National Audit Office

Report
by the Comptroller
and Auditor General

Department for Communities and Local Government

Disposal of public land for new homes

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National Audit Office

Department for Communities and Local Government

Disposal of public land for new homes

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

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We investigated government's progress to 'release enough public land to build as many as 100,000 new homes'. It follows on from areas of interest identified in previous work on Royal Mail; NHS Property Services; and also through engagement with stakeholders who raised concerns surrounding progress against the target.

Investigations

We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.

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Contents

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What this investigation is about

This investigation examines government's progress to 'release enough public land to build as many as 100,000 new homes'. It follows on from areas of interest identified in previous work on Royal Mail; NHS Property Services; and also through engagement with stakeholders who raised concerns surrounding progress against the target.

This investigation seeks to answer the following questions:

- What was the target and how was it set?
- How was the programme managed?
- What was the performance against the target?
- What happened to the land after it was sold, and what were the proceeds?

Around 1,000 surplus sites have been disposed of and scored against the target, representing some 103,000 potential new homes. In late 2014, we sampled 127 sites in order to validate the government's progress in meeting the target. We also examined ten sites in more detail to examine: how the disposal occurred and what has happened to the sites since the disposal (Appendix Two).

Our methods are set out at Appendix One.

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.

Background

The facts

What was the target

1.1 The programme of disposing surplus government land emerged from the Plan for Growth in the March 2011 Budget. Government believed that releasing surplus land for housebuilding would promote growth and reduce the deficit while providing homes and jobs. It stated that 40% of all land that could be developed sat within public sector land banks, and committed to accelerate the release of surplus public sector land to encourage development.[4]

1.2 On 8 June 2011, the Housing Minister announced that government planned 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".

1.3 The Department for Communities and Local Government (DCLG) holds policy responsibility for the target with government departments responsible for identifying surplus land, estimating the number of potential dwellings, and disposing of it.

1.4 DCLG was unable to provide us with documentation demonstrating the economic evidence behind the 100,000 target, or how it was allocated to each department. We spoke to the five departments with the largest target components (see Figure 1 on page 12). They informed us that there were discussions to estimate informally what could be achieved; however, no detailed assessments were made.

How the target was set

1.5 The targets for individual departments were set on a bilateral basis. Departments worked with HM Treasury, the Cabinet Office and the Homes and Communities Agency (HCA) to negotiate their contribution to the target and agree specific sites. These were then included in departmental strategies as the initial baselines. These were reviewed centrally and revised periodically as part of the monitoring process.

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

1.6 Departments informed us that they were not consulted adequately when targets were increased and felt they were over-ambitious, and did not always reflect delivery constraints. For example, the Department for Transport, and the Department for Environment, Food & Rural Affairs raised concerns that their baseline figures had been raised unilaterally, and the Department of Health told us that it highlighted concerns about its target, which was heavily reliant on the wider NHS. Similarly, MoD informed us that the Cabinet Public Expenditure Committee (Efficiency and Reform Subcommittee) increased its target and overruled it when it advised that it did not think it could deliver to it. The targets were increased to provide a contingency should there be a delay in the disposal of high capacity sites: government aimed to find an extra 20,000 homes.

What the target measures

1.7 In May 2012, the Public Sector Land Working Group (see paragraph 2.9) 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"; the HCA communicated this definition to departments.

1.8 The 100,000 target measures a notional number of homes, representing the potential housing capacity of a site. When a site is disposed, the selling department estimates the number of homes that a site could support. This estimate is used to measure performance against the 100,000 homes target. We discuss this further in Part Four.

Managing the programme

The facts

Who was responsible for delivering against the target?

2.1 HM Treasury required the main landholding departments to publish a disposal strategy setting out how and where it planned to release land. Departments were subject to challenge from the Cabinet Public Expenditure Committee, a senior officials group and a technical support group to ensure the strategies were sufficiently robust, viable and provided value for money.

2.2 Between June and October 2011, the HCA, the Department for Environment, Food & Rural Affairs, the Department for Transport, the Department of Health and the Ministry of Defence each published a strategy. These set out total expected surplus land capacity of about 62,000 homes (**Figure 1** overleaf). The Ministry of Defence was the largest contributor with almost half the potential number of homes.

2.3 The intention was for the published disposal strategies to be used as the baseline to monitor performance with variations identified on a six-monthly cycle. The strategies were meant to be revised annually to update targets; however, in practice, this did not happen. Instead the Cabinet Public Expenditure Committee reviewed and set targets.

2.4 Later in the year, the Department's attention shifted to the smaller landholding departments to identify surplus land with housing capacity. This included the Home Office, Ministry of Justice and Department of Energy and Climate Change as well as the potential of other bodies such as Royal Mail and the BBC.

2.5 By May 2012, government had identified capacity for over 100,000 homes: 15,000 homes from the smaller departments, an additional 8,000 from the HCA and around 16,000 homes on land which was sold prior to the start of the programme in 2011. These 16,000 homes were included because the land was expected to be built on during the course of the programme. This measurement approach is inconsistent with the land sold during the programme, which will have homes built upon it after the programme closed in March 2015 (see paragraph 3.4 for details).

Figure 1

Initial expected surplus land for the main landholding bodies

Lead public body	Subsidiary public body	Number of surplus sites identified	Potential number of homes	
	Highways Authority	5	145	
Department for Transport	British Rail Body (Residuary) Ltd's land	38	2,583	**5,351**
	London & Continental Railways	N/A	2,623	
Homes and Communities Agency		52		**5,972**
Department for Environment, Food & Rural Affairs	Bodies other than British Waterways	10	2,603	**10,003**
	British Waterways (disposal before conversion to charity status)	N/A	1,381	
	British Waterways (disposal after conversion to charity status)	N/A	6,019	
Department of Health	NHS Bodies	173	9,561	**10,454**
	Retained estate	9	893	
Ministry of Defence		21		**30,393**
Estimated number of homes accommodated on surplus land identified by October 2011				**62,173**

Source: Departmental land disposal strategies

Who oversaw the programme?

Accountability

2.6 DCLG was the policy lead for the target. Sir Bob Kerslake was the senior responsible owner, who led programme meetings with all major landholding departments. The HCA collated and reported data to monitoring boards, which we consider an administrative function.

2.7 The programme was subjected to the scrutiny of the Cabinet Public Expenditure Committee (Efficiency and Reform Subcommittee); which held departments to account and ensured that strategies were ambitious, but deliverable. Each of the departments had a minister accountable for its performance. The Committee received reports every six months on progress against departmental targets as well as annual disposal targets. The Growth and Enterprise Committee, and Growth and Investment Committees chaired by the Prime Minister and Chancellor respectively also received reports on progress (see paragraph 2.20).

2.8 In late 2011, the government convened an Expert Advisory Group, chaired by Tony Pidgley, the founder of Berkeley Group Holdings, to provide advice to departments intended to unlock disposal of key sites. The Group reported in 2012. Also in 2012, the Cabinet Office's Implementation Unit reviewed the programme to provide assurance on programme delivery.

Managing and monitoring

2.9 A cross-government Land Disposals Group oversaw the programme.[5] The group focused on the disposal of the top 20 sites on which target delivery was heavily dependent. It met bi-monthly to monitor progress against departmental land release strategies; DCLG chaired. It was supported by a Public Sector Land Working Group.

2.10 In September 2013, the cross-government Surplus Public Land Programme Board which Sir Bob Kerslake chaired replaced the Land Disposals Group. The new board set a strategic direction on the management and disposal of land and property, and was responsible for monitoring the land disposals programme. The working group was replaced with an expanded delivery group which focused on the last year of the programme. It monitored progress, key issues and risks on a monthly basis.

2.11 The HCA's administration role in the land disposal programme, involved collating departmental returns, providing a degree of challenge to those departments, and providing expert advice and monitoring reports to the Programme Board and Disposals Group. HCA was not responsible for managing the programme or decision-making. Early in the programme, the HCA was involved in producing a definition of land disposal related terms to provide a consistent approach across the programme. However, beyond these definitions, it provided limited written central guidance to departments instead relying on bilateral, and group discussions.

2.12 From April 2015, after the land disposals programme closed, the HCA took on an enhanced land disposal role for government 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". In its wider role, it is responsible for:

- increasing the number of new homes that are built, including affordable homes and homes for market sale or rent;
- improving existing affordable homes and bringing empty homes back into use as affordable housing;
- increasing the supply of public land and speeding up the rate that it can be built upon;
- regulating social housing providers; and
- helping to stimulate local economic growth by using its land and investment, and attracting private sector investment in local areas.

5 It included representatives from the Department for Communities and Local Government, Homes and Communities Agency's, the four departments with major land holdings (Ministry of Defence, Department of Health, Department for Transport, Department for Environment, Food & Rural Affairs), the Home Office, the Ministry of Justice, Department for Business, Innovation & Skills, Department of Energy & Climate Change, Department for Culture, Media & Sport, HM Treasury, No.10 and the Government's Property Unit.

2.13 One of the ways in which it does so is to make payments to local authorities, developers, and individual homeowners, including various types of loans and investments.[6]

2.14 *Managing Public Money* outlines protocols for disposals for accounting officers, who are responsible for the value for money of their department's activities. This protocol (**Figure 2**) includes the requirement that property should be disposed of within three years of being identified as surplus. However, there was a potential tension between this disposal time frame and the programme's objectives to accelerate disposal of land, which had a target with a specific end date. 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.

Management information and reporting

2.15 The HCA collated information on disposals and transfers centrally to track delivery of the policy. It relied upon the public landowners to provide updates on landholdings and transactions on a quarterly basis with figures on actual and forecast disposals. It developed a spreadsheet to record and monitor progress rather than use pre-existing systems, which HCA felt were not capable of recording the information it required.

2.16 The main performance metric was 'land released with the capacity to deliver'. The total housing capacity of a site or phase is counted in the year when the site is sold irrespective of conditions in the contract. It does not relate to when the building of homes is actually started or completed.

2.17 There is no consistent approach to calculating the number of homes that will occupy a site although the HCA conducts a 'sense check' of the incoming data and provides challenge to departments on what they could count towards the target as potential homes.

Figure 2

Protocol for disposal of land, property and other assets

Extract from Annex 4.15, Asset management:

- Value assets at market prices using Royal Institute of Chartered Surveyors' Red Book (www.rics.org).
- Dispose of surplus land property within three years.
- Dispose of surplus residential property within six months.

Extract from civil service property disposals guidance:

Surplus assets need to be disposed of as expeditiously as possible – within six months of being declared surplus for housing and within three years for all other properties, while achieving overall value for money for the taxpayer. The disposal process must be clearly documented and managed properly, and there should be a clear audit trail.

Source: *Managing Public Money*, Box A4.15D, and civil service, guidance on property disposals. Available at: www.civilservice.gov.uk/networks/gpp/property-asset-management-in-government/estate-rationalisation/property-disposals

6 National Audit Office, Departmental overview, *The performance of the Department for Communities and Local Government 2013-14*, Part Four, October 2014. Available at www.nao.org.uk/wp-content/uploads/2014/10/Departmental-overview-communities-and-local-government.pdf

2.18 Notable information that was not collected included:

- the value of the disposed land recorded in the departmental accounts;
- sale proceeds;
- the means by which the site was sold;
- copies of the contracts; and
- the number of homes built on land sold.

2.19 The HCA analysed the disposal information confirming any variations against the disposal strategy: year of disposal; size of the site and proposed number of housing units. The process also captures other information on how the site was disposed of including Build Now Pay Later terms, the planning status at time of disposal, and any other issues which might impact upon the subsequent delivery of homes.[7]

2.20 The HCA used the information to produce:

- A six-monthly performance report for the Board. This moved to quarterly in 2014.
- Quarterly reports to the Public Expenditure Committee and its Efficiency and Reform subcommittee.[8,9]
- Ad-hoc reports to the Growth and Enterprise Committee, and Growth and Investment Committees chaired by the Prime Minister and Chancellor respectively.

Quality of information

2.21 We sought to validate the information held in the monitoring spreadsheet. As the population is too large to conduct a full review of all transactions, we selected a representative sample of 127 sites. We requested supporting documentation from the landowning department. However, for only 21% of our sample were departments able to supply full supporting documents.[10,11] We also found differences between the number of potential homes in the sample and the programme data. Specifically, of the 127 sampled sites, we found 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. Our concerns around the quality of the data echo the findings of the Growth Implementation Committee's data validation exercise carried out in early 2013 which found that departments did not report accurately against the agreed baselines.

7 A means to promote early development by deferring land purchase payments from developers until completed homes were sold.
8 Chaired by the Chancellor.
9 Chaired by Cabinet Office Minister with Chief Secretary of the Treasury also monitoring.
10 Data validated at 26 February 2015.
11 A sample site is categorised as having 'full supporting documentation' when the department is able to provide at the very least the sales contract, business plan, relevant planning documents and documentation to support numbers of potential housing for the site.

Delivering against target

The facts

3.1 We analysed the HCA's programme information. The following sections describe the volume, distribution, density and mode of disposals across the 942 sites sold or planned for sale. These findings should be considered in light of the concerns we raised in paragraph 2.21 about the quality of the data.

Performance against target

Current status

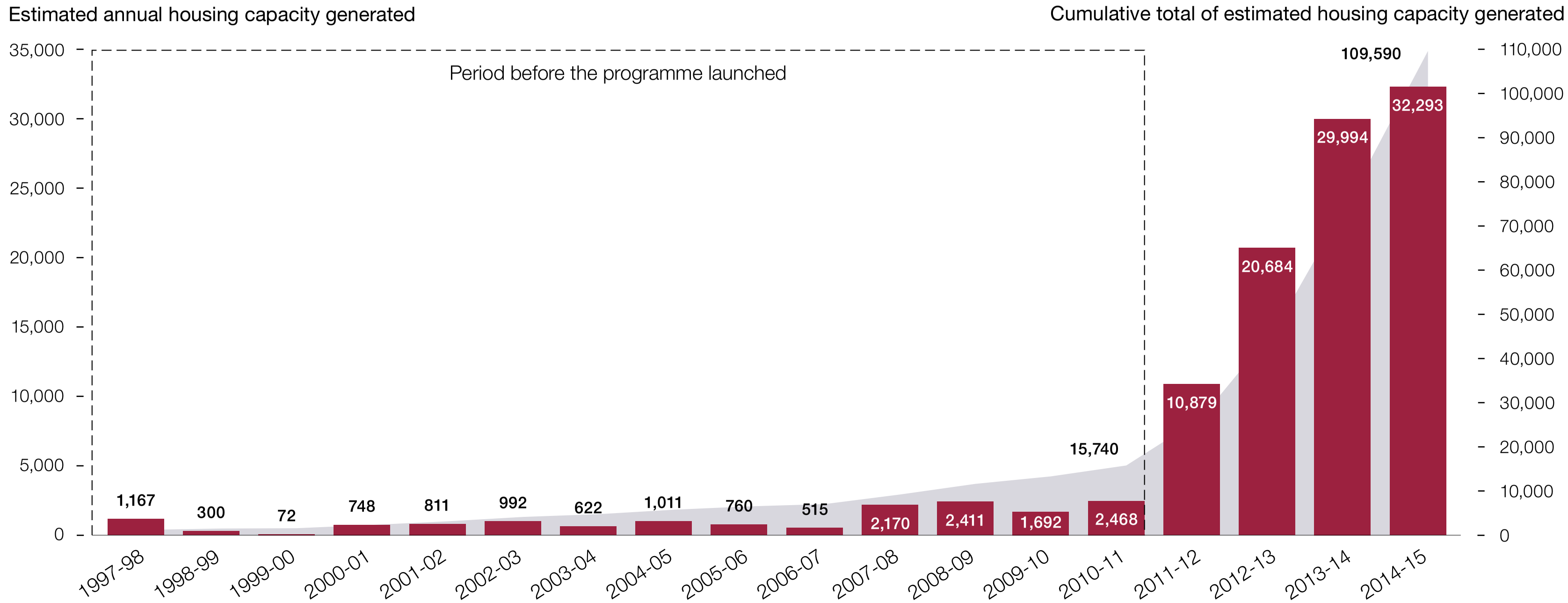
3.2 Government has met its target, disposing of enough land to support 109,590 homes by the end of 2014-15; note, however, our comments in paragraph 3.4 about how this target was scored. Note also that the performance relates to housing capacity not actual homes built as many of the projects have yet to start, or are in progress, and will take many years to complete. Information on sales proceeds is not collated centrally.

3.3 The target was critically dependent on the sale of a small number of large sites which came late in the period (**Figure 3**).

Figure 3

Sold homes over time

This figure shows that: the rate at which the programme delivered estimated new homes improved year on year from 2011; and that the total includes an estimated 16,000 homes being built on land that was sold before the programme started in March 2011



- Estimated annual housing capacity generated (LHS)
- Cumulative total of estimated housing capacity generated (RHS)

Source: 2014-15 Quarter 4 data provided by Department for Communities and Local Government

3.4 When we examined the data to determine what was being included in the target, we found that:

- Land sold before the start of the programme is scoring toward the 100,000 target – with 15,740 homes on land that the public sector had sold prior to programme launch in 2011 being counted because it was expected to be built on during the course of the programme. This is inconsistent with the scoring of land sold during the course of the programme, where homes will be built after the programme closed in March 2015 (see Appendix Two, where nine of our ten case studies demonstrate that the building of homes will continue long after the programme ended).
- When an organisation moves outside the public sector, its surplus land was categorised as sold when it was transferred even if the sites were not developed. For example:
  - Royal Mail sites with capacity for 2,584 homes were counted as sold when Royal Mail was privatised in 2013.
  - Sites owned by British Waterways were scored against the target when the public body converted to a charitable trust in 2012, accounting for 8,199 units.
- There is no consistent approach to assess the capacity of sites (the number of homes that could be built). Each department consulted with experts to identify capacity and HCA offered robust challenge.

3.5 **Figure 4** gives a breakdown by department. Note that data on the physical size of each site was only available for 508 of the 942 sites so we have some concerns with its accuracy.

3.6 As at 31 March 2015, government has sold a total of 942 sites, ranging in size. The smallest site has a single home; the largest is expected to have 7,600. Most sites (21%) are relatively small at less than 5 hectares.[12] There are a small number of sites representing a disproportionately large number of homes (eight sites of more than 2,000 homes). These are long-term, multi-phase projects, some which will not complete for 20 years.

3.7 For the 58 sites for which we had data, most disposed of the property via auctions, sealed bids, commercial and informal tenders, open market sales and through a pre-qualified panel. Within the sample, 12 sites were sold via private arrangements.

12 Note that there was only data on the size of the site for 508 of the 942 sites.

Figure 4
Volume of disposals by department

Department	Number of sites	Size of site[1] (hectares)	Number of homes
Ministry of Defence	153	1,888	38,778
Homes & Communities Agency	133	663	20,930
Department of Health	427	1,517	15,185
Department for Environment, Food & Rural Affairs	65	132	11,675
London Legacy Development Corporation	3	600	7,221
Department for Transport	69	57	4,655
Public Corporations	27	48	4,113
Greater London Authority	10	2	2,652
Ministry of Justice	40	5	1,814
Others	7	25	1,102
Olympic Park Legacy Company	1	0	600
Thurrock Local Authority[2]	3	0	489
HM Treasury	1	0	200
Home Office	2	0	126
Department for Culture, Media & Sport	1	0	50
Total	**942**	**4,937**	**109,590**

Notes

1 Incomplete data.

2 This land was owned by a government-owned urban development corporation at the start of the programme and subsequently transferred to Thurrock Local Authority.

Source: Homes and Communities programme close data (at 31 March 2015)

3.8 The land is distributed across England with a large amount clustering around developed town centres and key growth areas (**Figure 5**).

Figure 5

Distribution of sites sold

Sold sites, and the number of potential homes – England

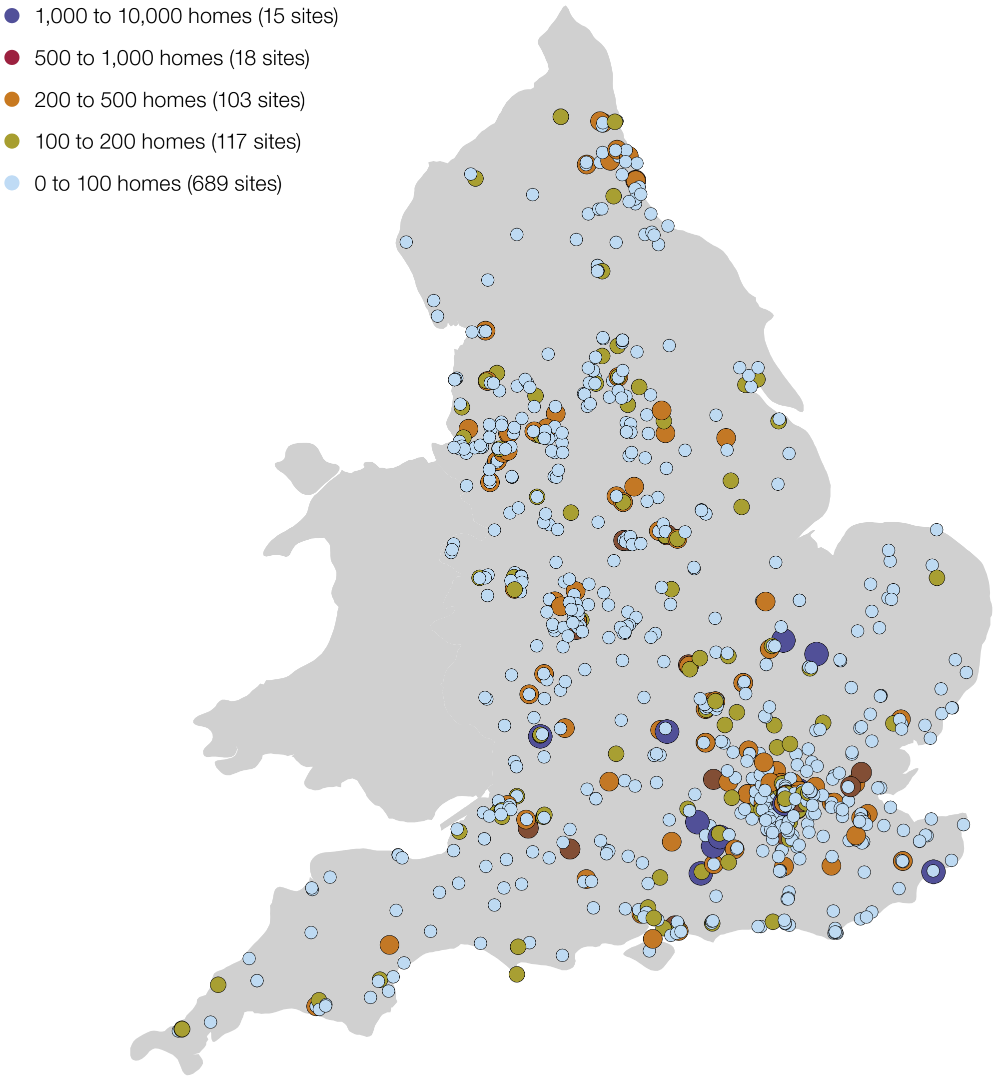
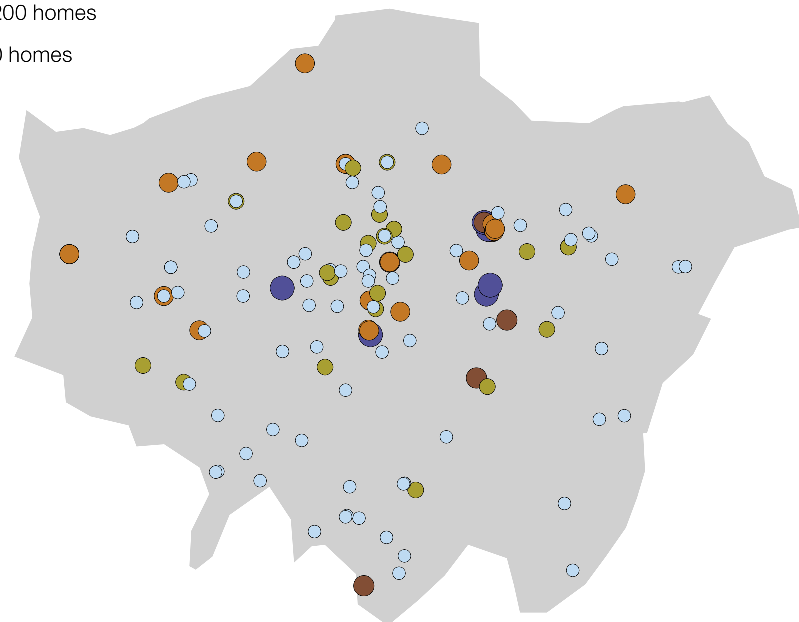


Figure 5 *continued*
Distribution of sites sold

Sold sites, and the number of potential homes – Greater London

- 1,000 to 10,000 homes
- 500 to 1,000 homes
- 200 to 500 homes
- 100 to 200 homes
- 0 to 100 homes



Note

1 The size of individual circles represent the number of potential homes for each site. The larger the circle, the greater the number of potential homes.

Source: 2014-15 Quarter 4 data provided by DCLG

3.9 The programme data does not include information on the type of purchaser. However, based on our sample of 127 sites, we found that of the 61 sites identified as sold, 37 were sold to private developers, 11 to individuals, 3 to local authorities and 10 were unknown.

Progress over time

3.10 From the start of the programme, disposals were slower than forecast. Ministers were concerned that the disposals would not meet the 100,000 homes target. The Cabinet Office's Implementation Unit conducted a review in October 2012 on barriers to achieving the target. It considered that there was little headroom if sales were delayed and there were limited options to identify more land. **Figure 6** summarises its findings on why sites were at risk.

Figure 6

Implementation Unit review of barriers to achieving the target

Summary of report findings

Sites:

- Meeting the target was reliant on selling over 20 sites, each with capacity for over 1,000 homes. Due to their size, these sites tended to be challenging to dispose of quickly.

Incentives and accountability:

- Departments were unwilling to accept lower valuations for their sites than those included in their 2010 spending settlements. Budgetary impacts also reduced willingness to offer Build Now, Pay Later incentives.
- Most departments believed a site with outline planning permission was potentially worth more so they were investing time and effort in the process despite uncertainties as to how long it could take.
- Departments did not have collective responsibility for the target, focusing on their own objectives and land. This made it difficult to take a programme approach, through for example full access to information, packaging up sites falling in the same local area and being able to move resources and/or sites around.

Departmental capacity:

- Limited departmental capability, lacking the necessary expertise and resources to focus on the activity. Disposal of surplus land for housing was not a core or priority activity.
- Different approaches prior to tendering, planning, local stakeholder consultation and private sector engagement dependent upon experience and capacity and had a direct impact on the pace of delivery.

Source: *How can Government overcome barriers to disposing of land for 100,000 homes by March 2015?* Cabinet Office and Department for Communities & Local Government, October 2012

Actions taken to increase capacity

3.11 Government took various steps to increase land sales (**Figure 7**).

Figure 7
Actions taken to meet the target

Approach	Actions	Timing
Find more surplus land	Plan to identify additional 20,000 surplus land capacity to accommodate delays beyond the deadline.	From start
	HCA reviewed capacity on surplus land held by other departments and arm's-length bodies/corporations with smaller landholdings.	Early 2012
	Departments were asked to bring forward sites planned for disposal in 2015-16.	Mid 2012
	Departments were asked to find more land it could sell and speed up disposals that were stalling.	Throughout 2012-13
Transfer land to HCA	In November 2012, departments agreed a process to acquire land for HCA. By February 2013, HCA had agreed terms and the process for acquiring 32 sites from other departments and public bodies. However, in June 2013, the Treasury expressed concern that the transfers were taking too long. If there was no change, the Chancellor was considering transferring the land to the HCA without passing receipts to the departments. By July, the DCLG reported progress with the transfers, with six acquisitions completed and 23 nearing completion.	Throughout 2012-13
Increase attention/ support	The Prime Minister commissioned the Cabinet Office Implementation Unit to review barriers, the effectiveness of departmental disposal strategies, and recommend proposals to improve delivery.	Mid 2012
	Ministerial attention and engagement to meet the target increased. It became an agenda item for the Prime Minister's Growth Implementation Committee.	January 2013
	MoD and Department of Health were given more attention as they were two of the largest landholding departments and were falling behind.	
	Structured reporting requirements moved to a quarterly basis.	From May 2013
Address 'barriers'	£190 million investment fund which departments could use for site remediation and works such as access roads and services.	From late 2012
	£100 million for HCA to purchase land from NHS trusts and other departments with smaller landholdings	
	Providing a single portal to provide information on surplus land and expanding engagement with planning departments in local authorities.	January 2013

Source: Review of Department for Communities and Local Government's files

3.12 The MoD and Department of Health were the largest contributors to the target, together accounting for 49% of the planned housing capacity. Both faced challenges in disposing of their land and had to find ways to overcome them. **Figure 8** and **Figure 9** illustrate the types of issues that each faced.

Figure 8
Disposing of MoD sites

Partnering with private developers

The Ministry of Defence initially planned to dispose of 21 surplus sites, with capacity for 30,400 homes. Its portfolio of land was different to other departments in that they were large sites in relatively rural locations, where former barracks and airfields were located. However, it was noted that some of these sites had the potential to deliver significant residential developments.

After the Strategic Defence and Security Review, the Ministry removed a number of sites from the programme because they were no longer considered surplus. While this change resulted in a loss of 2,630 homes, it was mitigated by additional sites and an increase in capacity on others.

The Ministry adopted a flexible approach to disposals to fit in with changing strategic priorities. For example, for the sale of its 187 hectare site in Graven Hill, Bicester, Cherwell District Council bought the freehold of the site, but leased it back to the Ministry while it made arrangements to relocate its activities to other sites. MoD will vacate the Graven Hill site in two phases. It will hand over part of the site in September 2015 and is scheduled to hand over the remainder in 2019 (see Case study 4 in Appendix Two).

The Cabinet Office Implementation Unit acknowledged the Ministry's success in using private sector development partners on major sites. The partners tackled the planning process, invested in enabling infrastructure and had a commercial interest to ensure that the final planning permission was deliverable.

Source: National Audit Office summary of documents

Figure 9
Disposing of NHS sites

Encouraging NHS trusts to dispose of their land

In its initial disposal strategy, the Department of Health identified 10,454 potential homes across 182 surplus sites. Of these, 173 were owned by NHS bodies over which the Department had limited control. Individual NHS trusts have direct responsibility and accountability for management of their assets. The Department of Health took on responsibility for monitoring NHS disposals.

The Department created NHS Property Services Ltd to manage the majority of former primary care trusts and strategic health authorities' estates, including rationalising and selling surplus property. NHS Trusts remained responsible for disposals of their land.

Progress was slow and DCLG considered that the performance of NHS Trusts was poor. Without improvement, there was a risk of not meeting the overall target. While the Department of Health had written to all NHS Trusts informing them of the funding available to support their disposals, few had expressed interest. Many of the Trusts wanted to retain land because they considered that it would increase in value over the next four years. Progress improved markedly in early 2014, following the appointment of a dedicated programme lead and more intensive senior level engagement between the Department and NHS.

The Treasury and the Department of Health agreed to investigate improved revenue incentive schemes for NHS Trusts. Also the HCA worked with the Department of Health to deepen engagement with NHS Trusts including running workshops to highlight the support for land disposals. By June 2013, the DCLG had received about 50 expressions of interest from NHS Trusts in the investment and acquisition funds. The Department of Health's Land Fund went live Christmas 2013. This fund existed to cover costs not included in the scope of the HCA's Investment Fund. The Department of Health told us its fund supported the disposal of land across ten sites representing over 2,000 homes.

Source: National Audit Office summary of documents

Developing the land

The facts

How many homes have been built and how much money generated?

4.1 Departments do not routinely track what happens to a site after disposal. There has been no recording of development activity or housing starts and completions. The HCA is not able to establish starts or completions as the programme did not require departments to provide this information to the HCA. Therefore we are not able to say how many homes have been built on the land. Evidence of actual homes built would take many years to identify: for larger sites, it may be up to 20 years before all homes are built.

4.2 We are similarly unable to report the sales proceeds raised from the disposals, as the programme did not require departments to provide this information. Since 2011, there has been no central recording of funds raised from disposals. It is unclear if departments obtained market value for the sites sold.

4.3 We examined ten large sites in more detail to get a better picture of what happens to the land after sale. Where available, we provide information on the homes built and proceeds. The case studies are listed in full in Appendix Two.

What happens to the land after sale?

4.4 Based on DCLG data, departments adopted a range of approaches to structure disposals to promote early development. We did not assess the individual benefits or risks of the approaches but provide case studies to illustrate what has been used. Departments used one or more of the following approaches:

- Direct sale of land;
- Sale and leaseback;
- Clawback provisions;
- Profit sharing through overage provisions;
- Delaying transfer of land via licensing;
- Partnering for site preparation; and
- Joint-venture arrangements.

Direct sales

4.5 Some departments disposed of their land through a straight forward sale, transferring the freehold to the purchaser for development. For example, Persimmon Homes Ltd acquired the freehold for a site at the former Princess Marina Hospital for redevelopment (**Case study 7**).

Sale and leaseback

4.6 Some departments took the sale and leaseback approach, which involves the disposal of the surplus land to the developer or purchaser before it is being leased back to the department so it could be used in the interim. For example, Cherwell District Council bought the freehold of the site from the Ministry of Defence, but has leased the site back to the Ministry of Defence while the department makes arrangements to relocate its activities to other sites (**Case study 4**).

Clawback

4.7 Some departments have used clawback provisions within sale contracts that allow for the land to be transferred back to the original owners should the developer fail to develop the land within a predetermined time. It is not clear if departments are actively monitoring such arrangements. Within our case studies, we have not seen an example of a clawback provision being activated to date. Due to the length of the projects, it may be some years before the provisions expire. There is a potential risk that the target overstates what has been achieved.

Profit sharing through overage

4.8 Some departments included overage provisions which typically outline a profit sharing arrangement between the original landowner and the developer. In the case of a site at Blackwall Reach, the parties established a base average value per square foot at the outset of the project. Where the average selling price achieved is greater than this base cost, Swan Housing Association (Swan) and the Greater London Authority/Tower Hamlets split the difference 40/60 (**Case study 1**).

Delaying transfer of land

4.9 Another approach adopted is to place conditions on the transfer of the land title. This could be based on construction milestones as illustrated by the development at Blackwall Reach, where Swan Housing Association has a licence to build on the site but it cannot take ownership until buildings for each phase are 'wind and watertight' (**Case study 1**).

4.10 Departments have also structured disposals such that the developers do not hold the land title. The ownership of the land remains with the original landowner and is only transferred to the homeowner when homes are sold. In the case of the Aldershot Urban Extension, the developer Grainger plc obtained licence to build on the site but the Ministry of Defence retains ownership until it is sold to homeowners (**Case study 3**).

Partnering for site preparation

4.11 The site of the Aldershot Urban Extension also highlights an example of a partnering arrangement. Under the arrangement, Grainger, at its own risk, funds the cost of obtaining planning consents and preparing each site for sale to housebuilders. It then receives the costs incurred to date when the land is sold in addition to an accrued annual management fee and a small proportion of the gain in the value of the land. The rest passes to the Ministry of Defence (**Case study 3**).

Joint ventures

4.12 Similarly, some departments have also structured disposals in the form of joint-venture arrangements with developers. For example, the Glasshouse Gardens site is being developed through a joint-venture vehicle between London Continental Railways and Lend Lease. As the development progresses, London Continental Railways will contribute the land required for the phase into the joint-venture vehicle, while Lend Lease will inject an agreed portion of equity. As the joint-venture is equally owned by both parties, profits will be shared equally (**Case study 6**).

Developer issues

Planning permission

4.13 Developers told us that some departments performed de-risking activities prior to selling the land, with the intention of increasing the site's appeal. De-risking activities include obtaining planning consent, to conducting environmental surveys, site clearance and decontamination.

4.14 The developers believed that extensive de-risking work is best left to experienced developers:

- Kier Partnership Homes stated that de-risking work such as demolition work undertaken by landowners does not necessarily increase the attractiveness of the development. Such work should be left to the developer as the work would provide the developer with first hand understanding of the risks associated with the existing foundation (**Case study 2**).
- Similarly, Grainger plc stated that governmental bodies feel a need to obtain planning consent before marketing a site in the belief that it speeds up the process and adds value. However, in its view, in reality, much of the work done is either nugatory or of low quality and thus must be repeated (**Case study 3**).

Land ownership

4.15 The case studies also highlight that due to timing constraints on the delivery of the scheme, some departments felt the need to expedite the tendering process, which can cause issues surrounding land title and ownerships. This has led to delays in the construction phase of some projects:

- In the case of the site at Blackwall Reach, Swan Housing Association noted that although GLA and Tower Hamlets have taken steps to acquire the relevant titles prior to tendering the development, there is a title issue yet to be resolved at the time of our interview over land that will be needed in the final phase (**Case study 1**).
- Similarly, the site at Manor Kingsway is owned by several governmental bodies. During the procurement process, HCA has indicated that there was an agreement between all the landowners committing them to support the development. However, the developer later discovered that as this was only a memorandum of understanding. It has since encountered difficulties in negotiating with landowners (**Case study 2**).

Appendix One

Our investigative approach

Scope

1 Our investigation examined the government's progress to "release enough public land to build as many as 100,000 new homes". The investigation sought to answer the following questions:

- What was the target and how was it set?
- Who delivers against the target?
- Who manages the programme?
- What is the progress against the target?
- What happened to the land after it was sold?

Methods

2 In examining these issues, we drew on a variety of evidence sources. We:

a reviewed policy papers and reports by DCLG;

b reviewed the land disposal strategies of all the departments involved in the programme;

c reviewed minutes prepared by the Cross Government Land Disposals Group and the Public Sector Land Working Group;

d reviewed submissions made to the Cabinet Public Expenditure Committee (Efficiency and Reform Subcommittee);

e examined the data set provided by DCLG on all 942 sites;

f examined key details of a sample of 127 sites in December 2014 including:

- department disposing of land;
- date of sale;
- sale contract;
- location;
- housing numbers per site;
- proceeds;
- overage or clawback arrangements;
- type of disposal;
- method of disposal;
- name of purchaser/developer;
- planning status;
- de-risking activities conducted;
- business Case documents; and
- e-PIMS and Land Registry numbers.

g compared these key details to requested supporting documentations;

h interviewed six developers to gain a better understanding of the scheme from the purchaser perspective for our case studies; and

i received written responses from a further three developers to a questionnaire similar to the interviews conducted.

Appendix Two

Case studies: The perspective of the purchasers and developers

1 The following case studies summarise the status of ten projects. The information presented is based on our interviews with purchasers and developers as well as written responses received from questionnaires.

Case study 1

Swan Housing Association: Blackwall Reach site

Swan Housing Association (Swan) entered into a three party development partnership agreement with Greater London Authority (GLA) and London Borough of Tower Hamlets (Tower Hamlets) in April 2011.

Key facts

Governmental department	Greater London Authority and London Borough of Tower Hamlets
Location	Blackwall, London
Number of homes	1,575, of which approximately 50% will be affordable housing
Volume of land	7.7 hectares
Sale confirmed	Yes
Date of sale	Information not provided due to commercial confidentiality
Provision of sales contract	No
Mode of disposal	Commercial tender
Proceeds from disposal	Information not provided due to commercial confidentiality
Overage/Clawback	40/60 overage (developer/landowner respectively). No clawback
Type of disposal	Developer obtained licence to build on the site. Ownership is transferred when building is 'wind and watertight'
Status	Construction has begun. All four phases to be completed by 2024

Observations

Swan was attracted to the project as the developer did not have to make an up-front payment to acquire its interest. Instead, Swan has a licence to build on the site but it will not take ownership until buildings for each phase are 'wind and watertight'. Swan expects to spend approximately 75% of its investment before it receives title over the land.

This arrangement is intended to discourage the practice of 'land-banking'. However, Swan found the development difficult to finance as it could not use the land as collateral. It would have preferred a 'no build clawback' provision where the land is transferred back to the original landowner should the developer fail to develop the site within a predetermined timeline.

The agreement has a provision for 'overage' where at the outset of the project, a base average value per square foot was established. Where the average selling price achieved is greater than this base cost, Swan and the GLA/Tower Hamlets split the difference 40/60. There is an option for Swan to revisit the base value at the start of each phase, but if it chooses to invoke this option the overage split moves to 30/70.

Prior to the tendering process, the GLA and Tower Hamlets took steps to acquire the relevant titles from the various title-holders. However, currently, there is an unresolved title issue over land needed for the final phase. The acquisition of these titles is crucial to the commercial success of the phase. The land is under a compulsory purchase order and the current owner has lodged an appeal against the order.

Source: Interview held with Executive Director of Swan Housing Association

Case study 2

Kier Partnership Homes: Manor Kingsway site

Kier Partnership Homes entered into a development partnership agreement with the HCA in late 2011.

Key facts

Governmental department	Homes and Communities Agency
Location	Manor Kingsway, Derby
Number of homes	700
Volume of land	27.5 hectares
Sale confirmed	Yes
Date of sale	27 February 2012
Provision of sales contract	Yes
Mode of disposal	Commercial tender
Proceeds from disposal	Anticipated to be £8 million
Overage/Clawback	50/50 overage (developer/landowner respectively). No clawback
Type of disposal	Developer obtained licence to build on the site. Ownership is retained by the landowners until it is sold to homeowner
Status	Construction has begun. All eight phases to be completed by 2021

Observations

The land is owned by several governmental bodies. During the procurement process, HCA indicated that there was an agreement between all the landowners committing them to support the development. However, Kier Partnership Homes later discovered that this is no more than a memorandum of understanding and noted that some of the landowners seemed to be reluctant participants, leading to some difficulties in the negotiation process, which significantly delayed the development. Kier Partnership Homes recommended that the agreement could be better drawn up to align the interest of all the third party landowners. Additionally, there should be a single public body empowered to represent all the public sector landowners.

The contract includes an overage provision which sets a base average value per square foot. Where the average selling price achieved is greater than this base cost, Kier Partnership Homes and the HCA will split the difference 50/50.

Source: Interview held with Managing Director of Kier Partnership Homes

Case study 3

Grainger plc: Aldershot Urban Extension site

Grainger plc (Grainger) and the Ministry of Defence (MoD) entered into a development partnership agreement on 2 March 2011.

Key facts

Governmental department	Ministry of Defence via Defence Infrastructure Organisation
Location	Wellesley, Aldershot
Number of homes	Revised from 4,500 to 3,850
Volume of land	150 Hectares
Sale confirmed	Yes
Date of sale	2 March 2011
Provision of sales contract	Yes
Mode of disposal	Commercial tender
Proceeds from disposal	Not applicable as the site is being developed through a Development Partner Agreement. Proceeds are received when plots are sold.
Overage/Clawback	40/60 overage (developer/landowner respectively). No clawback
Type of disposal	Developer obtained licence to build on the site. Ownership is retained by the MoD until it is sold to homeowner
Status	Construction has begun. All 21 phases to be completed over 20 years

Observations

Under the agreement, Grainger, at its own risk, funds the cost of obtaining planning consents and the cost of preparing each site for sale to housebuilders. It will produce a master plan and will build all infrastructure such as roads, drainage, foundations and footpaths. Each site is therefore a serviced site ready for the housebuilder. In Grainger's view this business model removes risk from the housebuilders and gives them certainty on construction timeline and frees-up capital. Consequently, housebuilders tend to pay a premium for these types of sites.

Grainger stated that governmental bodies feel under pressure to obtain planning consent before marketing a site in the belief that it speeds up the process and adds value. In reality, much of the work done is either nugatory or of low quality and thus must be repeated. The partnering arrangement alleviates that as planning and de-risking work are left to experienced developers.

Grainger told us that due to the site's size, the arrangement is likely to maximise the value of the site. If sold as one large plot, the purchaser would demand a discount to reflect the risks involved. The arrangement allows the site to be parcelled up and sold in manageable plots. Moreover, there is more demand for smaller plots, thus leading to increased competition. A further benefit to the landowner/MoD is that it captures the upside from house price inflation as each plot is sold off over a longer time frame.

When the first plot was sold the MoD gave Grainger the cost of its planning work incurred up to that point in time, the cost of preparing the plot for sale and its accrued annual management fee. To keep incentives aligned, Grainger also receives a small proportion of the gain in the value of the land. The rest passes to the MoD.

Source: Interview held with Development Director of Grainger plc

Case study 4

Cherwell District Council: Graven Hill site

In March 2013, the Ministry of Defence (MoD) and Cherwell District Council (Cherwell) agreed on a letter of intent for an off-market sale based on a jointly agreed independent valuation.

Key facts

Governmental department	Ministry of Defence
Location	Graven Hill, Bicester
Number of homes	1,800
Volume of land	187 hectares
Sale confirmed	Yes
Date of sale	10 March 2014
Provision of sales contract	Yes
Mode of disposal	Off-market sale
Proceeds from disposal	£27.3 million
Overage/Clawback	Overage with exceptions. No clawback
Type of disposal	Freehold transferred to CDC for development. Sale and lease back
Status	Pre-commencement phase in March 2015. Build-out will take ten years

Observations

As part of its strategic objectives to promote self-built homes, Cherwell purchased the site at Graven Hill from the MoD with the aim of developing the land to include plots for self-built homes.

Cherwell will produce a detailed master plan and design codes for the site. It will also obtain a local development order that outlines the building requirements for the self-built plots. Under the order, providing that the self-builder meets the wider building requirements, individual planning consent is not needed.

The site's build-out will be affected by demand from self-builders. Given that a self-build scheme of this scale has never been attempted in the UK, there is some uncertainty about the level of demand. However, Cherwell expects the build-out will take 10 years.

The sale agreement between the MoD and Cherwell includes a standard overage provision. However, the overage will not apply to plots sold for self-built units.

Cherwell bought the freehold of the site from the MoD, but has leased the site back to the Department while the Department makes arrangements to relocate its activities to other sites. MoD will vacate the Graven Hill site in two phases. It will hand over part of the site in September 2015 and is scheduled to hand over the remainder in 2019.

Source: Interview held with Commercial Director of Cherwell District Council and Director of Graven Hill Village Holdings Ltd

Case study 5

Canal & River Trust: Icknield Port Loop site

On 23 January 2015, Homes and Communities Agency (HCA) sold its share of a three-party ownership of land to Canal & River Trust (the Trust). The Birmingham City Council (BCC) is the other land owner and is involved in the development of the site.

Key facts

Governmental department	Homes and Communities Agency
Location	Icknield Port Loop, Birmingham
Number of homes	1,900
Volume of land	18 hectares
Sale confirmed	Yes
Date of sale	23 January 2015
Provision of sales contract	Yes
Mode of disposal	Off-market sale
Proceeds from disposal	£2.6 million
Overage/Clawback	Overage and planning clawback provisions included between HCA and the Trust
Type of disposal	Freehold transferred from HCA to the Trust
Status	Construction to commence in 2016. Build-out will take ten years

Observations

Initially, the site was owned by Birmingham City Council, the Trust and HCA. HCA then sold its interest to the Trust. The sale contract between the Trust and the HCA includes overage provisions that provide HCA with a share of value uplift from future onward sales.

Both parties later established a limited liability partnership (LLP) through which they will develop the site. Ownership is split 50/50, with both parties pledging their land into the LLP. The Trust own 31 acres (72%) of the site and Birmingham City Council own 12 acres (28%).

The developer will be required to take a 50% stake in the partnership and provide working capital as it prepares each phase of the development for sale to housebuilders.

The development is expected to take about ten years. The LLP is soon to start a marketing campaign to appoint a developer The intention is to appoint the lead developer in summer 2015 with construction starting in spring/summer 2016.

Source: Interview held with Head of Property Development of Canal & River Trust

Case study 6

Lend Lease: Glasshouse Gardens site

In 2011, Lend Lease entered into a 50/50 joint-venture agreement with London Continental Railways, a subsidiary of the Department for Transport to develop the site in Stratford.

Key facts

Governmental department	Department for Transport
Location	Glasshouse Gardens, Stratford
Number of homes	333 (20 allocated for affordable housing)
Volume of land	2.2 hectares
Sale confirmed	Yes
Date of sale	27 August 2014
Provision of sales contract	Yes
Mode of disposal	Commercial tender
Proceeds from disposal	£1.3 million
Overage/Clawback	No overage or clawback provisions. 50/50 share of joint-venture profit
Type of disposal	Freehold transferred to the 50/50 joint-venture
Status	Construction has begun. Expected completion by May 2017

Observations

Prior to the London Olympics, Stratford City was earmarked for redevelopment. Through a competitive process, Lend Lease was selected as one of the scheme's developers. After the Olympics, various sites used to support the event were vacated and designated for development. Lend Lease approached London Continental Railways to form a joint-venture agreement to develop one of these sites, Glasshouse Gardens.

Under the agreement, a joint-venture vehicle – Stratford City Business District – was formed to develop the site. As the development progresses, LCR the original landowner will contribute the portion of land required for the phase into the vehicle, while Lend Lease inject an agreed portion of equity. The land value was assessed by independent third party valuers. As the joint-venture is owned by both parties, profits will be shared equally.

Capacity was determined based on a combination of Lend Lease's internal architectural recommendations and constraints on building height and density imposed by Newham Council. Lend Lease also stated that 23 bedroom units were allocated for affordable housing as prescribed by Newham Council.

Lend Lease expects the first tower to be completed by November 2016 and the second by May 2017.

Source: Interview held with Senior Development Manager of Lend Lease

Case study 7

Persimmon Homes Ltd (Midlands): Princess Marina Hospital site

Persimmon Homes Ltd (Midlands) acquired the site at the former Princess Marina Hospital through a competitive commercial tender in March 2012 for redevelopment.

Key facts

Governmental department	Department of Health
Location	Princess Marina Hospital, Northampton.
Number of homes	550 (35% of which are affordable housing)
Volume of land	18 hectares
Sale confirmed	Yes
Date of sale	March 2012
Provision of sales contract	Information not provided[1]
Mode of disposal	Commercial tender
Proceeds from disposal	Information not provided[1]
Overage/Clawback	Overage provisions included. No clawback
Type of disposal	Freehold transferred to Persimmon Homes
Status	Construction has begun. Partial completion

Observations

In March 2012, Persimmon Homes Ltd (Midlands) acquired the freehold to the site at the former Princess Marina Hospital for redevelopment. Persimmon Homes was selected as the preferred bidder through a competitive tendering process.

The development is expected to deliver 550 homes, 35% of which are allocated as affordable housing. The development has 8 phases. 116 homes have been built and sold as part of phases 1 and 2. While phases 3, 5 and 6 which are expected to deliver 92, 51 and 55 homes respectively, have been partially built and sold. Construction on phases 4, 7 and 8 are yet to start at the time of the interview.

The sales agreement include overage provisions, however, Persimmon Homes did not offer further details.

Note

1 The National Audit Office was not able to obtain some details of the disposal from the Department of Health as it does not record all details of NHS disposals.

Source: Response from the Technical Director of Persimmon Homes Ltd (Midlands) to National Audit Office questionnaire

Case study 8

Canary Wharf Group plc: Wood Wharf site

Canary Wharf Group plc was granted a 250 year leasehold by the British Waterways Board (BWB) to develop the site at Wood Wharf in London.

Key facts

Governmental department	Department for Environment, Food & Rural Affairs (DEFRA) and British Waterways Board
Location	Wood Wharf, London
Number of homes	1,668
Volume of land	7 hectares
Sale confirmed	Yes
Date of sale	17 January 2012
Provision of sales contract	Information not provided[1]
Mode of disposal	Sale of joint venture share to existing partner
Proceeds from disposal	Canary Wharf Group paid £52.4 million for British Waterways' 50% share of Wood Wharf Limited Partnership
Overage/Clawback	Information not provided[1]
Type of disposal	250 year leasehold
Status	Construction has begun. Expected completion around 2020

Observations

On 17 January 2012, Canary Wharf Group plc took full control of a previously existing partnership which held a development agreement with British Waterways Board – the site freeholder. Consequently, CWG was granted a 250 year leasehold to develop the site.

The written response we have received from CWG does not include details surrounding the purchase such as overage, clawback, mode of disposal or proceeds. CWG states that such details should be requested from the relevant departmental bodies. Defra provided some details but it does not hold a copy of the sales contract.

On 24 December 2014, the London Borough of Tower Hamlets granted Outline Planning Permission and Listed Building Consent for a comprehensive mixed use development at Wood Wharf.

CWG plans to deliver 1,668 homes and 2 million square feet of office spaces. The development is phased with Phase 1 competing around 2020, delivering around 1,000 homes. At March 2015, no homes have been built.

Note

1 Contract details not held by Defra

Source: Response from the Assistant Development Manager of Canary Wharf Group plc to National Audit Office questionnaire

Case study 9

QDD Athletes Village UK Limited: ODA Olympic Village site

QDD Athletes Village UK Limited (QDDAV) acquired the site's freehold owner SVDP Limited (SVDP) in August 2014, through a competitive process managed by the Olympic Delivery Authority (ODA), to develop a site in Stratford, London.

Key facts

Governmental department	London Legacy Development Corporation
Location	East Village, Stratford, London
Number of homes	1,850
Volume of land	Information not provided due to commercial confidentiality
Sale confirmed	Yes
Date of sale	August 2014
Provision of sales contract	Information not provided due to commercial confidentiality
Mode of disposal	Competitive tender
Proceeds from disposal	Information not provided due to commercial confidentiality
Overage/Clawback	Overage provisions included. No clawback
Type of disposal	Sale of freehold
Status	Construction to start mid 2015. Expected completion is beyond 2018

Observations

QDDAV is a joint-venture equally owned by Delancey Real Estate Asset Management Ltd's (Delancey) client funds and Qatari Diar (QD), a subsidiary of Qatari Diar Real Estate Investment Company. Delancey is a private company that provides investment advisory services, while QD is ultimately owned by the Qatar Investment Authority, Qatar's sovereign wealth fund.

In August 2014, the joint-venture acquired the site's freehold owner, SVDP through a competitive process managed by the Olympic Delivery Authority (ODA). The acquisition resulted in the joint-venture ultimately owning 1,439 pre-existing private homes, together with six development sites with outline consent for 1,850 homes.

QDDAV states that the site now called East Village, benefited from outline planning which had been implemented to deliver the Athletes Village for the 2012 Olympic Games. The development of the six sites will be phased. The first phase of 480 homes is to start in mid-2015 and to complete the end of 2017. While the second phase of 420 homes is planned to start approximately six months after, completing mid-2018. 48 affordable homes would also be delivered mid-2018. The delivery of the remaining homes will be constructed in due course, however, there is no definitive programme at this stage.

The agreement includes an overage provision which is triggered two years after completion should the valuation of the 1,439 built units exceed a predetermined threshold. Overage payments are also triggered on the sale or completion of the development of each of the six plots. Additional overage will also be triggered, should financing arrangements over the first five years of ownership result in a projected level of internal rate of return exceeding the agreed benchmark hurdle. Surplus proceeds over the hurdle are shared.

Source: Response to National Audit Office questionnaire from the Director of Asset Management of Qatari Diar UK Limited and the Investment Director of Delancey on behalf of QDD Athletes Village UK Limited

Case study 10

Reliant Building Contractors Limited: Nuneaton site

Key facts

Governmental department	Department for Transport.
Location	Nuneaton, Warwickshire
Number of homes	90
Volume of land	2.4 hectares
Sale confirmed	Yes
Date of sale	16 October 2008
Provision of sales contract	Yes
Mode of disposal	Auction
Proceeds from disposal	£0.4 million
Overage/Clawback	Clawback provisions included
Type of disposal	Sale of freehold
Status	Information not provided[1]

Observations

The NAO did not receive a response from Reliant Building Contractors Limited (Reliant) with regards to its acquisition and development of the site in Nuneaton disposed by Department for Transport.

Note

1 The National Audit Office was not able to obtain some details of the disposal from the Department for Transport.

Source: Information collected from Reliant's website, available at: http://reliantbuildingcontractors.com/warwickshire.html

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