



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Communities and Local Government

Disposal of public land for new homes

Summary

Key findings

What was the target and how was it set?

1 Government believed that releasing surplus land would promote growth and reduce the deficit while providing homes and jobs. The target set out to “release enough public land to build as many as 100,000 new, much-needed, homes and support as many as 25,000 jobs by 2015”. It defined a disposal as “the point at which a development agreement/building licence with a private sector partner is signed or freehold transfer takes place, whichever is sooner.”

2 We found no supporting documentation or economic evidence behind quantum of the target, or how it was allocated to departments. The targets for individual departments were set on a bilateral basis. However, the Cabinet Public Expenditure Committee (Efficiency and Reform Subcommittee) increased targets during the programme in an attempt to provide a contingency should any large sites not be sold. Departments informed us that they felt they were not adequately consulted when this happened and felt the revised targets were sometimes over-ambitious.

How was the programme managed?

3 Departmental progress in disposing of land was slower than expected and government had to take action to increase land sales. The target was critically dependent on a small number of large sites which were identified as surplus late in the period. Government closely monitored progress and took various approaches to increase delivery such as: the Homes and Communities Agency (HCA) acquiring sites and preparing them for disposal; and providing financial assistance to departments to help with the cost of preparing sites.

4 We were unable to validate the quality of the programme data. Our sample of 127 sites found, for example, 45 sites (35%) with differences between the number of homes in the HCA's programme monitoring data and the number of homes in the departmental information provided to us for our sample. In addition, we found incomplete data in 101 sites sample tested and for only 21% of our sample were departments able to provide us with full supporting documentation.

What was performance against the target?

5 Government has disposed of enough land with capacity for an estimated 109,590 homes at the end of March 2015. The biggest contributors to the target are: Ministry of Defence (38,778 homes, 35%); HCA (20,930 homes, 19%); and Department of Health (15,185 homes, 14%). In total, the land disposed comprises 942 sites.

6 The Department for Communities and Local Government (DCLG) applied a wide interpretation of the land that could be counted towards the target.

For example, the estimated total of 109,590 homes figure included:

- 15,740 homes on land that the public sector disposed of before the target was set.
- Categorising surplus land as sold when an organisation moved outside the public sector. For example: sites owned by Royal Mail (2,584 homes); and British Waterways (8,199 homes).

There was also an inconsistent approach to assessing site housing capacity as each department followed its own methods. However, each department consulted with planning experts to estimate capacity, and HCA offered robust challenge to these estimates.

7 Government recognised that disposal of surplus land, at an accelerated rate, would not necessarily lead to increased home building. It promoted “Build Now, Pay Later” as a means to promote early development by deferring land purchase payments from developers until completed homes were sold.¹ Our case studies demonstrate that departments used a range of disposal methods and partnering approaches with developers with the aim of ensuring homes are built and profits are shared. Approaches included: Joint Ventures, licence to build arrangements, and clawback to allow for the land to be transferred back to the original owners should the developer fail to develop the land within a predetermined time (see Appendix Two for case studies).

What happened to the land after disposal, and what were the proceeds?

8 Departments do not routinely monitor what happens to a site after disposal so there is no information on how many homes have been built on sold land. The target measured a notional number of expected homes, not actual homes built. When a site is sold, the selling department estimates the number of homes that a site might support. This estimate is used to measure performance against the 100,000 homes target. Our case studies demonstrate that for the larger sites, it may be up to 20 years before all homes are built, which suggests that evidence of actual homes built would take many years to identify. We are, therefore, unable to report the actual number of homes built to date as the information is not collected.

¹ *The Plan for Growth*, HM Treasury and the Department of Business, Innovation & Skills, March 2011.

9 DCLG does not collect information on the amount of money raised from the sales. DCLG who oversaw the programme, did not require departments to provide data on the proceeds raised from their land disposals. It is unclear if departments obtained market value for the sites sold. Eighty per cent of the 58 sites for which we have data, disposed of the land via auctions, sealed bids, commercial and informal tenders, open market sales and through a pre-qualified panel. However, within the sample, 12 sites were sold via private arrangements.

10 Without data on the number of homes or sales proceeds, DCLG cannot assess the value for money of the programme. This investigation does not try to evaluate the value for money of this programme. There are many aspects to value for money in this case, two of which are sales proceeds, and number of homes built. The lack of data makes it difficult to assess if departments obtained good value from their disposals and more broadly, if government got value for money from the programme as a whole. This is a particular risk given the priority to dispose of land quickly.

11 Accounting Officers have a responsibility to ensure sales of individual sites represent value for money. *Managing Public Money* states that departments should value assets at market prices and have up to three years to dispose of land, once it is declared surplus. However, there is a potential tension between this disposal time frame and the programme's objectives to accelerate land disposals. There was no central guidance to clarify how departments should manage these tensions but there were discussions in monitoring committees to address such issues when they arose.

Looking forward

12 There will be a new process for land disposals from 2015-16. The Spending Round 2013 included new targets for central government and associated bodies to deliver at least £5 billion of land and property sales between 2015 and 2020. The HCA took on an enhanced land disposal role for government from April 2015 which it describes as "adding value to surplus public sites with development potential and speeding up their sale to help increase housing and economic growth".²

13 In the Autumn Statement 2014, the government announced an increased ambition for public sector land and committed to releasing enough land for up to 150,000 homes between 2015 and 2020.³

² Homes & Communities Agency, *Land development and disposal plan*, July 2014. Available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/366694/lddp_july_2014_full.pdf

³ HM Treasury, *Autumn Statement 2014*. Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf

14 In taking forward this new target, DCLG and the HCA should review and share the lessons it learned from this programme. Specifically, it should consider the following:

- DCLG should clarify how it intends to measure progress through sales proceeds or number of potential homes. It should ensure it collects the data to enable it to measure this and establish data validation processes to verify the quality of data.
- In setting further targets, the quantum should be based on a robust assessment of what departments can achieve.
- To improve consistency, DCLG should provide guidance on how it expects departments to identify and measure housing capacity and set minimum documentary and data requirements.
- DCLG and HCA should decide which organisations must take responsibility for monitoring what happens to land after disposal within the period that the target applies. This monitoring should include a record of the sales proceeds, the homes actually built, and any additional revenue generated up to 2020 at least. This information should be collated at the programme level to give a better indication of programme impact on homebuilding and enable an assessment of value for money.