



Public Land, Public Good

Getting maximum value from public land and property

Alex Thomson and Peter Wilkes

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.

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Please either email 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.

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About Cathedral

Cathedral Group is a creative mixed-use regeneration developer, with a long track record of delivering schemes in partnership with local authorities and other public bodies.

The company was founded in 1998, and has spent the past 16 years developing beautiful places by understanding how to extract maximum community value out of obsolete public land and property. State-of-the-art public facilities are often provided at no cost to the taxpayer, funded by private speculative development on and around the sites.

This model has produced a pipeline of schemes with a gross-development value worth more than £2.5bn, bringing thousands of permanent jobs and more than £10bn of economic value to the surrounding areas over the coming decade. In May 2014 Cathedral was acquired by its long-term joint venture partners Development Securities PLC a highly respected, quoted property developer and investor. This has expanded its opportunities for future growth.

By finding tailored solutions to a local authority's unique problems – from underused property or inadequate service provision to insufficient economic and social growth – Cathedral delivers sustainable places that surprise and delight all stakeholders.

Contents

	Acknowledgements	3
	Foreword	4
	Executive summary	5
1.	Introduction and context	8
2.	The Government's response to date	11
3.	What is different about public land?	16
4.	What is the best way of coordinating the use of public land?	21
5.	What should be done with public land?	26
6.	Conclusion – What might the future hold for public land?	34
	Appendix: Survey results	36

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Foreword



Returning redundant public land to productive use represents a huge opportunity. Not only for central and local Government, which finds itself asset rich but cash poor; but for communities – which need investment in the built environment that can provide jobs, homes and high-quality public services and infrastructure; and for those private sector partners who can help communities to realise that vision.

As this timely report argues, public land has an invaluable role to play as a key part of bold public service reform that drives forward socio-economic change.

However, achieving this ambitious goal remains challenging. I have seen the problem from both sides of the fence, formerly working for the Ministry of Defence at Defence Estates, and more recently with the property investor community. The traditional public sector view has been to think of un-used land and property, if it is thought of at all, as an asset to hold on to ‘just in case’, rather than a millstone that limits the owner’s ability to act quickly in response to political and economic change.

And for all of developers’ perennial frustration at the slow release of public land, some in the private sector have been rather too keen to turn a quick profit from public bodies selling off the family silver at a knock-down rate, and should instead think rather more about how they can work with the grain of local wishes to create something that will be beloved by a community, and whose value will endure.

But there are welcome signs, many of which are woven throughout this research, that imaginative approaches to partnership working coupled with central government resolve are beginning to break down this impasse. My organisation’s close work

with the Local Government Association throughout this Parliament, centred on overcoming barriers to local growth, has mirrored this approach at a national level.

In many cases this will require a creative approach that allows assets to be injected up front at low-or-nil cost, possibly as equity in some sort of joint venture, in return for a share of the future upside – the concept of ‘long term value’, one of many important recommendations that this paper endorses.

This approach is particularly important for regenerating areas that are suffering from deprivation, a lack of jobs and a poor quality built environment. In these areas it is very difficult for the private sector to take on the full risk of development, especially in a weak occupier market. But the social and economic benefits of development – which are objectives in which both national and local Government should be deeply interested – should more than justify the delayed financial return to the public coffers.

This partnership approach will require local vision and leadership, an appetite in both parties to embrace a shared purpose and the risks this entails, and perhaps most importantly, trust. In the main it will need local solutions to local problems, and will at times be a messy process. The prize though, as this paper outlines, is worth fighting for.

As many of the council leaders responding to this research strongly argue, public land has an intrinsic worth beyond its financial value. Innovative approaches that recognise this, and that can marry the aims of the public and private sector with that of the local community, point to a sustainable future in which unused sites can be developed for the greatest long term good.

Liz Peace CBE | Chief Executive of the British Property Federation

Executive summary

Our public realm is currently asset rich but cash poor. On the one hand, the value of the public estate held by central and local government in England is £370bn, of which approximately £170bn is owned by local authorities.¹ On the other, central government has a current budget deficit of £96bn, and a total national debt of £1,305bn (77% of GDP) which continues to rise. Local government, with a projected annual funding gap set to reach £12.4bn by 2019/20, is scarcely much healthier.²

This requires new thinking. Given both tax rises and spending cuts have their limit, at some point public assets – land, buildings, anything that can be re-developed or re-purposed – will have a key role to play in shaping the public sector of the 21st century. This report sets out how this can be achieved creatively, aiming for long term over short term benefit, and examines some of the wider advantages this can bring beyond the bottom line. It highlights the good work that has been carried out by the Coalition in this regard since 2010, in particular through the recent One Public Estate Programme, but prompts thinkers across the political spectrum to look further than simple disposals of land for just housing and one-time cash receipts.

This all matters because public land is not just another asset. Public land is exactly what it says on the tin: land that belongs to the public, with all the history and community resonance that that implies. Public land needs a custodian, one who is proactive and will always think first and foremost of the economic and social growth of the communities whose land they watch over.

Crucially, public land is also a finite commodity, and once it passes from public control, it is highly unlikely to come back: as one council leader said to us “Why would I want to sell land? I can’t get it back.” This makes getting the best deal possible absolutely vital for all of us; an opportunity not to be squandered.

And this value must be conceptualised not just in terms of addressing the most immediate budget challenges, but in using public land to achieve long-term socioeconomic sustainability for an area. In most cases, a local community will need new housing of various sorts. However housing alone will not make for good development in the majority of places. For every site there is a responsibility to ensure that planning takes account of the sort of amenities and services needed in that locality to support whatever housing is planned.

The key is that public land can in fact be a catalyst behind the reform of local public services, helping sustain and transform them in a tough financial climate. And by providing high quality public services, new infrastructure, and employment opportunities for local residents, public land can be used to support wider economic growth. This requires co-ordination across the breadth

1. Cabinet Office, *Government’s Estate Strategy: Delivering a Modern Estate* (2013)

2. Local Government Association, *Future funding outlook 2014: Funding outlook for councils to 2019/20* (2014)

of the public sector in each locality, a role we believe should be filled by local authorities.

Given that each site will have its own specific demands, it makes sense for councils to be the body concerned with striking the best deal possible – after all, they know the area, and the needs of their local community, best. Sometimes it will mean making sure that a good price is achieved via disposal; sometimes keeping the freehold of the land and deriving an ongoing cash flow from commercial leases; sometimes entering into joint ventures to derive future returns from the regeneration of a site; and sometimes it will mean thinking creatively about what public services (health, police, education etc) could be housed in a new or redeveloped building.

So while councils understandably need to be concerned with the day to day brass tacks, using public land efficiently is about more than juggling spreadsheets and building housing; wider considerations matter. With over a quarter of brownfield land suitable for homes sitting in public hands, Whitehall and town hall alike cannot just tut about the lack of building but must seek to influence, shape and participate in the market.

The upside to this is clear: creating the spaces to build good quality, new housing can foster community cohesion, promote aspiration, and get a generation increasingly locked out of home ownership on the property ladder. It can deliver new business developments which bring jobs and growth likewise. The fact that these also boost receipts for local (council tax, business rates) and central (stamp duty) government represents an additional benefit. This could pave the way towards achieving a fundamental shift to sustainable local financial self-sufficiency. This is not all doom and gloom – the rewards are out there.

To gather frontline views from those who are tackling these challenges on a daily basis and help inform our findings, Localis conducted in-depth interviews and round table discussions with over sixty stakeholders, including English local government Leaders, Chief Executives and Directors, plus representatives from central government and from the property sector. We also carried out a survey of over fifty council Chief Executives and Leaders, the results of which are highlighted throughout the report. The conclusions and recommendations of our research are as follows.

This report shows that there are **clear risks ahead**:

- **two thirds (66%)** of our survey respondents believe that **closer integration across public services is necessary to realise the maximum return on their assets.**
- **one in six (17%)** respondents state they have been forced to **dispose of assets for less than optimal value.**
- We calculate that **up to £2.3bn worth of local authority assets could be undersold over the next five years.** If these assets were sold at 10% below value, this would constitute more than £45m lost to the public purse each year, and nearly £230m over the course of the next parliament.

However, there are also **major opportunities to be grasped.** Our research:

- suggests that **local authorities are planning to develop £13.5bn worth of assets over the next five years;** in contrast the Audit Commission recently estimated that councils had £3.2bn of surplus and 'for sale' assets

- shows that **local authorities** are moving away from a mentality of simply taking one-off capital receipts for a given asset, and instead are **looking to maximise revenue income and community benefits over the long run** – with the proportion of redevelopments moving from a third of all asset disposals to a majority over the next five years.
- indicates that **creating a 'hit squad' of highly experienced officers, tasked with maximising returns on council assets, could yield real value to the public purse**. If they could deliver a 5% increase in value on the £13.5bn assets set to be developed over the next five years, this would produce almost £700m of extra revenue.

Maximising returns will require changing mindsets in both local and central government.

For central government:

- **Treasury guidance needs to be changed to encourage public sector bodies to focus on long term best value.**
- **Longer term funding settlements between central and local government would assist councils to plan over the long term.** Again, simply divesting public assets as quickly as possible is a false economy. Both price and wider 'value' must be borne in mind.

And we contend local government:

- be made **responsible for drawing up a pan-public sector land strategy in their locality**, in consultation with all other local public sector bodies.

Whilst across the public sector:

- **all arms of central and local government should be required to produce an annual register of assets which is made available to the public.** This will help transparency, as well as both supply and demand.

1. Introduction and context

This is a time of enormous change not just in public services, but for the state as a whole – what it does, how it does it, who delivers services, and what its physical footprint is. Given this, it is a timely moment to consider the future of the large amount of land, buildings, and other assets owned by the various arms of local and central government, as a crucial part of determining what exactly the state does and does not do in support of citizens.

Key definitions

When using the phrase ‘public land’ in this report we mean not just land but also other property assets, including empty buildings, partially used buildings – in short anything, whether brownfield or greenfield, which could be developed or redeveloped. When talking of development/redevelopment, that encompasses the creation of all manner of buildings i.e. not just housing but also new public service facilities, space for retail, industrial, and commercial use, and space for the wider public realm.

About this report

We first consider the policy context around public land use, before setting out both past attempts to rationalise the public estate and what both central and local government are doing at present. We then describe the key conclusions and findings of our research, and the recommendations that flow from them, including highlighting the various challenges to hamper attempts to redevelop land and assets, and conclude with an outline vision of what the future for public land looks like.

Policy context

When considering public land, there are three key strands to the prevailing policy context. Perhaps the most important factor is the one that dominates the current political landscape – the parlous state of the national finances following the particularly deep recession of 2008–2010. This recession dealt the national economy a severe blow, one which it is only now beginning to recover from and the impacts have been very widely felt; from the cost of living to the impact of central Government spending cuts. The Institute for Fiscal Studies (IFS) says that local government funding will have been cut by more than 40% by 2017–18.³

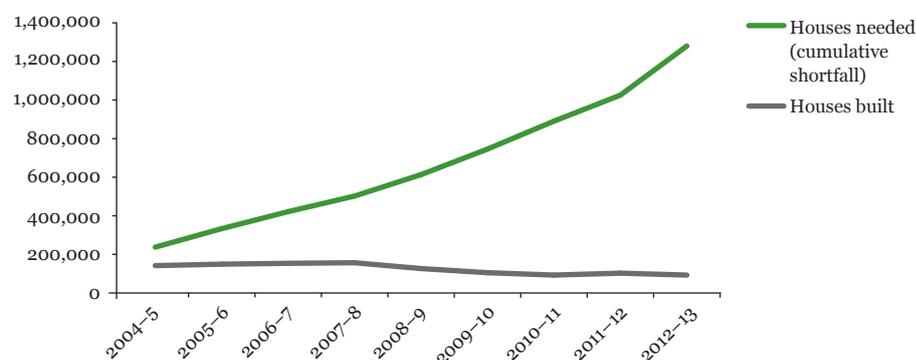
3. www.lgcplus.com/funding-almost-halved-since-2010-says-ifs/5052669. article [Accessed 06/08/14]

Although the economy is now growing again – indeed, recently exceeding pre-crash levels for the first time – the Government remains focused on deflating the

national debt, which has ballooned since 2008. This will entail further reductions in public spending for at least the next few years – those Whitehall departments not ring-fenced will see their budgets cut by more than 30% between 2010–11 and 2018–19 if austerity plans are maintained – and even that assumes £12bn can be excised from the welfare budget.⁴ It is therefore not surprising that the Government is actively pursuing any and all means of balancing the books, such as raising money from sales of surplus publicly-owned assets.

At the same time housing has erupted onto the political landscape with those of all parties driven by the desire to boost housing supply. There has been a demonstrable shortfall in housing for some time, but it is becoming ever more pronounced (see Figure 1), with new delivery many thousands of units short of what is required, particularly in London and the South East. Just 50% of the homes the South East requires are being built each year,⁵ and the situation is worse in London.⁶ This pressure is unlikely to be eased any time soon, as England's population is projected to grow at 232,000 households per year until 2033.⁷

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



This combination of rising demand and chronic undersupply has had a range of significant impacts on the way we live and the housing choices we make. Over 3 million adults aged 20–34 are now living with their parents.⁸ Furthermore, significant imbalances in house prices and differing expectations of house price inflation across regions make it harder for people to move around the country, so hampering labour mobility, which is a key element of an effective economy. Until housing supply and demand are in harmony, the country remains in peril of another housing boom and bust, with the associated economic trauma.

But increasing supply isn't going to just happen. Even though the country is still emerging from recession, land values in some areas of the country are higher than they have ever been. In Chelsea, the average price of a square foot of property is £1,907 – or to put it another way, £100 would buy you an area the size of 1.1 Oyster cards.⁹

Sadly, the grand Edwardian and Victorian era of splendid public buildings, supported by an abundance of fervent philanthropists and a world-leading economy, are long since past. Many of those magnificent structures are now reaching the end of their useful life, so it is unfortunate that the Government does not have the financial wherewithal to embark on a substantial public works programme at precisely the time when our public estate is finally in need of renewal. The Government should instead focus on public land – via estate

4. IFS, *The public sector workforce: past, present and future* (2014)

5. House of Commons South East Regional Committee, *Housing in the South East* (2010)

6. www.homesandproperty.co.uk/property-news/news/deputy-mayor-housing-tackling-londons-new-homes-shortage [Accessed 07/07/14]

7. DCLG, *Household Projections, 2008 to 2033, England* (26 November 2010)

8. www.theguardian.com/money/2012/may/29/3m-young-adults-live-parents [Accessed 07/07/14]

9. www.theguardian.com/news/datablog/interactive/2014/may/13/square-foot-property-price-london-map [Accessed 06/08/14]

rationalisation and identification of surplus land to provide for development – as a potential tool with which it can seek to respond to the ongoing shortage in housing supply and the revitalisation of wider public land holdings.

The third issue, somewhat less obvious but equally powerful, is the changing shape of public services. The seismic pressures on Government have redrawn the contours of the public sector itself, as it comes under increasing pressure to re-examine how it organises and delivers services.

Over the past several years, 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 encouraged different parts of the public sector to work together to provide more effective and joined-up services. For example, the Community Budget approach piloted by Cheshire West and Chester, Greater Manchester, Essex and the London Tri-Borough, could save up to £8 billion a year according to independent analysis.¹⁰

All of these policy issues are vital, and linked. The country simultaneously needs to find ways of boosting economic growth, building housing, and improving the efficiency of local public services. We believe that the combination of these three challenges means it is critical that the public sector rises to the challenge of maximising the use of its most valuable asset, and that the time is therefore ripe to establish a new vision for public land.

10. Whole Place Community Budgets: A Review of the Potential for Aggregation (Ernst & Young for the LGA, 2013)

2. The Government's response to date

The past

It would be misleading to suggest that selling unneeded public land is a new idea – the Department of Health has made £2 billion since the mid-1990s doing exactly that.¹¹ But this tended to be done on an ad hoc rather than considered basis – as one council leader said to us “attitudes have changed, sweating assets just wasn’t a big thing until recently.” Similarly, the idea of using public land as a solution to the question of where new housing and public services are 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.

Technical difficulties such as land assembly and covenants surrounding land played their part in this. But the biggest factor in ensuring that previous strategies were never fully realised is that the policy drivers described above were just not as strong as is the case today. The desire to accelerate housing delivery and, in particular, the financial pressures in the public sector 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 capital receipt to cover a financial gap yet to come. After all, why sell something if you don’t really have to?

The present

But as we have established, we are living in a very different world 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 banks¹² – central and local – Government’s role is clearly crucial. So it is no surprise that in the 2011 Budget the Government committed to accelerating 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.¹³ As part of the 2015–16 Spending Review the Government went further, setting a target of at least £5 billion in asset sales for the period 2015–2020.¹⁴

“Attitudes have changed, sweating assets just wasn’t a big thing until recently”

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

12. Department of Communities and Local Government, *Accelerating the release of public sector land: Update, overview and next steps* (2011)

13. www.gov.uk/government/news/whitehall-releasing-its-grip-on-unused-public-land [Accessed 06/08/14]

14. HM Treasury, *Investing in Britain’s future* (2013)

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
- **publicise** that Government property is available, so increasing the transparency of the land market
- **prioritise** the land holdings that are best placed to be developed
- **coordinate** across Government to ensure that different departments and agencies are aware what property is available for their use
- **facilitate** development on publicly owned land via the forthcoming Infrastructure Bill and the creation of Housing Zones
- **incentivise** development on publicly owned land via Build Now Pay Later

Cataloguing – the birth of the Government Property Unit (GPU)

An important step was the creation of the GPU in 2010, with the remit of collating detailed information about the Government's estate, and driving and coordinating more efficient use of all that property. Thus far, the GPU has helped drive a 14% space reduction across the Government's mandated estate.¹⁵ Since its creation, the GPU has recorded savings on annual running costs of £454m; achieved through early exits from leaseholds and PFI deals, as well as disposals of property, which yielded over £1bn in capital receipts.

Improving efficiency – moving away from feudalism

The hope is that this momentum will be maintained and Whitehall will finally move away from its antiquated feudal approach that saw each department operating from its own autonomous string of 'castles', and towards a much needed alignment between departments, enabling them to utilise their space more efficiently and even share offices. For example the Department of Communities and Local Government has recently moved in with the Home Office, a move that is estimated will save £220m.¹⁶ The ambition in Central London and the other ten regions covered by the place-based strategies is that the size of the governmental estate will reduce by approximately 38% by the end of March 2015, and by 46% by 2020.¹⁷ If this proceeds as planned, central Government departments will be setting an excellent example to the rest of the public sector in how to minimise wasted space.

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 2015.¹⁸ The next stage of the work will be with the smaller landholding departments, including the Home Office and Ministry of Justice.

15. Government Property Unit, *Government Estate Strategy: Delivering a Modern Estate* (2013)

16. www.gov.uk/government/news/eric-pickles-to-save-taxpayers-220-million-as-he-bunks-in-with-the-home-office [Accessed 05/08/14]

17. Ibid.

18. Ibid.

Publicising – e-PIMS and Government Property Finder

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.

Eager to shed the light of transparency on the public land agenda, the Cabinet Office launched a new website in August 2014 – Government Property Finder¹⁹ – which lists all centrally owned public assets, and enables people to search for them using a postcode. Around 31,000 assets are listed on the website. This bolsters the Right to Contest scheme, announced in January 2014, which allows members of the public to submit a proposal to purchase any of the Government's property or land listed in schedule 16 of the Local Government, Planning and Land Act 1980, even if it is currently in use.²⁰

Prioritising – The Homes and Communities Agency (HCA)

The HCA has recently published an updated version of the *Land Development and Disposals Plan*, which lists details of over 250 sites that will be brought to market by March 2016. The disposals should lead to the construction of 17,000 new homes by April 2015, contributing to the government's target of 100,000.

Moreover, from 2015, the HCA will be taking on an enhanced land disposal role for government, aiming to add value to surplus public sector sites with development potential and accelerate their sale, with the view of increasing housing supply and economic growth.

Facilitating developments – Infrastructure Bill & Housing Zones

The Government's Infrastructure Bill, currently making its way through Parliament, will make it easier for public land from various arms of government to be transferred to the Homes and Communities Agency (HCA), with the intention of using it to boost housing supply in England. Currently, such transfers have to be done via relevant government departments, creating lengthy delays.

The June 2014 announcement of dedicated housing zones indicates Government's commitment to building houses quickly on surplus public land. The scheme will create 50,000 new homes across 20 new housing zones in London, and involves the collaboration of central and local government. The role of local authorities is to identify and package together suitable brownfield land into a housing zone, streamline planning permissions, and partner with a developer. This will be achieved through local development orders – a flexible means of granting planning permission – and by granting the Mayor significant new powers in the form of Mayoral Development Orders. These orders can set out the amount and type of housing that can be built on particular sites, and assist developers in drawing up suitable schemes.

The removal of planning constraints in these zones will substantially accelerate construction. These housing zones will benefit from £400m of funding – £200m each from central Government and the Greater London Authority (GLA) – which will make loans available to local authorities for the necessary infrastructure and other remedial work. In addition, there will be a further £200m of government funding made available for 10 further zones outside London.

19. www.epims.ogc.gov.uk/government-property-finder/SearchForSale.aspx [Accessed 05/09/14]

20. HM Treasury and Cabinet Office, *Right to Contest: new plan to speed up sale of public land and property* (8th January 2014) [www.gov.uk/government/news/right-to-contest-new-plan-to-speed-up-sale-of-public-land-and-property – accessed 27/02/14]

Incentivising – Build Now, Pay Later

The final prong of the Government's strategy for land release is its commitment to maximise the use of Build Now, Pay Later deals, made in *Laying the Foundations: A Housing Strategy for England*.²¹ Build Now, Pay Later deals, announced in March 2011, aim to incentivise developers to commence development on public land early by deferring payment for the land to match the developer's cash flow, thereby assisting Government's aim to release land more swiftly. Build Now, Pay Later was designed for use on larger, more complex sites which might otherwise require significant upfront capital investment to unlock development potential. 5 pilot sites were announced, 4 of which are now under construction, and 1 still awaiting planning permission.²²

What local government is doing

Local government has taken substantial strides in recent years to rationalise its estate and in so doing, allowing the release and redevelopment of surplus public sector land, as well as the improvement of public services. This has resulted in the overall estate being trimmed by nearly a third since 2004,²³ with Staffordshire County Council for example rationalising 17 offices into just two buildings. Another unitary council we spoke to suggested that they were saving £5 million a year in reduced running costs, by reducing their estate from 98 buildings to just three.

But local government's estate remains sizeable, with councils owning assets worth £169.8 billion, the running costs of which was estimated at £5.6 billion²⁴ – about 4% of all revenue spending in that year. And with the financial pressures unlikely to abate, the desire to step up estate rationalisation will only increase.

The Local Government Association (LGA) has been working with councils on capital and asset rationalisation since 2010. The three waves of its Capital and Asset Pathfinders (CAP) programme have included 32 local authorities, covering approximately 40% of the country.²⁵ These pathfinders have so far projected savings of £4 billion across a total asset base of more than £20 billion.²⁶

Joint local and central government schemes

Greater cooperation between central and local government in this sphere was proposed by Lord Heseltine as one of the recommendations of his influential *No Stone Unturned* report, published in October 2012 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 has seen the twelve councils in the pilot scheme set up partnership arrangements with public bodies, in particular council-led, local property boards.

The programme only started in June 2013 so it is early days, but in the first year of the programme the pilot local authorities, working with other public sector organisations, project £21 million savings in running costs, almost £90

21. HM Government, *Laying the Foundations: A Housing Strategy for England* (2011)

22. DCLG, *Accelerating the release of surplus public land progress report, one year on* (2012)

23. Audit Commission, *Managing council property assets* (2014)

24. Audit Commission, *Analysis of 2012/13 Subjective Analysis Return data from the Department for Communities and Local Government* (2014)

25. *Ibid.*

26. *Ibid.*

million in capital receipts and the creation of approximately 5,500 jobs and 7,500 new homes. An authority we spoke to said that the programme had been helpful in allowing it to continue targeting its priorities, suggesting that local government is given relatively free rein in how it utilises central support.

It will be necessary to wait and see what happens, but the message is clear; the Government is accelerating the public land agenda with some force, and is keen to work with local government in doing so. With that in mind, the remainder of the report will describe the key findings and conclusions of our research, and the recommendations that flow from them, that we argue are necessary to ensure that the best all round value is achieved for public land. We look first at what makes public land different, then consider how its use should be coordinated, before discussing what uses it might best be put to.

Royal Borough of Windsor & Maidenhead

The Royal Borough of Windsor & Maidenhead has been refurbishing vacant property and then letting out to the private rented sector through its trading company, Two5Nine Ltd. The Royal Borough was faced with a choice of either selling its vacant property (deemed operationally surplus), or retaining it and investing in its refurbishment. Adopting the latter would see the flats offered to the private rental market and provide the Royal Borough with:

- a secure future income stream, and
- the prospect of an appreciating asset ideally located to benefit from any potential uplift in capital values attributable to Crossrail and the Town Centre's regeneration schemes.

Following a £350k refurbishment of eight self-contained flats, the Royal Borough made use of the General Power of Competence to offer private lettings through its trading company. The property transferred to Two5Nine in July 2014 and has quickly achieved its anticipated rental levels (per flat) of between £850 and £950 per calendar month.

Following the success of the project, the Royal Borough is now being advised on the suitability of providing a larger Private Rented Scheme as part of the Town Centre's regeneration.

3. What is different about public land?

Each of next three chapters of the report is based around one of the three key conclusions of this research project. And the first key conclusion is that **public land is not just another asset**. Public land is exactly what it says on the tin: land that belongs to the public, with all the history and community resonance that that implies. 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 vital that where public land is identified as surplus or under-utilised that a careful balance is struck between immediate and long-term interests.

Land is also, by definition, a finite resource, so when public land is gone, it's gone, and the chances of it being 'replaced' elsewhere, given the state of national finances, are slim. Or to put it another way, as one council leader did, "Why would I want to sell land? I can't get it back." It is therefore absolutely essential that decisions on what to do with public land are made very carefully.

And that, we argue, **requires someone to take on the role of custodian of public land in each area**. Now being custodian doesn't mean trying to preserve in aspic things as they are at this fleeting point in history; rather they should take a proactive stance and always think first and foremost of the economic and social growth of the communities whose land they watch over.

Where is all this public land?

Given its civic importance, we believe that **there must be transparency regarding all public land** – where it is, and what is being done with it. Precisely because it is part of the common weal that is at stake, we have to be completely open about it, so that everyone can know exactly what public land there is in their area.

But of course, to be able to do this, you need to know where the land is, and the UK's land market is extraordinarily opaque. As commentators have noted, it is extremely hard to find bits of land which might be for sale.²⁷ While in theory it is possible to look up ownership through the Land Registry, this often leads to a company registered overseas which is difficult to get in contact with. Moreover, many land owners have no intention of building. 45% of land with planning permission in London is owned by non-developers such as owner-occupiers, investment funds, historic land owners, government and 'developers' who do not build.²⁸ In some cases, this may make land assembly challenging for public sector bodies, which will reduce the potential developments they are able to undertake.

27. blogs.lse.ac.uk/politicsandpolicy/why-arent-we-building-enough-homes/ [Accessed 06/08/14]

28. Molior London Ltd, *Barriers to housing Delivery* (2012)

Not that all parts of government are necessarily much better. Mapping of public sector assets, for example, has been implemented only on a patchwork basis. Council officers who spoke to us suggested that the national mapping system e-PIMS was not widely available. While several authorities had taken it upon themselves to map assets locally, at least one council that we spoke to had “no idea” how much land they had. Significantly though, they believed that neither did their local partners.

We therefore recommend that all arms of central and local government – and wider public sector bodies – are required to produce an annual register of assets which is made available to the public. This would apply to local authorities, central government departments and their offshoots (the NHS, fire and rescue services, police forces etc.), and the wider public sector (e.g. universities). Currently HM Treasury guidance states only that ‘it is good practice for each organisation to draw up, and keep up to date, a register of all the assets it owns and uses.’²⁹ Were this to be replaced with a compulsory asset register, it would not only make public land more publicly known, but it could also enable citizens to more effectively challenge public bodies where they believed an asset could be put to better use. In time, this might be extended to an easily accessible register for all land across the country.

Why do public bodies have land?

The vast majority of the land owned by public bodies is being used to plan, organise and deliver public services – it is operational. Some bodies, however, most notably local authorities have an additional role; as well as all the buildings they use, they also hold land for regeneration purposes.

During our research it has been suggested that purely operational bodies (e.g. the NHS) don’t think in the same way about land. Indeed one expert told us that “it can be hard to get them [operational bodies] to even think strategically about what their land is used for, let alone whether any of it is surplus” as the culture, and skills, aren’t there.

The result is that occasionally public land sites can lie vacant for decades at a time. Large swathes of the 28,000m² East Dulwich Hospital site, for example have lain unused since the closure of the hospital in its then guise ten years ago, with outline planning permission for reconfigured services granted in May 2003 and a planning brief published as early as July 2005.³⁰

Getting to the bottom of exactly what is needed, for which purpose, and whether it could be used more effectively, lies at the heart of moving forward sites for much needed redevelopment. And having a public register of your assets is a good way of starting that process.

Local government

As described in chapter 2, local authorities own a huge amount of land across England and they are understandably keen to ensure that they are squeezing as much value as possible from their estates, looking for any and every asset that they can repurpose, redevelop or sell. While the Audit Commission’s most recent estimate this year puts ‘surplus’ local authority assets at a total of £2.5bn, it is likely that this is an underestimate. **Indeed analysis of our survey results suggests that councils in England are planning to sell and redevelop £13.5bn of their own assets in the next five years.**³¹

“It can be hard to get them [operational bodies] to even think strategically about what their land is used for, let alone whether any of it is surplus”

29. HM Treasury, *Managing Public Money* (2013), A4.15

30. Southwark Council, *East Dulwich Hospital Planning Brief* (2005)

31. The raw figure for assets to be sold/redeveloped from our survey was £10.4bn. We have then grossed this figure up to reflect the difference between our survey figure of total assets of £130.0bn and the Audit Commission’s estimated value of local government public assets of £169.8bn.

While they have a long successful history of sweating their assets, not all councils have been as successful as RB Kensington and Chelsea at generating money from their property. Our research found that not all local authorities were good at dealing with unneeded or underutilised assets. We were told of disposals and redevelopments being held up or even prevented over minor internal issues such as the fact that staff may enjoy working in a particular building, even if that building is no longer appropriate for the services in question.

Royal Borough of Kensington and Chelsea – Mixed tenure ‘Build to rent’

The Royal Borough of Kensington and Chelsea has approved two innovative housing developments, which will deliver 84 new homes across two council-owned sites in the borough. Combined, the two developments will have a value of over £110 million.

The planning permission will mean the homes are managed under a 125 year agreement, with the developer receiving a management fee. The Royal Borough will retain the freehold and share a proportion of the long term rental income stream.

Several people we have spoken to in the private sector have said that, with a small number of the councils they dealt with, things were more difficult because there was no clear responsibility in the council for making development decisions. Examples cited included meetings populated by representatives of many parts of the council, all with their own views, which were collectively undermining the possibility of delivering the best outcomes for assets.

And when a scheme is attempting to be all things to all people – no matter how good the intentions – it can quickly become too unwieldy to get off the ground. The unfortunate truth is that if the number of ‘add-ons’ for a project eats too much into the margin, there is little commercial incentive for developers to take on such projects. The onus therefore is on local authorities when talking to potential development partners to speak with a single, coherent voice about what package of financial return and wider outcomes – such as local employment, environmental regeneration, or the provision of affordable housing – they are aiming for.

Given that councils are such major landowners, with a regenerational role, we therefore recommend that local authorities are required to develop estates strategies which focus on getting best value from their assets, which will provide greater accountability and transparency over public sector assets. While many local authorities have done this already, the practice is not uniform across the sector. Clearly, to be effective, these need to adequately identify the appropriate assets and then consider how to extract best value accordingly – a tick-box approach resulting in a meaningless strategy will not achieve local ambitions. As this report shows, the deliberative process is a crucial part of any new vision for public land. Mandatory estate strategies, of sufficient quality, would help to reconcile potentially disparate parts of a council which may be targeting different policy areas and in particular to manage the tension between the

desire to deliver swift results and the role of local government as the long-term guardians of place.

Best value guidance

There has long been a requirement for public bodies to consider how to achieve best value for their assets, and associated guidance from the Government which outlines how this issue should be approached. This is quite right given its irreplaceable nature. The most recent HM Treasury guidance of July 2013 is quite right to suggest that 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.’³²

However the current guidance is, we believe, a little too immediate in its tone in stating that disposals should be undertaken as ‘swift as the market will allow with reasonable value for money.’³³ The message to public landholders could be taken to be: sell the land as quickly as you can, as best as you can.

Such an emphasis on speed is likely to increase the risk that the public purse will be short-changed, as there are problems inherent in quick fire sales – the shorter the timelines, the more likely the vendor is to be disadvantaged in striking a competitive price. Moreover, any organisation attempting 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. Indeed more than a quarter of council Chief Executives and Leaders who responded to our survey believed that having more time to realise the returns on their assets would yield a better result in terms of value.

In order to support public sector bodies to continue their attempts to extract long term best value from their assets, **we recommend that the wording of HM Treasury’s best value guidance be amended to focus more on long term best value.** As part of this we believe that the guidance should specifically highlight the opportunities offered by longer term cash flows. If public bodies take a long term interest (e.g. sell a 100 year lease on the land rather than selling the land itself) they can continue to take extract value long into the future. We examine this issue of revenue vs capital further in the next chapter.

Barriers to realising maximum value for public land

So we have seen that public land is a special sort of asset, which is why we need to think very carefully about how best to use it. But it will also already be clear that making the most of public land is not an easy task. So it is not surprising to find that **17% of respondents to our survey saying that the swirl of policy drivers surrounding the public land agenda had already pushed them to dispose of assets for less than their best value.** And, of course, it is likely that many of these issues will also apply to much if not all other parts of the public sector as well, so the opportunity costs are enormous.

Indeed if things were to continue in a similar vein, **we estimate that up to £2.3bn of local authority assets could fail to achieve their full value over the next five years.**³⁴ If these assets were sold at 10% below value, this would constitute more than £45m lost to the public purse each year, and nearly £230m over the course of the next parliament. As the financial pressures continue to build, this figure is only likely to grow, unless a new way of thinking about public land is implemented.

32. HM Treasury, *Managing Public Money* (2013), A4.15

33. *Ibid.*

Therefore we need to consider the barriers that stand in the way of achieving best value for public land. Our research has identified a number of issues that hamper arms of government in their attempts to be innovative in their use of public land and achieve the best all round value for their assets. Here we touch on the technical challenges, and in the following two chapters we describe a number of barriers for which we offer potential solutions.

Technical challenges

There are a number of technical challenges to the development of surplus and under-utilised public land that, while important enough to mention, were not the subject of our research. Often implicit in the fact that much of it is brownfield land. Our research raised concerns about the difficulty of assembling an attractive site out of assets which are often fragmented. Even for greenfield land, this remains a tricky affair in the UK, firstly in terms of absolute ownership, but also any rights of way or public highways which might complicate matters. For brownfield sites, the problem is compounded, owing to concerns such as potential contamination – necessitating costly clean-up operations – and any limitations on building growth.

Sites in fragmented or multiple ownerships are clearly problematic. Work by Adams et al. expands on this, finding that of 80 sites studied in four cities, over 60 had significant constraints owing to ownership issues.³⁵ Compulsory Purchase Order (CPO) powers are available, but vary in their conditions from agency to agency and are utilised only in extreme situations (often taking years to implement, and carrying significant associated costs). Furthermore, 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, for instance, not being permitted to run a business from that property.³⁶

34. 17% of the £13.5bn of public land expected to be sold or redeveloped by local government in the next 5 years.

35. Adams D. et al. (2002) 'Vacant urban land: exploring ownership strategies and actions'. *Town Planning Review*, Vol. 73, No. 4, pp.395–416

36. www.hempsons.co.uk/news/the-disposal-of-surplus-property/ [Accessed 05/09/14]

4. What is the best way of coordinating the use of public land?

As we set out above, public land is unique and the challenges to development that brings best value are legion. However, one essential came up time and again in our research: co-ordination. This chapter sets out how the public sector could better coordinate its assets and who is best placed to do so.

Why co-ordinate?

When **asked what needed to change in order to deliver maximum value for their assets, the number one answer selected by our survey respondents was 'closer integration across the public sector', nominated by 66% of them.** And they said this because it has been, for many years, a big problem. Time and again we were told by council leaders and chief executives that they found dealing with other arms of the state extremely difficult and unproductive.

Often this was due to an absence of communication, as described by a senior local government officer "you've got 'Site A' and you go and sell it, but it turns out that next door 'Site B' someone else is selling and didn't bother to tell anyone – but if you'd put A and B together it would be worth more than the two individually."

This matters particularly in smaller towns and cities where individual slices of public land rarely have the scale to drive socioeconomic change and attract private investment on their own. Often, it's only by piecing together numerous sites that a critical mass of land holdings can be reached, allowing meaningful regeneration to take place. This is well illustrated by the following case study overleaf.

The case study shows that property portfolios can be worth more than the sum of their parts, if they are brought together as part of a grander plan by people with market expertise. By thinking holistically about the council's land holdings the consortium was able to effect more meaningful change to a deprived town.

What else stops co-ordination?

But even when communication channels are effective, competing priorities can cause substantial problems, for instance when sites were identified for disposal by one body despite more cohesive regeneration plans for the area from the local authority.

And sometimes public sector staff just aren't thinking about the wider picture. As one expert put it "property people employed by many organisations are only on the estates management or facilities management side – they'll be thinking how they reduce the security and cleaning costs of their bit of land, they won't be thinking about the surrounding area."

Sittingbourne



Swale Borough Council realised that six or more separate public sites, scattered throughout the Sittingbourne town centre, would need to be stitched together to unlock a mixed-use scheme that promises to bring £250m of value to the town's local economy.

The Spirit of Sittingbourne consortium, led by Cathedral Group, Essential Land, and local developer Quinn Estates, was able to bring its experience of complex mixed-use development to the table.

Together with the council, it worked to align both parties' interests, aiming not just for profit but for a series of brand new public facilities, including a town square, cinema, restaurants, medical centre and homes, plus a new council headquarters elsewhere on the scheme. This compared very favourably with the alternative plan to sell one or two individual sites to a major supermarket operator, which would yield none of the same socioeconomic benefits.

Sittingbourne signed a development agreement with the consortium in 2012, and a planning application for phase one (encompassing four council-owned surface car park sites) is being prepared and will be working its way through Swale's planning system shortly.

How to co-ordinate?

So we can see that public asset registers – while important – are not sufficient. They are, by definition, snapshots; even if updated regularly, they can only show the land and assets held at a specific point in time. **It is just as important**

that local residents have some idea about what is planned for those local assets.

One option would be for every arm of government to develop, in isolation, their own strategies for what they wanted to do with their estates. But clearly a better answer would be for cross public sector asset strategies to be developed in every area.

Who should be in charge of coordinating these strategies? Some might argue central government. But, harking back to the beginning of the last chapter, we believe the answer must be the local custodian of public land. And this is underpinned by our second key conclusion – **because no two parts of the country are the same, the inescapable local variation in geography and historic patterns of development and ownership, as well as public service needs, means that decisions about use of public land must be determined (or at least influenced) at the local level.**

Who to co-ordinate?

We therefore argue that local authorities, with their democratic mandate and direct link to local residents, are by far the best placed organisation to act as local custodians. It also helps that they are lynchpins of local public service delivery and major owners of public assets themselves. With their long experience of place shaping, allied to their statutory planning role, councils are well equipped to pull together disparate public and private sector partners to ensure that that development is balanced and delivers the best long term outcomes.

The Government has reached the same conclusion in its One Public Estate pilot scheme. One of the pilots, Cheshire West and Chester Council, is in the process of co-locating services with health, police, fire, ambulance and Jobcentre Plus colleagues on a 8.5 acre site mainly in public sector ownership and in need of significant renovation. Not only will the proposed site reduce the necessary floorspace to house these public sector workers by 35% and make savings of £5 million, as well as supporting cross-public sector working. It is hoped that this project will provide a catalyst for wider regeneration, including the release of land elsewhere in West Cheshire for housing, employment and improved public realm.

And this is not restricted to One Public Estate either, for example local authorities in Cambridgeshire are working with police, health and fire & rescue colleagues to co-locate services – for example the locating of the County Council’s day Service into St Ives Police Station.

Despite these examples, which clearly show that local government is ready to handle this additional responsibility, there is some way to go nationally as the majority of respondents to our survey ranked their influence over other parts of the public sector as 3/10 or less. We believe therefore that it’s time to see greater alignment of plans and priorities between central and local government (as called for by the South East LEP in their growth prospectus).³⁷ **We recommend that local authorities should be made responsible for drawing up a pan-public sector land strategy in their locality, and other public sector bodies obliged to provide them with the relevant information.**

This could all be fed through a decision-making group Public Assets Committee (PAC) led by local authorities, functioning in a similar manner to Health and Wellbeing Boards. This would require the devolution of powers within central Government departments themselves so that local public servants had decision

37. South East LEP, *Building the Future: Accelerating Housing Delivery in the South East* (Localis, 2014)

4. What is the best way of coordinating the use of public land?

making powers, allowing the Public Assets Committee to make joined-up decisions for its locality.

We also would like to see consideration given to a more widespread use of asset transfer to local government, which has happened in a very small number of areas e.g. the £32 million transfer of assets from the HCA to Milton Keynes Council.³⁸ Also in London, 225 hectares of assets were transferred from the HCA to the Greater London Authority.³⁹ Now under democratically led structures, the GLA is being more open and accountable with its assets, for example publishing a property asset register, encouraging development. 85% of the portfolio has either been developed, is in the course of development, is contractually committed or is currently being marketed.⁴⁰

However, it is important for the Government to ensure that local authorities have the financial freedoms and flexibilities to allow them to play this role to the full. As it stands, local government's short term funding settlements makes the degree of long term planning required very challenging. After all, is it really responsible to plan with money that is by no means guaranteed? **We recommend that Government should introduce longer term funding settlements, e.g. for at least the length of a Parliament**, which would assist with local government's ability to plan for the medium and longer term, thereby facilitating extraction of best value from their assets.

Moreover, as we have argued several times in Localis reports such as Catalyst Councils,⁴¹ if given the right tools (i.e. community budgets and initiatives such as Troubled Families), councils are ideally positioned to act as a public service coordinator for the locality, bringing together detailed knowledge of the local area with strategic oversight across different policy areas and a direct link to the electorate. All of which will be crucial if broader best value for public spend is to be extracted, and the costly mistakes of the wrong facility developed in the wrong place are to be avoided.

All this tallies with the clear desire from central Government to get things moving with public land – for example, the provisions within the Infrastructure Bill will result in arm's length bodies having assets transferred to the HCA for repurposing or disposal. This illustrates that the Government is comfortable with the principle of transferring public land to bodies which it perceives can manage it effectively. The Bill also indicates the Government's desire to reduce bureaucracy and thereby facilitate development.

And by empowering local government, it is likely that things will move faster. Some of those who we spoke to suggested that Government delivery agencies have not always done well in developing assets. To quote one of our interviewees "we don't want to go back to where we were with RDAs – very good at buying assets, very poor at actually doing anything with them".

Indeed many in local government would go further and say that only councils are prepared to take the unpopular decisions that are sometimes necessary to get things built. A view echoed by **one very senior property sector leader who told us "We would always rather work with a local authority than with any Government department"**, citing the understanding of locality and ability to get difficult decisions made.

Such an arrangement would address the persistent complaint of councils that even when they know about land owned by other parts of Government, and are aware that that land is being considered for disposal or redevelopment,

38. www.miltonkeynes.co.uk/news/local/council-completes-32-million-land-transfer-deal-1-4679335 [Accessed 10/07/14]

39. In addition to 410 Hectares from the London Development Authority and the London Thames Gateway Development Corporation

40. www.london.gov.uk/priorities/housing-land/land-assets/land-and-property-database [Accessed on 28/08/14]

41. Crowe D., *Catalyst Councils* (Localis, 2013)

they have often not be able to exercise any influence over how that land is dealt with. And we believe the carrot for other public sector bodies will be improved returns on their assets. But if they refuse to play ball and co-operate with the PAC, it might be necessary to deploy a stick – perhaps by saying that a proportion of capital receipts from sales would be redistributed locally and not retained by the individual body.

Community engagement

Having a custodian for public land in each area will not just deliver better, more co-ordinated decisions about the use of sites. It also offers an opportunity for more productive engagement with local communities. Community opposition to a project – often termed NIMBYism – can also act as a major barrier to changing land and asset use. While a certain degree of opposition to any project is inevitable – in particular from those who are directly impacted by redevelopment – if the right methods of community consultation are used it is possible to minimise disruption, and even to utilise the community as a useful partner in shaping creative ideas for sustainable development. And no-one has more experience at this than local authorities.

Such bottom-up approaches also take into account the fact that the history of sites can play an important role in community attitudes to any potential disposal or redevelopment. **A lot of public land has historic value to the surrounding community – and this must be factored into decisions about what should be done with it.** It will be interesting to see, as local authorities become more explicitly entrepreneurial in order to keep services afloat, whether public attitudes to the costs and benefits of growth remain static.

As commentators have argued since the days of Aristotle, the keystone of a sustainable community is socially active citizens. In order for this to occur, citizens need to be empowered to make meaningful changes in their locality. If positive change occurs as a clear and direct result of community-led action, a virtuous circle is created, where people are increasingly likely to get involved because they know that their involvement can deliver meaningful change. Citizens will become more independent and resilient, and develop increasingly enterprising ideas about shaping community spaces.

During this process it will be important to bear in mind that communities will proceed at different paces, as they will naturally have a wide range of capacities. As such, local authorities will need to adopt a ‘horses for courses’ approach, and take care to strengthen community capacity to engage where necessary. Nevertheless, this agenda will have a cumulative effect, improving community confidence and resulting in a more skilled local citizenry that, as one council leader suggested, can help respond to other more practical challenges, such as providing low level social care.

5. What should be done with public land?

Sustainability is key

The short answer to this question is that, because every place is by definition different, there should not ever be any one-size-fits-all approach. But what we can say is that balance is critical. As stewards of the locality, local authorities will want to engineer the maximum all round value for a site, by understanding the needs of the particular place and developing a plan that will sustainably best address these requirements.

The third key conclusion of this research is that **any development that is monotype is highly likely to be unsustainable. And this means that housing alone does not make for good development in most places.** Although the housing shortage is all too real, it remains important to ensure that the necessary physical and social infrastructure is developed simultaneously. Otherwise, developments run the risk of creating communities which are unsustainable, or to put it more bluntly, 'sink' communities, which will ultimately fail.

Specifically, as identified in past Localis reports,⁴² making development sustainable hinges around a blend of three factors:

- **Physical improvements** – simply put, making the area a more desirable place to live from a physical point of view, e.g. access to public amenities and green space, improved transport links, or more attractively designed houses and streets.
- **Economic improvements** – e.g. job prospects, access to education and facilitating future growth.
- **Social improvements** – e.g. better public services and the sense of community/identity (or identities) for a given place.

In order to achieve maximum all round value for a site, it is necessary to understand the needs of particular places, and from this starting point, develop a plan that will best address these requirements. What does this mean in practice? It means that the development of most sites will of course include housing of various types, from affordable to high quality (important for supporting high end jobs) homes, as well as other sorts of housing e.g. suitable retirement homes with facilities to support those in need of care. But it will also include some or all of: space for retail, offices, public services, green space, and the wider public realm, as well as any requisite infrastructure.

42. Howell, S., *Grow Your Own Way: A localist approach to regeneration* (Localis, 2012)

In the case study overleaf we provide a key illustration of how a local authority – Lambeth Council – leveraged its biggest asset – its property – and left the technical

property funding and development – to private sector specialists, demonstrating that **public land can be sweated in a way that doesn't just generate a one-off capital receipt, but also satisfies an ambitious list of socioeconomic goals.** To do this successfully requires intimate knowledge of the local area; precisely why local authorities are best placed to co-ordinate the use of public land in their area.

Clapham One



The architecturally significant Clapham One straddles Clapham High Street, with a 12-storey Library Building at its centre, and comprises a 9,000sq ft public library, alongside a new medical centre, and 134 apartments perched on top. Over the road is the 52,000sq ft Clapham Leisure Centre (complete with 25m pool), and Bicycle Mews: two apartment blocks of private, shared ownership and social housing, delivered by Notting Hill Housing Group.

This £80m development, completed last year, was unlocked by one key factor: keeping public land in public ownership. Traditionally, councils are wary of developers, but working in close collaboration with the local authority, joint venture developers Cathedral Group and United House transformed a handful of run-down public buildings into a scheme that benefited the council, developers and the public.

The new facilities were returned to the local authority as public property and the developers' profit was capped, with 'overage' shared alongside Lambeth council. The council could have flogged its run-down offices to the highest bidder. Instead, it had its cake and ate it, replacing a handful of existing, rundown buildings with beautiful new public facilities at no cost to the taxpayer.

Not only this, but they took the opportunity to think about what additional public services would be valued that could be delivered as part of the deal. Even in such difficult financial times, there are still some opportunities for new and improved opportunities if the right deal can be found.

5. What should be done with public land?

“Get free [of Whitehall] – get revenue”

A new entrepreneurial dawn

This case study also illustrates why the old approach of selling land as the default answer is firmly out of fashion, for councils at least. The current framework for local government funding, and how it is predicted to develop over the next few years, means that many local authorities are at a crossroads – they can either continue to struggle along on ever reducing Government grant, or look to develop independently and innovatively in order to fund public services.

For example, one metropolitan council we spoke to was receiving 70% of its income from central grant in 2010. By 2017, this figure will be 30%, meaning 70% of revenue will need to be found through other means. Other councils are much further down that road, anticipating that Government grant would reduce, effectively, to zero in the next few years.

This is both a challenge and an opportunity, as with increased innovation comes increased risk. And risk hasn't always been a speciality of local government. Although the best value guidance instructs public sector organisations to 'consider whether any retained assets have potential to generate revenue through commercial services',⁴³ the emphasis has traditionally been on straight disposals.

The situation now is very different. **Almost all of the councils that we spoke to now see their asset base not, as used to be the case, just as a source of potential capital receipts, but increasingly as a potential source of ongoing cash flows** – revenue that was not just essential to their financial future, but that opens the door to becoming ever more independent of central Government.

According to our survey of local government stakeholders, the ratio of disposals to redevelopments in the last five years was approximately 2:1. However, looking forward, **local authorities are now seeking to redevelop more assets than they dispose of. This means that redeveloping has changed from being very much the secondary option, to being the primary choice for future property decisions.**⁴⁴

This move from seeking capital receipts to generating revenue income represents a paradigm shift in how local government is tackling austerity, meaning that public land can in fact be a catalyst behind the reform of local public services, helping sustain and transform them in a tough financial climate.

As one Council Leader put it succinctly: “Get free [of Whitehall] – get revenue.” In other words, every pound you can generate from your own assets/investments to pay for services is a pound less you need to plead for from central Government. This desire (and need) to generate a sustainable, self-sufficient income is central to how local authorities now conceive of best value.

Wider economic benefits

Moreover, this approach is not only useful for producing revenue; it can also help produce more broadly successful and durable neighbourhoods. Indeed, some of those we have spoken to during the course of research argued that **the importance of public land is not just about deriving an income stream, but rather, about growing the local economy into a broader and more sustainable income stream.** In the words of one council leader, it is time to consider “What does this [asset] add to the GVA, to the economy, and what might it do for our broader revenue streams? Because we need that development to fund public services.” And this explains why many councils are not just redeveloping their own property, but are strategically acquiring sites to unlock economic growth opportunities.

43. HM Treasury, *Managing Public Money* (2013)

44. Our survey tells us that of the £6.01bn worth of assets sold or redeveloped by local government in the last 5 years, £2.10bn worth (35.03%) was redeveloped. In comparison, our survey also tells us that of the £13.5bn worth of assets which local government anticipates to sell or redevelop in the next 5 years, £6.92bn worth (51.1%) is expected to be redeveloped.

Wokingham Housing Ltd



Affordable homes are at a premium across the borough and Wokingham Council are seeking to operate actively in this market. They have established a wholly-owned housing company, WHL, which has a subsidiary, Loddon Homes; set up to be a Registered Social landlord.

Loddon Homes will bid to provide affordable housing in the development locations. In addition the Council routinely takes a commuted cash sum for affordable housing from each major development (within the existing Core Strategy the Council will build up a sum of tens of millions of pounds.) The Council also owns plots of land that offer scope to develop affordable homes. WHL gets the land, receives capital investment and/or borrows to build the homes, and then receives the rent which flows back to the Council as dividend.

Current projects include:

- demolition and regeneration of 70 units on a site of poor quality social housing that now sits outside the HRA: improved design, quality, and tenancy management. The rent roll c. £300k pa.
- a Specialist Learning Difficulties housing scheme, comprising 12 units.
- extra Care Sheltered Housing scheme on Council-owned land (in partnership with another Council-owned trading company, Optalis Ltd, which will provide the care).
- pipeline of garage sites and other land owned by the Council on which affordable units will be built.

This is in part a question of attitude. But, crucially, **there is no reason why commercial interests and the public interest cannot be aligned** – it is a false dichotomy between the two which should be shaped into a healthy, constructive tension. And it's clear that this is happening already, in pockets, across the county. One district council that we spoke to had not just built a supermarket,

5. What should be done with public land?

then leased it to Waitrose, but had also built a community hospital on a former car park site, before leasing it to the local Clinical Commissioning Group.

Ultimately, the acid test of this will be whether local authorities are able to generate sufficient income and manage their sites intelligently enough to deliver high quality public services. If this is achieved, there is little doubt that communities won't need to be convinced that commercial and public interests can work in harmony. After all, a large majority of people already believe that it does not matter who provides public services, as long as they are high quality and accessible.⁴⁵

Transport for London (TfL) provides an interesting example of a culture change. TfL is custodian of a colossal estate across London, and has recently reinvigorated its estate management team, with the intent of generating revenue. While some aspects of this are currently relatively minor, such as the Amazon lockers now available at two station car parks (Finchley Central and Newbury Park), some of the changes look set to generate more significant income streams – for instance, renting retail and residential space. As TfL begins this agenda, it now seems obvious that for many decades there has been little attempt to 'exploit' the TfL estate, with the exception of the historic presence of a small number of shops in certain stations, and plenty of advertising.

Building not selling

A recent survey reveals that 98% of councils intend to make their own land available for housing over the next five years⁴⁶ and **many of them are also looking at housing as an opportunity to generate income**. And it's not just private sector developers who have a role here, housing associations could prove to be a major partner in housing provision. Local authorities across the country are determined to get the right blend of housing in their locality, mixed rather than mono-tenure. Social housing remains a key part of the housing market and many housing associations have a long history (and the associated expertise) of developing affordable homes.

As shown by the case study on the previous page, **housing associations represent a major potential partner, either for local authorities**, or for private developers interested in the social sector, or for both in collaboration. Housing associations, like local authorities, have seen substantial reductions in central grant, so are likely to understand the mind-set of needing to generate capital receipts. They also represent an important source of skills and experience, particularly in the social housing sector.

Greenfield v brownfield

It is worth touching here on the perennial greenfield versus brownfield debate. Various groups such as the Campaign to Protect Rural England (CPRE) have argued that the Government's target of 200,000 homes on brownfield land is insufficiently ambitious.⁴⁷ CPRE attempts to minimise development on greenfield sites, contending that there is enough brownfield land in England for at least 1.5 million homes.⁴⁸

There is public land of both types and each comes with pluses and minuses. For instance, brownfield sites have the advantage over greenfield in that they tend to have existing infrastructure, albeit often in need of enhancement to serve new developments. If transport links such as roads need to be augmented, this is likely to be more expensive to do in a town than on a greenfield site. Brownfield sites are also more likely to come with high additional costs to address issues

45. www.populus.co.uk/wp-content/uploads/OmPrivate_Public.pdf [Accessed 21/08/14]

46. LGA, Housing Self-Financing Survey (2014)

47. www.cpre.org.uk/media-centre/latest-news-releases/item/3678-rural-campaigners-call-on-public-to-identify-brownfield-sites-for-new-homes [Accessed 22/07/14]

48. Elphicke N. & House K. for DCLG, *Review of local authorities' role in housing supply – Update* (2014)

such as site contamination, and can be more expensive to develop due to the higher land value of sites in urban areas. On the other hand, all Local Planning Authorities are under intense pressure to meet their housing targets – and if these units can be delivered on brownfield public land sites, then less greenfield or greenbelt land will need to be used – which can be a political win.

This absolutist approach ignores the fact that in many instances decisions about public land will not involve a choice between competing brownfield and greenfield sites – what is available for development is what will be developed, and each plot of land brings its own specific requirements, connected to the locality in which they are situated. That said, clearly most public land being developed is as a result of rationalisation, and hence is pre-used and so brownfield. Ultimately, public sector bodies can afford to ignore neither brownfield nor greenfield sites when it comes to extracting maximum value from their assets.

Making it happen

So that's what sort of development, but how to make it happen? The answer is by accessing the right skills and striking the right deal. But **all of this represents a very substantial change not only in the way that local authorities think about their assets, but in the things that they do with them.** And that means a change in what local authority officers are expected to do as part of their job.

Very few council staff have professional development experience so no-one is expecting councils to turn into development companies. As such, it was widely accepted that such skills were best accessed by forming partnerships with private developers and/or housing associations who are best placed to advise on how individual sites can deliver maximum returns.

What those partnerships look like is of course area dependent, but in most cases they will take the form of Joint Venture vehicles or other forms of contract that offer shared up- and down-sides for both council and private sector partners.

A review, commissioned by DCLG, has recently published an interim report which argues that councils could boost their house building plans using more private sector investment.⁴⁹ This receptive attitude to the private sector is encouraging, and it takes no great leap of imagination to extend the principle to other forms of development as well.

Making the deals

This means that there is a rapidly expanding need for highly skilled people who can ensure that local government strikes robust deals. As one council officer put it, "it's vital that you take the time to find the right partner, and strike the right deal". And it needs to be good quality advice – more than one expert suggested that poor advice is often given to public bodies, at significant missed opportunity cost. So getting the right advice, even if it has to be paid for, was seen to be worthwhile by the vast majority of those at our roundtables.

Despite the fact that many councils thought that they were doing ok, **our research also found that many (49%) local authorities believe that having more skilled officers to undertake negotiations and redevelop assets would yield a better return.** This need related not just to the property teams and project managers, but also to the legal support behind the deals and on an ongoing basis – as one officer put it, "We need lawyers who really understand the business in order that we can keep an eye on our partners."

49. Ibid

“[We] wanted a team of thirty and ended up with a team of six”

A number of councils interviewed for this report complained that such skills were not available in sufficient numbers – one council leader suggested that he had “wanted a team of thirty and ended up with a team of six” due to their inability to find the right candidates. Even where councils were able to recruit this expertise, it can be hard to hang on to them. We spoke to one authority just outside London who told us that they frequently lost skilled staff to neighbouring London boroughs due to the London ‘weighting.’

This leaves many local authorities in a difficult position when it comes to extracting best value from their assets; they neither have the skills to do so in-house, nor to negotiate the right deal with the right partner. Even if deals are struck, if the asymmetry of ability is too acute, deals and projects are likely to be delayed (at significant cost) due to a lack of understanding or capacity from one side.

To address this concern, **we recommend the creation of a local government led and owned ‘hit squad’ of highly experienced senior officers from across local authorities with the requisite specialist skills to assist other councils to make the right decisions and strike the right deals.**

This ‘Hit Squad’ will have two functions: firstly, to act as a highly qualified planning resource, to be drawn upon to provide additional capacity when there are a large number of applications under consideration, or to complement the advice of the existing central Advisory Team for Large Applications (ATLAS)⁵⁰ as required or where ATLAS’ support is either not available or appropriate. Secondly, to support individual councils in acting more as property developers themselves – whether working with a development partner or on their own – i.e. driving ongoing revenue streams from existing assets, or developing them to a point whereby they can generate significant returns while at the same time providing services.

Such an approach could provide multiple benefits including, crucially, addressing the two primary reasons that our research has indicated why talented specialists in this area do not usually work in local government; insufficient ‘quality’ of work, and insufficient pay. In the first instance, increasing the scope of what these senior officers do would make the role more wide-ranging and potentially attractive to high calibre applicants. And having a team working across multiple authorities would allow each officer to be paid substantially more. It should also ensure that local authorities are able to match the skills of any potential JV partner, so that they are not the weak partner in any deal. This is in everyone’s best interest – such partnerships work best when both sides are able to fully engage.

Such additional capacity would help tackle some of the capacity concerns that came up repeatedly in our conversations with private sector partners. Indeed, **where the planning process becomes unduly lengthy, views from our roundtables and interviews suggested that the high costs associated with such delays can also put off not just commercial developers, but also public sector partners.** As one person said to us, work on a large town centre master plan was “being made twice as difficult, and the process getting more and more behind schedule, because the local authority is so stretched that there aren’t the officers available to give it the attention it needs.”

Assuming that only one in five local planning authorities might need full-time equivalent support at any given time, 65 such officers would be required to cover England. Assuming an average budget of £100,000 per officer (including on-costs), this would result in an annual budget of £6.5m.

50. ATLAS is an advisory planning organisation set up by the Office of the Deputy Prime Minister in 2004, to support local authorities with large scale housing led planning applications – see www.atlasplanning.com/page/about_atlas.cfm

Of course, such a budget cannot be conjured from nowhere, but to incentivise the speeding up of development, we believe this should be funded centrally. One possible source of funding would be a budget line that would benefit significantly from such an uplift in development: Stamp Duty. Given that Stamp Duty brought in £9.3bn in 2013/14 alone,⁵¹ the Hit Squad would only need to increase Stamp Duty take by 0.1% to more than pay for itself. This should be more than achievable – if we assume that the Hit Squad might deliver a 5% increase in value on the £13.5bn assets set to be developed over the next five years, this would produce almost £140m of extra revenue a year.

The Hit Squad would dovetail well with a possible future Teach-First style programme for planning, aimed at steering the cream of the planning graduate crop into local government. This idea is currently being finalised by the GLA, and is due to be pitched to Architecture Minister Ed Vaizey in September 2014.⁵²

In the long term, the Hit Squad could serve as a ‘hot house’ for local government talent – officers could serve for a stint of time a few years into their career. It could also assist with the need to share best practice more effectively. This might take the form of a cross-authority body, or perhaps some form of secondment within councils. The process should prove self-perpetuating. Once councils have begun to establish effective details, the nous to continue doing so should gradually become institutionalised.

51. HMRC, *HMRC TAX & NIC RECEIPTS Monthly and annual historical record* (2014)

52. www.bdonline.co.uk/ed-vaizey-urged-to-steer-top-planning-graduates-into-local-authorities/5070296.article [Accessed 05/09/14]

6. Conclusion – What might the future hold for public land?

We conclude with a brief description of what new approach to public land could look like if our recommendations were accepted. In this vision, public land has an invaluable role to play as an integral part of bold public service reform that drives forward socio-economic change and we now have a golden opportunity to implement this vision.

The nature of localism is that different areas will find different solutions, based on their own individual challenges. But the overarching point is that each area will not just settle for the simple, default solution, but take charge of their assets and squeeze the maximum possible value out of them for the benefit of that locality over the long term – whether financial or in terms of public service renewal. Local authorities acting as the stewards of this precious resource are able to achieve this by having access to all the skills they need and a strong, collaborative working relationship with all other layers of Government.

Getting the balance right locally: creating truly public land

Much of our report hinges on the underlying philosophical point that many of the council leaders we spoke to made clear: public land has an intrinsic value beyond its financial value. We would hope to see truly innovative approaches to surplus public land that help facilitate and shape successful, sustainable communities. No longer would we see monotonous rows of houses without any supporting community infrastructure, or assets sitting unused, simply being held in trust for future operational purposes. Without wishing to prescribe a model community, we believe that the underlying principle of public land use in creating a sustainable future would be for all sites to be developed for the greatest long term good.

A fundamental financial shift

This brave new world would see local government looking to derive long term income streams from its assets, driving a fundamental shift toward financially autonomous localities, free to determine their own priorities. This approach would be extended across the wider public sector in the area, with the fruitful realisation of ongoing agendas such as One Public Estate and a myriad of similar programmes currently run by local authorities themselves.

Ultimately, we would expect to see politically and socially engaged communities at the heart of this decision making process, empowered to truly shape the places in which they live. Only then will public land truly be back where it belongs – in the hands of the people.

Freed from central restraints, we would anticipate that localities will build upon, and in some places, regain, their distinctive identities. We envisage a reinvigoration of local socio-economic purpose driving growth across a wide range of localities, meaning that in time, the county will have a multitude of thriving economic hubs.

Precipitating a wider debate

This vision sees the maximisation of public land use gradually metamorphose into a nationwide debate about land in its widest sense, and ultimately, how it can be best curated/utilised for the benefit of generations to come...

Appendix: Survey results

1. Where your public assets are being under-utilised or unused, what are the principal reasons for this? [Please list in order of priority, where 1 is the highest priority. Include only those options which are applicable.]

Answer Options	1	2	3	4	5	6
Historically vacant	18.2%	13.6%	9.1%	9.1%	18.2%	31.8%
No longer needed due to sharing services with other councils	18.2%	4.5%	13.6%	13.6%	18.2%	31.8%
No longer needed because service discontinued	12.0%	32.0%	32.0%	20.0%	4.0%	0.0%
No longer needed because service is now being supplied by an external body	5.0%	0.0%	20.0%	25.0%	40.0%	10.0%
Asset is being under-utilised	48.5%	21.2%	12.1%	15.2%	3.0%	0.0%
Asset is no longer fit for purpose	18.5%	40.7%	29.6%	3.7%	3.7%	3.7%

2. Which of the following are the most important drivers for your decisions about what to do with such assets? [Please list in order of priority, where 1 is the highest priority. Include only those options which are applicable.]

Answer Options	1	2	3	4	5	6
Need to generate	27.8%	41.7%	11.1%	13.9%	5.6%	0.0%
Need to make savings	42.9%	28.6%	14.3%	11.4%	0.0%	2.9%
Provide sites for residential development	17.6%	20.6%	41.2%	14.7%	5.9%	0.0%
Provide sites for commercial/other non-residential development	17.2%	6.9%	17.2%	37.9%	10.3%	10.3%
Influence of Central Government policies	0.0%	8.0%	4.0%	8.0%	44.0%	36.0%
Community drivers (e.g. Right to Challenge)	8.0%	0.0%	12.0%	12.0%	28.0%	40.0%

3. Have these drivers meant you have had to sell/redevelop assets for less than their best value?

Answer Options	Response Percent
Yes	17.1%
No	82.9%

4. How well equipped is your authority with the relevant skills to extract best value from your assets? [On a scale of 1–10, 10 being the most equipped]

1	2	3	4	5	6	7	8	9	10
2.4%	9.8%	2.4%	0.0%	4.9%	9.8%	19.5%	29.3%	12.2%	9.8%

5. Expressed as a number of months, on average, what approximate length of time does it take you to a) dispose of an asset? b) redevelop an asset towards an alternative use?

Answer Options	0–6 months	6–12 months	12–18 months	18–24 months	24+ months
a) Dispose of an asset	17.1%	46.3%	17.1%	17.1%	2.4%
b) Redevelop an asset	2.8%	25.0%	30.6%	16.7%	25.0%

6. What needs to change in the future for your assets to deliver maximum value? [Choose as many as apply]

Answer Options	Response Percent
More time to realise return	26.8%
More skilled officers to undertake negotiations/redevelop/dispose of assets	48.8%
Closer integration across public services	65.9%
A single local assets strategy	39.0%
Greater incentives for building on brownfield sites	46.3%
Extend the right to bid to local government, allowing them to bid for central government assets	36.6%
The devolution of further planning powers to neighbourhoods	2.4%

7. What is the estimated value of the public assets that your authority owns? (£m)

Response average (£m)	Estimated total value (£m)
408	129,961

8. Approximately, what is the value of public assets you that your authority has a) sold to another party? (£m) b) redeveloped to an alternative usage, either on your own or in partnership, in the past 5 years? (£m)?

	Response average (£m)	Estimated total value (£m)
a) Sold	13.0	3,939
b) Redeveloped	7.1	2,104

9. Approximately, what value of public assets do you anticipate that your authority will seek to a) sell to another party? (£m) b) redevelop to an alternative usage, either on your own or in partnership, in the next five years? (£m)

	Response average (£m)	Estimated total value (£m)
a) Sell	16.9	5,179
b) Redevelop	17.0	5,420

10. How much influence do you believe you SHOULD have over the use of unneeded land or property owned by the wider public sector in your area? [On a scale of 1–10, 10 being the most]

1	2	3	4	5	6	7	8	9	10
7.3%	2.4%	2.4%	4.9%	2.4%	4.9%	9.8%	29.3%	14.6%	22.0%

11. How much influence do you believe you ACTUALLY have over the use of unneeded land/property in your area owned by the wider public sector? [On a scale of 1–10, 10 being the most]

1	2	3	4	5	6	7	8	9	10
9.8%	22.0%	19.5%	9.8%	22.0%	4.9%	12.2%	0.0%	0.0%	0.0%

12. What are the most important drivers for the decisions of other public sector bodies in your area regarding their unneeded assets? [Please list in order of priority, where 1 is the highest priority. Include only those options which are applicable.]

Answer Options	1	2	3	4	5	6
Need to generate	56.4%	33.3%	5.1%	0.0%	2.6%	2.6%
Need to make savings	34.2%	57.9%	2.6%	0.0%	2.6%	2.6%
Provide sites for residential development	3.7%	0.0%	33.3%	29.6%	25.9%	7.4%
Provide sites for commercial/other non-residential development	0.0%	0.0%	11.1%	40.7%	33.3%	14.8%
Influence of Central Government policies	6.1%	6.1%	42.4%	24.2%	15.2%	6.1%
Community drivers (e.g. Right to Challenge)	8.0%	4.0%	16.0%	16.0%	12.0%	44.0%

"Local authorities hold land as custodians of the public interest. They are not there to do the job of developers but they do have a core responsibility to use their public land holdings and powers to encourage development and drive long-term growth. I welcome the recommendations in this report not least the need for a pan-public sector land strategy led by local councils."

Lord Shipley, Liberal Democrat Peer and Government Cities Advisor

"Local government is facing some tough challenges ahead but, as this useful report uncovers, it is continuing to seek out new ways of meeting the challenges through innovation and making the most of its assets by channelling their inner commercial spirit. At the same time, it is vital that local public services come together to support our communities, as we are already doing in Cheshire West and Chester, and the report helpfully calls for more of the same."

**Councillor Mike Jones, Leader of Cheshire West and Chester Council
and LGA Conservative Group Deputy Leader**

"At a time of shrinking budgets, and pressure on the local economies this report is an important and timely contribution to the current debate. Having worked directly with Cathedral to deliver the award winning new Clapham Library at no cost to the public funds; I know first-hand that exemplar projects can and should be delivered to the benefit of all concerned."

Councillor Lib Peck, Leader of Lambeth Council