



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Communities and Local Government

Disposal of public land for new homes: a progress report

Summary

1 The government aims to “release surplus public sector land in England with capacity for at least 160,000 new homes” by April 2020.¹ The Department for Communities and Local Government (DCLG) has overall responsibility for achieving this. Individual departments are responsible for identifying and disposing of land to meet their contributions as set out in the *Spending Review and Autumn Statement 2015*. The new programme began in May 2015.

2 In June 2015, we reported on the first land disposals programme.² This had a target 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”.³

3 The Committee of Public Accounts (the Committee) took evidence on our June 2015 report. It concluded that DCLG could not demonstrate how the programme had helped to address the housing shortage or achieved value for money.⁴ The Committee made a number of recommendations on the new programme. In particular, it recommended that DCLG:

- produce guidance for departments disposing of land;
- collect sufficient information to oversee the new programme effectively; and,
- set out how it will assure itself that value for money is achieved for all future disposals.

Scope of this work

4 This report updates the Committee on DCLG’s progress setting up the new programme. Part One sets out the programme’s objectives. Part Two highlights DCLG’s actions in response to the Committee’s recommendations. Part Three outlines departments’ progress during the first year of the programme. The Committee’s full conclusions and recommendations and the government’s response are set out in Appendix Two.

¹ HM Treasury, *Spending Review and Autumn Statement 2015*, Cm 9162, November 2015.

² Comptroller and Auditor General, *Disposal of public land for new homes*, Session 2015-16, HC 87, National Audit Office, June 2015.

³ Department for Communities and Local Government, *Government plans release of public land to build 100,000 homes*, June 2011. Available at: www.gov.uk/government/news/government-plans-release-of-public-land-to-build-100-000-homes

⁴ HC Committee of Public Accounts, *Disposal of public land for new homes*, Second Report of Session 2015-16, HC 289, September 2015.

5 Between June 2015 and March 2016, several departments including DCLG gave evidence to the Committee on the number of homes built on land sold during the first programme. We have reviewed and summarised this evidence in Appendix Three.

6 This follow-up report does not look at the government's separate ambition to release local authority land with capacity for at least 160,000 homes, or the government's wider ambition to "deliver 1 million new homes" by 2020. We are planning to publish further work on the wider housing landscape later this year.

Key findings

Progress against the Committee's recommendations

7 The 2015 Spending Review set out departments' contributions to the land disposals programme. In December 2014 the Housing Minister committed to release enough land for 150,000 new homes by 2020. DCLG, supported by HM Treasury and the Cabinet Office, discussed land disposals with senior officials and ministers from all major land-owning departments through the Spending Review 2015 settlement process, and sought to agree contributions that were both achievable and stretching. In November 2015, the Spending Review announced department's individual contributions towards the revised 160,000 commitment. Departments have expressed varying degrees of confidence in their ability to meet their contributions to the programme commitment (paragraphs 1.6 and 2.7, and Figure 2).

8 As with the first programme, the DCLG accounting officer is responsible for the delivery of the programme, and the accounting officers of individual departments are responsible for ensuring each land sale represents value for money for the taxpayer. Each department must be able to demonstrate that they have taken robust decisions on value for money for each site disposed of, and that their delivery plans outline how they will assure their accounting officers of this. Individual accounting officers confirm to DCLG that a sale represents value for money (paragraphs 2.26 to 2.33).

9 DCLG has given departments a programme handbook that sets out the overall objectives and other details of the programme, but has not yet published these details.⁵ The handbook was issued to departments in December 2015 and updated in April 2016. The main objective of the programme is "to release surplus public sector land in England with capacity for at least 160,000 new homes" by April 2020. DCLG promised the Committee that it would publish details of the key aims, objectives, scope, data and monitoring arrangements for the programme in spring 2016. DCLG has not yet published these details; it intends to outline its approach in summer 2016, and provide further details on monitoring in autumn 2016 (paragraphs 2.5 and 2.6).

⁵ Department for Communities and Local Government, *Programme handbook for departments and arm's-length bodies*, unpublished.

10 DCLG has set out individual departments' responsibilities to collect data, retain evidence and report information. DCLG has set out, through its handbook, how disposals will count against the commitment and how housing capacity will be estimated and counted. Departments are responsible for collecting and retaining data on their contributions. They must capture specific information in relation to their land sales and submit it quarterly to the Homes and Communities Agency (HCA) and the Cabinet Office. DCLG does not require departments to monitor the actual number of homes built, as this is not an objective of the programme. The HCA records the quarterly information from departments on land disposals, and Cabinet Office records information on the amount of money raised from land sales by each department. The Cabinet Office monitors this financial information as a part of its oversight of the government's wider commitment to deliver at least £5 billion of receipts by 2020 through the release of surplus public land and property (paragraphs 2.15 to 2.19, 2.20 to 2.24, and Figure 3).

11 DCLG has committed to monitoring the broad progress of land development, including the number of homes built. The Committee stated in its last report that it will hold DCLG to account for the value for money of the programme as a whole. Accounting officers of departments that are disposing of land confirm to DCLG that sales of individual sites are value for money. DCLG considers that if each individual sale is value for money, then the programme overall is value for money. It therefore uses the confirmations provided by departments to assure itself that the programme is value for money.⁶ Alongside this, DCLG plans to monitor the broad progress of land development (including the number of homes built) and publish an annual report for the new programme. DCLG had committed to publishing wider details of the programme, including how it will assure itself that programme outcomes are achieved, in spring 2016. DCLG has not yet published this information. It told us it plans to provide further details on how it will monitor the progress of land development in autumn 2016 (paragraphs 2.26 to 2.38).

Progress delivering against the commitment to date

12 By the end of March 2016, government had disposed of land with capacity for an estimated 8,580 homes, across 77 sites, which represents 5% of the programme. DCLG told us the amount of money raised from these sales is £72 million, with future estimated receipts expected to be a further £197 million, subject to sale conditions being met. The government has also disposed of land for a further 4,853 homes over the same period, but the HCA has not yet obtained sufficient evidence that the sites will be developed for housing. The HCA is working to obtain this evidence. If these sites are validated, progress to date would represent 8% of the programme. The programme, and progress against it, relates to the disposal of land with capacity for housing, not actual homes built. The development of these sites could take many years to complete (paragraphs 3.2 and 3.3).

6 The land disposing departments are those with a housing capacity contribution outlined in the Spending Review and Autumn Statement 2015, plus NHS organisations.

13 Departments have identified further surplus, and potentially surplus, sites with capacity to support an estimated 104,461 homes, representing a further 65% of the programme. However, over 50% of the estimated housing capacity identified is on sites considered 'high risk'. DCLG defines high-risk sites as sites with "one or more issues preventing exchange of contracts before 31 March 2020 which are very unlikely to be resolved, meaning the site could slip out of the programme".⁷ For example, departments' delivery plans include land that could have residential potential but is currently in use and not yet declared surplus. The sale of this land will depend on other policy decisions, including the outcome of the Footprint Strategy at the Ministry of Defence and the Prison Estate Transformation Programme at the Ministry of Justice (paragraphs 3.4 to 3.7 and 3.13, and Figure 5, Figure 6 and Figure 7).

14 DCLG's forecasts show that in order to meet the commitment, the departments must collectively dispose of more sites in each of the next four years than they did in the highest-performing year of the first programme. Nearly a third more surplus land capacity will need to be released in the next four years than in the previous programme. Departments estimate that sites with capacity for 29,001 homes will be released in 2016-17. Over the next four years disposals will need to be over 36,000 potential homes per year if the 160,000 commitment is to be reached by 2020 (paragraph 3.14, and Figure 9).

Conclusion

15 DCLG has made progress in setting up the new public sector land disposals programme: departments' contributions, responsibilities and data collection arrangements are all in place. It has, however, been a relatively slow start. We are now over one year into the five year programme and DCLG has not yet finalised how it will monitor the number of homes built, or made much of the details of the scheme public. Departments we spoke to are focused on releasing surplus land, and have set delivery plans for the duration of the programme. However, much of the land identified for sale is still in operational use and decisions on whether it is surplus will be taken later in this Parliament. The fact that the first full ten months of the programme has delivered somewhere between 5 and 8% of the total commitment means significant delivery risks remain.

⁷ See footnote 5.