property market is buoyant. In demolishing the properties, the Agency incurred security and demolition costs, wrote-off potential rental income and made home loss payments to existing tenants of up to £2,500 per property.

Source: Highways Agency

3.28 In the absence of a written business case on the A40 Gypsy Corner and Western Circus demolitions, we could not fully evaluate the reasonableness of the Agency's decision to demolish its properties. **The Agency should introduce a requirement to obtain approval on the basis of a written business case for all demolitions which are to take place before the main construction contract is let, to ensure that demolition is fully justified.** The Agency has told us it intends to make this an explicit requirement in future cases.

Properties are usually demolished shortly before construction work begins

Part 4: Effectiveness of the Agency's sales process

Introduction

4.1 Since the Agency's creation in 1994, it has agreed revenue targets for disposals with the Department, reflecting regional assessments of potential sale revenue, property by property. Since 1997-98, the Agency has also set a target for numbers of property sales. Figure 18 shows performance in 1997-98 and 1998-99. In 1997-98, aware that it was exceeding its revenue target, the Agency slowed down sales and missed its target for the number of disposals. In 1998-99 the Agency missed its targets for both numbers and revenue, due mainly to the lower than anticipated demand for the Agency's surplus properties.

The Agency's performance against 1997-98 and 1998-99 disposal targets

Figure 18

The Agency sold less than the target number of properties but exceeded its target for disposals revenue in 1997-98. In 1998-99 it missed its targets for both numbers of disposals and revenue from disposals.

Year	Disposals revenue (£m)[1]		Number of disposals	
	Target	Outturn	Target	Outturn
1997-98	60	67	975	892
1998-99	70	55	900	677

Source: Highways Agency

Note: 1. Targets and outturn based on unindexed figures.

4.2 To maximise net revenues from the disposal of assets requires the Agency to achieve three key objectives:

- **Maximising proceeds**: when selling properties competitively, the Agency should seek the best price it can. For sales with single parties, it is required to conduct effective negotiation based on open market value.

- **Minimising costs of sale**: subject to acceptable quality, the Agency aims to minimise its valuation, sales management, legal, and estate agent costs.

- **Identifying and selling surplus properties quickly**: early identification and sale of surplus properties helps reduce the time spent in management, and reduces the cost to the taxpayer. As shown in Appendix 4, each additional year in management costs the taxpayer an average of £3,400.

4.3 This Part of the report examines how well the Agency has met each of these three objectives.

Maximising proceeds

The main types of sale conducted by the Agency

4.4 The Agency conducts a range of sales, which are mainly open and competitive, but which in some instances may be negotiated with a single party.

Competitive sales

- **Competitive private treaty sales**: since April 1994, the Agency concluded around 74 per cent of its sales by competitive private treaty. Such sales follow the familiar process by which most people buy and sell houses through an estate agent.

- **Auction**: over the same period the Agency auctioned around 14 per cent of its properties. The Agency puts residential properties to auction on professional advice and where supported by a business case, for example where market conditions make it difficult to achieve a private treaty sale.

Negotiated Sales

- **Private treaty sales conducted under Crichel Down rules**: before it sells any property acquired under compulsory powers, the Agency must follow government guidance on such sales, known as the Crichel Down rules. These rules require government departments to offer such properties back to sitting tenants, former owners or, failing such interest, to unsecured tenants at current market value. Since April 1994, the Agency has sold around six per cent of its properties to former owners and tenants.

- **Block sales to social landlords**: the Agency sold around six per cent of its stock in block sales of tenanted and untenanted properties to local authorities and other social landlords. Since August 1997, Ministers have required the Agency to give priority, particularly in areas of housing need, to sales of surplus tenanted or untenanted properties to housing associations and other social landlords, after first satisfying its obligations towards former owners and sitting tenants and before considering other options. Such sales must be at estimated open market value, less reductions for the savings in estate agents' and other management costs which block sales permit.

The Agency's use of professional valuation and commercial selling agents

4.5 In conducting sales, the Agency appoints professional valuation and selling agents, although the respective roles played by Agency staff and their respective professional agents differ from scheme to scheme.

- On competitive private treaty sales, the Agency's professional valuer will value the property and liaise with estate agents to set asking prices. Although the estate agent will carry out the sale, the professional valuer will review offers and recommend best offers to the Agency for acceptance.

- On negotiated sales, the professional valuer both values properties and conducts the sale. The Agency principally relies on District Valuers to act as its professional valuer, but since October 1997 it has begun to appoint W S Atkins on new work.

- On auctions, reliance is principally placed on the skills of a professional auctioneer. Here, too, the professional valuer will value the property and liaise with the auctioneer about reserve and guide prices but takes no other part in the selling process. At the conclusion of auction, the professional valuer may comment on the outcome.

Figure 19 shows the main steps taken by the Agency in conducting and negotiated sales.

Figure 19 **The main steps in conducting a sale**

The Agency uses professional valuers to provide assurance on best price for properties sold by competitive and negotiated sales.

	Competitive private treaty	Negotiated sales	Auction
Valuation and pricing	Professional valuer assesses open market value and sets asking price with estate agent	Professional valuer assesses open market value	Professional valuer assesses open market value and together with auctioneer, sets reserve and guide prices
Marketing, negotiation and sale	Estate agent markets and finds buyers for property. Professional adviser or Agency supervises and monitors progress	Professional valuer negotiates, taking account of savings on repair, security and disposal costs	Auctioneer sells property, provided the reserve price is equalled or exceeded
Assurance on price	Professional valuer recommends acceptance, usually in a written report containing a certificate that best price has been achieved	Professional valuer recommends acceptance of provisional price agreement, if obtained and professionally assessed as best price. Professional valuer notifies the Agency if unable to reach price agreement	Auctioneer provides written report on the sale. Agency may also obtain report from professional valuer on quality of competition and price achieved

Acceptance of best offer by the Agency

Source: National Audit Office

Achievement of best prices

4.6 For those properties in our sample, we generally obtained assurance that both the Agency's competitive and negotiated sales were carried out with due professionalism, and that prices obtained were on the whole close to asking prices and professional valuers' views of best prices, given the condition of the properties.

Competitive private treaty sales

4.7 Most of the Agency's sales are carried out competitively, by private treaty, and we reflected this in our regional sample. The Agency's professional valuer and the estate agent establish an asking price at the outset, reflecting their best estimate of the price that might be obtained. We found that, on average, sales prices were three per cent lower than asking prices. In 36 of the 61 private treaty sales we examined, the Agency equalled or exceed the asking price. 19 properties sold for up to 10 per cent below the asking price and 6 properties were sold for between 10 and 30 per cent below the asking price. The main reason was the state of repair of the property, with some requiring substantial work following vandalism or flooding, which had led to offers well below the asking price. District Valuers told us that it was generally only cost effective for the Agency to carry out essential emergency repairs prior to marketing the property. The Agency had obtained confirmation from its professional advisers in respect of all 61 disposals that the recommended offer represented the best price currently available.

Sales by auction

4.8 We examined 14 properties sold in seven auctions. We were on the whole satisfied that the Agency conducted satisfactory auctions in four cases, but in three, involving 11 M62 Relief Road properties, Agency documentation was incomplete. The Agency has since been able to assure us that these three sales had been conducted properly. In their response to our survey, District Valuers expressed some concern about cases where the Agency had rejected advice to proceed with private treaty sales in favour of achieving quicker sales by auction (M62 Relief Road, A5225 Hindley Bypass, A10/M25 Hoddesdon Bypass and A27 Worthing – Lancing schemes).

4.9 The Agency plans to update its advice on the circumstances in which it should use auctions and on the setting of reserve prices. In most cases, private treaty sales are likely to command a higher price. However, where properties have been on the open market for six months without any serious interest having been shown, guidelines issued by HM Treasury urge public bodies to consider the option of sale by auction. In some circumstances, it may be appropriate to use auctions to stimulate the local market, for example to attract people into a neighbourhood, thereby creating an improved market for private treaty sales from the remaining stock. **The Agency should document the business case underpinning decisions to go to auction and the key steps taken in the auction itself. Such decisions should take explicit account of the financial implications of auction rather than private treaty sale.**

Negotiated sales under Crichel Down rules

4.10 We examined 15 negotiated sales conducted under Crichel Down rules and found that the Agency had paid due attention to obtaining full open market value. We obtained assurances from property files that the sale price reflected the condition of the property and local market conditions, and that the Agency had instructed its valuer to revalue and renegotiate a price in cases where negotiations were protracted. We were generally satisfied that the Agency's selling agents strove to obtain the best price in negotiations with prospective purchasers in accordance with statutory requirements.

Block sales to social landlords

4.11 We examined three block sales to housing associations, one of which fell through. We concluded that the Agency carried out negotiations in these sales based on an appropriate professional assessment, provided by its valuation and selling agents, of the open market value of the properties. The Agency's selling agents also acted on appropriate instructions on the extent to which prices could be abated to take account of security and other management or selling costs avoided by selling properties in blocks rather than singly. The block sale which fell through, in May 1998, involved 125 properties on the A10/M25 Hoddesdon Bypass scheme. The main reason for not going ahead was failure by the housing association to obtain grant assistance from the Housing Corporation.

Minimising disposal costs

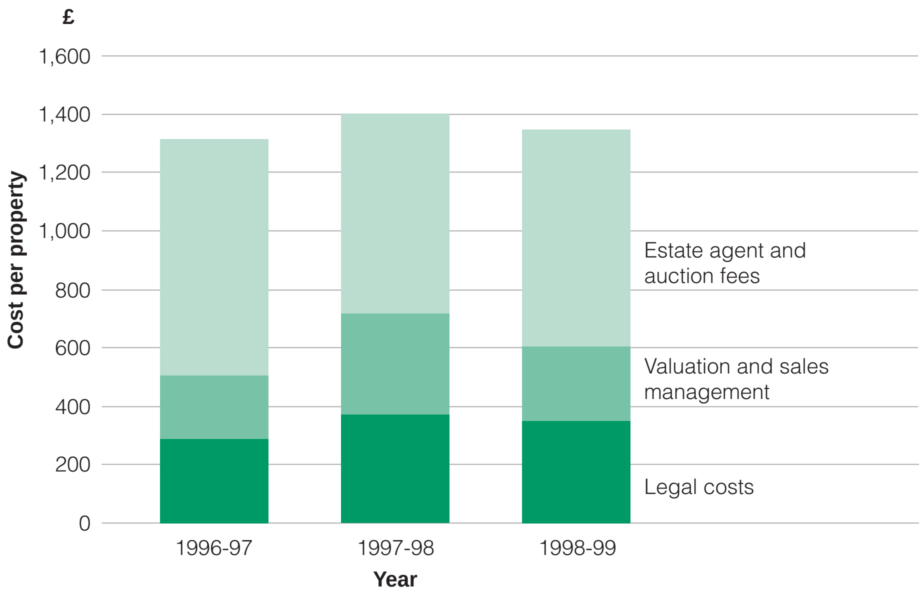
Overall expenditure

4.12 The Agency incurs three main types of disposal costs: valuation and sales management charges; estate agent and auction fees; and legal costs. In 1998-99 disposal costs amounted to some £0.9 million, or around 1.6 per cent of disposal revenues. The cost per property sold was £1,358 in 1998-99, a reduction of 4 per cent in real terms from the 1997-98 figure of £1,410 at 1999 prices (Figure 20).

Costs of disposal per property, 1996-97 to 1998-99

Figure 20

Disposal costs rose slightly in 1997-98 but fell in 1998-99.



Note: Based upon Agency's published financial data, all prices indexed to quarter 1 1999 prices. This expenditure includes costs relating to the disposal of commercial and agricultural properties sold as well as residential properties.

Source: National Audit Office

4.13 Figure 20 shows that valuation and sales management costs and legal costs reduced in 1998-99, whereas estate agent fees increased.

- Valuation and sales management fees per property reduced by some 28 per cent. In earlier years, costs rose due to a change in the way the District Valuer charged for sales management services, from a flat rate fee to an hourly basis, for instructions made after April 1997. Following competitive tendering for its professional valuation and sales management services, in October 1997, the Agency has appointed W S Atkins as its professional valuer in four of its five regions. This will gradually reduce the Agency's reliance on the District Valuer for the provision of these services.

- Legal costs per property reduced by some 5 per cent. Costs rose in earlier years due largely to increased use of auctions. Our examination indicated that legal costs in respect of auctions, typically some £550 per property, were some £175 higher than its typical legal costs on a private treaty sale. Conveyancing services had been market tested by the Agency in 1997, resulting in lower fees.

- Estate agent and auction fees per property rose by 9 per cent in spite of reduced costs resulting from a competitive tender for auction services, in July 1997. The Agency hopes for further savings and quality improvements as a result of a projected national call-off contract, to be let in 1999, which is expected to provide a facility for single and multi-lot auctions throughout England.

Regional variations in expenditure

4.14 The Agency has delegated much of the day to day management of its disposal costs to its operational staff but has not sought to establish or investigate variations in these costs. As a result of our examination, **we consider that the Agency should explore variations in regional practices and costs in the following three respects, with a view to setting benchmarks for savings and improved services**.

- **Sales management services provided by the District Valuer**: due to the absence of a prescribed fee structure in the Agency's contract with the Valuation Office, the Agency has adopted a variety of charging arrangements for these services, often negotiated locally, based on hourly rates or fixed fees. The Agency should consider the scope for savings by standardising these charges.

- **Estate agent fees**: fees charged in 1997-98 ranged from 0.75 per cent to 3 per cent of sale prices. The District Valuer at Worthing achieved the lowest fees. Bedford and Manchester, where the Agency rather than the District Valuer takes the lead role in appointing estate agents, also achieved low fee rates. Although fees will to some extent depend on property type, location and value, the lower rates negotiated by the District Valuer and by Bedford and Manchester may indicate potential for the Agency to achieve savings elsewhere.

- **Use of competitive tendering to select estate agents**: the Agency's guidance encourages competitive tendering. Of the 13 District Valuers responsible for estate agent appointments in our survey, however, only seven had been instructed by the Agency to use competitive tendering routinely, and the Agency might review whether there is greater scope for using competitive tendering in appointing estate agents in other cases.

Time taken to sell surplus properties

4.15 We found that the Agency had sound procedures for declaring its properties surplus as soon as they were clearly no longer required. In the great majority of cases we examined, properties had been declared surplus within two months of a road scheme being cancelled. In the few cases where it took longer than two months, this was due to reasonable cause such as the retention of properties pending future minor road improvements or to provide site access to an existing road.

Performance against Treasury guidance

4.16 Treasury guidelines exhort departments to sell surplus residential properties, once they are empty, within six months. If no sale is in progress at the end of six months, departments should consider sale by auction. Where auctioning may destabilise local property markets, however, departments are expected to develop a strategy for disposal in consultation with other affected agencies, particularly local authorities. Departments are expected not to retain surplus property for more than three years after becoming surplus.

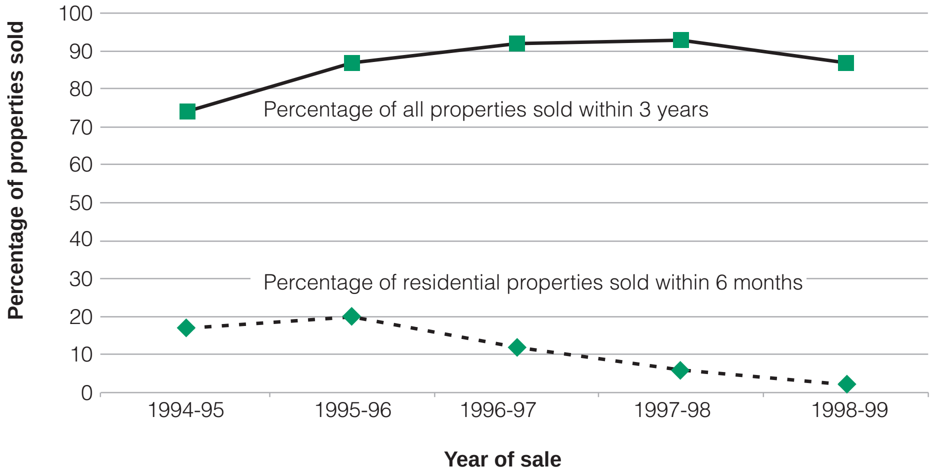
4.17 The Agency's property management database does not generally hold data on the date a surplus property becomes empty. We therefore carried out our main analysis by reference to the date properties were declared surplus rather than the date they became empty. We confirmed in our regional examination that, in practice, the Agency sought to obtain vacant possession of most of its surplus properties quickly (often succeeding within two months).

4.18 Between April 1994 and March 1999, the Agency sold 3,300 properties including 3,060 residential properties. For 3,040 (99 per cent) of these, the Agency's property management database recorded when the property was declared surplus. On the basis of these data, Figure 21 shows that the Agency had increased the proportion of all properties it sold within three years of declaring them surplus, from 74 per cent in 1994-95 to 87 per cent in 1998-99. The percentage of residential properties sold within six months (down from 17 per cent in 1994-95 to 2 per cent in 1998-99) significantly understates the extent to which Treasury guidelines have been met since the analysis is based on the date declared surplus rather than the date empty; however it is clear that performance has been deteriorating since 1995-96.

Performance against Treasury guidance on the disposal of property

Figure 21

While the Agency sold fewer residential properties within six months, it has increased the number of properties of all types it sold within three years.



Source: National Audit Office, using Highways Agency property management database data

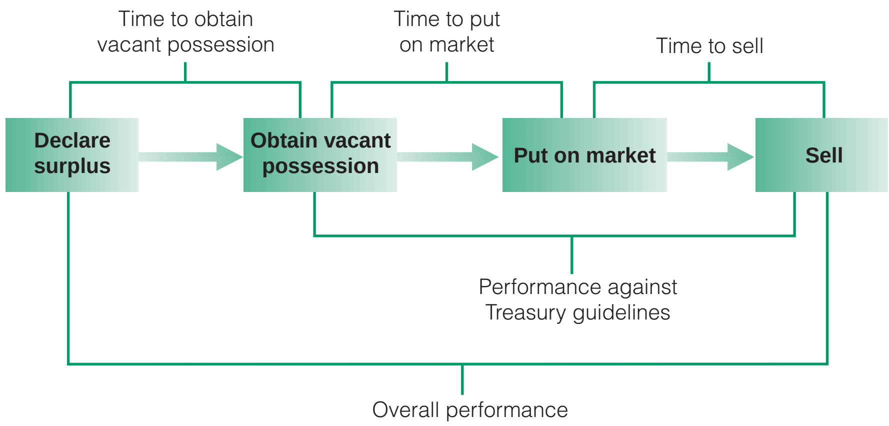
4.19 The Agency considers that the increase in the number of residential properties not sold within six months of being declared surplus (see paragraph 4.18) is in large part explained by recent scheme cancellations and subsequent decisions to vacate large numbers of properties in order to sell them (see paragraph 3.20). The average time taken by the Agency to sell its properties once declared surplus has increased from 622 days (20.5 months) in 1994-95 to 820 days (26.9 months) in 1998-99. The time taken to sell once declared surplus may also be lengthened by factors such as the right of former owners to have first refusal, the time needed for existing tenancies to expire, extensions to tenancies as part of a phased sale programme, and the time spent by the Agency in negotiating sales to sitting tenants which eventually fail to go through. **The Agency should monitor and review its performance in selling vacant residential properties, to bring the time taken to nearer to the Treasury guideline of achieving disposal within six months of gaining vacant possession**.

4.20 As already explained, current data in the Agency's computer systems do not allow a proper comparison of performance against Treasury guidelines. However, the Agency told us it is considering replacing its property management database and the need for a new IT strategy. In redesigning its IT systems **the Agency might benefit by evaluating its disposal performance against the indicators shown in Figure 22, which are not at present produced routinely.**

Five key indicators on the time from declared surplus to disposal

Figure 22

The Agency could make more use of its computer systems to develop five indicators to help plan and evaluate how quickly it sells surplus properties.



Source: National Audit Office

Appendix 1: Progress since the 1995 report of the Committee of Public Accounts

Committee's conclusions & recommendations (HC 43, Session 1994-95)	**Treasury Minute response**	**Progress to date (including reference to further detail in this report where applicable)**
Acquisitions		
More than one third of all properties acquired were not needed for road construction or affected by it. The Agency should do more to avoid inflicting planning blight on properties unnecessarily.	The Agency is required by statute to acquire statutorily blighted properties and consider applications for discretionary purchase. The Agency will ensure its decisions reflect best current knowledge of a scheme.	As a result of reductions in the roads programme, very few major new roads are planned and the Agency expects to acquire fewer properties. The Agency was part of an Inter–Departmental Working Group on blight, whose findings were published in late 1998. The Agency is currently participating in the Department's review of Compulsory Purchase procedures.
The Agency should control professional fees and other costs, which had quadrupled since 1989-90.	Increase in costs due in part to the Valuation Office and Government Property Lawyers charging for services provided. New contracts proposed for conveyancing and valuation services.	New conveyancing and valuation services contracts were awarded after competitive tendering in 1998 and 1997 respectively. These contracts cover services provided both during the acquisition and disposal of the Agency's properties.
Interest rate applied to outstanding compensation payments awaiting final settlement can act as a disincentive for owners to conclude purchase negotiations speedily. The Treasury should relate its interest rate more closely to prevailing market rates.	The Treasury lowered the rate to 0.5 per cent below the base rates charged by major clearing banks with effect from 31 December 1995.	The Agency believes that it has saved nearly £5.7 million to March 1999.
Management		
Management costs increased significantly over five years. The Agency should agree clear targets with Department for the reduction of unit management costs.	The Agency is developing new management information systems containing unit costs, including property management costs. This will allow unit costs to be closely monitored and targets to be set.	The Agency sets and has met an Agency–wide annual target of no more than a four per cent increase in overall running costs. The Agency has also introduced tighter management agreements with its managing agents.

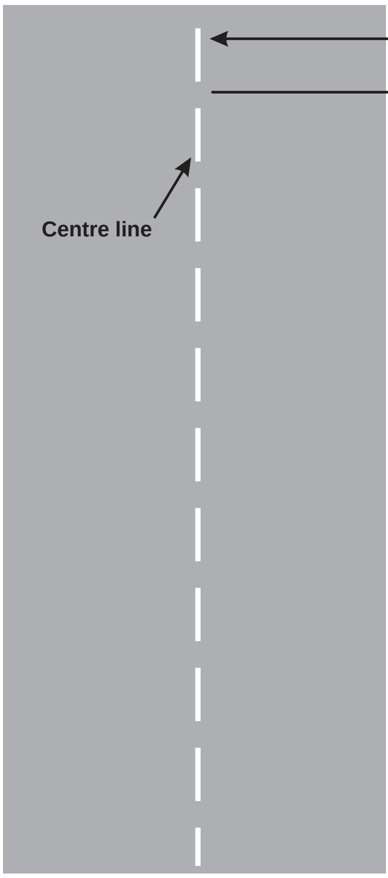
Committee's conclusions & recommendations (HC 43, Session 1994-95)	Treasury Minute response	Progress to date (including reference to further detail in this report where applicable)
The Agency and its agents should do more to maximise both rental income and the proportion of tenanted properties.	The Agency is to tender for new management agents, with the possibility of transferring revenue risks for letting properties, collecting arrears and some repair/maintenance costs to agents in return for an agreed fee.	The Agency piloted transfer of risk on two schemes in 1994, using competitive tenders to select the managing agents. One of the two schemes (M62 Relief Road) was extended for a further year but uncertainty about returns from the properties caused by cancellation of the scheme meant that agents were unwilling to agree fees. In December 1995, the M62 Relief Road contract was re-negotiated.
	Revised traditional management agreements specify that market rents are normally to be sought and include targets for rent arrears and vacancy levels.	Managing agents will depart from market rent only on an exceptional basis. The main exception is London, which is moving from affordable rents towards market rents in stages. Rent arrears increased from £2 million at 31 March 1993 to £3.8 million at 31 March 1999. Some £3.3 million has been outstanding more than 90 days, of which £1.4 million arose on two contracts with one former agent. The Agency is seeking compensation. In the period from April 1996 to March 1999 the Agency wrote off some £1.4 million in rent arrears. The Agency only writes off debt in specific circumstances: ■ where the former tenant cannot be traced; ■ where it would not be cost effective to recover the sums involved. To improve monitoring and management of arrears, in April 1995, the Agency set up a credit control section to monitor arrears and chase up debt on the Agency managed tenancies. This section acts on the basis of new Agency accounting systems, which, from October 1996, also provide individual tenancy details for agent managed properties, updated monthly.

Committee's conclusions & recommendations (HC 43, Session 1994-95)	Treasury Minute response	Progress to date (including reference to further detail in this report where applicable)
Tenders for new management agents should be evaluated for competence, resources and expertise across a range of properties.	Noted. The Agency will use competitive tendering to appoint managing agents.	Between 1996 and 1998, new managing agent contracts were drawn up, competitively tendered and let to commercial agents. The new contracts define managing agents' responsibilities for arrears, inspections, repairs and rent collection on a more clearly accountable basis.
The Agency should ensure that it has appropriate controls to monitor the performance of management agents.	Noted.	In March 1997, following disputes with two former managing agents, a joint Lands Division/Internal audit review of property management identified deficiencies in the Agency's arrangements for monitoring the performance of its managing agents. In November 1997, the Agency introduced changes to its managing agent contracts, mainly affecting repairs procedures and its agents' interim and monthly reporting requirements. The Agency also plans to audit all managing agents annually from 1999-2000 (paragraph 3.15).
The Agency to ensure through audits that best repairs procurement practices are being applied, to specify agents' responsibilities for the state of repair and to ensure that agents are meeting standards.	Revised management agreements provide for financial and repairs audits of agents and the Agency intends to carry out spot checks on 10 per cent of properties annually.	In addition to the repairs audits carried out by the Valuation Office and W S Atkins, the Agency's planned annual audits of managing agents will cover repairs (paragraph 3.15).
	Condition surveys carried out on all new acquisitions. Also carried out in 1995 in all regions as part of competitive tendering for new managing agents. The Agency to use these surveys as a reference to judge agents' performance during repairs audits.	The Agency commissions a report from the District Valuer at the time of acquisition, detailing essential repairs. The last condition survey of the whole portfolio was carried out in 1995. The format of a more detailed record of condition is currently under discussion between the Agency and its managing agents (paragraph 3.13).
Poor condition of the Agency's property records criticised. The Agency to make use of computerised database to manage and monitor its property business.	The Agency is developing improved computerised systems. The Agency's computerised property database will be used to monitor the progress of sales of surplus properties.	The Agency property management database was enhanced in 1995 and extended in 1997 to cover some disposal functions. The Agency is currently reviewing the future of this system in the context of its overall IT strategy. An acquisitions database is to be piloted in 1999.

Committee's conclusions & recommendations (HC 43, Session 1994-95)	Treasury Minute response	Progress to date (including reference to further detail in this report where applicable)
Disposals		
The Agency should review its arrangements and set clear targets, with the Department, for the identification and disposal of surplus properties.	Targets have been set and agreed with the Department for disposal of surplus properties. The Agency undertook to auction surplus properties which have been empty for more than six months, or devise a site-specific disposal plan if auctioning would destabilise the local property market.	Since 1994, the Agency has set sales proceeds targets. From 1997-98, it has also set a target for numbers of property sales (paragraph 4.1). The Agency consults the District Valuer on appropriate methods of disposal, taking account of the volume and condition of the properties. They monitor and review progress in respect of all properties offered for sale, in conjunction with selling agents (paragraph 4.5 and Figure 19).
The Agency should do more to implement the Government's policy on selling or letting properties vacant for more than six months for social housing.	Where the Agency cannot sell quickly, it aims to let properties at market rent. If properties are empty for more than six months, the Agency considers options for use as accommodation for the homeless but only at market rent.	Since August 1997, the Agency has explored option of selling tenanted and untenanted surplus properties for social housing at market value, abated slightly to take account of disposal cost savings (paragraphs 4.4 and 4.11).

Appendix 2: The Agency's powers to buy property

Following the announcement of changes to an existing trunk road or a proposal to build a new road, the Agency publishes its plans and consults the local community. Between planning and the start of works, the Agency has a range of compulsory and discretionary acquisition powers under which it may buy properties along the route of or in close proximity to the proposed road scheme. These powers are defined in relation to the distance from the centre line of a road, as shown below.



Safeguarded Area

Compulsory Purchase: The Agency buys a small number of properties under Compulsory Purchase Order powers (3 per cent since 1970). The Secretary of State makes a order under the Compulsory Purchase Act 1965, specifying properties required by the Agency for road construction. Acquisition usually take place shortly before construction starts.

Statutory Blight: The Agency buys most properties under the Statutory Blight provisions of the Town and Country Planning Act 1990 (79 per cent). Homeowners trigger the acquisition process by serving a valid blight notice on the Agency in advance of a Compulsory Purchase Order, after the Agency has registered the proposed route for a road widening scheme with the local authority (known as safeguarding) or once an order has been made finalising a new route.

Discretionary: The Agency has also purchased property using discretionary powers under Section 248 of the Highways Act 1980 (6 per cent). Acquisition is triggered if homeowners can prove that a road scheme proposal has rendered their property difficult to sell, resulting in hardship.

Outside Safeguarded Area [1]

Discretionary: The Agency buys property using discretionary purchase powers under Section 246 (2A) of the Highways Act 1980 (12 per cent). Acquisition is triggered if homeowners need to sell property and can prove that the likelihood of increased noise and other effects of the proposed scheme has rendered the property difficult to sell, resulting in hardship.

Note: 1. A Safeguarded Area is one which has been formally notified to the Local Planning Authority as required for a new road improvement. The notification needs to be made early enough to protect against other development of the area but has to be kept under review by the Agency to reflect scheme development and avoid unnecessary blight.

Appendix 3: A New Deal for Trunk Roads in England

1 In July 1998, the Government published its White Paper, "A New Deal for Trunk Roads in England". This announced that future trunk road investment would be no longer be directed primarily towards building new roads but would be used to improve the maintenance and use of existing roads. The White Paper introduced three main changes. These were:

- identification of a core network;
- a revised roads programme; and
- referral of some 70 schemes for regional transport studies.

The core network

2 The White Paper classified around 60 per cent of current English trunk roads as being of national importance, forming the "core" network; others were classified as being of regional or local significance. It also announced changes to the way in which future improvements to strategically important parts of the core network will be planned. In the past, trunk road improvements have been planned nationally by the Department, in conjunction with the Agency and others. In future, the objectives and broad term priorities for regional transport systems (including improvements to trunk roads) will be decided by regional conferences of local authorities, the Agency, the Government Offices for the Regions and others.

The revised roads programme

3 The White Paper announced that the roads programme had been scaled down from around 150 schemes in 1997 to 37 schemes costing around £1.4 billion, all of which should start within the next seven years, subject to the completion of statutory processes. These schemes consist mainly of bypasses to relieve towns and villages beset by heavy through-traffic, as well as improvements to ensure that the core network operates effectively.

Referrals for regional transport studies

4 Some 93 of the 150 schemes included in the roads programme in 1997 have either been referred to regional planning conferences, which will take a decision on the future of each scheme, based on the outcome of regional transport studies or are being retained by the Agency pending a final decision on the future of the scheme. Until such times as the outcome of these regional conference deliberations are announced, the Agency will continue to manage any properties already acquired for these schemes.

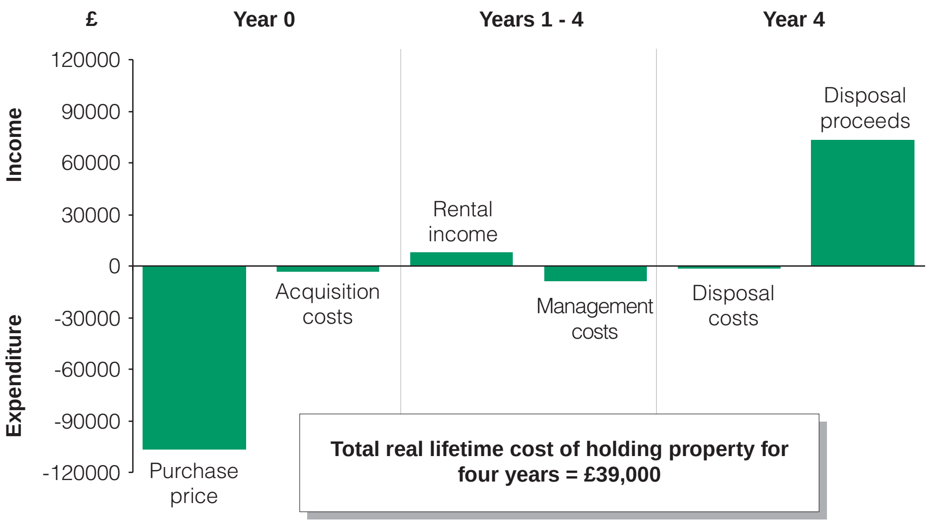
Appendix 4: The lifetime costs of holding property which is then sold

1 There are real costs to the Agency and the taxpayer in acquiring, managing and disposing of property. Figure A shows that the typical property is bought for around £107,000 and sold four years later for around £73,000. The processes of acquisition and disposal cost around £2,900 and £1,400 respectively. Whilst in management, the average property brings in annual rental income of £2,000 offset by annual management costs of £1,600. There is also the running costs of Lands Division itself, which comes to around £615 per property each year. Taking all these incomes and expenditures into account, which are all expressed in 1999 prices, the lifetime net cost to the taxpayer of each property acquired, managed and then sold is approximately £39,000 at 1999 prices.

Expenditure and income streams associated with the Agency's acquisition, management and disposal of a typical property, at 1999 prices

Figure A

Each property acquired and then sold by the Agency is held in management for an average of four years. The lifetime net cost to the taxpayer of each property is approximately £39,000 at 1999 prices.



Notes:
1. Acquisition and disposal prices based on Agency property management database data for all properties sold in the period 1994 to 1999.
2. Rental income and management costs based on Agency accounts data, and property management database records of the number of properties held.
3. Acquisition and disposal costs based upon the National Audit Office sample of properties.
4. All flows have been adjusted to 1999 prices.

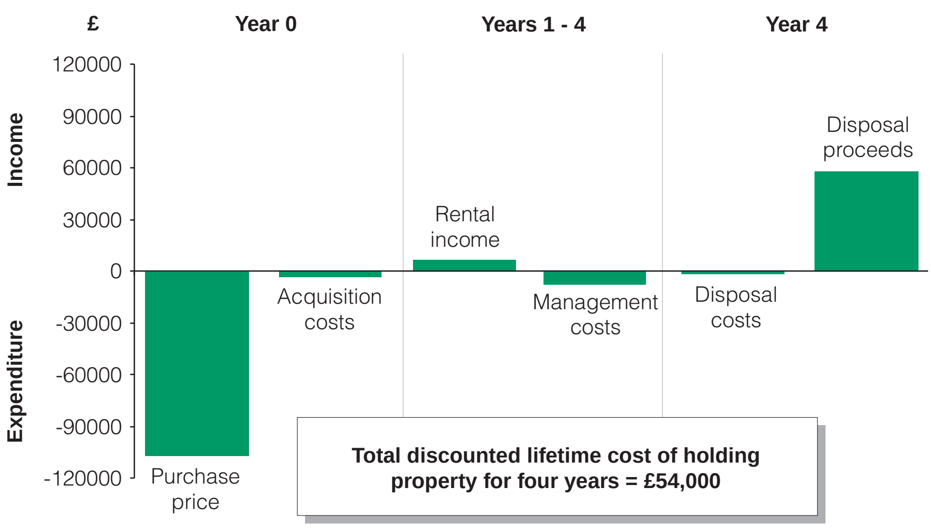
Source: National Audit Office

2 On a discounted basis applying the Treasury's discount rate of six per cent to the flows shown in Figure A, the net cost to the taxpayer is around £54,000 for each property acquired and then sold. The results are shown in Figure B. We also calculate, using the data from Figure B, that the discounted net cost of each additional year under Agency management is around £3,400, because rental income each year is more than offset by management costs and the fall in discounted disposal value.

Figure B

Discounted expenditure and income streams associated with the Agency's acquisition, management and disposal of a typical property, at 1999 prices

After discounting and taking house price inflation into account, each property acquired and then sold by the Agency has a lifetime net cost to the taxpayer of £54,000 at 1999 prices.



Note: Income and expenditure streams are based on the same data used for Figure A, but discounted using the standard Treasury discount rate of 6 per cent.

Source: National Audit Office

Appendix 5: Study methodology

Advice on property issues

We appointed the College of Estate Management, specialists in property management and disposal, to advise us on our approach and analysis throughout this study.

Analysis of property data kept by the Agency

Many of our analyses are drawn from data kept on the Agency's computerised property management database. This database contained details of properties and land acquired, in management or sold.

We validated the data in the Agency's property management database against files and other information kept by the Agency's regional offices. This work allowed us to draw conclusions on the completeness and reliability of the various data fields and to take this into account when preparing the report.

Selection of samples

We examined a sample of road schemes and a selection of properties drawn from these schemes.

Selection of schemes

Our sample of roads schemes was chosen to highlight approaches to the management and disposal of surplus property in different parts of the country and across a range of different situations. Seventeen schemes were selected on a judgemental basis from a total population of 469 schemes. The sample was chosen to include:

- at least two schemes from each of the five regions;
    - a mix of large new roads and improvements to existing routes;
    - a mix of situations including cancelled schemes, schemes where road building had started, and schemes where a decision to go-ahead was still awaited.

In total, the schemes selected accounted for 46 per cent by number of all disposals of property from April 1994 to March 1999 and some 43 per cent by number of the Agency's holdings at March 1999. The schedule at the end of this Appendix describes the schemes selected in more detail.

Selection of properties

A sample of 145 properties was selected at random from the total population of 3,008 properties drawn from the seventeen schemes. The sample included 93 properties where disposal had been completed; 32 properties declared surplus to requirements but not yet sold; and 20 properties in management pending a decision on the road scheme. The properties sampled comprised mostly residential properties, but included some commercial and agricultural holdings, reflecting the composition of the Agency's property portfolio and disposal programme in recent years.

Questionnaires

We sent questionnaires to:

- the Agency's five main professional managing agents;
- valuers undertaking work for the Agency; and
- local authority housing departments.

Managing agents

We sent a questionnaire seeking information about regional occupancy, repairs and maintenance issues to the Agency's five main professional managing agents who manage most of its residential properties. These were Countrywide South, Countrywide North, Amey Facilities Management Limited, Humberts and the Arcon Housing Association. Replies were received from all five and were followed up with a series of semi-structured interviews with representatives from each of the five agents.

Valuers

The Agency has appointed the Valuation Office (and recently the firm of W S Atkins) to carry out its valuation services. The Valuation Office's District Valuers have for many years also acted as its agent, co-ordinating and managing the work of estate agents in the disposal of surplus properties.

We sent a questionnaire to 19 District Valuers who had acted on the 17 road schemes selected in our sample and of W S Atkins who had acted on two schemes. The questionnaires sought views on the timing and method of sale, the selection and apportionment of agents and the setting of asking prices. We received replies to all the questionnaires dispatched. Follow-up interviews were conducted with seven District Valuers.

Local authority housing departments

Local authority housing departments may be greatly affected by the decisions of the Agency. We sent a questionnaire to 19 local authority housing departments to establish their views on the Agency's performance, including the extent of liaison about the Agency's proposals in respect of our sample of schemes. Replies were received from 13 local authorities (68 per cent), including those authorities most affected by the cancelled schemes.

Use of property indices

The index used for analysis in this report is the Halifax House Price Index which has data available from 1983 to the present day. This is the most comprehensive index available and provides a regional breakdown of house prices.

For the purposes of this report, the College of Estate Management calculated three separate indices from this Index. These indices covered:

- Greater London;
- South East; and
- Rest of England.

The regional boundaries used to calculate the Halifax index in regions outside the South East bore little relation to the Agency's regional structure. For these regions, the regional figures have been incorporated into a simplified "Rest of England" index. The latter may underestimate property price inflation for the sample of schemes examined by us outside the South East.

Consultation with third parties

We consulted with the following organisations during the course of this study.

- Association of Residential Letting Agents;
- Royal Institution of Chartered Surveyors (representatives from the Residential Lettings and Disposals Panel);
- Empty Homes Agency (a body funded by the Department to work with local authorities and others to assist in bringing empty residential and commercial properties back into use);
- The Peabody Trust (London's largest and longest established housing association which owns or manages some 17,000 homes for rent).

Lifetime costings

We based the average property purchase price and disposal proceeds used in the lifetime costings on our analysis of indexed data from the Agency's property management database for all properties sold between 1994 and 1999. Acquisition costs were drawn from our sample of 146 properties sold, disposal costs are based on the Agency's 1998-99 financial data. Also from the Agency's property management database, we established that, on average, the Agency had held the properties it sold for some four years before disposal. We estimated rental income and management costs for four years using Agency accounts data and property management database records of the number of properties held. We calculated the discounted net cost of holding the property for four and five years respectively and compared the outcomes to calculate the likely cost of holding the property for each additional year.

Schedule of road schemes examined by National Audit Office

Scheme	Acquisition details (at unindexed prices)	Proposed development	Current status of road scheme	Properties sold as at March 1999 (properties sold since April 1994)	Properties held as at March 1999	Average indexed purchase price of properties sold since 1994	Average disposal price of properties sold since 1994
1) A27 Worthing – Lancing	283 properties purchased between 1989 and 1997 for £35.3 million. Mainly detached properties and bungalows	Widen existing road	Cancelled November 1996	187 (186)	96	£122,000	£89,900
2) A10/M25 Hoddesdon Bypass	365 properties purchased between 1990 and 1996 for £32 million. Mainly terraced and semi-detached properties	New bypass	Cancelled November 1995	314 (314)	51	£88,300	£77,000
3) M20 Junctions 3-5 improvements	326 properties purchased between 1990 and 1996 for £30.4 million. Mainly semi-detached properties	Widen existing motorway	Cancelled November 1996	324 (175)	2	£87,000	£60,800
4) M62 Relief Road	350 properties purchased between 1993 and 1998 for £22.1 million. Mainly semi-detached properties	New relief road	Cancelled November 1995	345 (345)	5	£63,800	£36,900
5) A40 Gypsy Corner and Western Circus	200+ properties purchased between 1960 and 1995 for £18.2 million. Mainly terraced properties	Improve existing route	Cancelled July 1997. Approximately 200 properties demolished in 1995-1996	26 (26)	136	£131,500	£81,100
6) M25 Junctions 16-19 improvements	80 properties purchased between 1990 and 1996 for £15.6 million	Widen existing motorway	Cancelled November 1995	75 (69)	5	£200,600	£166,900

continued...

Scheme	Acquisition details (at unindexed prices)	Proposed development	Current status of road scheme	Properties sold as at March 1999 (properties sold since April 1994)	Properties held as at March 1999	Average indexed purchase price of properties sold since 1994	Average disposal price of properties sold since 1994
7) A406 Bounds Green - Green Lanes	455 properties purchased between 1962 and 1998 for £12 million. Mainly terraced properties	Widen existing road	Withdrawn following 1997 Roads Review, awaiting transfer to Transport for London next year	6 (1)	449	N/A	N/A
8) A406 East London River Crossing	175 properties purchased between 1981 and 1997 for £11 million. Mainly terraced and semi-detached properties	New river crossing	Withdrawn following 1996 Roads Review	77 (76)	98	£92,800	£56,600
9) A1(M) Junctions 6-8	58 properties purchased between 1992 and 1996 for £10 million. Mainly detached properties and bungalows	Widen existing route	Under review by regional planning conference (see Appendix 3)	32 (31)	26	£194,500	£132,200
10) A5225 Hindley Bypass	123 properties purchased between 1986 and 1999 for £9.5 million. Mainly terraced properties	New route	Highways Agency scheme cancelled. Awaiting decision from local authority on non-trunk development	54 (52)	69	£63,300	£34,100
11) Birmingham Northern Relief Road	100 properties purchased between 1984 and 1998 for £9.4 million, mainly detached and semi-detached properties	New relief road	Going ahead as a privately funded scheme	24 (24)	76	£96,800	£69,800

continued...

Scheme	Acquisition details (at unindexed prices)	Proposed development	Current status of road scheme	Properties sold as at March 1999 (properties sold since April 1994)	Properties held as at March 1999	Average indexed purchase price of properties sold since 1994	Average disposal price of properties sold since 1994
12) M25 Junctions 10-12 improvements	91 properties purchased between 1971 and 1996 for £8.3 million, mainly semi-detached and detached properties	Widen existing motorway	Cancelled in November 1995	82 (82)	9	£101,500	£71,600
13) M42 Widening	39 properties purchased between 1981 and 1997 for £7.9 million, mainly detached properties, including some land	Widen existing motorway	Cancelled in November 1996	21 (19)	18	£282,300	£193,500
14) A4/46 Batheaston Bypass	47 properties purchased between 1974 and 1997 for £6.4 million, mainly detached properties	New bypass	Completed and opened in 1997	27 (23)	13	£217,700	£113,700
15) M66 Contract 3	240 properties purchased between 1977 and 1999 for £5.4 million, mainly semi-detached properties, including some land	New bypass	Under construction	109 (40)	6	£55,000	£25,900
16) M4/M5 Second Severn Crossing	31 properties purchased between 1987 and 1996 for £3 million, mainly detached and semi-detached properties	New river crossing and approach road	Completed and opened in 1997	27(27)	3	£122,900	£70,800
17) A45 Junction improvements	45 properties purchased between 1971 and 1995 for £3.2 million, mainly semi-detached properties	Improve existing junction	Cancelled	33 (32)	12	£90,400	£73,000

Reports by the Comptroller and Auditor General, Session 1999-2000

The Comptroller and Auditor General has to date, in Session 1999-00, presented to the House of Commons the following reports under Section 9 of the National Audit Act, 1983:

Improving VAT Assurance..HC 15
The Newcastle Estate Development Project..HC 16
Criminal Justice: Working Together ....HC 29
The Office of Fair Trading: Protecting the Consumer from
Unfair Trading Practices ....HC 57
Getting best value from the disposal of property.................................HC 58