

# Making the most of public land

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# About Localis

## **Who we are**

Localis is an independent think-tank, dedicated to issues related to local government and localism. Since our formation we have produced influential research on a variety of issues including the reform of public services, local government finance, planning, and community empowerment. Our work has directly influenced government policy and the wider policy debate.

## **Our philosophy**

We believe that power should be exercised as close as possible to the people it serves. We are therefore dedicated to promoting a localist agenda and challenging the existing centralisation of power and responsibility. We seek to develop new ways of delivering local services that deliver better results at lower cost, and involve local communities to a greater degree.

## **What we do**

Localis aims to provide a link between local government and key figures in business, academia, the third sector, parliament and the media. We aim to influence the debate on localism, providing innovative and fresh thinking on all areas that local government is concerned with. We have a broad events programme, including roundtable discussions, publication launches and an extensive party conference programme. We also offer membership to both councils and corporate partners. Our members play a central role in contributing to our work, both by feeding directly into our research projects, and by attending and speaking at our public and private events. We also provide a bespoke consultancy and support service for local authorities and businesses alike.

## **Find out more**

Please either email [info@localis.org.uk](mailto:info@localis.org.uk) or call 0207 340 2660 and we will be pleased to tell you more about the range of services which we offer. You can also sign up for updates or register your interest on our website:

[www.localis.org.uk](http://www.localis.org.uk)

# About Cathedral Group Plc

Cathedral Group is a specialist mixed-use regeneration and Public Private Partnership developer who, over the last 15 years, has built a reputation in the property industry as one of the most exciting, innovative and forward-thinking developers working in the UK.

Our skills and experience allow us to create and develop the kind of places and communities that have a vibrant economic and social future. We'd call ourselves agents of socio-economic change that transform lost pockets of London and the south-east and put broken places back together again. We work to create jobs and homes and a sense of wellbeing, as well as generate value in unlikely neighbourhoods.

Our portfolio includes 6.4 million square feet and £2.4bn of GDV and we are currently working on projects in Hayes, Deptford, Greenwich, Bromley and Brighton. We are building 4 cinemas, 4 libraries, 43 restaurants, 6 hotels, 3 multi-storey car parks, 3 street markets, 3,000 student beds, 3 children's nurseries, offices, 82 shops and 2,765 new homes.

Over the past 13 years we have also delivered extensively in primary healthcare, providing high quality health facilities and medical centres throughout the UK. We hold a number of hotels in our portfolio too and are currently expanding to include more properties throughout London and the south east.

If you would like to get in touch please drop us an email at [comments@cathedralgroup.com](mailto:comments@cathedralgroup.com) or give our team a call on 020 7939 0800 who will be happy to help. For more information about the work we do you can also visit our website at [www.cathedralgroup.com](http://www.cathedralgroup.com)

## Introduction

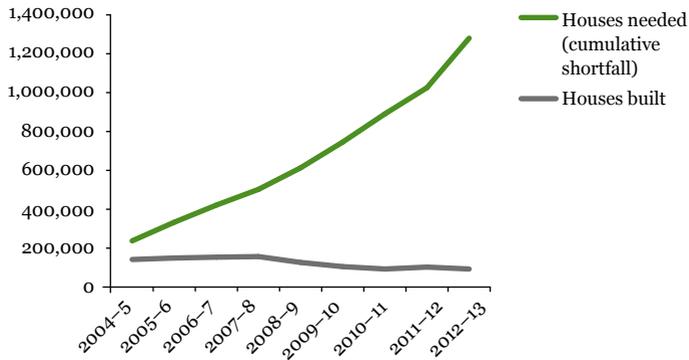
Public policy does not exist in a vacuum – the prevailing context is critical. So when thinking about public land, there are presently two topics that dominate the landscape – the widespread acceptance of the need for new housing, and the parlous state of the national finances. However, there is a third, less obvious but equally powerful, issue – the changing shape of public services. The combination of these three challenges makes now a timely moment to consider the future of the large amount of land owned by the various arms of central and local government and how best to make use of such a valuable asset.

Housing has repeatedly threatened to become a major political issue in recent years without ever quite managing to do so. But that is no longer the case – the phrase ‘housing crisis’ is deployed by those across the political spectrum, and rightly so for we have the lowest annual number of new housing completions and the highest average house prices seen in the post-war era.<sup>1</sup> There has been a demonstrable shortfall in housing for some time, but it is becoming ever more pronounced, with new delivery many hundreds of thousands of units short of what is required, particularly in London and the South East.

There is of course no shortage of ways in which Government can seek to kick-start housing development, most obviously by directly funding the construction of new affordable housing. However, traditional policy initiatives of this type are greatly constrained by the broader political context, which is currently dominated by money, or rather, a lack thereof. The unfortunate fact is the UK economy took an almighty knock in 2008, the consequences of which will be affecting us all for many years yet to come.

<sup>1</sup> A Parvin & D Saxby, *A Right to Build* (University of Sheffield School of Architecture, 2011), p10

*Fig. 1: Cumulative shortfall in housing delivery over the last decade*



The magnitude of the recession put the public finances under severe strain, and although the economy has spluttered back into life, the Government remains focused upon tackling the ballooning national debt. To do this they need to cut the annual spending deficit which still stands at £96 billion,<sup>2</sup> which in turn will entail further reductions in public spend for at least the next few years. At the same time, the Government is actively pursuing other contributions to balance the books, such as raising money from sales of unwanted publicly-owned assets.

The result is a perfect storm: an acute need for housing (with the associated benefits of construction-led economic growth), at precisely the moment that national finances are being squeezed. The impact of these two agendas coming together is that never before has the pressure on public land as a source for housing been stronger. The Government does not have the financial capacity to embark on a huge public building programme, so is squeezing its asset base to fund additional housing. The focus is on estate rationalisation and identification of surplus land to provide for development.

At the same time, the contours of the public sector itself are changing, with those on the front line under increasing pressure to re-examine how they organise and deliver their services. Over a number of years now, a number of programmes, starting with Total Place and now including initiatives such as Community Budgets, Health and Social Care Integration, and the Troubled Families initiative, have

<sup>2</sup> Office for National Statistics, *Statistical bulletin: Public Sector Finances*, December 2013 (2014)

encouraged different parts of the public sector to work together to provide more effective and joined-up services. And with cost pressures rising and budgets shrinking, there is even more reason to see if public land can offer a potential solution to some of the problems faced.

And underpinning this swirl of issues is a crucial fact – public land is exactly what it sounds like; land owned by the public. As such it is more than just a simple fixed asset and has potential value to the community beyond the lifetime of any individual. It is therefore very important that, where surplus public land and assets are identified, a balance is struck to ensure that their development not only meets immediate local and central government needs, but also supports the long-term interests of the local communities involved. This pamphlet sets out, in brief, what the Government is doing regarding public land and poses questions about how such land could best be used in the long term.

# Government ambitions for public land

## The past

It would be misleading to suggest that selling unneeded public land is a novelty – the Department of Health has made £2 billion since the mid-1990s doing exactly that.<sup>3</sup> Similarly the idea of using public land as a solution to the question of where new housing is to be situated is not a new one – for example the 2006 Pre-Budget report contained an ambition for 130,000 new homes to be delivered on public land over the following decade. However, successive Governments have struggled to make their plans for public land come to fruition, with ‘simple’ disposal often proving not so simple.

There are several reasons for this. For instance, there are a number of legal issues that could significantly delay development of public land, such as the possibility of the land in question being unregistered; and any restrictive covenants on the use of the land.<sup>4</sup> Separately, the UK has a poorly developed land market, as the Communities and Local Government Select Committee heard,<sup>5</sup> which, despite the high demand, remains highly opaque so that even those eager to build find it very difficult to find out what land is available for development. And there is also the problem of land assembly for more substantial sites.

But perhaps the biggest factor in ensuring that previous disposal strategies were intrinsically aspirational is that the public sector has hitherto lacked powerful enough drivers to accelerate the disposal of public land. The desire to accelerate housing delivery was not as strong and, in particular, the financial pressures on all forms of government were just not sufficiently intense to encourage dynamic change in how civil servants thought about property. The entirely understandable result was a strong tendency to retain land ‘in case’ – in case better value might be achieved in the future, in case the land in question might prove useful again, in case you might need the

3 Department of Health, *Disposal Strategy – Land for Housing* (2011)

4 Hemptons, *The Disposal of Surplus Property* (2012) [<http://www.hemptons.co.uk/news/the-disposal-of-surplus-property/> – accessed 04th February 2014]

5 *Communities and Local Government Committee – Eleventh Report* (2012); as cited in Policy Exchange, *A Right To Build* (2013), p26

capital receipt to cover a financial gap yet to come. After all, why sell something if you don't have to do so?

### The Government's targets

But as we have established, the world is very different today. And, given that it has been estimated that 40% of developable land and 27% of brownfield land suitable for housing sits within public sector land banks – central and local,<sup>6</sup> government's role is clearly crucial. So it is no surprise that in the 2011 Budget the Government committed to accelerate the release of public sector land for development, and outlined an ambition to release enough land to build up to 100,000 homes by 2015. Thus far, Whitehall departments have released enough land to build 68,000 homes – equivalent to a town the size of Blackpool. As part of the 2015–16 Spending Review the Government went further; setting a target of at least £15 billion in asset sales for the period 2015–2020, of which £5 billion would come from sales of land and property.<sup>7</sup>

### What Government is doing

In order to achieve these goals, and to address the problems identified above, the Government has moved swiftly to:

- **Catalogue** the land held by departments
- **Improve** the efficiency of the Government estate
- **Prioritise** the land holdings that are best placed to be developed
- **Coordinate** across Government to ensure that different departments and agencies are aware of what property is available for their use
- **Publicise** that Government property is available so increasing the transparency of the market for land
- **Incentivise** development on publicly owned land via Build Now, Pay Later

The important first step was the creation of the Government Property Unit (GPU) in 2010, with the remit of collating and recording detailed information about the Government's estate, and driving and coordinating more efficient use of all that property. Thus far, GPU has focused on the central civil estate – which represents 15% of the public sector estate – and has helped drive a 14% space reduction across the Government's mandated estate.<sup>8</sup> The result is that Whitehall is finally moving away from its antiquated feudal approach that saw

<sup>6</sup> Department of Communities and Local Government, *Accelerating the release of public sector land: Update, overview and next steps* (2011)

<sup>7</sup> Shareholder Executive HM Government, *Annual Review 2012–2013* (2013)

<sup>8</sup> Government Property Unit, *Government Estate Strategy: Delivering a Modern Estate* (2013)

each department operating from its own autonomous string of castles, towards aligning the business needs of departments, enabling them to utilise their space more efficiently and even share offices.

In conjunction with this, all major landholding departments have been asked to publish land release strategies, and are being held to account for their performance by a Cabinet Committee. From disposal strategies produced by the Homes and Communities Agency (HCA) and the four largest landholding departments – Defence, Transport, Health, and Environment, Food and Rural Affairs – sufficient land has been identified to meet 80% of the target of 100,000 by 2015. The next stage of the work will be with the smaller landholding departments, including the Home Office and Ministry of Justice.

The contents of these strategies have been collated in the form of the electronic Property Information Mapping System (e-PIMS), the designated reporting and monitoring tool for the accelerated release of public sector land for housing, managed by the GPU. It constitutes the central database of Government Central Civil Estate Properties and land, recording the precise location of property, along with the associated information such as lease details, landlord, and usage. e-PIMS is mandatory for all government departments and their executive agencies, arm's length bodies, and non-departmental public bodies. Users consist of the departments who register their property, although other public sector organisations are able to sign up for access. The system allows users to locate and view properties, access key property details, and analyse the map to identify vacant or under-utilised space.

The Find Me Some Government Space website<sup>9</sup> carries out a similar, albeit less comprehensive, service for the general public. Launched in January 2013, the website allows members of the public to search for government property that is available to rent or to purchase by using a postcode. This concept was bolstered in January 2014 with the announcement of a new Right to Contest scheme, allowing members of the public to submit a proposal to purchase any of the Government's property or land, even if it is currently in use.<sup>10</sup> Right to Contest will be supported by a new Rightmove-style website, set to be launched shortly, and could well represent a drastic opening up of government land. In a recent speech, Housing Minister Kris Hopkins MP encouraged members of the public to make use of the Right to Contest to challenge Government if they believe that they could use a piece of land better, stressing the importance of maintaining the

9 Find government property and land to rent or buy [<https://www.epims.ogc.gov.uk/fmsgspublic/Home.aspx>]

10 HM Treasury and Cabinet Office, *Right to Contest: new plan to speed up sale of public land and property* (8th January 2014) [<https://www.gov.uk/government/news/right-to-contest-new-plan-to-speed-up-sale-of-public-land-and-property>] – accessed on 27th February 2014]

momentum of public land release. And he urged councils to follow the lead set by central government by making their unused land and property available for delivering new homes, jobs and businesses in their communities.

### **Build Now, Pay Later**

The final prong of the Government's strategy for land release is the commitment to maximise the use of Build Now, Pay Later deals made in *Laying the Foundations: A Housing Strategy for England*, published in November 2011. Build Now, Pay Later aims to incentivise developers to commence development early by deferring payment for the land to match the developer's cash flow, thereby assisting government's aim to release land more swiftly. It is recognised that Build Now, Pay Later will not be appropriate for all sites, but it is anticipated that it will be especially beneficial on larger, more complex sites which might otherwise require significant upfront capital investment to unlock development potential.

The Connaught Barracks in Dover represents one of several sites where the HCA is currently using a Build Now, Pay Later approach. The site comprises a total area of 56 hectares, of which 12 are currently able to be developed, and is a priority project in the area's Local Investment Plan. Using Planning Policy Guideline 3's (PPG3) benchmark of 30 housing units per hectare, this will produce 360 houses, with the potential for 1,320 more.

### **Local government**

Local government has accelerated its attempts in recent years to rationalise its estate and in so doing, allowing the release of surplus public sector land. For example, Kent County Council has been leading work on asset sharing with a range of local partners since before their Total Place pilot in 2009. This has included rationalisation of office space, front-line services, asset disposals, and regeneration projects. The council and its districts have developed a long term plan, implemented in February 2012, with three ambitions; to grow the economy, tackle disadvantage, and put citizens in control.<sup>11</sup> The plan includes proposals for a property regeneration joint investment vehicle, and aims to deliver a reduction of more than 15% in terms of running costs.

The Local Government Association (LGA) has been working with councils on capital and asset rationalisation since 2010, with three

<sup>11</sup> Local Government Association, *Capital and Asset Pathfinders Wave 2, Summary Report* (2012)

waves of its Capital and Asset Pathfinders (CAP) programme having worked with 32 local authorities, covering approximately 40% of the country. These pathfinders have so far projected savings of £4 billion across a total asset base of more than £20 billion.

Greater cooperation between central and local government in this sphere was proposed by Lord Heseltine as one of the recommendations of his No Stone Unturned report, which suggested that the GPU should work with local authorities to identify and publish details of all surplus and derelict public land on the e-PIMS database so that LEPs and local authorities can collaborate to bring this land back into reuse in support of the local economic strategy. This sparked the creation of a joint programme, One Public Estate, between the GPU, LGA and local authority partners aimed at 'unblocking' any existing barriers between asset holders which may be preventing a more integrated approach. Among the barriers identified are ineffective channels of communication between asset holding groups, a lack of join-up between public services, and the absence of a mechanism through which to view local authority assets online. The programme only started in June 2013 so it is early days. However one of the pilots, Essex County Council, together with local public sector partners and the East of England LGA have been able to draw together all the major public sector ownerships online through the Essex Property Asset Map (EPAM), helping to identify under-utilised and vacant assets.

*Fig. 2: Essex Property Asset Map (EPAM)*



Source: *ldox*

## The problem

So we know that the Government has bold plans for public land. And that, unlike in times past when such ambitions, while well-meaning, were more aspirational than realistic, it has taken a range of steps to help ensure that these plans are realised. However, Government's acceleration of the land disposal process produces multiple issues, primarily concerned with how to derive best value for the land. As will be seen, there are several challenges to be overcome if this is to be done effectively, not least a careful consideration of what the priorities for future development should be.

Disposal of surplus land has long been subject to the requirement to achieve best consideration or best value for the public purse. However HM Treasury guidance of July 2013 states that this means public servants must 'incorporate adequate flexibility to cope with the organisation's future change programme' and 'view value for money for the asset from the perspective of the whole Exchequer, taking account of opportunities to work with other public sector organisations to minimise the Government's overall required asset base.'<sup>12</sup> This broader perspective means that any assessment of best value must incorporate a consideration of the long-term future of the community, which could include public service facilities and other amenities being delivered alongside housing.

However, HM Treasury guidance also states that disposals should be undertaken as 'swift as the market will allow with reasonable value for money.'<sup>13</sup> It would seem that the needs of the public purse and desire to spark growth in housing delivery are combining to create a political context of particular urgency. The aforementioned recent speech by Kris Hopkins MP in which he spoke of 'maintain[ing] momentum' underscores this analysis. The message to Government landholders seems to be clear: sell the land quickly, as best as you can. And this against a background where Local Planning Authorities are also under severe pressure to meet their housing numbers. If units can be delivered on brownfield public land sites, then less greenfield

<sup>12</sup> HM Treasury, *Managing Public Money* (2013), A4.15

<sup>13</sup> *Ibid*

land will need to be used – another strong incentive to say yes to the first development proposal that comes along.

This emphasis on speed enhances the risk that the public purse will be short-changed. In any deal, the more compressed the timelines, the more likely that the vendor finds themselves disadvantaged in seeking to strike a competitive price. Moreover, the desire to dispose of a significant quantity of assets over a short period of time is only likely to undermine the intrinsic value of each of the assets for sale. Another difficulty is that only a relatively small number of public sector asset sales have occurred over the past decade, so depleting the pool of those operating within Government and local authorities, who have the skills and experience to orchestrate successful deals.

Taken together, these factors increase the danger that the scales will be tipped too far towards relieving short-term financial and political pressures, to the detriment of wider best value. Were this to happen, the knock-on result would be a rise in the likelihood of long-term community failure, with corresponding socio-economic costs.

It is important to stress that this is not the old complaint about the dangers of 'selling the family silver'. No-one is suggesting that local and central government shouldn't make the best possible use of its estates, indeed it is crucial that they do so. The issue is, having concluded that an asset is not being used as efficiently as possible, how to ensure that maximum all round value is achieved for that asset. Sometimes that means making sure that a good price is achieved via disposal, sometimes it means keeping the freehold of the land and deriving an ongoing cash flow from regenerating the site, and sometimes it means thinking creatively about what services could and should be housed in a particular building. But whether land is being sold or not, it is essential that any redevelopment is carefully planned to take account of the sort of amenities which are needed in that locality besides just housing.

If best value for land is to be achieved, it will be necessary to view the situation holistically; balancing wider community needs alongside more immediate financial and housing unit targets. For instance, if the community requires more affordable housing, or a new community centre or library, this information needs to be factored into the decision-making process. Unfortunately the requisite combination of vision, strong leadership, and stakeholder engagement necessary for this is by no means easy to achieve – particularly when multiple stakeholders are involved, and the current political urgency leaves little time for careful consideration.

## Reshaping the landscape... What next for public land?

The previous section has highlighted substantial challenges to the effective disposal of public land, and two points in particular have been made clear. Firstly, ascertaining best value is complex, even at the best of times, and extracting it still more so, and these difficulties are compounded by the political context. With this in mind, there are serious questions to be answered if public sector land is to provide long-term community-focused solutions rather than a short-term cash cow, and a lean one at that. Given the great potential for public land, and the challenge of making the most of it, long-term vision and leadership will be required.

We know that local areas will have their own ideas and approaches, and through a major research project we will investigate how land assets can be best utilised in order to deliver the optimum mix of benefits to the community. For instance, can land be linked to wider public service reforms such as the joining up of public services? Will it be possible to go further and create financially self-sufficient, sustainable communities, and will locally-tailored, sustainable approaches be needed to help meet this challenge?

If new methods are to be found, their objectives must be made clear from the outset. Therefore, we will consider what the priorities for the future development of central and local public sector bodies ought to be. We will examine whether these public bodies are capable of taking long-term, strategic decisions on the future development of their communities. Crucially, do they have the skills and capacity necessary to introduce the radical reform that may be required?

Finally, what new and innovative approaches to the development of public sector land are out there? Would it be possible to focus on long-term over short-term yield, for instance by using renting through public-private partnerships as a means of generating a recurring

income? And what additional benefits do these approaches bring? Might they add commercial and market value to communities and local authorities, or lead to a better quality of life within a locality?

### **What next?**

This pamphlet is the starting point of a discussion on what a new vision for public land might look like, and how public land could best be developed in order to meet immediate local needs and support a long-term vision for sustainable communities. Localis, in partnership with Cathedral Group, will be investigating and debating these questions with key stakeholders across the Government and property sectors in the coming months, before publishing a definitive report on these issues in autumn 2014.

In particular, we are keen to talk to as many local authorities and other local public services as possible about the development challenges and opportunities they face – please email [chief@localis.org.uk](mailto:chief@localis.org.uk) if you would like to be involved.

