Disposal of public land for new homes – NAO Report

24 August 2015

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Summary

The National Audit Office has published a report ("Disposal of public land for new homes") assessing the progress the previous government had made in meeting its target to release enough public sector owned land to build 100,000 new homes and in doing so support 25,000 jobs by 2015.

By 31 March 2015 the government had disposed of land with a notional capacity for an expected 109,590 homes across 943 sites. However this figure included 26,523 homes on land disposed of before the target was set, stretching back to 1997, and surplus land which was transferred to the private sector when the Royal Mail and British Waterways were privatised.

The report found that the government recognises that disposal of surplus land, at an accelerated rate, would not necessarily lead to increased home building. It may be up to 20 years for all the homes to be built. The NAO was unable to report the actual number of homes built to date as this information is not collated. The Department for Communities and Local Government also cannot assess whether departments obtained good value for their disposals, and more broadly, if the government got value for money from the programme as a whole, as it has insufficient information to do so.

This briefing will be of particular interest to elected members and officers with responsibility for local housing supply.

Briefing in full

The National Audit Office has published a report ("Disposal of public land for new homes") assessing the progress the previous government made in meeting its target to release enough public sector owned land to build 100,000 new homes and support 25,000 jobs by 2015.
What was the target?

The target - announced in June 2011 - 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”, defining 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 100,000 target measures the notional number of homes, representing the potential housing capacity of a site irrespective when the building of homes is actually started or completed. The NAO could find no documentation or economic evidence behind the quantum of the target or how it was allocated to individuals departments.

The Department for Communities and Local Government (DCLG) held policy responsibility for the target. Sir Bob Kerslake, DCLG’s Permanent Secretary at the time, was the senior responsible owner and led the programme. The Homes and Communities Agency fulfilled an administrative role and was not responsible for managing the programme or decision making. (That changed from April 2015, see comments section).

The targets for individual departments were set on a bilateral basis with Treasury, Cabinet Office and DCLG, but no detailed assessments were made to inform these targets. And when they were subsequently increased to provide a contingency of 20,000 extra homes (should there be a delay in the disposal of high capacity sites) departments were not consulted and many felt that their revised targets were over-ambitious.

Managing the programme

The progress made in disposing of land was slower than expected. The target was critically dependent on a small number of large sites which were identified as surplus late in the period. Consequently the Government took various steps to increase delivery, including investing £290 million, so that the Homes and Communities Agency (HCA) could acquire sites from smaller departments and prepare them for disposal, and to provide financial assistance for other departments to help with the cost of preparing sites. And as referred to above, the targets for individual departments were also increased by 20,000 homes to provide for an overall programme contingency. This involved bringing forward some sales planned for 2015-16.

The NAO were unable to validate the quality of the programme data due to discrepancies between the data held by the DCLG/HCA and individual departments and due to data sets being incomplete.

The NAO also observed that there was a theoretical tension between the Whitehall guidelines for disposing of surplus property and the programme’s objectives to accelerate the disposal of land, which had a target and a specific end date. But it
found no central guidance to address this. The NAO were told this was discussed on a case-by-case basis.

**Delivering against the target**

The government has disposed of enough land with capacity (i.e. not actual homes built) for an estimated 109,590 homes across 942 sites as at the end of March 2015. The biggest contributors were: Ministry of Defence (38,778 homes, 35%); HCA (20,930 homes, 19%); and Department of Health (15,185 homes, 14%). Achievement of the target was “critically dependent” on the sale of a small number of large sites which came late in the period for the target.

However a wide interpretation of the land that could be counted towards the target was applied. So, for example, it included 15,740 homes on land that the public sector disposed of before the target was set; between 1997 and March 2011 (see figure 3, above). This was justified because it was expected this land would be built on during the course of the programme, but the NAO point out that this was inconsistent with the subsequent approach where homes will be built after the programme closed. Also surplus land was categorised as sold when the organisation which owned that land was transferred out of the public sector or privatised, such as sites owned by the Royal Mail (2,584 homes) and British Waterways (8,199 homes), even though the sites were not developed. The NAO also found an inconsistent approach to calculating the number of homes that will occupy a site as each department followed its own methods; though the HCA did undertake a ‘sense check’ of these.

A breakdown of disposals by department is shown in Figure 4, below, (taken from the report). However this includes incomplete data on the physical size of each site (only available for 508 of the 942 sites) leading the NAO to question the accuracy of this information.
The 942 disposed sites ranged from a site with a single home to one expected to have 7,600 homes. Most (21%) were relatively small at less than 5 hectares. 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.

The property was disposed of in a variety of ways including auctions, sealed bids, commercial and informal tenders, open market sales and through a pre-qualified panel; some were sold via “private arrangements”. But again the NAO was not able to provide a full picture due to incomplete data.

The land is distributed across England with a large amount clustering around developed town centres and key growth areas – See figure 5, below. The programme data does not include information on the type of purchaser. However based on the NAO’s sample of 127 sites, 61 sites are identified as sold, 37 were sold to private developers, and 11 to individuals, 3 to local authorities and 10 were unknown.
Developing the land

The NAO were unable to report the actual number of homes built to date as departments do not routinely monitor what happens to a site after disposal. Similarly the NAO says it is unclear if departments obtained market value for the sites sold, as DCLG does not collect information on the amount of money raised from the sales. This means that DCLG cannot assess if departments obtained good value from their disposals, or 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.

The report says that the government recognised that disposal of surplus land, at an accelerated rate, would not necessarily lead to increased home building. “Build Now, Pay Later” schemes were promoted as a means to promote early development by deferring land purchase payments from developers until completed homes are sold. And departments used a range of disposal methods and partnering approaches with developers with the aim of ensuring homes are built and profits are shared, including...
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.

Some departments undertook ‘de-risking’ activities, with the aim of enhancing the sites’ value and attractiveness. This included obtaining planning consent and carrying out environmental surveys, site clearance and decontamination. However some developers told the NAO that such activities are best handled by developers themselves.

**Comment**

This report makes uncomfortable reading, telling us that a programme which was sold to the public as a means to address an urgent housing crisis by disposing of surplus public land to developers to build 100,000 new homes (and create or safeguard 25,000 jobs):

- Had no logical basis for the level 100,000 homes target.
- To meet that target disposals stretching back 14 years before the programme began had to be counted in.
- How much money has been generated is not known.
- Also not known is how many homes have been built to date, how many actual homes will be built in the future and over what period of time. Or whether these homes will be affordable.
- DCLG does not know whether the land was being sold at the right price.
- And they do not even know on what basis the land was sold in all cases.

DCLG’s initial response to the report is that it is a success story - they exceeded the target (with 110,000 homes not 100,000) and achieved this a month ahead of time.

However that position was surgically unpicked by members of the Public Accounts Committee when it took oral evidence on the NAO report. After what was often a torturous session, at which new DCLG Permanent Secretary Melanie Dawes was defending the record of her predecessor, it became evident that there was a fundamental difference of view of what was and should have been the scope of this programme and the role of DCLG in overseeing it.

In DCLG’s view the programme’s scope and purpose was to release surplus public sector land, which should lead to houses being built but not to oversee actual housing on those sites. And that it was for individual accounting officers in the relevant departments to ensure value for money was delivered. Whereas the Committee (of politicians each accountable to their electorate) felt that the
programme scope should have been to do whatever to deliver 100,000 new homes which, they reminded DCLG officials, is certainly the impression DCLG Ministers, indeed the Prime Minister and the Chancellor have been giving public. They also believe that to maximise value (of the land sold) not only meant building the right number of housing, but also the right housing – in terms of affordability and meeting need.

Melanie Dawes did concede right at the end of the session that going forward (with the new programme, see below) that DCLG “will definitely try to record the asset sales”, admitting that it “is an important ingredient that will allow us to look across the piece at the financial value that has been achieved from the programme”. But she did caution the Committee that DCLG would only go so far in ensuring housing was built:

“If I am being truly honest, the difference is that we will be cautious about monitoring and pushing for homes actually to be built once we sold a site. Obviously, we may find none the less that such things as clawback and some of the other mechanisms that we put in place, which assure us that the build-out will happen, are still part of the programme, but we will want to be careful about monitoring the private sector in the build-out. Having said that, we need to improve our monitoring so that we can provide assurance that it is not a mirage and that we have not sold the land off for the wrong reasons.”

That appeared to satisfy the Committee for the time being, particularly as Melanie Dawes agreed that the Committee could conduct “pre-scrutiny” of the new programme (see below). Though in the meantime the Committee is very likely to be highly critical of what has gone in the past when it comes to its report which expected to be published in September. Going forward there will be a new process for land disposals from 2015-16 involving new targets to deliver at least £5 billion of land and property sales and to build an increase target of 150,000 homes between 2015 and 2020. This time around the Homes and Communities Agency will be in the driving seat taking on “an enhanced land disposal role for government” from April.

External Links

• NAO Audit - “Disposal of public land for new homes”

Other related LGiU briefings

• Under Construction: are councils ready to get the nation building?
• The Elphicke-House report on housing delivery
For more information about this, or any other LGiU member briefing, please contact Janet Sillett, Briefings Manager, on janet.sillett@lgiu.org.uk