



National Audit Office

Report

by the Comptroller
and Auditor General

**Cabinet Office, Ministry of Housing, Communities
& Local Government, HM Treasury**

Investigation into the government's land disposal strategy and programmes

What this investigation is about

1 In 2016-17 the government estimated the total value of central government-owned land and property at £179 billion. The government has a policy to sell assets where it considers they no longer serve a public purpose, or that purpose can be more efficiently realised through its transfer to private or non-government hands. There are benefits from sales of surplus public land: proceeds can be reinvested in public services; and land sold may be developed for other purposes, particularly for the building of new homes. But there are also risks, for example government departments might sell land without first establishing a clear view of whether it might be needed to deliver future public services.

2 For land, the government has two main disposal targets:

- **Proceeds target:** The government plans to “deliver £5 billion of receipts between 2015 and 2020 through the release of surplus public sector land and property across the UK”.¹ The Cabinet Office is responsible for leading on progress toward this target.
- **Land for new homes target:** Under its Public Land for Housing Programme, the government aims to “increase housing supply by releasing surplus public sector land for at least 160,000 homes” in England between 2015 and 2020.² The requirement relates to the housing capacity of land released by 2020; the new homes may be built after this date. The Ministry of Housing, Communities & Local Government (MHCLG) is responsible for this programme. The target follows an earlier commitment to release enough land for 100,000 new homes between 2011 and 2015.

3 This investigation looks at the government's strategy for land disposals and the performance against both targets. In July 2016 we reported that the land for new homes programme had made a slow start, with only 8% of the total target achieved in the first 10 months.³ The Committee of Public Accounts expressed concerns about slow progress in its November 2016 report.⁴ MHCLG has not published a progress update since February 2017, despite committing to doing so annually. MHCLG told us in early April that it intends to publish a progress report on the land for new homes target in the week commencing 29 April 2019. Owing to our publication date we were unable to review that progress report. We have not previously looked at progress against the government's proceeds target.

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

² See footnote 1.

³ Comptroller and Auditor General, *Disposal of public land for new homes: a progress report*, Session 2016-17, HC 510, National Audit Office, July 2016.

⁴ HC Committee of Public Accounts, *Progress with the disposal of public land for new homes*, Twenty-second Report of Session 2016-17, HC 634, November 2016.

4 We conducted our fieldwork between February and March 2019, analysing government data on sales and interviewing officials within government departments. We do not evaluate the effectiveness or value for money of the government's land disposal strategy or the programmes. Our investigation does not include local authority land disposals, which do not contribute to either target. Our investigation focuses on:

- the rationale, objectives and strategy for selling public land (Part One);
- progress on the land disposals for new homes programme (Part Two); and
- progress on the £5 billion proceeds programme, and the use of proceeds (Part Three).

Summary

Key findings

Background and strategy

1 The government's approach to land disposals is contained within a wider strategy for managing the government estate. The Office of Government Property, part of the Cabinet Office, leads on the Government Estate Strategy (the Strategy), which sets out government's aspirations for its estate. Four of the 11 programmes outlined in the Strategy have a land disposals element, for example the One Public Estate programme seeks to create more land for housing and help improve asset management. Each government department develops its own plans to deliver against the strategy, and there are a range of boards tasked with ensuring good governance. We have produced a simplified overview of the landscape in Figure 4 (paragraphs 1.3, 1.6, 1.7, 2.10, Figures 3 and 4).

2 Alongside the strategy, government has two specific land disposals targets, one to release sufficient land to build at least 160,000 homes and another to raise £5 billion in proceeds. The Ministry of Housing, Communities & Local Government (MHCLG) oversees progress towards delivery of the land for new homes target, and Cabinet Office manages the proceeds target. The government set targets for land-owning government departments at the 2015 Spending Review. In pursuing targets for land disposals, departments are responsible for the value for money of each transaction – ensuring individual sales are consistent with *Managing Public Money* and other government guidance. Some departments manage their land disposal activities through one or more other public bodies (paragraphs 1.2, 1.7, 1.8 and 1.11).

3 In setting the targets for new homes, the government had a limited evidence base. Our 2015 report on the first land disposals programme (2011–2015) found that the government had no supporting documentation or economic evidence behind its target of 100,000 homes. For the second programme, the government set its target of releasing enough land for at least 160,000 new homes during the 2015 Spending Review, with stretching targets for departments. Our 2016 progress report on the second programme found that departments would need to deliver more land for new homes in the remaining four years of the programme than they had achieved in any year of the previous programme (paragraphs 1.11 and 2.6).

Progress against the land for new homes target

4 MHCLG expects departments to have released enough land for around 65,000 homes by 2020 against a target of at least 160,000. By December 2018, land with a capacity for 38,166 homes had been released. By 2020, MHCLG expects that the programme will release enough land for 65,211 homes; this represents 41% of the target, a shortfall of land for 94,789 homes. In a 2017 review, the Infrastructure and Projects Authority said “an overwhelming number of interviewees” had told them the overall target would not be met by March 2020. The government currently does not expect to reach the 160,000 target until after 2025 (paragraphs 1.12 and 2.5).

5 MHCLG has identified several challenges to delivering the target. For many sites identified for disposal, public bodies are still using the land to provide services, and disposal depends on policy decisions. MHCLG told us that the disposal of some large, complex sites have been delayed due to planning issues, as without planning certainty sites disposals will not score against the programme target. In some cases, progress is hampered by departments not legally owning or controlling all the sites that could potentially count towards their targets (for example, sites owned by NHS foundation trusts). Some sites require decontamination before they can be sold. MHCLG has not quantified how many sites fall into each of these categories (paragraph 2.8).

6 MHCLG estimates that 40,500 homes have been “brought to market” under this, and previous programmes. MHCLG uses the term “brought to market” which includes homes that already existed on land released, in addition to homes newly built. MHCLG told us that of the 40,500 homes brought to market, 10% relate to pre-existing homes. We have not seen the supporting evidence for these figures. Land for 109,000 homes was released during the previous (2011–2015) programme. MHCLG estimates that by the end of March 2018, 37,800 homes have been brought to market on that land. A further 2,700 estimated homes have been brought to market on land released during the current (2015–2020) programme (paragraphs 2.2 and 2.9).

7 MHCLG has made limited improvement to the data it collects and publishes since the first programme. MHCLG commissioned the collection of data on the number of homes brought to market following a Committee of Public Accounts (the Committee) recommendation on the 2011–2015 programme. However, it does not (as the Committee requested) collect data on the number of affordable homes built and the number of homes made available to key workers. MHCLG told us that it has started to collect data on planned affordable homes but we have not seen these data. MHCLG considers it is for departments to collect data on homes for key workers. MHCLG has published its Programme Handbook of guidance to departments on releasing land for housing, and departments have published information on their estate strategies. Despite committing to do so, MHCLG had not published an annual report on the land for new homes programme between February 2017 and the start of our investigation, and has not published any information on new homes built under the entire programme, which the Committee asked for (paragraphs 1.6, 2.11, 2.13 and 2.15).

Progress against the government's proceeds target

8 The government currently expects to achieve its £5 billion proceeds target by March 2020, with two transactions responsible for more than £1.8 billion of the total. Between April 2015 and March 2018, the programme had generated £2.48 billion from proceeds. The largest single sale by value during that period was the Old War Office, which the Ministry of Defence sold in 2016 for £357 million. Network Rail completed its sale the railways arches in February 2019, generating proceeds of £1.46 billion. Including the Network Rail sale means the government needs to generate a further £1.06 billion worth of proceeds in the final two years of the programme (paragraphs 3.2, 3.4 and Figure 9).

9 Our analysis shows that of the 1,500 or so sites released between April 2015 and March 2018, 176 (12%) were released for £1 or less. MHCLG released 160 of the 176 sites and told us that the main reasons were sites requiring buyers to incur costs of remediation (such as decontamination), narrow strips of land which had no other use and land with contractual conditions attached. Homes England told us that remediation costs were responsible for 51% of sites being disposed of for £1. Narrow strips of land and contractual conditions make up the remaining 29% and 20% respectively. We have not seen the supporting evidence for these figures. Most of the 176 sales involved small properties – 140 (82%) were smaller than two hectares – but five transactions involved sales of sites larger than 10 hectares. Homes England, which manages land disposals for MHCLG, has provided us with some information to explain these five sales (paragraphs 1.8, 3.5 and 3.6, Figure 13).

10 Cabinet Office has limited programme-level data. Departments collect information on individual sales, and it is their respective accounting officers' responsibility to assure a transaction is value for money. The Cabinet Office publishes the data it receives from departments on individual disposals. It does not analyse data at the programme level to assess, for example, the types of buyers attracted to certain government properties, whether departments are selling land to the same buyer, and the use to which the land is subsequently put (paragraphs 1.7 and 3.9).

Use of proceeds

11 Departmental budgets were set on the assumption that departments could achieve their sale proceeds targets. Individual departments have targets for both proceeds and land for new homes that count towards the overall targets. At the 2015 Spending Review, HM Treasury and departments agreed targets for proceeds and then HM Treasury set budgets for the five years to 2020-21 net of these amounts. If their disposal proceeds are less than expected, departments face a shortfall in their budgets and they may need to amend or defer their spending plans. Departments we spoke to told us that any shortfalls have so far been manageable. HM Treasury told us that it has discretion to provide additional funding in these cases, although it would take into account how well a department had managed its resources, and any factors outside the department's control (paragraphs 3.10 and 3.11).

12 There are insufficient data to say with certainty where the sale proceeds have been spent. As stated above, sales proceeds are expected to make up departmental income during the spending review period. It would be a concern if departments are selling land and property to support day-to-day running costs, rather than to invest in refurbishing existing assets or purchasing new ones. There is an expectation that receipts from land and property sales are reinvested unless HM Treasury agrees otherwise. The government has not collected aggregate data on how government as a whole has used proceeds from disposals, so we cannot say whether this is the case. We have these data for some individual transactions, for example, Network Rail kept the £1.46 billion proceeds from the sale of the railway arches, of which £500 million reduced its funding shortfall to March 2019, with the remaining proceeds used to reduce Network Rail's expected borrowing from the Department for Transport (paragraphs 3.11 and 3.14).