Department for
Communities and
Local Government

Capacity of Local Authorities to accelerate the productive re-use of surplus land and property assets

Final Report

Disclaimer

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Department for Communities and Local Government

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1. Introduction

Purpose and aims of study

Cushman and Wakefield (C&W) has been commissioned by the Department for Communities and Local Government (DCLG) to undertake a two-stage study to assess the reuse, redevelopment and disposal of surplus local authority land and property assets and the extent to which this could be accelerated to drive a number of outputs and outcomes. Enhancing the utilisation of surplus public sector assets addresses a number of national policy objectives notably improving efficiency / cost saving within the public sector and unlocking opportunities for housing growth and delivery.

The purpose of the study is to provide DCLG with a robust understanding of:

- The drivers, behavioural and fiscal, for local authorities to utilise their brownfield land and redundant buildings – for managing assets, lettings or disposals

- The reasons that some local authorities have been more active utilising their brownfield land and redundant buildings than others

- The barriers to remove, and workable incentives to implement, accelerating local authorities' productive use of their brownfield land and buildings.

The findings of the study will be used to inform DCLG's understanding of the problems and possible solutions in this area and ultimately to help shape the Government's policy response. The study is split into two distinct stages with the first being a desk based literature review/data analysis of financial outturn data provided by local authorities to DCLG followed by case study research of a sample of local authorities nationally. This report presents the findings of both Stage 1 and Stage 2.

Structure and scope of the Stage 1 work

The first part of this report presents the Stage 1 findings, comprising the following:

- A brief desk-based overview of previous/ongoing Government initiatives which seek to enhance the efficiency of the public sector estate. This review includes a summary of known and recognised barriers/constraints to the redevelopment/re-use of surplus public sector assets which can be explored further at Stage 2.

- A desk-based analysis of existing Local Government Finance Statistics (2010-2014) provided by DCLG to understand the quantity and distribution of assets declared surplus by local authorities. This includes an analysis of total local authority assets, total surplus assets and total capital receipts from the disposal of surplus assets. The analysis is based on local authority type (unitary, county etc) and location (by region) and the data has been used to identify the top and bottom 10% of all local authorities nationally based on the quantum of capital receipts and surplus assets as a percentage of their total asset base.

- The identification of a sample range of 16 local authorities (including a mix of authority types, locations and sizes) as well as those with both high and low relative levels of surplus assets and capital receipts, based on the above metrics. These are then investigated further as part of the Stage 2 work to inform the study findings.

The aim of this Stage 1 work was to summarise the national picture in terms of local authority activity in relation to the productive use of surplus assets, based on established data sets. The purpose of this was to enable the identification of an appropriate sample of case study local authorities to engage with as part of Stage 2.

Structure and scope of the Stage 2 work

In Stage 2, we carried out interviews with a sample of 16 local authorities to explore in further detail the current practice and activity of local authorities in respect of surplus assets. A structured interview was carried out with senior officers from financial and estates departments, the notes of which were recorded and distilled to inform the analysis of key constraints/drivers and potential areas for action. Sections 6 to 10 set out our findings of Stage 2.

Caveats

The analysis contained within this report is partly based upon data provided to us by DCLG and we cannot be held responsible for any errors or emissions within this which could distort our analysis and conclusions. Through our analysis, we have noted that there are some anomalies with the data that could distort the findings, such as those noted below:

- No surplus asset data is included for 2010 across all local authorities

- A number of authorities have not declared any surplus assets throughout the 5 year period (including a number of major Metropolitan Districts). It is likely that there is a data error here or that authorities are not declaring surplus assets appropriately.

As per the Capital Outturn Return Guidance Notes (2013/14), we have assumed that surplus assets are defined as "*fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services". "Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment".*

2. Policy context

Background

The 2010 Comprehensive Spending Review forecast that local authorities would dispose of £10bn of assets over the 5 year period to 2015. The benefits for authorities in disposing of their surplus assets include reducing ongoing revenue costs, providing efficiency savings and to enable assets to be put into more productive uses to support, for example, housing and economic growth needs.

During this period, there have been a number of initiatives aimed at facilitating the more efficient use of public sector land and property assets. The Capital Asset Pathfinder, Transformation Challenge Award, Total Place and One Public Estate (OPE) are all examples of such initiatives. These are all aimed at improving the efficiency of the public sector estate and have already demonstrated signs of success on a number of fronts. For example, year 1 of the One Public Estate programme delivered £21m of running cost savings and £88m of asset sales.

However, whilst there have been a number of pilot local authorities under these initiatives and DCLG receives data returns from local authorities on an annual basis, it considers that its intelligence at the local authority level nationally remains somewhat limited, particularly compared with its intelligence on the Central Government estate, for which there is a much more comprehensive and up-to-date property database.

All local authorities are required to publish and share data relating to total land/property assets and the quantum of which is declared surplus, as per the 2015 Local Government Transparency Code. However, it does not, for example, quantify the efficiency of land/property in terms of its use. There are likely to be discrepancies around what is declared surplus and the extent to which there is operational estate which could be surplus if utilised more efficiently and effectively or if local authorities were to consider more strategically how they could align their land and property needs with other public, private and third sector service providers in their respective localities. The long term holding of surplus assets by local authorities represents an inefficient use of public sector resource and is not a sustainable model for Local or indeed Central Government.

Accelerating the re-use of surplus local authority assets addresses a number of Government priorities. It:

- Unlocks surplus land for housing and employment and other drivers of economic growth

- Promotes more efficient local authority operations with reduced overall budgets and running costs – which in turn could reduce Council Tax demands and provide enhanced service provision to the general public

- Creates opportunities for additional capital receipts and revenue streams (can also reduce revenue streams in some circumstances).

It is therefore important for DCLG to obtain a better understanding of the scale of surplus land/buildings that exist across local authority areas nationally and to understand potential constraints to the disposal/re-use of these, to enable the Government to develop appropriate policy mechanisms that could drive the acceleration of the more productive use of land and property assets. Whilst previous initiatives have had some success, these are considered to be really only touching the margins of the potential scale of the disposal/re-use opportunity that could exist, largely due to the fact that there are 354 local authorities with varying land/property portfolios and service delivery needs. Understanding in more detail the true extent of surplus assets and barriers to their redevelopment based on an appropriate sample and mix of local authority types across England is therefore an important component to inform future policy development and Government intervention.

Previous/existing Government initiatives

Achieving enhanced public service delivery has been high on the Government's agenda for some time. There are a number of previous/existing policies/interventions/initiatives which have been or are being implemented to promote enhanced public service delivery and a more efficient and effective public sector estate, also addressing opportunities to release land/premises to meet other Government employment/housing targets where possible. With the Localism Bill and subsequent Growth/City Deals there is an increasing onus on giving increased devolved powers, funding and responsibilities to local partners. Some initiatives on this agenda involving pilot local authorities include:

- Total Place[1]
- Capital Asset Pathfinders programme[2]
- One Public Estate[3]
- Transformation Challenge Award[4]
- Local Authorities Sharing Services[5]

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[1] http://webarchive.nationalarchives.gov.uk/20130129110402/http:/www.hm-treasury.gov.uk/d/total_place_report.pdf
[2] http://www.local.gov.uk/productivity/-/journal_content/56/10180/3510701/ARTICLE
[3] https://www.gov.uk/government/news/chloe-smith-welcomes-new-pilot-property-scheme
[4] https://www.gov.uk/government/publications/transformation-challenge-award-and-capital-receipt-flexibility-2014-to-2016-prospectus
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/381902/141201-_Table_of_successful_bids_-_Final.pdf
[5] http://www.local.gov.uk/shared-services-map

Known barriers/constraints to disposal/re-use of surplus assets

This section provides a strategic overview of a number of known barriers/constraints to the disposal/re-use of surplus local authority assets, based upon a review of previous research undertaken and our own understanding from advising local authorities nationally on redevelopment opportunities and challenges. These will be tested and discussed further through the Stage 2 case study analysis.

Key issues/barriers/constraints that we are aware of that are likely to be discussed further include:

- ***Capacity/resource*** – there are likely to be internal capacity/resourcing/funding issues particularly amongst smaller/more rural authorities. Council priorities may be focused elsewhere on core service delivery and this could distract from a focus on surplus assets which is not necessarily part of core job specifications or departmental remits.

- ***Capability/skills*** – linked to the above, local authorities are facing key skills gaps. A lack of technical skills and experience could therefore impact upon an authority's ability/desire to progress key disposal/redevelopment opportunities.

- ***Market/viability*** – despite improving property markets across the country since the 2007 downturn, there remain significant development viability issues across the country, particularly in relation to the redevelopment of existing buildings or brownfield sites in more marginal market locations outside of core regional cities and property market 'hotspots'.

- ***Town planning*** – recent changes have streamlined the planning process, but there may be scope to make further improvements to aid the redevelopment of surplus assets.

- ***Environmental*** – site redevelopment may be hindered by environmental constraints particularly brownfield sites. Environmental legislation may also serve as a constraint to the reuse/redevelopment of existing buildings given the costs associated with meeting stringent environmental targets.

- ***Legislative*** – there may be legal/ownership barriers which constrain the disposal/reuse of surplus assets. State Aid legislation may also limit the redevelopment potential.

- ***Funding*** – linked to the above, schemes may require public funding support to enable delivery on grounds of viability. Progressing disposals/redevelopment activity will also incur survey/feasibility/planning/legal/agency fees.

- ***Lack of strategic direction*** – where local authorities do not have up-to-date estate strategies in place which align the estate with service delivery needs, opportunities for the disposal/reuse of surplus assets may not be identified/realised.

- ***Governance/politics*** – there may be political constraints to the disposal of surplus assets and a lack of stakeholder engagement/buy in may prevent the disposal of surplus assets. Weak governance/partnerships can limit decision making potential. Local authorities need to take a long term view of future service delivery models and there may be a reluctance to do so in the current uncertain economic environment.

- ***Financial 'arbitrage'* –** in some instances, authorities may consider it more financially advantageous to hold assets that yield a return above the cost of capital than to dispose of these.

3. Quantitative review of local authority assets

Introduction

This section presents a summary of our analysis of the Local Government Finance Statistics (2010-2014) provided by DCLG. All of the analysis in this section is based upon this data. The purpose of this is to assess the scale, typology and distribution of local authority capital receipts and assets declared surplus by local authorities. The analysis includes the following types of local authorities:

- London Boroughs
- Metropolitan Districts
- Shire Councils
- Shire Districts
- Unitary Authorities
- Other Authorities (e.g. waste, police, fire, transport, national parks)

It provides an analysis of the following:

- Total capital receipts – by local authority type, location, department and type of disposal over the 5 year period;
- Total surplus assets – by local authority type including an average of the value of total surplus assets per local authority within each local authority type;
- Capital receipts as a proportion of total assets – to establish the averages by authority type and location, including an analysis the top 10% and bottom 10% of all authorities nationally based on this metric. This is then used as a mechanism to identify a sample of case study authorities to inform the Stage 2 work.
- Surplus assets as a proportion of total assets – as above, although given the large amount of authorities declaring nil surplus asset values, this analysis has focused on the authorities with the relatively highest levels of surplus assets.

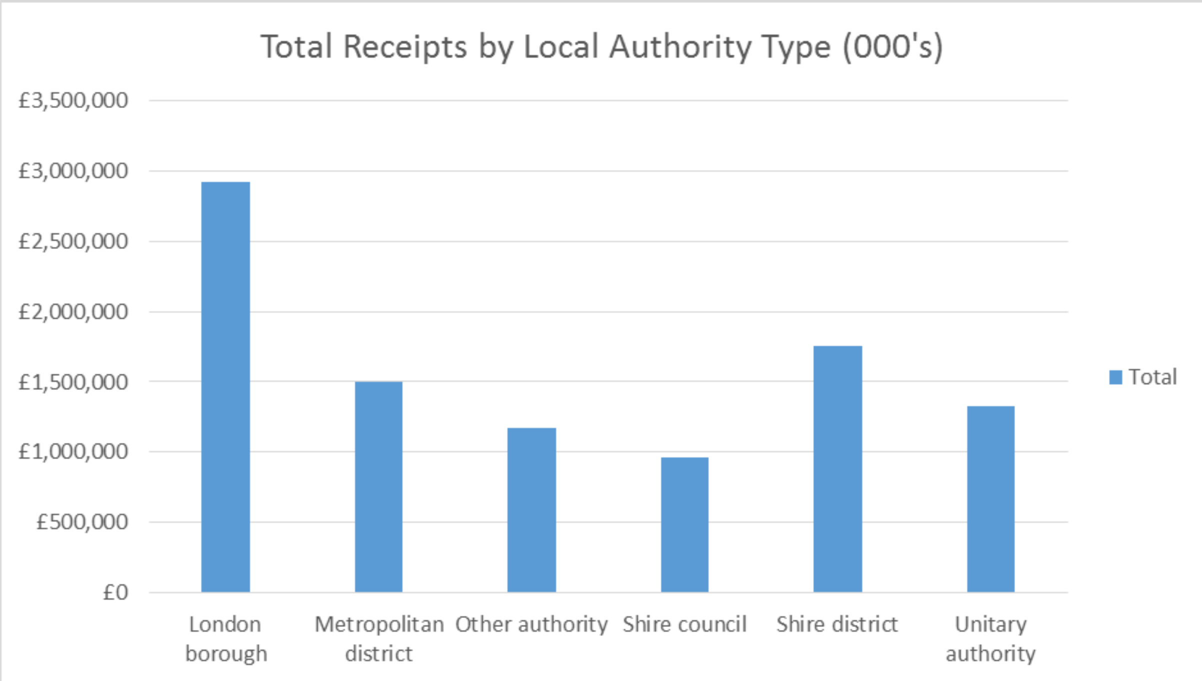
It should be noted that the data relating to capital receipts is by authority department and it is not therefore possible to identify the specific land/property proportion of this. Although the majority of capital receipts are assumed to stem from land/property, this will also include other items such as plant/machinery, for example. The same applies to data relating to total surplus assets which is not broken down any further and could include other tangible and intangible assets as well as surplus land/property.

Analysis of local authority capital receipts from asset disposal

Total capital receipts by local authority type 2010-2014

Figure 1 below identifies the total capital receipts by local authority type across the country between 2010-14. This shows total capital receipts of £9.6bn over the period across all authorities. It identifies London Boroughs as the local authority type with the highest level of capital receipts between 2010-14 with a total of £2.9bn equating to 30% of the total capital receipts across all local authorities. Shire Councils are identified as having the proportionately lowest level of capital receipts at £950m, equating to 10% of the total capital receipts. This data reflects the higher asset values in London compared with elsewhere (particularly Shire Councils) and does not necessarily reflect the proportion of disposals/sales against the total asset bases.

Figure 1: Total Receipts by Local Authority Type



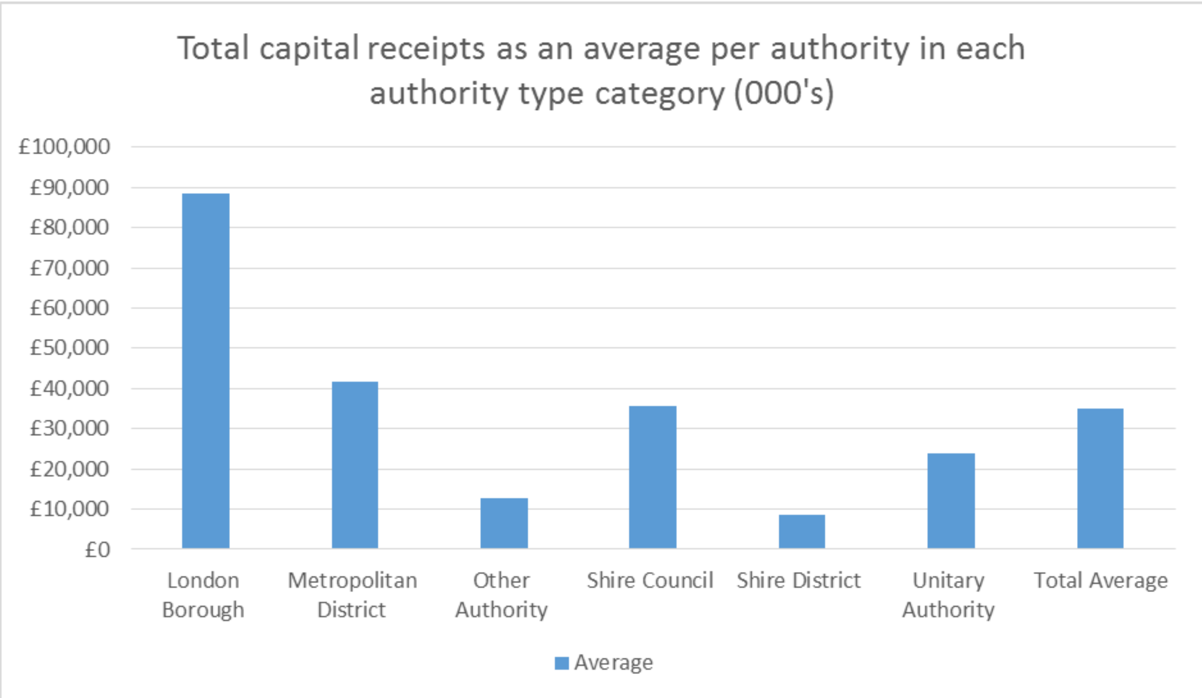
A more detailed breakdown of the above data is presented below in Table 1:

Type of Authority	**Capital Receipts (000's) (£)**	**Percentage of total %**
London Borough	2,920,693	30
Metropolitan District	1,502,676	16
Other Authority	1,167,500	12
Shire Council	959,974	10
Shire District	1,755,135	18
Unitary Authority	1,329,665	14
Total	**9,635,643**	**100**

Total capital receipts as an average per authority in each authority type category 2010-2014

Figure 2 below identifies the total capital receipts as an average per authority in each authority type by identifying the total number of authorities within each authority type category. As would be expected, the results largely mirror the graph in Figure 1. The authority type with the highest average level of capital receipts per authority over the 5 year period at £88m is the London Boroughs – they have the highest level of overall capital receipts and the second lowest number of individual authorities. This high average again reflects the higher asset values in London and the relatively low number of individual authorities. The authority type with the lowest average level of capital receipt by individual authority was the Shire Districts, with total average capital receipts of £8.7m over the 5 year period. This is likely to be due to the fact that capital values are not as high as London Boroughs and Metropolitan Districts and that they comprise the highest number of individual authorities. It could also be due to their historic powers in that Shire Districts are less likely to own assets such as schools etc which are likely to result in capital receipts once declared surplus and disposed of.

Figure 2: Total capital receipts as an average per authority in each authority type category



A more detailed breakdown of the above data is presented below in Table 2:

Type of Authority	Capital Receipts 000s (£)	No. of Authorities	Average (£)
London Borough	2,920,693	33	88,506
Metropolitan District	1,502,676	36	41,471
Other Authority	1,167,500	92	12,690
Shire Council	959,974	27	35,555
Shire District	1,755,135	201	8,732
Unitary Authority	1,329,665	56	23,744
Total	**9,635,643**	**445**	**35,161**

Total capital receipts by type of disposal and department across all local authority types

Figure 3 below provides a breakdown of the total £9.6bn of capital receipts across all authority types over the 5 year period. This illustrates that the sale and disposal of tangible fixed assets represents 95% of total capital receipts. We would expect to see this representing a high proportion of overall receipts. This includes capital receipts from the disposal of surplus land and property but it also includes receipts from the disposal of other tangible fixed assets. The data does not break this down to show the proportion of which is accounted for by the sale of land/property assets as it is presented by local authority departments, across which there will be a proportion of land/property receipts.

Figure 3: Capital Receipts by type of disposal

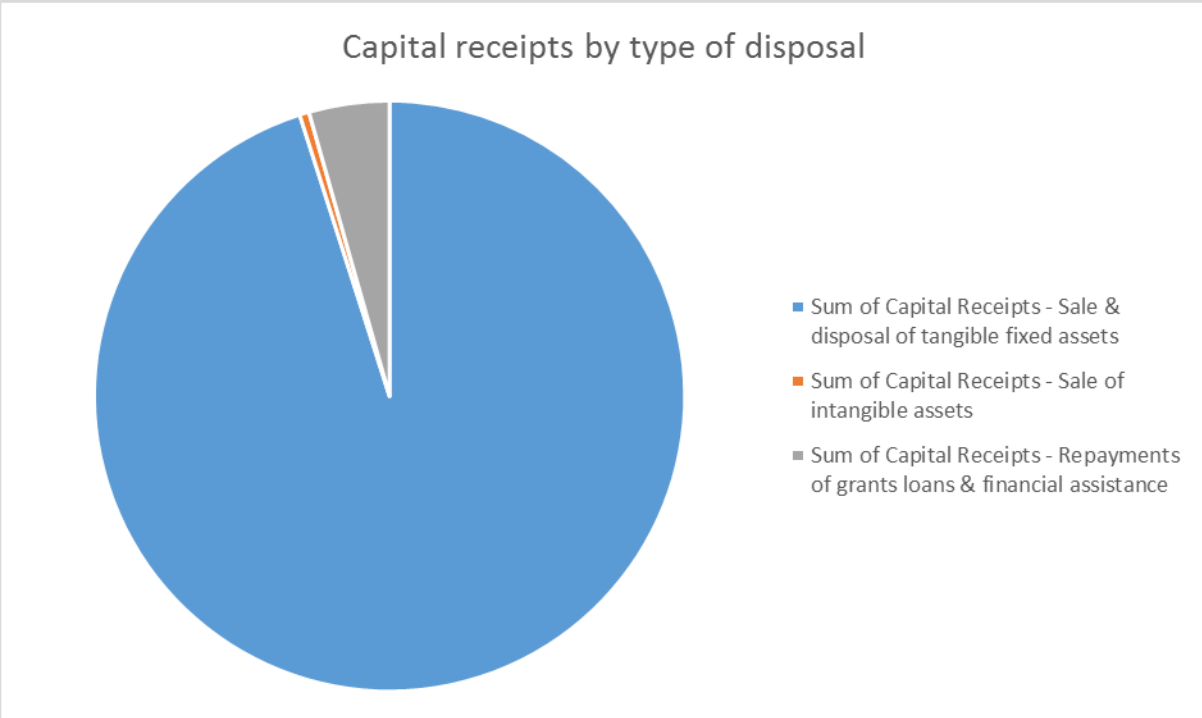


Table 3 below presents the data that has informed the above chart:

Type of Disposal	**Sum of Capital Receipts 000s (£)**	**%**
Sale & disposal of tangible fixed assets	9,161,225	95
Sale of intangible assets	50,142	0.5
Repayments of grants loans and financial assistance	424,276	4.5
Total	**9,635,643**	**100**

Figure 4 below identifies the different capital receipts by department, identifying which departments across all authorities over the 5 year period are accountable for the capital receipts across all types as per the chart/table above. It is not possible to determine the scale of land/property receipts from this and they are likely to be represented across a number of the departments. For example, if an authority disposes of a surplus school site, it could be accounted for as a receipt to education services, whereas the capital receipt associated with the disposal of a golf club could fall under 'culture and related services'. The accounting behind the allocation of capital receipts to departments will vary and this will impact upon these statistics (for example, under a corporate landlord model, all capital receipts may be attributable to Central Services).

It is evident that local authority housing departments account for the highest level of capital receipts with receipts of £3.8bn, which equates to 40% of the total capital receipts. The department with the lowest capital receipts is fire and rescue services with receipts of £48m, representing just 1% of the total capital receipts. It is not surprising to see housing top the list and this is likely to be as a result of the Right to

Buy initiative. Capital receipts from Central Services and Planning/Development are also significant, representing 18% and 10% of the total respectively. These are likely to relate largely to the disposal of surplus land and property assets.

Figure 4: Capital Receipts by Department (£'000s)

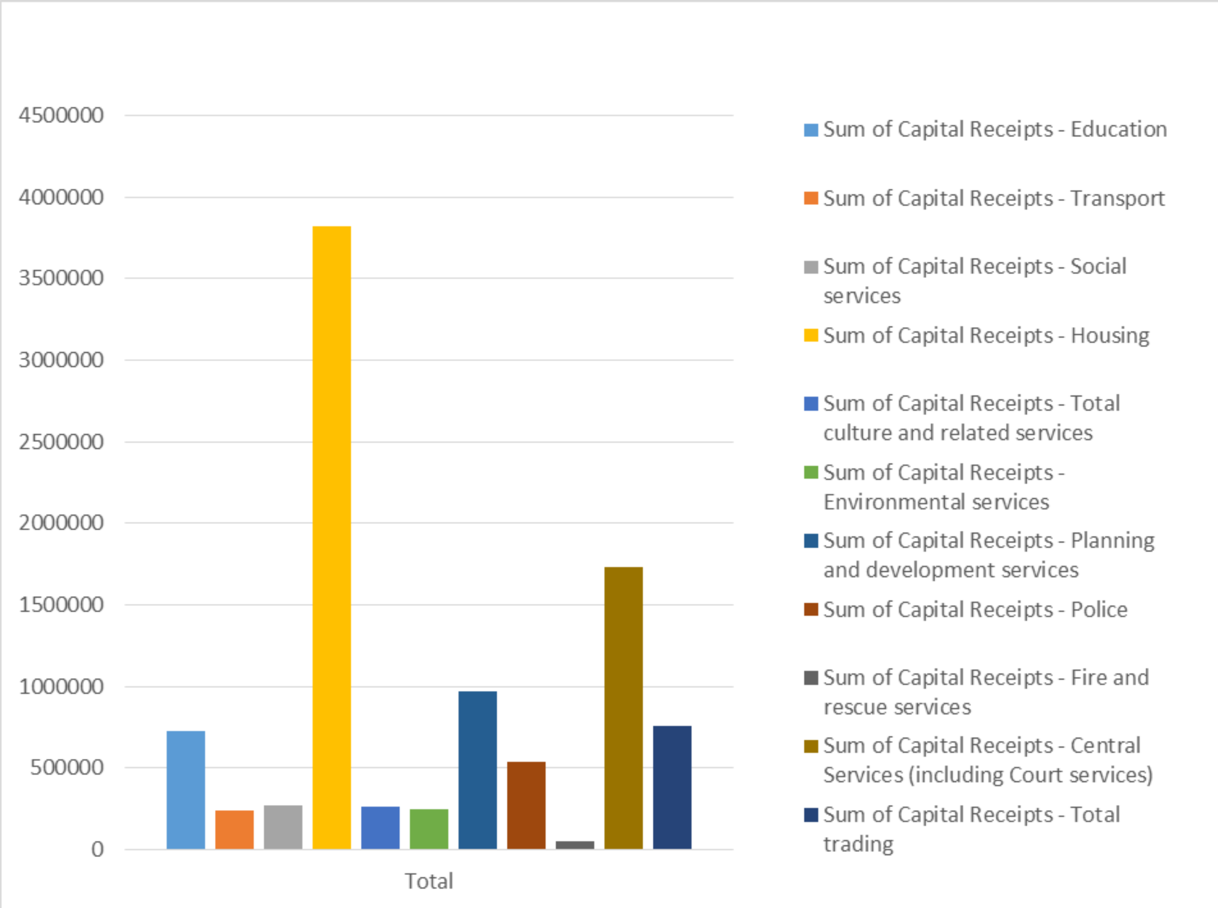
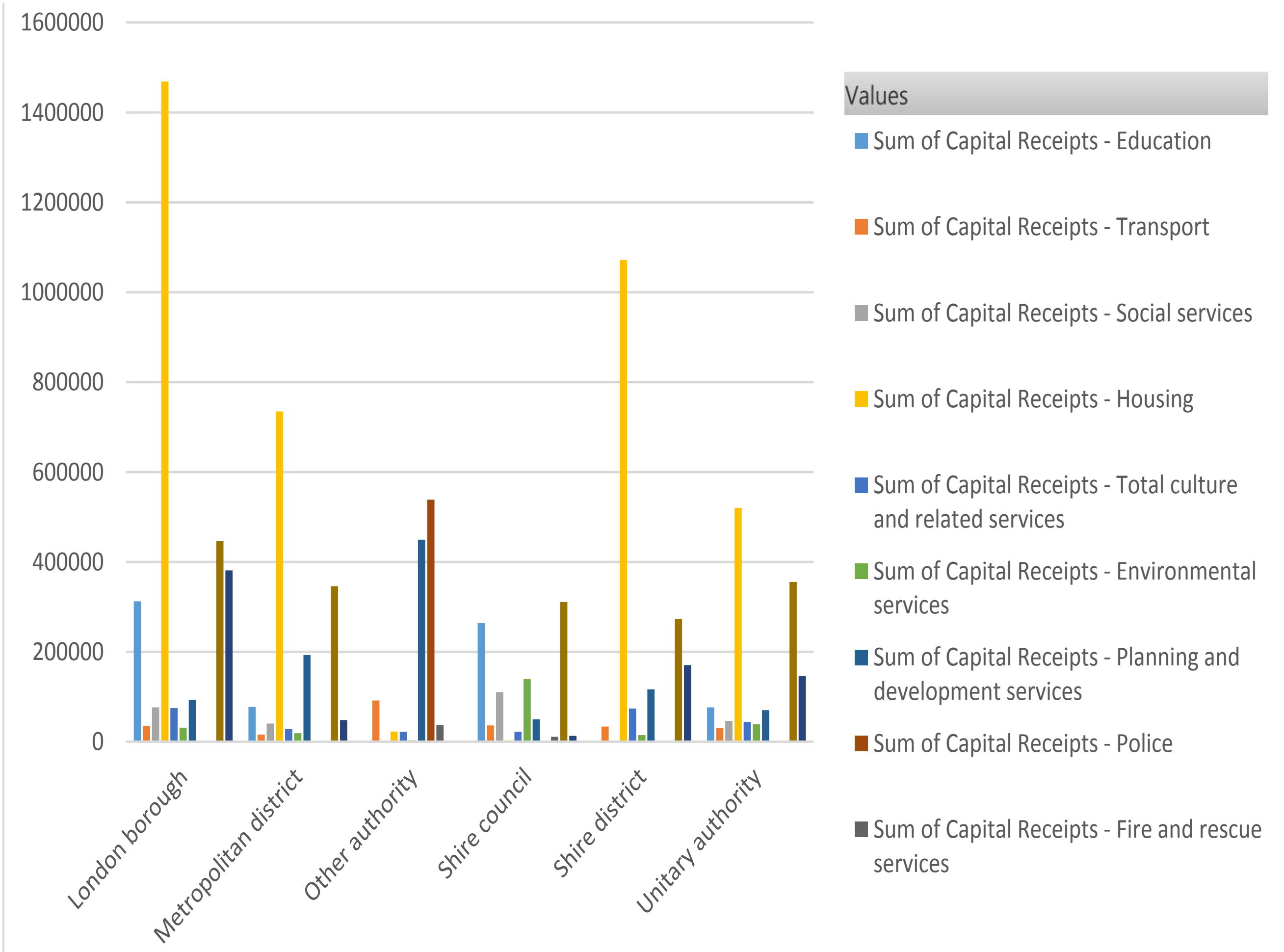


Table 4 below illustrates this in further detail:

Department	**Sum of capital receipts 000s (£)**	**%**
Education	730,600	8
Transport	243,188	3
Social Services	274,308	3
Housing	3,821,731	40
Total culture and related services	265,674	3
Environmental services	246,161	3
Planning and Development Services	972,448	10
Police	538,917	6
Fire & Rescue Services	48,544	1
Central Services	1,734,240	18
Total Trading	759,413	8
Total	**£9,635,224**	**100**

Figure 5 illustrates the breakdown of total capital receipts by department across each authority type. This identifies that housing department receipts (in order) in the London Boroughs, Shire Districts, Metropolitan Districts and Unitary Authorities represent the largest sources of capital receipts by value. This reflects the fact that housing is not a major asset within Shire Councils and Other Authorities. Capital receipts from education departments in London Boroughs and Shire Council (local education authorities) are also high (8% of total receipts) as are capital receipts from Central Services (18% of total receipts) across all authority types apart from Other Authorities. The disposal of surplus authority office accommodation, for example, would be likely to fall into this category which may explain this. Total receipts from planning and development departments represents 10% of total receipts across all authorities – this could also reflect receipts from the disposal of surplus assets and brownfield sites.

Figure 5: Capital receipts by department by local authority type (£'000's)



This data is presented in further detail in table 5 below:

	Authority Type 000s (£)							
Department	**LB**	**MD**	**OA**	**SC**	**SD**	**UA**	**Total Sum of Receipts**	**%**
Education	312,579	77,750	0	263,919	91	76,261	**730,600**	**8**
Transport	34,853	15,967	91,742	364,413	33,739	30,474	**243,188**	**3**
Social Services	76,589	40,279	0	110,446	708	46,286	**274,308**	**3**
Housing	1,468,897	734,782	22,601	3,136	1,071,865	520,450	**3,821,731**	**40**
Total culture & related service	74,897	28,161	22,324	22,192	73,967	44,133	**265,674**	**3**
Environmental Services	31,449	18,864	3,055	139,264	14,822	38,707	**246,161**	**3**
P & D services	93,471	192,709	449,512	49,941	116,423	70,392	**972,448**	**10**
Police	339	0	538,433	0	0	145	**538,917**	**6**
Fire & Rescue Services	0	0	36,959	11,000	79	506	**48,544**	**1**
Central Services	445,986	345,950	2874	310,659	273,074	355,697	**1,734,240**	**18**
Total Trading	381,214	48,214	0	13,004	170,367	146,614	**759,413**	**8**
Total	**2,920,274**	**1,502,676**	**1,167,500**	**959,974**	**1,755,135**	**1,329,665**	**9,635,224**	**100**
Percentage %	**30**	**16**	**12**	**10**	**18**	**14**	**100**	

Analysis of local authority surplus assets

Our analysis identifies that no surplus assets were recorded in 2010 for any local authority and also that over the following 4 year period, there are a number of authorities that have declared zero surplus asset values, including a number of London Boroughs and major Metropolitan Districts, as below:

- City Of London (London Borough)
- Hackney (London Borough)
- Kensington & Chelsea (London Borough)
- Harrow (London Borough)
- Kingston Upon Thames (London Borough)
- Camden (London Borough)
- Havering (London Borough)
- Birmingham (Metropolitan District)
- Coventry (Metropolitan District)
- Solihull (Metropolitan District)
- Leeds (Metropolitan District)

It is considered that this is likely to represent either an error in the data or a failure on behalf of the local authorities to identify/declare surplus assets appropriately; it may be that some are averse to declaring the value of assets on these returns. This anomaly needs to be considered in the analysis as it will clearly distort the overall value of surplus assets nationally.

Figure 6 below illustrates the average value of surplus assets between 2011 and 2014 distributed across all of the local authority types. This clearly identifies that Metropolitan Districts have the highest average level of surplus assets across the period, with an average of £800m of surplus assets across the districts over the 4 year period. They are closely followed by Unitary Authorities at £600m. Other Authorities have the lowest average value of surplus assets at £47m over the 4 year period.

Figure 6: Average value of Surplus Assets by local authority type 2011-14

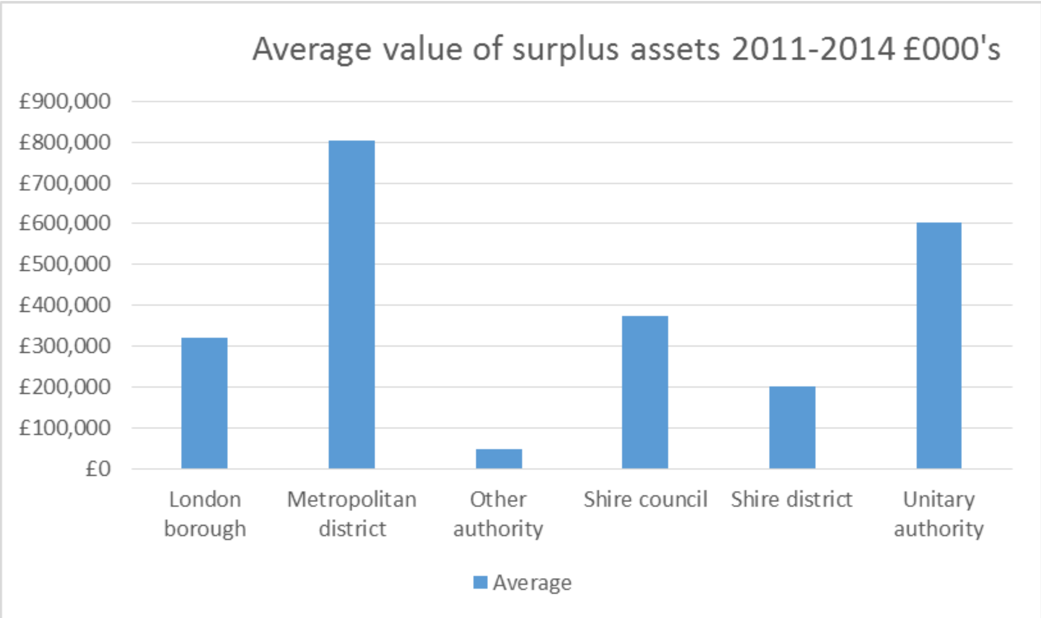


Table 6 below shows the total breakdown of the value of surplus assets by authority type by year as well as the averages over the 4 year period.

	£000's					
Type of Authority	**2010**	**2011**	**2012**	**2013**	**2014**	**Average**
London borough	0	210,063	274,995	427,032	376,402	322,123
Metropolitan district	0	844,464	765,449	850,519	759,927	805,089
Other authority	0	21,670	22,389	25,867	120,790	47,679
Shire council	0	302,254	363,904	400,014	428,750	373,730
Shire district	0	211,847	211,879	204,461	179,069	201,814
Unitary authority	0	651,336	565,503	601,629	596,704	603,793
Total	**0**	**2,241,634**	**2,204,119**	**2,509,523**	**2,461,642**	**392,371**

Figure 7 plots the above data to illustrate the trends in the level of surplus assets by authority type between 2011 and 2014 (no data available for 2010). This presents varying trends by local authority type, with London Boroughs and Shire Councils experiencing an increase in surplus asset value between 2011 and 2014 compared with decreases across the Metropolitan Districts and Unitary Authorities. Improving market conditions and the impact of this upon property values is likely to explain some of this change and the accelerated recovery of the London market could be a driver of the pattern identified for the London Boroughs.

Figure 7: Surplus assets by authority type between 2011 – 2014

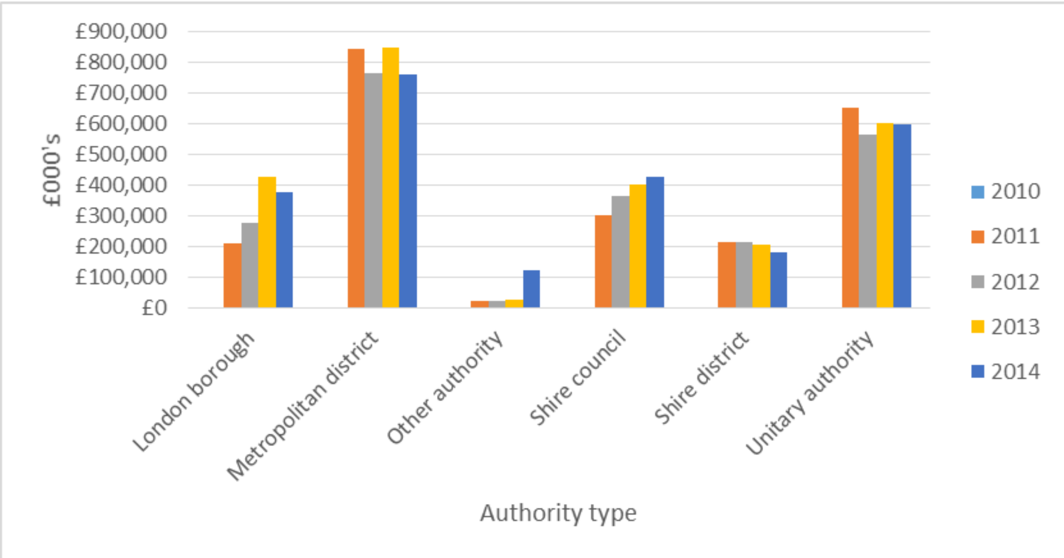


Figure 8 illustrates the average value of surplus assets by authority, reflecting the quantum of individual authorities within each authority type classification to determine the average per individual authority within each typology. Even accounting for the fact that different authority types have varying numbers of individual authorities within them to determine an average per authority type, the analysis points to the fact that Metropolitan Districts again have the highest value of surplus assets with an average value of £21m per individual authority across the 36 Metropolitan Districts nationally. They are followed by Shire Councils with an average of £16m per authority and London Boroughs with an average of £11m per authority. Shire Districts and Other Authorities represent the lowest at around £1m of surplus assets per individual authority.

Figure 8: Total value of Surplus Assets as an average per authority in each authority type category

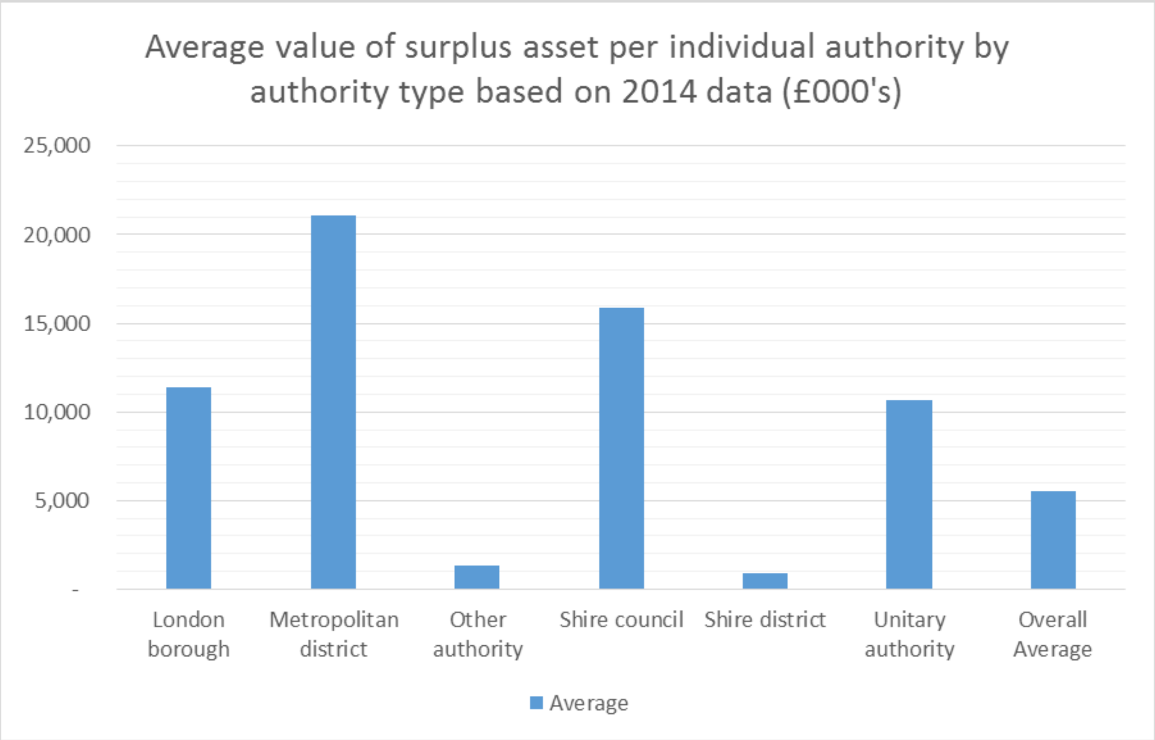


Table 8 below illustrates the above in more detail:

Type of authority	Value of Surplus Assets 2014 (£000)	No. of authorities	Average value of surplus per authority (£000)
London borough	376,402	33	11,406
Metropolitan district	759,927	36	21,109
Other authority	120,790	92	1,313
Shire council	428,750	27	15,880
Shire district	179,069	201	891
Unitary authority	596,704	56	10,655
Overall Average	2,461,642	445	5,532

This identifies that the average value of declared surplus assets in 2014 per local authority was £5.5m. The total surplus estate of £2.4bn represents just 1% of the total value of local authority assets, indicating that there is likely to be some understatement in terms of the overall scale of the local authority surplus estate.

Analysis of surplus assets and capital receipts as a percentage of total assets

This section brings together the above sections and using two key metrics provides an assessment of the relative scale of surplus assets and capital receipts of individual local authority areas. The purpose of this section is to inform the identification of a number of case study local authorities which can be explored further as part of the Stage 2 work to understand the key barriers to the disposal/reuse of surplus local authority assets further and potential Government interventions that could support this.

A range of case study authorities are required to enable a more detailed understanding of authorities and the barriers they face/lessons that can be learned and key ‘asks’ of Government by geography, type and scale. The use of two metrics enables ‘cross-checking’ to ensure that a suitable and diverse range of authority case studies is selected and assists to counter the potential for any data anomalies to distort the analysis and case study selection.

Each local authority has been assessed against the following two metrics:

- **Total value of capital receipts as a percentage of total asset value by individual local authority area.** This has been assessed on the basis of the 5 year averages between 2010 and 2014 and the top and bottom 10% of local authorities have then been identified on this basis.

- **Total value of surplus assets as a percentage of total asset value by individual local authority area.** Authorities have been assessed on the basis of the 4 year averages between 2011 and 2014 (as no surplus asset data is available for 2010) and also the most recent 2014 data as this enables an understanding of which authorities currently have the highest and lowest percentages of surplus assets as a proportion of overall assets.

Capital receipts as a percentage of total assets by local authority type

The following can be summarised from the data in table 9 below:

- On average across all local authorities between 2010 and 2014, capital receipts represented 1.26% of the value of total local authority assets

- Of the top 10% of local authorities with the highest level of capital receipts as a percentage of total assets, capital receipts represented on average 5.83% of total assets between 2010-2014. Shire Districts and Other Authorities together represented 90% of the authorities within this top 10% category, with the former representing 68% of the total. There were no Shire Councils in the top 10%

- Of the bottom 10% of local authorities i.e. those with the lowest percentage of capital receipts as a proportion of total assets, capital receipts represented on average 0.1% of total assets between 2010-2014. Other Authorities represented the majority of these bottom 10% of all authorities.

Table 9: Average % across local authority types 2010-2014

2010-2014	**%**	**Number of Local Authorities within each typology**					
		LB	MD	OA	SC	SD	UA
Av. Whole	1.26%	33	36	92	27	201	56
Av. Top 10%	5.83%	2	1	10	0	30	1
Av. Bottom 10%	0.10%	0	5	27	2	7	3

Table 10 below provides a breakdown of the percentage of local authorities in the top 10% nationally in terms of having the highest percentage of capital receipts as a proportion of total assets by year and also an average across the 5 years between 2010 and 2014 (inclusive). On average, Shire Districts represented 68% of the top 10% of all authorities nationally over the 5 year period and have consistently represented the highest proportion of all authority types within the top 10% every year. At the opposite end of the spectrum, Shire Councils have never featured in the top 10% of all authorities and Metropolitan Districts and Unitary Authorities have also had very low representation within the 10% nationally.

Table 10: Breakdown of the top 10% by local authority type by year

Top 10%						
Years	**LB**	**MD**	**OA**	**SC**	**SD**	**UA**
2010	2.27	0	27.27	0	68.18	2.27
2011	2.44	0	24.39	0	70.73	2.44
2012	6.82	4.55	25	0	63.64	0
2013	13.33	0	24.44	0	57.78	4.44
2014	11.11	2.22	31.11	0	55.56	0
2010-2014 %	**5**	**2**	**23**	**0**	**68**	**2**

Table 11 below provides a breakdown of the percentage of local authorities in the bottom 10% nationally in terms of having the highest percentage of capital receipts as a proportion of total assets by year and also an average across the 5 years between 2010 and 2014. Other Authorities consistently dominate this bottom 10% of all authorities and as an average over the 5 year period, 61% of the authorities within the bottom 10% nationally were Other Authorities.

Table 11: Breakdown of the bottom 10% by local authority type by year

Bottom 10%						
Years	**LB**	**MD**	**OA**	**SC**	**SD**	**UA**
2010	0	0	84.09	0	4.55	2.27
2011	0	0	87.80	0	9.76	2.44
2012	0	4.55	75	0	13.64	6.82
2013	0	0	77.78	0	20	2.22
2014	0	0	77.78	0	15.56	6.67
2010-2014 %	**0**	**11**	**61**	**5**	**16**	**7**

Table 12 identifies the average capital receipts as a percentage against total assets over 5 years for each individual year by authority type, including an average across the 5 years. From the table it is clear to see that authority type with the highest average capital receipts as a percentage of total assets is Shire Districts averaging out at 1.74% over the 5 year period, followed closely by London Boroughs at 1.17%. Metropolitan Districts had the lowest proportion of capital receipts at an average of 0.7% of total assets.

Table 12: Average Capital Receipts by authority type by year

Year	LB	MD	OA	SC	SD	UA
2010	0.81	0.49	0.77	0.36	1.18	0.94
2011	0.65	0.58	0.76	0.44	0.84	0.70
2012	1.06	2.06	1.1	0.54	1.19	1.89
2013	1.22	0.61	1.11	0.63	1.14	1.1
2014	1.43	1.03	1.31	0.85	1.25	0.83
2010-2014 %	**1.17**	**0.70**	**1.01**	**0.48**	**1.74**	**0.74**

Capital receipts as a percentage of total assets by location

Through sorting the respective local authorities by region, Figure 9 below provides an analysis of regional local authority activity in terms of the level of capital receipts as a percentage of overall assets. This illustrates that authorities in the South East of the country have consistently been in the top 10% nationally, with an average over the 5 years of 37% of all authorities within the South East within the top 10% nationally. Authorities within the Midlands, had a low average percentage over the 5 years at 13%, closely followed by Greater London with 11% and the North West with 10%. North East authorities had the lowest average percentage of authorities within the top 10% nationally at only 7%.

Figure 9: Top 10% of authorities by location

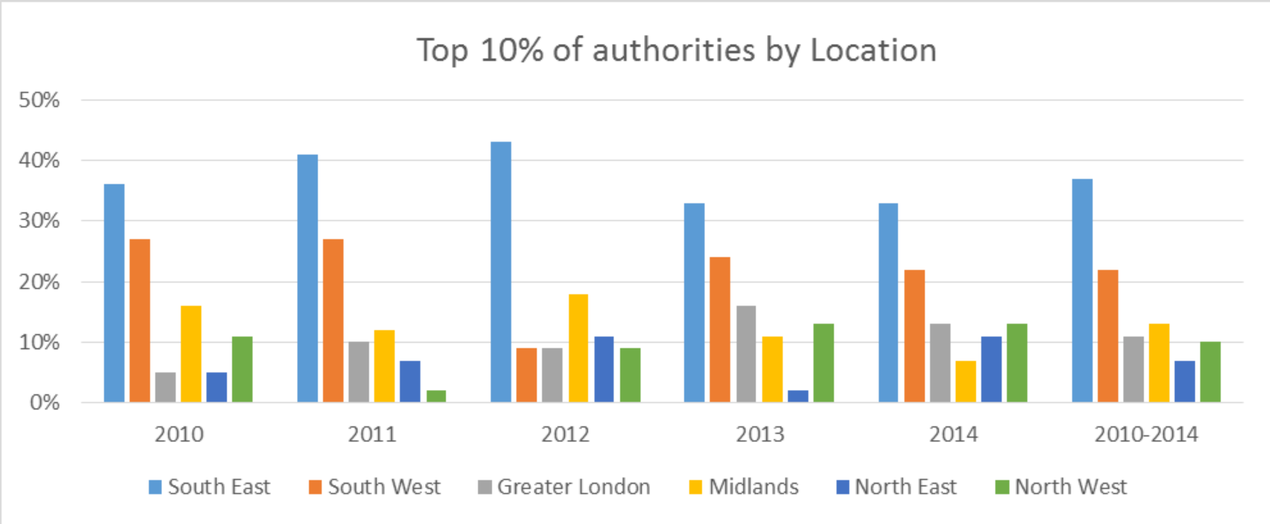
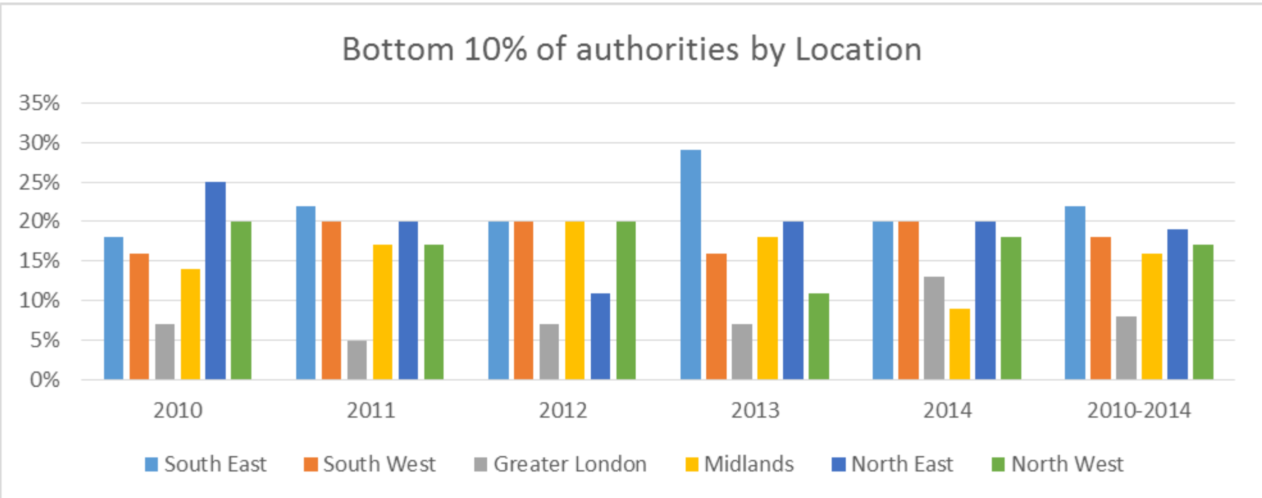


Figure 10 below illustrates the same but for the bottom 10% of authorities by region. Over the 5 year period, this highlights that the South East authorities comprise 22% of the bottom 10% of all authorities reflecting the comparably low levels of capital receipts as a percentage of total assets within these authorities. Greater London authorities had the lowest average representation within the bottom 10% over the 5 year period at around 8%.

Figure 10: Bottom 10% of authorities by location



Capital receipts as a percentage of total assets by individual local authority area

Table 13 below identifies the top 10% of local authorities nationally in terms of those with the highest average level of capital receipts as a percentage of total assets over the 5 year period. South Lakeland Council tops the rankings at 63% and this represents an anomaly in that it is over 50% higher than any other authority.

Based on the data, it appears that the Council realised capital receipts of £158m in 2012 which explains this. Other authorities with high proportions of capital receipts include West Somerset, Wycombe, Tewkesbury and Rutland. Interestingly, Shire Districts comprise a significant proportion of the top 10%, most likely a reflection of the relatively low overall asset base and values in these often rural districts and the fact that a significant disposal in one year can therefore skew the average percentages. Rochdale is the only Metropolitan District within the top 10% and there are only two London Boroughs – City of London and Hammersmith & Fulham.

Table 13: Top 10% local authorities 2010-2014

Local Authority	Type of Authority	Capital Receipts as a % of Total Assets
South Lakeland	Shire District	63.19%
West Somerset DC	Shire District	13.32%
Wycombe	Shire District	11.26%
Tewkesbury	Shire District	10.94%
Rutland UA	Unitary Authority	9.89%
Aylesbury Vale DC	Shire District	9.16%
West Yorkshire Integrated Transport Authority	Other Authority	7.37%
South Northamptonshire	Shire District	6.18%
Teignbridge	Shire District	5.75%
Hertfordshire Police and Crime Commissioner and Chief Constable (C)	Other Authority	4.89%
City of London	London Borough	4.57%
Surrey Police and Crime Commissioner and Chief Constable (C)	Other Authority	4.54%
Daventry DC	Shire District	4.36%
South Somerset	Shire District	4.15%
Braintree	Shire District	4.11%
Melton	Shire District	4.10%
Sevenoaks	Shire District	4.08%
Forest of Dean	Shire District	4.02%
Blaby	Shire District	3.76%
East Dorset	Shire District	3.74%
Three Rivers	Shire District	3.66%
Lake District National Park Authority	Other Authority	3.61%
Rochdale	Metropolitan District	3.58%
Durham Police and Crime Commissioner and Chief Constable (C)	Other Authority	3.55%
Cotswold	Shire District	3.49%
East Northamptonshire	Shire District	3.42%
North Dorset	Shire District	3.38%
Warwickshire Police and Crime Commissioner and Chief Constable (C)	Other Authority	3.35%

Gloucestershire Police and Crime Commissioner and Chief Constable (C)	Other Authority	3.33%
Purbeck	Shire District	3.27%
Newcastle-under-Lyme	Shire District	3.10%
Hammersmith & Fulham	London Borough	3.07%
Fylde	Shire District	2.97%
Greater London Authority	Other Authority	2.91%
East Cambridgeshire	Shire District	2.90%
East Hertfordshire	Shire District	2.75%
Reigate and Banstead	Shire District	2.64%
North Devon	Shire District	2.63%
East Staffordshire	Shire District	2.59%
Torridge	Shire District	2.59%
Maidstone	Shire District	2.59%
South Norfolk	Shire District	2.57%
Suffolk Police and Crime Commissioner and Chief Constable (C)	Other Authority	2.57%
North Yorkshire Police and Crime Commissioner and Chief Constable (C)	Other Authority	2.52%

Table 14 below identifies the bottom 10% of local authorities nationally based on the average level of capital receipts as a percentage of total assets over the 5 year period. There are a number of authorities which did not realise any capital receipts between 2010 and 2015 although these were all Other Authorities (i.e. fire & rescue, transport authorities which represent 61% of the bottom 10%) with the exception of the Isles of Scilly. Much of this list is represented by Other Authorities which often do not have the same scale of estate to rationalise or dispose of. There are no London Boroughs in the bottom 10% and other authorities with a low level of capital receipts as a percentage of total assets (excluding Other Authorities) include The Broads, Epsom & Ewell, Blackpool, West Devon, Tonbridge and Sunderland – a diverse mix of authorities.

Table 14: Bottom 10% 2010-2014

Local Authority	**Type of Authority**	**Capital Receipts as a % of Total Assets**
Cheshire Combined Fire and Rescue Authority	Other Authority	0.00%
Lancashire Combined Fire and Rescue Authority	Other Authority	0.00%
Shropshire Combined Fire and Rescue Authority	Other Authority	0.00%
Wiltshire Combined Fire and Rescue Authority	Other Authority	0.00%
Tyne and Wear Fire and Rescue Authority	Other Authority	0.00%
Devon and Somerset Combined Fire and Rescue Authority (C)	Other Authority	0.00%
Western Riverside Waste Authority	Other Authority	0.00%

West London Waste Authority	Other Authority	0.00%
West Midlands Integrated Transport Authority	Other Authority	0.00%
New Forest National Park Authority	Other Authority	0.00%
Isles of Scilly	Unitary Authority	0.00%
Merseyside Integrated Transport Authority	Other Authority	0.00%
Tyne and Wear Integrated Transport Authority	Other Authority	0.02%
Cleveland Combined Fire and Rescue Authority	Other Authority	0.03%
Buckinghamshire Combined Fire and Rescue Authority	Other Authority	0.04%
Broads, The	Other Authority	0.05%
Epsom & Ewell	Shire District	0.07%
Staffordshire Combined Fire and Rescue Authority	Other Authority	0.08%
Blackpool UA	Unitary Authority	0.08%
Humberside Combined Fire and Rescue Authority	Other Authority	0.08%
North Yorkshire Combined Fire and Rescue Authority	Other Authority	0.09%
Hereford & Worcester Combined Fire and Rescue Authority	Other Authority	0.09%
Avon Combined Fire and Rescue Authority	Other Authority	0.10%
West Devon	Shire District	0.10%
North York Moors National Park Authority	Other Authority	0.10%
Tonbridge & Malling	Shire District	0.11%
Bedfordshire Combined Fire and Rescue Authority	Other Authority	0.12%
Sunderland	Metropolitan District	0.14%
Surrey Heath	Shire District	0.15%
Calderdale	Metropolitan District	0.16%
Exmoor National Park Authority	Other Authority	0.16%
Greater Manchester Fire and Rescue Authority	Other Authority	0.16%
Derbyshire CC	Shire Council	0.17%
Lancashire CC	Shire Council	0.17%
Northumberland National Park Authority	Other Authority	0.18%
West Midlands Fire and Rescue Authority	Other Authority	0.19%
Wyre	Shire District	0.19%
Bury MBC	Metropolitan District	0.20%
Central Bedfordshire UA (C)	Unitary Authority	0.20%
Tameside	Metropolitan District	0.20%
Allerdale	Shire District	0.22%
Yorkshire Dales National Park Authority	Other Authority	0.22%
Knowsley	Metropolitan	0.22%

	District	
South Ribble	Shire District	0.23%

Capital receipts as a percentage of total assets by individual local authority area (excluding Other Authorities)

The data above highlights that Other Authorities represent a significant proportion of the bottom 10% of authorities, with some also appearing in the top 10% list as well. Whilst this study is focused on all local authorities, further analysis in table 14 has been undertaken to provide top and bottom 10% rankings excluding these Other Authorities which are somewhat different to core council authorities. Excluding the 92 Other Authorities from the analysis results in 353 local authorities in the data presented below, resulting in the top and bottom 10% having 35 local authorities. This exclusion has also has meant that the average level of capital receipts as a percentage of total assets has increased from 1.26% to 1.33%.

Table 15: Top 10% 2010-2014 (Excluding Other Authorities)

Local Authority	Type of Authority	Capital Receipts as a % of total assets
South Lakeland	Shire District	63.19%
West Somerset DC	Shire District	13.32%
Wycombe	Shire District	11.26%
Tewkesbury	Shire District	10.94%
Rutland UA	Unitary Authority	9.89%
Aylesbury Vale DC	Shire District	9.16%
South Northamptonshire	Shire District	6.18%
Teignbridge	Shire District	5.75%
City of London	London Borough	4.57%
Daventry DC	Shire District	4.36%
South Somerset	Shire District	4.15%
Braintree	Shire District	4.11%
Melton	Shire District	4.10%
Sevenoaks	Shire District	4.08%
Forest of Dean	Shire District	4.02%
Blaby	Shire District	3.76%
East Dorset	Shire District	3.74%
Three Rivers	Shire District	3.66%
Rochdale	Metropolitan District	3.58%
Cotswold	Shire District	3.49%
East Northamptonshire	Shire District	3.42%
North Dorset	Shire District	3.38%
Purbeck	Shire District	3.27%
Newcastle-under-Lyme	Shire District	3.10%
Hammersmith & Fulham	London Borough	3.07%
Fylde	Shire District	2.97%

East Cambridgeshire	Shire District	2.90%
East Hertfordshire	Shire District	2.75%
Reigate and Banstead	Shire District	2.64%
North Devon	Shire District	2.63%
East Staffordshire	Shire District	2.59%
Torridge	Shire District	2.59%
Maidstone	Shire District	2.59%
South Norfolk	Shire District	2.57%
Rossendale	Shire District	2.52%

Table 16 below identifies the bottom 10% of individual local authorities (excluding Other Authorities). Having stripped out the Other Authorities, this provides a clearer analysis of the council authorities that feature in the bottom 10% nationally. The top 5 do not change but others feature in this that did not in the previous analysis which included Other Authorities. There are a broad range of authority typologies within this and also a broad geographical distribution across England.

Table 16: Bottom 10% 2010-2014 (Excluding Other Authorities)

Local Authority	**Type of Authority**	**Capital Receipts as a % of total assets**
Isles of Scilly	Unitary Authority	0.00%
Epsom & Ewell	Shire District	0.07%
Blackpool UA	Unitary Authority	0.08%
West Devon	Shire District	0.10%
Tonbridge & Malling	Shire District	0.11%
Sunderland	Metropolitan District	0.14%
Surrey Heath	Shire District	0.15%
Calderdale	Metropolitan District	0.16%
Derbyshire CC	Shire Council	0.17%
Lancashire CC	Shire Council	0.17%
Wyre	Shire District	0.19%
Bury MBC	Metropolitan District	0.20%
Central Bedfordshire UA (C)	Unitary Authority	0.20%
Tameside	Metropolitan District	0.20%
Allerdale	Shire District	0.22%
Knowsley	Metropolitan District	0.22%
South Ribble	Shire District	0.23%
Windsor & Maidenhead UA	Unitary Authority	0.25%
Southend-on-Sea UA	Unitary Authority	0.25%
Oxfordshire CC	Shire Council	0.27%
Redbridge	London Borough	0.28%
East Sussex CC	Shire Council	0.28%
Sefton	Metropolitan District	0.28%
Blackburn with Darwen UA	Unitary Authority	0.29%

East Riding of Yorkshire UA	Unitary Authority	0.29%
North Hertfordshire	Shire District	0.30%
Tendring DC	Shire District	0.30%
Suffolk CC	Shire Council	0.31%
Cambridgeshire CC	Shire Council	0.32%
Devon CC	Shire Council	0.32%
Tandridge	Shire District	0.32%
North Yorkshire CC	Shire Council	0.33%
Middlesbrough UA	Unitary Authority	0.34%
Lincolnshire CC	Shire Council	0.34%
Chorley	Shire District	0.34%

Surplus assets as a percentage of total assets by individual local authority area

This is the second metric that has been applied. It is accepted there could be a wide range of influencing factors which could result in some authorities having particularly high/low levels of surplus assets but the application of this metric allows some degree of comparison across different authorities. Given the fact that so many authorities have declared zero values against their surplus assets between 2011 and 2014, it is not possible to identify the top 10% of authorities on this basis. This analysis has therefore focused on the bottom 10% of local authorities on the basis of those with the highest level of surplus assets as a percentage of total assets.

Table 17 below identifies that of the 44 authorities representing the 10% of local authorities nationally with the highest average value of surplus assets as a percentage of average total assets over the 4 year period, 57% of these are Shire Districts, 18% are Unitary Authorities and 16% are Metropolitan Districts. Only 1 London Borough and no Shire Councils feature in this list. This is based on the average value of surplus assets as a percentage of the average asset value between 2011 and 2014.

Table 17: Breakdown of the number of authorities in each authority type within the bottom 10% in terms of having the highest value of surplus assets as a percentage of overall assets between 2011 and 2014

Type of authority	Number	%
London Borough	0	0
Metropolitan District	7	16
Other Authority	3	7
Shire Council	0	0
Shire District	25	57
Unitary Authority	9	20
Total	44	100

Table 18 below breaks this down by individual authority area as an average over the 4 year period. This clearly shows that Shire Districts comprise the top 10 list in terms of those with the highest level of surplus assets as a percentage of total assets. These include South Northamptonshire at 39% and Copeland at 19%. It also includes a number of Unitary Authorities and Metropolitan Districts, all of the latter of which are based in the North of England. Only 5 authorities nationally have more than 10% of their total assets identified as surplus. There are clear caveats around this information in so far that it is likely to also reflect the way in which local authorities categorise their assets (i.e. some may not be including assets as surplus which technically should be).

Table 18: Surplus assets as a percentage of total assets by local authority area – average of the 4 year period between 2011 and 2014

Local Authority	Type of Authority	Surplus assets as % of total assets
South Northamptonshire	Shire District	38.59%
Copeland	Shire District	18.66%
Burnley	Shire District	14.15%
Forest of Dean	Shire District	13.91%
Pendle	Shire District	12.07%
Breckland	Shire District	9.14%
Swale	Shire District	8.98%
Hyndburn BC	Shire District	8.66%
Aylesbury Vale DC	Shire District	8.61%
South Norfolk	Shire District	8.61%
North Dorset	Shire District	8.20%
Manchester	Metropolitan	7.03%
West Midlands Integrated Transport Authority	Other Authority	6.79%
West Lindsey	Shire District	6.67%
Bury MBC	Metropolitan	6.53%
Tameside	Metropolitan	6.09%
East Staffordshire	Shire District	5.91%
Sheffield	Metropolitan	5.60%
Chichester	Shire District	5.58%
Leicester City UA	Unitary Authorities	5.38%
Doncaster	Metropolitan	5.37%
Stoke-on-Trent UA	Unitary Authorities	5.19%
West Somerset DC	Shire District	4.99%
East Dorset	Shire District	4.85%
Torridge	Shire District	4.71%
Gateshead	Metropolitan	4.61%
Rossendale	Shire District	4.52%
Thurrock UA	Unitary Authorities	4.35%
Peterborough UA	Unitary Authorities	4.25%
Cotswold	Shire District	4.09%
Staffordshire Moorlands	Shire District	3.84%
Eden	Shire District	3.79%
North Hertfordshire	Shire District	3.62%

Durham UA (C)	Unitary Authorities	3.50%
Runnymede	Shire District	3.44%
Essex Police and Crime Commissioner and Chief Constable (C)	Other Authority	3.42%
Bassetlaw	Shire District	3.40%
Cheshire East UA (C)	Unitary Authorities	3.37%
Peak District National Park Authority	Other Authority	3.37%
Swindon UA	Unitary Authorities	3.35%
Halton UA	Unitary Authorities	3.14%
Chorley	Shire District	3.11%
Trafford	Metropolitan	3.00%
Kingston-upon-Hull UA	Unitary Authorities	2.98%

With surplus assets, whilst it is interesting to look back over the 4 year period to analyse average figures, the important data is the most recent 2014 data which illustrates the current and most up-to-date surplus asset base as a percentage of total asset base by local authority.

Table 19 below identifies below identifies that of the 44 authorities representing the 10% of local authorities nationally with the highest value of surplus assets as a percentage of total assets based on the most recent 2014 data alone, 45% of these are Shire Districts mirroring the 4 year average position above. 2% are Unitary Authorities and 11% are Metropolitan Districts, again similar to the 4 year average data. Interestingly, the relative proportion of surplus assets within Other Authorities has increased in 2014 compared with the 4 year average and a London Borough has entered this 10% list.

Table 19: Breakdown of the number of authorities in each authority type within the bottom 10% in terms of having the highest value of surplus assets as a percentage of overall assets in 2014

Type of authority	Number	%
London Borough	1	2
Metropolitan District	5	11
Other Authority	6	14
Shire Council	2	5
Shire District	20	45
Unitary Authority	10	23
Total	**44**	**100**

Table 20 below breaks this down by individual authority area based on the most recent 2014 data, ranking the top 10% authorities with the highest level of surplus assets as a percentage of total assets:

Local Authority	LA Type	Surplus assets

		as % of total assets
West Midlands Integrated Transport Authority	Other authority	27.14%
South Northamptonshire	Shire district	25.40%
Copeland	Shire district	19.81%
Burnley	Shire district	12.90%
East Staffordshire	Shire district	11.36%
Swale	Shire district	9.69%
North Dorset	Shire district	8.72%
Peak District National Park Authority	Other authority	8.65%
Pendle	Shire district	7.78%
Aylesbury Vale DC	Shire district	7.65%
Hyndburn BC	Shire district	7.47%
Bury MBC	Metropolitan district	7.02%
West Lindsey	Shire district	6.80%
Rother	Shire district	6.61%
Manchester	Metropolitan district	6.11%
Essex Police and Crime Commissioner and Chief Constable (C)	Other authority	5.97%
Thurrock UA	Unitary authority	5.85%
Sheffield	Metropolitan district	5.55%
Doncaster	Metropolitan district	5.39%
Swindon UA	Unitary authority	4.79%
Breckland	Shire district	4.77%
Chichester	Shire district	4.73%
Staffordshire Moorlands	Shire district	4.48%
Leicester City UA	Unitary authority	4.40%
Isle of Wight UA	Unitary authority	4.35%
Cumbria CC	Shire council	4.29%
East Dorset	Shire district	4.14%
Cheshire East UA (C)	Unitary authority	4.06%
Gateshead	Metropolitan district	3.94%
Broadland	Shire district	3.89%
West Mercia Police and Crime Commissioner and Chief Constable (C)	Other authority	3.86%
Stoke-on-Trent UA	Unitary authority	3.81%
Torridge	Shire district	3.73%
Peterborough UA	Unitary authority	3.72%
Surrey CC	Shire council	3.71%
North Hertfordshire	Shire district	3.67%

Forest of Dean	Shire district	3.67%
Cotswold	Shire district	3.62%
Slough UA	Unitary authority	3.53%
Kent Police and Crime Commissioner and Chief Constable (C)	Other authority	3.43%
Southwark	London borough	3.35%
Durham UA (C)	Unitary authority	3.33%
Kingston-upon-Hull UA	Unitary authority	3.18%
Northumberland National Park Authority	Other authority	3.17%

4. Summary of quantitative data analysis

Based on the above, we have summarised responses to the following key questions to provide a summary to the analysis undertaken in this report:

How should local authority assets be defined?

- As per the Local Government Finance Data, it is assumed that the definition of local authority assets include the following:
  - Total operational assets
    - Council dwellings
    - Other land and buildings – education
    - Other land and buildings – other
    - Vehicles, plant and equipment
    - Infrastructure assets
    - Community assets
    - Surplus assets
    - Assets under construction
  - Investment Properties
  - Intangible Assets
  - Assets for sale
  - Heritage assets
- Surplus assets are defined as per the Capital Outturn Return Guidance Note (2013/14) as “Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment”. They could therefore include all types of local authority assets and not just land/property assets, although these are likely to account for a significant proportion of the overall total (this breakdown is not available based on the data provided).

What is the scale of local authority assets?

- The total value of all local authority assets nationally, based on the latest 2014 data, equates to £225.6bn. This has decreased by 3% from £232.7bn in 2011. A breakdown of this is presented below:

Type of Asset	Grand Total (£'000) for 2014
Sum of Assets - Council Dwellings	66,295,059
Sum of Assets - Other Land and Buildings - Education	44,129,965
Sum of Assets - Other Land and Buildings - Other	50,743,588
Sum of Assets - Vehicles Plant and Equipment	5,370,580
Sum of Assets - Infrastructure Assets	34,375,357
Sum of Assets - Community Assets	1,815,310
Sum of Assets - Surplus Assets	2,461,642
Sum of Assets - Assets under construction	5,300,550
Sum of Assets - Total Operational Assets	**210,492,051**
Sum of Assets - Investment Properties	10,186,205
Sum of Assets - Total Tangible Assets	**220,678,256**
Sum of Assets - Intangible Assets	542,532
Sum of Assets - Assets for sale	854,130
Sum of Assets - Heritage Assets	3,562,051
Sum of Assets - Total Assets	**225,636,969**

What is the scale of local authority surplus assets?

- The total value of surplus local authority assets, based on the latest 2014 data, is £2.46bn. This equates to c.£5.5m per authority on average. The total figure has increased by 9.8% since 2011 when the total value of local authority surplus assets was £2.24bn.

- Surplus assets represented 1.09% of total local authority assets in 2014. They represented 0.96% of total assets in 2011 and so the relative proportion of surplus assets has therefore increased. This could be a reflection of improving market conditions or perhaps a growing pipeline of surplus assets as a result of an increased focus on rationalisation due to austerity and efficiency drives.

- No surplus assets were recorded in 2010 and over 140 local authorities (including a number of metropolitan areas and London Boroughs) did not declare any surplus asset values in the following years to 2014 and so the actual value of surplus assets and the percentage against total assets is likely to be much higher than this. Given that the value of reported surplus assets represents just 1% of the total local authority asset base, this confirms a view of likely understatement of the true surplus asset position.

How are they distributed by type of Local Authority?

- Of the £2.46bn of surplus assets in 2014, Metropolitan Districts accounted for 31% of this, followed by Unitary Authorities at 24% and London Boroughs at 15%. Other Authorities accounted for the lowest proportion at only 5%.

- Metropolitan Districts have the highest value of surplus assets per individual authority with an average value of £21m per individual authority across the 36 districts nationally. They are followed by Shire Councils with an average of £16m per authority and London Boroughs with an average of £11m per authority.

- Shire Districts and Other Authorities represent the lowest average surplus asset value at around £1m of surplus assets per individual authority.

What is the scale of local authority capital receipts over the past 5 years?

- Total capital receipts across all authorities between 2010 and 2014 equated to £9.6bn, broken down by year as follows:

    - 2010 - £1.4bn
    - 2011 - £1.5bn
    - 2012 – £2.0bn
    - 2013 - £2.1bn
    - 2014 - £2.6bn

- Total local authority capital receipts increased by £1.2bn between 2010 and 2014, representing a c.90% increase. This could be due to a combination of both continued market improvements as well as increased local authority disposal activity. As illustrated earlier, a large proportion of these receipts are assumed to be accounted for by housing stock transfers which distorts the figures.

How are capital receipts distributed by type of local authority?

- London Boroughs were the authority type with the highest level of capital receipts between 2010-14 with a total of £2.9bn, equating to 30% of the total capital receipts across all local authorities. Shire Councils are identified as having the proportionately lowest level of capital receipts at £950m, equating to 10% of the total capital receipts.

- The authority type with the highest average level of capital receipts per authority over the 5 year period at £88m is the London Boroughs – they have the highest level of overall capital receipts and the second lowest number of individual authorities. This high average again reflects the higher asset values in London and the relatively low number of individual authorities. The authority type with the lowest average level of capital receipt by individual authority was the Shire Districts, with total average capital receipts of £8.7m over the 5 year period. This is likely to be due to the fact that capital values are not as high as London Boroughs and Metropolitan Districts and that they comprise the highest number of individual authorities.

How are capital receipts distributed by local authority department?

- Local authority housing departments account for the highest level of capital receipts with receipts of £3.8bn, which equates to 40% of the total capital receipts across all local authority departments. The department with the lowest level of capital receipts is fire and rescue services with receipts of £48m, representing just 1% of the total capital receipts. It is not surprising to see housing top the list and this is likely to be as a result of housing stock transfers to private landlords.

- Capital receipts from Central Services and Planning/Development are also significant, representing 18% and 10% of the total respectively. These are likely to relate largely to the disposal of surplus land and property assets but there could also be some other fixed asset disposals within Central Services.

Capital receipts and surplus assets as a proportion of total assets

Capital receipts as a percentage of total assets by local authority type

- On average across all local authorities between 2010 and 2014, capital receipts represented 1.26% of total local authority assets;

- The authority type with the highest average capital receipts as a percentage of total assets is Shire Districts averaging out at 1.74% over the 5 year period, followed closely by London Boroughs at 1.17%. Metropolitan Districts had the lowest proportion of capital receipts at an average of 0.7% of total assets.

- Of the top 10% of local authorities with the highest level of capital receipts as a percentage of total assets, capital receipts represented on average 5.83% of total assets between 2010-2014. Shire Districts and Other Authorities together represented 90% of the authorities within this top 10% category, with the former representing 68% of the total. There were no Shire Council authorities in the top 10%;

- Of the bottom 10% of local authorities i.e. those with the lowest percentage of capital receipts as a proportion of total assets, capital receipts represented on average 0.1% of total assets between 2010-2014. Other Authorities represented the majority of these bottom 10% of all authorities.

Capital receipts as a percentage of total assets by location

- Authorities in the South East of the country have consistently been in the top 10% nationally, with an average over the 5 years of 34% of all authorities within the South East within the top 10% nationally, closely followed by the South West with 32%. Authorities within the Midlands, North West and North East have a low average percentage within the top 10% over the 5 year period with a 9% share each. Greater London authorities had the lowest average percentage of authorities within the top 10% nationally at only 7%.

- Over the 5 year period, the North West authorities comprise 30% of the bottom 10% of all authorities reflecting the comparably low levels of capital receipts as a percentage of total assets within these authorities. Greater London authorities had the lowest average representation within the bottom 10% over the 5 year period at around 5%.

Capital receipts as a percentage of total assets by individual local authority area

- In terms of those with the highest average level of capital receipts as a percentage of total assets over the 5 year period, South Lakeland Council tops the rankings at 63% and this represents an anomaly in that it is over 50% higher than any other authority. Based on the data, it appears that the Council realised capital receipts of £158m in 2012 which explains this. Other authorities with the highest average level of capital receipts as a percentage of total assets include West Somerset, Wycombe, Tewkesbury and Rutland. Interestingly, Shire Districts comprise a significant proportion of the top 10%, most likely a reflection of the relatively low overall asset values in these often rural districts and the fact that a significant disposal in one year can therefore skew the average percentages. Rochdale is the only Metropolitan District within the top 10% and there are only two London Boroughs – City of London and Hammersmith & Fulham.

- In terms of the bottom 10% of local authorities nationally based on the average level of capital receipts as a percentage of total assets over the 5 year period, there are a number of authorities which did not realise any capital receipts between 2010 and 2015, although these were all Other Authorities (i.e. fire & rescue, transport authorities which represent 61% of the bottom 10%) with the exception of the Isles of Scilly. Much of this list is represented by Other Authorities which often do not have the same scale of estate to rationalise or dispose of. There are no London Boroughs in the bottom 10% and other authorities with a low level of capital receipts as a percentage of total assets (excluding Other Authorities) include The Broads, Epsom & Ewell, Blackpool, West Devon, Tonbridge and Sunderland – a diverse mix and geography of authorities.

Surplus assets as a percentage of total assets by authority type and individual local authority area

- Given the fact that so many authorities have declared zero values against their surplus assets between 2011 and 2014, it is not possible to identify the top 10% of authorities on this basis. This analysis has therefore focused on the bottom 10% of local authorities on the basis of those with the highest level of surplus assets as a percentage of total assets.

- Of the 44 authorities representing the 10% of local authorities nationally with the highest average value of surplus assets as a percentage of average total assets over the 4 year period, 57% of these are Shire Districts, 18% are Unitary Authorities and 16% are Metropolitan Districts. Only 1 London Borough and no Shire Councils feature in this top 10% based on the average value of surplus assets as a percentage of the average asset value between 2011 and 2014.

- Analysis at the individual local authority level across the 4 year period supports the above with Shire Districts having the highest relative proportions of surplus assets. These include South Northamptonshire at 39% and Copeland at 19%. It also includes a number of Unitary Authorities and Metropolitan Districts, all of the latter of which are based in the North of England. Only 5 authorities nationally have more than 10% of their total assets identified as surplus.

- Based on the most recent 2014 data alone, 45% of the bottom 10% authorities (with highest % of surplus assets as a proportion of total assets) are Shire Districts mirroring the 4 year average position above. 2% are Unitary Authorities and 11% are Metropolitan Districts, again similar to the 4 year average data. Interestingly, the relative proportion of surplus assets within Other Authorities has increased in 2014 compared with the 4 year average.

5. Identification of sample case study authorities for Stage 2

Part of the rationale of this Stage 1 analysis is to identify a range of suitable case study authorities to explore further at the next stage. The objective is to identify up to 16 authorities across a range of authority types, locations, sizes and also the relationships between their capital receipts and surplus asset values and total asset values, to understand more about the extent of their surplus assets, barriers to the redevelopment of these and the extent to which Government policy could assist this process.

Based upon the analysis within this report, we have developed an initial list of what we consider to be appropriate and suitable case study authorities to explore further. This is an indicative list of suggested authorities which is somewhat subjective, although is considered to represent a reasonable cross section of a broad range of local authorities nationally. This initial list of 16 local authorities is presented below. However, it was recognised that in order to ensure that 16 authorities were engaged with, a larger sample size of authorities should be contacted in the first instance. An additional 10 authorities were therefore selected as identified within the grey shaded table, again to reflect a mix of authorities by type, location and also to include some where there were existing relationships (to maximise the likelihood of effective engagement) and others where they were known to have been involved in previous/existing Government collaboration initiatives such as OPE, for example.

	Local Authority	Location	Type	Rationale
1	Hammersmith & Fulham	London/South East	London Borough	High capital receipts as % of total assets
2	Copeland	North West	Shire District	High surplus assets as % of total assets
3	Southwark	London/South East	London Borough	High surplus assets as % of total assets
4	Sunderland	North East	Metropolitan District	Low capital receipts as % of total assets
5	Sheffield	North East	Metropolitan District	High surplus assets as % of total assets
6	Manchester	North West	Metropolitan District	High surplus assets as % of total assets
7	Doncaster	North East	Metropolitan District	High surplus assets as % of total assets
8	Cheshire East	North West	Unitary Authority	High surplus assets as % of total assets
9	Leicester	Midlands	Unitary Authority	High surplus assets as % of total assets
10	Swindon	South West	Unitary Authority	High surplus assets as % of total assets
11	Surrey County Council	South East	Shire Council	High surplus assets as % of total assets
12	Lincolnshire County Council	Midlands	Shire Council	Low capital receipts as % of total assets
13	Derbyshire County Council	Midlands	Shire Council	Low capital receipts as % of total assets
14	Epson & Ewell	South East	Shire District	Low capital receipts as % of total assets
15	West Somerset	South West	Shire District	High capital receipts as % of total assets
16	Copeland	North West	Shire District	High surplus assets as % of total assets

17	Birmingham	Midlands	Metropolitan District	OPE Phase 2 Pilot. C&W relationship
18	Worcestershire County Council	Midlands	Shire Council	CAP Wave 1 & 3. One Public Estate Pilot. C&W relationship
19	Cambridgeshire County Council	South East	Shire Council	Low capital receipts as % of total assets and Wave 1 CAP
20	Knowsley MBC	North West	Metropolitan District	Low capital receipts as % of total assets and Wave 3 CAP
21	Gateshead	North East	Metropolitan District	High surplus assets as % of total assets. C&W relationship
22	East Riding of Yorkshire	North East	Unitary Authority	Low capital receipts as % of total assets. C&W relationship
23	South Northamptonshire	Midlands	Shire District	High surplus assets as % of total assets
24	Dacorum Borough Council	South East	Shire District	C&W relationship – significant shared services agenda
25	Basingstoke and Deane Borough Council	South East	Shire District	Known significant investment portfolio
26	Bradford Metropolitan District Council	North East	Metropolitan District	OPE Phase 2 Pilot. C&W relationship

6. Stage 2 – Case studies - Introduction

The list of 26 local authorities was agreed with DCLG which then distributed a letter to the Chief Executive of each seeking to secure their input to the Stage 2 work. This was followed up with an email to all 26 authorities from C&W to further outline the background to the research and what was being asked of them by way of input. Given the timescales for the work, the adopted approach was to arrange consultation dates with the first 16 authorities to respond positively. This resulted in consultations being arranged and held on a face to face basis with the following 16 local authorities from the above list:

	Local Authority	Authority Type
1	Redbridge	London Borough
2	Swindon	Unitary Authority
3	Sunderland	Metropolitan District
4	Sheffield	Metropolitan District
5	Birmingham	Metropolitan District
6	Manchester	Metropolitan District
7	Doncaster	Metropolitan District
8	Cheshire East	Unitary Authority
9	Copeland	Shire District
10	Knowsley	Metropolitan District
11	Dacorum	Shire District
12	Bradford	Metropolitan District
13	Derbyshire	Shire Council
14	South Northamptonshire	Shire District
15	East Riding	Unitary Authority
16	Worcestershire	Shire Council

The key findings from these consultations were used to inform the remainder of this report. In addition to these 16 consultations, we also undertook two other forms of engagement with local authorities to inform this study:

1. ***Association of Chief Estate Surveyors National Conference*** – on 17th and 18th September, C&W sponsored this conference for senior estates, property and asset management staff within the public sector. C&W's allocated speaking slot was on the topic of surplus local authority assets and some of the initial findings of this study were fed back as a means to stimulate some debate on the key issues and asks of Government in relation to accelerating activity. A questionnaire/feedback form was distributed to delegates to enable us to receive written thoughts/ideas/initiatives to inform this work.

2. ***Round-table local authority workshop*** – on 8th October, C&W facilitated a round table discussion with a number of additional senior local authority representatives from estates/regeneration service lines across Yorkshire and Humberside. This included attendance from Leeds City Council, Bradford Metropolitan District Council, Rotherham Metropolitan Borough Council, East Riding Council and Wakefield Metropolitan District Council and Chesterfield Borough Council. The key discussion points emerging from this were used to inform this report.

7. Local Authority Surplus Assets and Investment Assets – the current position

Definition of 'surplus assets'

There is evidence of ambiguity and confusion at the local authority level around the DCLG definitions of 'surplus assets' and indeed other types of assets held by local authorities. This study has identified that the definition is interpreted in different ways and ultimately Local Authority corporate policy appears to determine the extent to which assets are 'surplus' to core operational requirements. A good example is where authorities own assets that are themselves not directly occupied, used or consumed in the delivery of core services, but which are fundamental to generating an income stream that enables the authority to provide a core service in accordance with its corporate objectives and raison d'etre. Non-operational/investment property can often be held for many purposes that may be non-statutory but can still be contributory to socio-economic wellbeing. Whilst these assets may be defined as surplus by Government, local authorities would argue that these are critical to service delivery and even more so in the current local authority funding climate when their ability to promote self-financing is more important than ever. Examples could include town centre car parks and local authority owned shopping centres.

Local authority owned land which is held by the local authority as a strategic regeneration asset to deliver future housing and economic growth is often **not** defined by local authorities as being surplus even if it is vacant. Often, a 'firesale' approach will not deliver the optimum outcome and local authorities have a stewardship role to play in working alongside private sector development partners to bring forward complex regeneration sites to deliver its longer term corporate objectives. Rather than being declared surplus, the responsibility for vacant land with housing/economic growth potential is therefore often transferred from central property/estates teams to regeneration/economic development teams and is not declared as surplus. Authorities, should, in practice consider opportunities to promote 'meanwhile uses' such as temporary car parks on land/property that is held for regeneration purposes if the end use is potentially some years away from delivery.

The definitions of asset types held by local authorities will need to be refreshed as a result of the increased freedoms granted to local authorities. For example, many authorities are seeking to develop an asset portfolio that will generate a reasonable return and may also deliver against desired corporate outcomes. Where a non-operational asset is income producing and the net return is greater than the net cost of debt then the authority is unlikely to consider reuse/disposal options for this asset. The arbitrage of income over cost means that they will be better off in net revenue terms retaining the asset and may even seek to acquire more. Alternative uses or disposal would leave a 'gap' in net revenue.

Key characteristics of the scale and type of local authority surplus assets

A number of key themes and characteristics of reported surplus assets at the local authority level have been identified as below:

- **Reporting of surplus assets -** there appears to be some discrepancy in the way that authorities are reporting the value of identified surplus assets. The majority appear to base this on an estimation of market value aligned to the potential capital receipt that could be realised if disposed, as per relevant guidance. This compares with the operational estate which is typically valued on a different basis such as Depreciation Cost Reinstatement (DRC) and as a result this can exaggerate the relatively small value of surplus assets as a proportion of the value of total assets. Authorities suggested that further guidance on this from Central Government would be helpful. It is also important to highlight the point that not all surplus asset redevelopment/reuse will result in a capital receipt and that in the many cases, capital receipt realisation is not the key driver of the disposal of surplus assets – the focus is clearly on revenue savings. In some instances, authorities may receive less than market value for their surplus land/property assets in order to promote redevelopment activity (subject to best consideration as per the General Disposal Consent 2003) and in these cases there is further ambiguity around how surplus asset value should be reported (particularly if assets are to be transferred to community groups, for example, at nominal/nil value to ensure continued third party service delivery at no revenue cost to the local authority).

- **Not a level playing field from the outset** – it is arguably not a fair approach to simply compare one local authority with another in terms of their position and performance in relation to surplus assets and capital receipts. Authorities did not start from the same position and as organisations they have evolved over time, with continual changes to governance structure and administrative boundaries through various guises of local government reorganisation. The most recent 2009 structural changes to local government in England resulted in the creation of a number of unitary authorities, for example. This effectively means that some local authorities have only been established as entities for 6 years and through the amalgamation of a number of previous smaller authorities, they inherited a 'mixed bag' of land and property assets at the time. It has then taken several years to morph this into a portfolio that is aligned to corporate objectives, at a time when market conditions have limited redevelopment prospects and value realisation opportunities. Other authorities have remained unchanged for a number of years in terms of their administrative boundaries and so have had much more of an opportunity to ensure that their asset base aligns with their service needs.

- **Broad mix of asset types** – it is evident that there is no 'one size fits all approach' to local authority surplus asset portfolios. Partly as a result of the above, and also as a result of legacy assets and the breadth of local authority asset portfolios more generally, local authorities often appear to have diverse surplus asset portfolios. Surplus asset portfolios typically comprise a large number of small, low value assets with limited redevelopment/reuse capital values. There are variances in surplus asset portfolios across authority typologies as well, particularly where there is a two tier structure and the ownership of highways and school assets is at the County rather than the District level.

Typical surplus assets at the local authority level include the following:

- Former school buildings and sites no longer required for this purpose – almost all authorities reported having assets of this type within their surplus portfolio. The centrally enforced restrictions on the time periods for the reuse/redevelopment of former educational property is often a key barrier to the redevelopment of these assets.
- Former local authority office accommodation and depot sites vacated as a result of portfolio rationalisation/consolidation. Further rationalisation could see this increase.
- Strategic development/regeneration sites – although sometimes these are not classed as surplus as are seen as being critical to the delivery of core local authority economic growth objectives
- Former libraries – where library portfolios have been rationalised and there is no community-led solution to continuing service delivery
- Former social care day/residential centres and other facilities
- Agricultural smallholdings – where they are not restricted to agricultural tenancy agreements restricting alternative uses

- **Vacant land often held as a 'regeneration asset' and not defined as surplus** – a number of local authorities appear to exclude land assets from the definition of surplus assets on the basis that despite being often vacant they view these as operational given their link to wider corporate objectives around housing and economic growth. Land identified as having significant regeneration and economic growth potential is often intentionally held by local authorities as part of their ambitions to ensure that it is able to exercise a degree of control over the asset and that the optimum scheme is delivered. For example, one local authority consulted is currently relocating a wholesale market operation which will result in a 40 acre cleared local authority owned site in a strategic City Centre location for which it will then procure a development partner to deliver a comprehensive regeneration scheme. This land asset will not be declared surplus as a result by the local authority. In other cases, land (and) property assets are already 'tied up' in development agreements and cannot therefore be declared as surplus local authority assets.

- **Assets which are technically 'surplus' but alternative uses are limited** – local authorities own assets which are technically surplus as per the definition, but which in practice are unlikely to have any redevelopment/reuse potential given the nature of the asset and its current use. These include assets such as churches, museums, agricultural land (which is subject to agricultural tenancies), verges, roads and land retained for highway schemes. These incur internal asset management time and cost to the local authorities and often the benefits associated with them are limited, as are the alternative use prospects. One local authority reported the ownership of a lighthouse which cost it £70,000 last year in maintenance costs to meet English Heritage requirements given its status as a heritage asset.

- **Variations in the pace/scale of asset rationalisation** – surplus assets are often a function of processes of asset portfolio transformation, rationalisation and consolidation. Local authorities develop asset management plans which respond to where there is the potential for asset ‘change’ based on changing service needs and methods of service delivery, particularly in response to revenue funding availability. Surplus asset generation is then often an output of this process arising as a result of the need for less space based on more efficient use of space and changing service delivery models. At the same time, there has been a shift in workplace models towards more flexible approaches to the occupancy of floorspace, as a result of the need to drive reduced property occupancy costs, IT enhancements which support new working practices and a shift in culture away from the traditional 9-5, 1 desk per FTE model.

It is apparent that local authorities are at very different stages in the process of seeking to ensure that their estate is fully aligned to their current and likely future service delivery needs. Some authorities are well advanced and are over 7/8 years into transformation programmes to align their estate to service delivery needs and have already disposed of a number of property interests as a result of the focus on rationalisation. Some have already been involved in Central Government initiatives on promoting rationalisation and collaboration (e.g. OPE) and this has assisted the process. At the other end of the spectrum, others are about to embark on the process of undertaking strategic reviews of various parts of their portfolios, although the vast majority have an asset management plan/property strategy/disposal programme in place (albeit slightly out of date at times) which aligns with its corporate plan and are progressing the delivery of this which has already resulted in a number of surplus assets being identified for alternative uses. Some authorities have taken this a stage further and have already implemented a corporate landlord approach to internal asset management. Others are considering this approach, albeit in recognition of the potential internal political issues this could create.

The key message is that local authorities are all at different stages of the ‘journey’ to ensuring that their estate is fully aligned to their current and likely future service delivery needs, but that in a large number of authorities, the scale of surplus assets being identified is only likely to increase. Where authorities are more advanced than others on this ‘journey’, their ability to ‘squeeze out’ further surplus assets for reuse/redevelopment is more limited. However, in most authorities, the potential for the realisation of revenue savings and capital receipts from surplus asset reuse/redevelopment is significant and is likely to increase. The currently reported surplus asset value is likely to be understated compared to what could actually be surplus within each local authority. Across all authorities, the surplus asset base is, continually changing with changing service delivery needs and requirements and there is clear uncertainty around future service delivery and associated estate requirements. This could mean that in some instances, authorities are reluctant to let go of assets until further certainty is secured. A good example of a change in delivery model which is resulting in increased local authority surplus assets is in the education sector with the introduction of free schools and academies. This is resulting in a number of existing school buildings that are approaching the end of their useful economic life being declared surplus to ongoing educational requirements, particularly as they are often not located in identified current and future areas of educational need.

It is unclear how far the efficiency agenda will be pursued but this could see public bodies pursuing shared service models and clustering estates requirements which could lead to the release of further surplus assets.

Investment assets

The majority of consulted authorities have an investment portfolio of land and property assets, although some had no portfolio of significance. These assets are not declared as surplus assets and are seen as fundamental to generating a revenue stream to deliver services elsewhere across the authority. These are non-operational assets which are not directly occupied, used or consumed in the delivery of services but which in all cases are seen as being key to enabling the delivery of core services through the rental income generated. The following key messages can be derived from this study:

- **Investment portfolios typically comprise a 'mixed bag' of assets** – portfolios typically comprise assets which are often legacy assets inherited by the authority and which could be 'sweated' further through enhanced asset management techniques to enhance performance. Authorities on the whole do not appear to be proactively seeking to enhance the assets and through modest asset management and investment, are benefiting from income streams which are cross-subsidising core service delivery elsewhere. Assets are diverse in typology and comprise industrial estates, agricultural smallholdings (often on agricultural tenancies with low rental incomes), retail units, offices, ports, markets and car parks, for example. There is often an acceptance that assets are under-performing in financial terms and that some are approaching the end of their economic life, but that there is a reliance upon the income stream and it would need to replace the asset/reposition the portfolio it they were to dispose of the poorly performing assets. Often there is a blend of financial return and contribution to socio-economic outcomes considered as part of any investment asset decisions.

- **Some authorities are proactively increasing their portfolios** - on the contrary to the above, there are some authorities, which are proactively seeking to increase the scale and value of their investment portfolios. Examples include authorities investing in major new infrastructure schemes such as airports, football stadia, city centre office developments and shopping centres, where the authority effectively becomes a shareholder in the asset and able to receive annual dividends subject to asset performance. The driver for increasing their portfolios is sometimes wholly financial, to generate additional financial returns to reinvest in core service delivery elsewhere, but often to also satisfy wider strategic ambitions whilst also delivering financial returns.

- **Portfolio reviews and future direction** - a significant number of authorities reported that they plan to or are currently undertaking reviews of their investment portfolios, indicating that they are perhaps behind where they should be with this. They all acknowledged the benefits of having a strong performing investment portfolio to generate income streams. They also all suggested that their portfolios need to be reviewed to 'trim off the fat' and ensure that they have a lean and strong performing portfolio moving forward. This would be likely to involve the need for some disposals as well as strategic acquisitions. Authorities recognise that with access to prudential borrowing, funding to acquire new assets is a possibility. The key issue at present appears to be the lack of clarity and direction around the extent to which local authorities should be seeking to borrow to develop investment portfolios, particularly where they may be competing with the market to acquire high performing assets.

8. Local Authority activity in promoting the reuse /redevelopment of surplus land and property assets

Introduction

It is important to appreciate the background and history of local authorities and the reuse/redevelopment of property assets and the treatment of capital receipts. Only circa 20 years ago, authorities were expected to return capital receipts from surplus asset disposals to Central Government. Authorities had over time assembled/inherited fairly large portfolios but this was incidental to them pursuing their statutory duties as there was otherwise no clear authority for acquiring or holding non-operational property. At the same time, there was no incentive to dispose of assets in the knowledge that capital receipts would have to be given to Central Government. This resulted in authorities gradually building up sizeable portfolios of land which was effectively ‘in limbo’ with no ability to do anything with it. In the early to mid-1990’s the Government introduced a capital receipts ‘holiday’ and at first local authorities were allowed, for a given period, to keep 50% of disposal receipts. This was a success in terms of the level of disposals and capital receipts that were achieved and it wasn’t long before local authorities were permitted to retain 100% of capital receipts.

In 2000, the Government introduced the power of well-being which enabled a local authority to *do “anything which it considers likely to achieve the promotion or improvement of the economic, social or environmental well-being of their area”.* In 2004, Central Government introduced prudential borrowing and then in 2011 the Localism Act and the General Power of Competence which enables local authorities to act in the same capacity as an individual would do as long as it does not break other laws. The increased devolution to the local authority level over this time has meant that local authorities now have much more control around how receipts are spent, albeit there remain a number of capital finance and accounting regulations that still restrict flexibilities around capital and revenue accounting and the extent to which capital receipts can be allocated against revenue costs.

Local authority activity

A number of key points are set out below that have emerged from this study in relation to local authority activity in promoting the reuse/redevelopment of surplus assets:

- **Reuse/redevelopment activity across all authorities** – all authorities suggested that they have successfully promoted the reuse/redevelopment of surplus assets over the last 5 years and in a number of cases were able to support this with data on capital receipts and revenue cost savings achieved. Some of the larger authorities have been realising capital receipts of c.£25-£30m per annum in recent years and suggest that this will continue for the next few years ahead, with significant revenue cost savings arising as a result. In many cases, there is a correlation between the annual value of surplus assets and the value of capital receipts or at least the target of receipts in the same year.

- **Focus on revenue savings not capital receipts** – in all authorities consulted, the message could not have been portrayed more strongly that the driver of surplus asset reuse/redevelopment is revenue cost savings and not capital receipt realisation. Authorities are seeking to reduce ongoing operational costs of property occupation as well as significant backlog maintenance liabilities in some cases. Authorities acknowledged that they are capital rich and that revenue is worth far more to them than capital. This was the case even in higher value market areas although clearly capital receipt realisation does become more of a factor in these areas. In some areas, the weak market conditions minimise the prospects of securing any material capital receipts from asset disposal.
- **Reuse/redevelopment in many cases does not generate a capital receipt** – reflecting the above, there are a number of instances whereby local authorities have transferred their assets to third parties for nil value on the basis of the fact that this has reduced ongoing revenue costs to the authority. The transfer of libraries to community groups is a good example of this. Other authorities have transferred leisure asset interests on leases with turnover based rents in some cases. In other instances, authorities have transferred their landholdings to development partners at less than market value in order to make priority redevelopment schemes viable (in accordance with best consideration legislation).
- **Focus on economic/housing outcomes and business rates/council tax base increases** – some authorities place significant emphasis upon the delivery of these ahead of securing capital receipts. Asset reuse/redevelopment which generates additional long term business rate income to the authority is particularly valued and this can be used to borrow against if necessary through TIF arrangements.
- **Local Authorities adopt different intervention approaches to surplus asset reuse/redevelopment activity** – this depends on not only the political culture of the authority and its resources/capacity but also the nature of the asset and the strength of the market opportunity. A number of authorities dispose of small, low value assets through auctions. Where there is perceived to be market demand, assets will also be marketed through traditional agency routes to enable quick sales. In a number of instances, authorities have examples of where they have made significant upfront investment in sites/buildings to maximise their prospects of reuse/redevelopment and the values associated with this (in financial and economic terms). This can involve them securing outline planning consents for example, before going out to the market and can have significant time/cost implications. Other authorities have signed up to long term development partner arrangements to maximise the leverage of private sector investment and development expertise on the basis that the authority puts its surplus assets into the schemes. This can result in the potential for financial returns to the local authority. In some instances, authorities have made strategic site/building acquisitions to maximise the redevelopment potential. There are also examples of where authorities have established arms-length delivery vehicles to promote the redevelopment of surplus assets.

- **Focus on freehold disposal/leasehold termination rather than longer term income generation** – in many instances, there is a focus at the local authority level on the disposal of freehold interests or the termination of leasehold interests, when in fact there may be opportunities for local authorities to explore the potential to retain property interests and seek to explore income generation opportunities i.e. move them from a surplus asset to an investment asset effectively. The only issue with this being that many surplus buildings under local authority ownership are poor quality/aged buildings in more peripheral locations that have been vacated and declared surplus on this basis. This may, therefore, restrict the market potential of these.
- **Reuse/redevelopment activity is on the increase** – whilst some authorities that were 'ahead of the game' have already undergone significant asset rationalisation programmes and have significantly reduced the scale of their estate and already disposed of the 'low hanging fruit', the majority are in the midst of the process and the level of redevelopment/reuse is therefore likely to increase, particularly in light of further fiscal consolidation, improving market conditions and further drives for collaboration through the continuation of initiatives such as OPE. Market conditions over the past few years have hindered reuse/redevelopment prospects in many areas and with clear market recovery in all parts of the country (albeit at a varied pace), the adopted hold strategy in many situations will be overturned to make way for alternative uses for local authority assets as the pace of redevelopment/reuse increases. Whilst small, low value assets have continued to be disposed in recent years, the redevelopment of large scale strategic assets has certainly been put on hold as a result of a decline in market demand and viability and an approach to 'hold out' for higher values in some cases. All authorities have plans to drive further operational efficiencies and this will, in many cases, increase the scale of surplus assets. In our view, the extent of local authority surplus assets is likely to be understated and is likely to increase further as a result of this.

9. Principal barriers, challenges and potential solutions to the productive use of surplus land and property assets?

A number of key issues and challenges to the productive use of surplus land and property assets have been identified through consultation with local authorities as part of the Stage 2 work. A number of potential solutions have also been presented based on a combination of views from local authorities and C&W's own views. This section is set out under the following key themes which have emerged through the study:

Market conditions and viability

Skills and capacity

Funding and appetite for risk

Silo behaviours

Political culture

Legislation/regulation

Governance and policy

1. Market conditions and viability

The re-use/redevelopment of land and property assets that are declared surplus to ongoing local authority requirements is usually dependent upon there being a viable alternative use to which the building or land can be put. In the absence of such a use the outcome of seeking to dispose or lease would be to achieve a relatively modest financial return thus restricting the incentive to the local authority to divest. In such cases alternatives to re use or disposal such as a short or medium term 'hold' strategy pending market improvement, might be more appealing, especially where other policy objectives such as local place making are at stake.

Since the economic downturn, there has been a significant recovery in much of England, however the rate and scale of recovery is varied and this, combined with pre-recession viability issues that remain, and in many cases are now more prevalent, creates market/viability challenges.

The key market and viability issues identified include:

- **Weak market demand -** in some locations, there is very limited occupier/developer/investor demand for any market use. The lack of end user market demand in certain parts of the country (particularly outside of the South East and core Metropolitan District areas) means that the incentive for local authorities to reuse/redevelop assets for other uses can be limited at times and there are significant regional/sub-regional disparities. In other areas, there might be occupier demand, but the associated values are too weak to support viable land and property redevelopment schemes.

Potential solutions:

- **Demand management interventions to stimulate occupier activity.**
- **Expand financial incentives available to commercial occupiers through tax breaks such as stamp duty and business rates.**
- **Consider expansion of Enterprise Zones to broaden and widen geographical coverage**
- **Further Central Government incentives to drive market demand such as Help to Buy and the recently announced Starter Homes package**
- **Ability of local authorities to offer local area based incentives to occupiers using ring fenced local tax revenues (e.g. council tax discounts, business rate discounts)**
- **Ensure local authorities have a clear community asset transfer policy in place to enable sites/premises to be transferred for community use**

- **Marginal viability for re-use and redevelopment** – most local authority buildings declared surplus require modernisation and refurbishment to get into a state of readiness for alternative use; many area obsolete and demolition/redevelopment is the most appropriate alternative use strategy. When combined with weak occupier markets, this often results in development viability being compromised, with the cost of development/redevelopment exceeding the end values generating a negative land value and a need for ‘gap funding’ to enable delivery.

  Costs of development have been increasing rapidly over the last 12 months which has been putting pressure on development projects. This is particularly exacerbated in areas with heavily constrained sites, or where there are large scale land holdings requiring significant ‘opening up’ infrastructure works. Steps to secure planning gain for economic/social outcomes add to development costs which can also challenge viability (such as affordable housing/s106/s278/Community Infrastructure Levy etc). Whilst usually subject to viability tests, the process can still hinder/delay the redevelopment process.

Potential solutions:

- **Increase the capacity for local authorities to invest in de-risking sites/buildings and address identified viability issues and make surplus land/property more attractive to the market. This could be grant or potentially loan funding in a similar vein to the Growing Places Funding (GPF) initiatives being managed by the LEPs.**
- **Flexible application of planning obligations with consideration given to growth zones in which greater level of concessions on affordable housing and other requirements are allowed**
- **Central Government funding/tax breaks to accelerate the redevelopment viability of sites with substantial abnormal development costs, such as through stamp duty concessions**

- **Inadequate incentive to re use / dispose** – through consulation with the local authorities and from first-hand experience, there is evidence of public and private sector landowners implementing a 'hold strategy' with their land and property assets and simply 'sitting on them'. This can be due to a wider range of reasons from a lack of resource/funding to bring them forward (in the case of local authorities), to strategic reasons (e.g. a site may be located in an important location from a regeneration perspective), through to holding them in the hope that values increase or that an improved planning allocation is secured, for example, which clearly stifles their redevelopment prospects. Historic 'sunk costs' can exacerbate the issue, with landowners keen to hold out until they are able to recover value rather than proceed with development and crystallise a loss position. In general, the market can be very poor at readjusting value expectations downwards, instead preferring to hold out until economic/market conditions improve and value expectations are achieved.

Potential solutions:

- **Greater fiscal devolution to allow the full benefit of tax revenues arising from disposal and/or re use of buildings to be kept locally**
- **Potential for Enterprise Zone and Housing Growth Zone concept to be rolled out further with grant rather than loan based financial incentives to address brownfield site constraints and further fiscal incentives around Stamp Duty/Council Tax retention models.**
- **Provide longer term certainty over key revenue sources e.g. New Homes Bonus**
- **Central Government to consider introduction of 'carrot and stick' based incentives for local authorities sitting on surplus assets, incorporating bonus payments and 'vacant land levy'**
- **Potential ability for some form of new vehicle akin to the urban development corporation model to be able to acquire surplus public sector sites that are not being progressed for reuse/redevelopment.**

- **Long term development agreements** – linked to the above, there are examples of a number of surplus local authority land and property assets which are tied up as part of long term development agreements with developers. Often development is on hold due to viability issues and this is stifling the redevelopment process in the short term. Options available to the local authority in relation to these assets can be limited in the absence of seeking to exit the agreement if it has the ability to do so. However, the concept of local authorities entering into development agreements with private sector developer partners is often based on accessing risk capital which will seek a long term commitment to a site to avoid the risk of having to abandon speculative investment in scheme evolution.

Potential solutions:
• **In all cases, legal clauses within development agreements should already enable local authorities to exercise a legal right to exit the agreement if the developer fails to meet delivery milestones**

2. Funding and appetite for risk

The following issues and barriers were identified:

- **Need for upfront investment in land/property** – in the weaker or more marginal market areas, there is often a need for local authorities to invest in land/property upfront to enhance its market attractiveness and redevelopment viability. Without this, in many situations, the asset will remain vacant/underutilised. Local Authorities in stronger market areas are also striving to do this where possible to maximise the value of their assets. Local authority intervention could include, for example, upfront investment in site infrastructure, remediation, demolition and access. Local authorities are also going a stage further in a number of instances and are securing planning consents for the reuse of their surplus assets. All of this has significant time and cost implications and it requires upfront funding to address land/property redevelopment constraints. With reduced revenue availability and reduced human resource, there are real challenges in being able to do this going forward. In addition to this, upfront investment commitments involve some degree of risk given that there is no guarantee that this will secure a sale/lease and/or enhance value. This requires authorities to 'speculate to accumulate' and this appetite for risk varies. A wide range of factors determine this appetite from cultural factors through to the financial standing of the authority and its borrowing capabilities and in some instances, authorities are at/approaching their prudential borrowing limits which constrains their ability to invest in surplus land and property.

Potential solutions:
• **Increased revenue (and capital) funding from Central Government to invest in surplus assets to maximise redevelopment /reuse potential and value**

- **Increased flexibilities around prudential borrowing limits/ceilings**
- **Increased clarity/guidance required from Central Government around the extent to which local authorities should be less risk averse and investing upfront in surplus assets to maximise value. Include guidance on the approach/framework for assessing risk / return.**

- **Revenue funding** – all local authorities reported challenges associated with the level of revenue funding availability. This is potentially restricting their potential to accelerate the timing of or enhance the value of surplus assets. A number described themselves as capital rich and suggested that the revenue funding position is likely to remain a challenge. The key driver for the reuse/redevelopment of surplus assets for local authorities is to reduce revenue costs rather than to secure capital receipts and there are a number of instances where authorities are transferring land and property assets to third parties at less than market value/best consideration to either reduce ongoing revenue costs or to promote economic growth outcomes. Linked to this point are the following reported issues:

  - Some authorities reported the fact they are constrained by accounting rules which determine what can and cannot be charged to capital and revenue accounts and this is also restricting the availability of revenue that is available. The issue highlighted was the lack of flexibility around the expenditure of capital receipts accruing from asset sales to fund revenue costs. However, following a consultation period, DCLG introduced a proposal to relax the capital finance regulations in relation to this but we understand the take up of this has been slow and interest in it from local authorities was fairly limited. This may have been due to the processes/bureaucracy involved as a local authority applicant to the initiative or perhaps due to a lack of awareness. Also, the fact that there are usually flexibilities within land and property to transfer between capital and revenue funds within the current accounting regulations.
  - There is also a reported mismatch between the focus at Central Government level on capital receipt realisation and the need at the local authority level to address revenue funding constraints. This is a key point and every local authority pointed towards revenue cost reductions as the key driver for decision making, with some suggesting a lack of recognition at the Central Government level of the regional market disparities that exist and the fact that in some parts of the country, limited demand and low values critically limit capital receipt realisation.
  - The lack of long term financial certainty given the fact that Local Government Finance Settlements are agreed on an annual basis for the following 12 month period does not help local authorities with their budgeting and funding is also often driven by the term of office of Government political parties.

Potential solutions:

- **Guidance from Central Government needed around whether authorities should be developing investment portfolios and other mechanisms to increase their financial self-sufficiency**
- **Increased flexibilities to allocate capital receipts from asset sales to revenue accounts**
- **Shift in policy/financial focus at the Central Government level required away from capital receipts to enhance the revenue position as the key driver for the reuse/redevelopment of surplus assets**
- **Potential for increased longer term certainty from Central Government in terms of revenue funding commitments to Local Authorities- could the Local Government Finance Settlements be set for periods of more than 12 months?**
- **Further devolution to enable the benefit of tax revenues generated by transaction/development to be kept to incentivise investment**

- **Financial 'arbitrage' –** local authorities are unlikely to promote the disposal and reuse/redevelopment of income producing assets where the value of the income stream exceeds that of the cost of ownership (i.e. the cost of debt plus operational costs). This means that local authorities are likely to hold onto these assets to maintain the net revenue stream rather than seek to secure a capital receipt and alternative uses. This could at times be a barrier to wider economic and housing growth objectives. Whilst this is not a barrier to a local authority seeking to re use surplus assets it is relevant in helping to understand the reluctance in many cases on targeting capital receipts with many local authorities seeing vacant property as having income producing potential. An example of this is the case of a local authority owned caravan park generating £1.2million per annum in rental income which is worth more to the local authority than the equivalent capital value it would receive if sold as an investment on the open market.

- **Housing revenue account debt caps** – the ceilings on the amounts that local authorities can borrow and the limited borrowing headroom that this creates can limit their abilities to deliver new council housing on surplus local authority land. HRA borrowing is the only part of Council funding that is capped by Government and this is considered by local authorities to represent a barrier to the redevelopment of surplus land assets as well as to limit the much needed supply of social housing.

Potential solutions:

- **Potential for Government to consider increasing the ability of the affordable housing sector to invest in new housing stock.**

Political culture

Mixed messages were provided around the extent to which local politics serves as a barrier to the productive use of assets. In some instances, the strong political leadership and relationships with Council Officers was reported a key success factor, however in others, local politics was seen to be getting in the way of delivery. In two tier authority areas, the political situation can become even more complex. Some of the reported issues are presented below:

- **'Holding onto the family silver' –** local politics can slow down or prevent the delivery of outcomes with Council Members sometime being reluctant to dispose of assets because they see them as having always been Council assets and therefore always should be. There were some suggestions of local politicians being inward facing and lacking a wider outlook/perspective.

Potential solutions:

- **Potential for the development of best practice toolkits and initiatives drawing on case studies nationally which could be used to demonstrate to local authority politicians (as the ultimate decision makers at the local authority level) the benefits of releasing surplus assets for alternative use**
- **Central Government could consider the imposition of financial incentives and penalties on Local Authorities which adopt a hold approach to assets which should really be declared as surplus to operational requirements. However, the practical implementation of this could be challenging and it is probably more financially beneficial to consider rewarding authorities that do release surplus land and property for alternative use.**

- **Political 'win' vs optimum outcome** – in some cases, local politics can get in the way of delivery to the point where it is given more weighting than the maximisation of commercialism, efficiencies and values. The rationalisation of local authority owned and operated libraries is a good example of this whereby many politicians are reluctant to consider this despite the significant revenue cost savings that could be achieved perhaps through rationalisation and community asset transfer, for example. Another example cited in the consultations was a local authority that has traditionally committed its land for non-income generating uses such as parks and open space in the interests of the broader stewardship of the balance of uses in its area, as opposed to seeking to promote its land for more economically advantageous uses.

Potential solutions:

- **Increased training and knowledge transfer to ensure that elected Council Members are fully aware of and aligned to the Central Government agenda around driving efficiencies and maximising the commercial estate reuse/redevelopment opportunities that exist. Members need to ensure that they are then educating their constituents in the same way to remove situations whereby Council Members may make irrational land/property decisions to secure votes.**

- **NIMBYism perspectives** – local authorities in some cases do not bring vacant land forward for development because of political disposition against growth in certain locations.

- **Operational estate rationalisation** – Local Authorities are at varying stages in terms of the extent to which they are driving the efficiency and rationalisation of their operational estate. Driving occupational and utilisation efficiencies at the operational level will reduce operational space needs which could increase the level of surplus assets available for reuse/redevelopment. Operational efficiencies are a function of changing working cultures and practices and where here there is not such a strong political culture/mandate to promote more flexible approaches to working and to drive transformational change, this is likely to reduce the potential for surplus assets to arise as a result of this.

Potential solutions:

- **Central Government could develop performance targets for Local Authorities as it has in place for Central Government departments around space utilisation and FTEs per desk space etc. Local Authorities could be mandated to report their performance against these targets and could be subject to 'audits' as part of this.**

3. Skills and capacity

The following issues have been identified:

- **Diminishing skilled resource –** the current and likely need for further contraction in the number of officers within estates, regeneration and asset management teams is considered by a number of authorities to be a key barrier to accelerating the reuse/redevelopment of surplus assets. The process requires skilled and experienced resource with sufficient capacity to focus on maximising asset potential often on top of their 'day-to-day management jobs' and with increasing budgetary pressures, the ability to achieve this becomes increasingly limited. Furthermore, the ability of authorities to bring-in external consultancy support is also limited by virtue of the revenue funding constraints. More remote authorities expressed concern that they are unable to recruit staff with appropriate expertise and scale issues prevented any ability to 'grow their own' or provide a career path. Accordingly, competent staff were reluctant to take on roles in remote locations for fear of taking their careers into a 'cul-de-sac'.

Potential solutions:

- **Additional 'capacity' revenue funding could be provided by Central Government to enable Local Authorities specifically to 'buy in' skilled resource either through contract staff on fixed term contracts or consultants to assist with the acceleration of the reuse of surplus assets. This could be a national 'pot' of funding into which local authorities could bid competitively for an allocation based on the strength of business cases outlining a case for funding linked to revenue savings, capital receipts and economic growth trajectories.**
- **Central Government could provide some form of peripatetic resource that could be available at no/limited cost on a secondment type basis to assist Local Authorities. DCLG recently commissioned property consultants to advise local authorities and LEPs on accelerating the development of Enterprise Zone sites nationally. This was funded by DCLG and advice was provided at both the local and central levels. A similar approach could be applied in relation to accelerating the reuse of surplus assets.**
- **Alternatively, through an existing function such as Government Property Unit (GPU), it could provide dedicated resources to authorities to assist those with recognised capacity and capability constraints. It could encourage/intervene in shared resources solutions or in building regional networks/resourcing solutions.**

- **Construction sector capacity and skills issues –** concern was raised by Local Authorities around the skills and capacity within the property development and construction sector more generally, an issue which has been highly publicised in the press through organisations such as the Local Government Association (LGA)[6]. Based on C&W's experience and the evidence from the local authorities, in the recent downturn, many housebuilders, for example, have been focusing on acquiring sites and making them development ready rather than physically building dwellings. With improving economic and market conditions, the focus is now switching to on the ground development and there is rapidly becoming a shortage of skilled workers across the breadth of the sector, particularly given that many pursued alternative career options during the downturn.

Potential solutions:

- **This is a known issue at the national level and one that has been well publicised. Government has been working closely with bodies such as the CITB, CIOB, RICS and the FMB to understand the issues and to seek to address them. The delivery of new University Technical Colleges with a focus on construction skills delivery is an example of an initiative that will**

[6] http://www.publicfinance.co.uk/news/2015/08/lga-warns-construction-skills-shortage

assist to address this. A number of FE Colleges are also being supported through LEPs (through skills capital funding, formerly distributed through the SFA) to develop new construction skills facilities. One solution to the issue could be to allow local authorities to have a greater influence over skills training and development at the local level given that some of the issues will be more prevalent in some areas than others and there may also be specific skill gaps at the local level that need to be addressed.

- **IT system encryption/integration** – IT encryption issues and the fact that different public sector organisations use different platforms and software creates data assimilation and integration challenges that can hinder the ability of local authorities to work collaboratively with other public sector organisations.

Potential solutions:

- **Central Government could develop and implement a strategy which seeks to promote some degree of uniformity across public sector IT systems. The capital cost of doing this in one phase would be likely to be prohibitive but the strategy could focus on a phased approach over time to promote increased integration and uniformity as systems require upgrading/replacing. This could deliver significant benefits to the ability for organisations to better share data and consider joint-working opportunities over the medium-longer term.**
- **A short term measure could be for Central Government, through the GPU, for example, to consider establishing some form of live and interactive property database which maps/details all Central Government property at the Local Authority level as well as all surplus/potentially surplus Local Authority assets, particularly those that could be potentially suitable for housing. This could then be made available to all relevant public sector organisations to provide enhance visibility of opportunities to all relevant bodies.**

4. Silo behaviours

A number of cross-departmental and inter-organisational challenges/barriers to collaboration were identified along the theme of silo behaviours and information silos, as below:

- **Cross-departmental silos** - authorities reported some challenges at the cross departmental scale within the authority. Balancing service delivery priorities against budget cuts can lead to departments becoming increasingly protective and territorial over their individual land and property assets. At times, this could be at the detriment to outcomes which may be mutually beneficial for the authority as a whole. There appear to be different approaches as to how the financial benefits of reusing assets more efficiently are shared across authorities and in instances where there are capital receipts arising, how these are redistributed within the authority. A number of authorities have implemented a corporate landlord arrangement whereby all capital receipts are pooled into a central 'pot' and in some cases, departments can then bid to secure a proportion of this to reinvest back into service delivery. Other authorities have not yet implemented this corporate landlord approach, some are planning to and others see potential political challenges at the departmental level with doing so. Whilst the corporate landlord approach is likely to promote increased property efficiencies, there may be some reluctance from departments to dispose of potentially valuable land and property assets if 100% of the capital receipt goes to a central function, despite the potential revenue cost savings to the department of not being 'charged' for occupying the floorspace.

Potential solutions:

- **A corporate landlord model at the local authority level would appear to be an effective mechanism for addressing issues around departmental silos and territorial approaches to asset holding and management. Central Government could seek to impose on local authorities as a means of promoting the more efficient use of their estate, although there will be likely to be significant political ramifications of doing so. A number of authorities have already implemented this route out of choice and the feedback received was largely positive, despite internal politics associated with the initial development and implementation. It forces individual departments to rethink their spatial requirements based upon service delivery needs and allows the property functions to exert greater control around the 'redeployment' of property to maximise the productive reuse of surplus assets. The concept of providing local authorities with the opportunity to submit business cases to secure a proportion of any capital receipts realised through the disposal of their assets from the central landlord function is also worthy of exploration as part of this.**

- **Inter-organisational silos** – a high proportion of the authorities consulted pointed to issues they face in engaging with other organisations, particularly other public sector bodies, and suggested that this is a key barrier to the productive reuse of surplus land and property assets. Authorities suggested that whilst there has been a positive shift in recent years towards enhanced collaboration, there remain a number of challenges to this and often it is difficult to translate discussions into deliverable outcomes to ensure that it becomes much more than just a 'talking shop'. A number of issues were raised in relation to this:

  - **Understanding who to engage with** - issues were raised around the complexity of Central Government as a 'machine' and the complicated and confusing organisational structures within this across various departments. There was recognition of the fact that often local authorities are unclear as to whom they should be approaching in the first instance to understand where there may be potential opportunities for joint working and collaboration. A lack of clarity around the specific roles and responsibilities of bodies such as the Government Property Unit, Local Government Association and the Cabinet Office, for example was raised by a number of authorities. The health sector was identified as being particularly challenging given not only the complexity of the sector in terms of service needs and its estate but also the significant number of organisations such as the Department for Health, NHS England, Clinical Commissioning Groups and NHS Property Services.

- **Understanding partner ambitions and service delivery/estate needs** – a lack of awareness of the strategic aims and objectives of other public sector organisations and the extent to which these align with local authority corporate plans/asset management plans was flagged as an issue. Authorities identified a lack of visibility of surplus/soon to be surplus assets belonging to Central Government and other public bodies at the local authority level. Some authorities considered that other public sector organisations were still very insular in their approach to service delivery and property occupation/ownership and that this lack of willingness to discuss partnership opportunities and to share information/data was a barrier to efficiency of the wider public sector estate. The slow pace of decision making within other public sector organisations was also flagged as an issue in some situations.

- **Leadership** – a number of authorities highlighted that they were the ones generally having to take a lead role in cross public sector working initiatives and that often other public sector partners would not 'putting their hands up' to do this. Given that the benefits are likely to accrue across partners, it was considered that there should be more shared responsibility on this front and that partners should not be reliant on this. Some authorities felt that in the absence of their commitment and leadership, a number of the current collaboration initiatives would never have got off the ground. This can have significant time/resourcing/cost implications for local authorities.

Potential solutions:

- **Government could provide a simple document/toolkit with a 'route map' to enable local authorities to understand the structures more clearly and importantly, to enable them to understand the roles and responsibilities of each and whom they should approach in the first instance in relation to land/property assets.**
- **Government could consider the pooling of all public sector owned land and property at the Combined/Local Authority level into a single entity which would be responsible for the management and co-ordination of assets with a focus on driving enhanced service delivery, revenue cost savings and housing/economic growth. The Greater Manchester Combined Authority is proposing this type of mechanism as part of its devolution deal with Government. In this situation, the Greater Manchester Land Commission will be jointly chaired by the (to be) appointed Mayor and the Housing Minister and it will also secure devolved planning powers including CPO.**

  In another smaller scale example, Worcestershire County Council and 5 public sector partners have established 'Place Partnership' which was

originally sponsored under OPE and became live on 1st September 2015. This is an arms-length public sector owned property management vehicle which manages 1,300 assets across the 6 partners which includes 4 local authorities and 2 police forces. All respective authorities retain ownership of their individual assets but all management and purchasing/expenditure responsibilities are transferred to the partnership. It is a 'Teckal' company and so also brings procurement advantages. The Executive Director of the GPU is a Board Member on this. This pooling of public sector land/property assets at the local/sub-regional level could address some of the co-ordination failures that currently exist as well unlock opportunities for a more strategic approach to the reuse of surplus land and property to maximise financial and economic growth objectives.

5. Legislation/regulation

A number of legislative issues were identified through the consultation process, relating to both UK and EU statutory law, as presented below:

- **Compulsory Purchase Order (CPO)** – concerns were raised around the time and cost implications of the CPO process and the fact that this can hinder the productive reuse/redevelopment of surplus assets in situations where surplus asset potential could be maximised through the co-operation of adjoining land. CPO is clearly a complex and long established legal framework and it is unlikely to be something that Central Government will be able to identify a fast-track route around in the short-medium term.

- **Town planning** – the Localism Act (2011) and the National Planning Policy Framework (NPPF) place a requirement on local authorities to have adopted Local Plans in place. Authorities are at varying stages of the process and some have had their plans suspended by the Planning Inspectorate on the grounds of non-conformity or a failure to support sufficient housing need (i.e. in terms of a demonstrable 5 year housing supply). This lack of an adopted Local Plan creates uncertainty in the planning process at the local level and makes it more susceptible to challenge. This can have significant time and cost implications for local authorities in responding to these legal challenges to ensure that the optimum outcome for the local area is achieved. The lack of an up-to-date planning framework at the local level can also mean that surplus asset redevelopment is delayed until there is greater certainty around the planning position in order to maximise values. This is particularly pertinent to surplus local authority landholdings which may currently be in the Green Belt with the potential for them to be released in order to meet future housing needs. There was a commonly conveyed view by the local authorities that were consulted with that the planning process can delay/prohibit the redevelopment/reuse of surplus assets. Permitted Development Rights have assisted this to some extent but there is still considered to be a need to explore mechanisms to accelerate development and reduce the bureaucracy.

Potential solutions:

- **Providing more certainty around the reuse/redevelopment of public owned land through planning legislation and policy. The Housing and Planning Bill will enable local planning authorities or neighbourhood groups to grant 'permission in principle' for housing sites allocated in future local or neighbourhood plans or identified on local brownfield registers.**
- **Potential to grant rights for automatic planning consents on surplus public sector land that will be used to promote housing/economic growth (particularly where there is no demonstrable 5 year housing supply)**
- **Greater flexibilities within the Local Plan examination process to reduce the number of Local Plans being suspended/overturned which inevitably creates significant delays/uncertainty**
- **New processes/mechanisms to educate the general public on the need to increase the housing supply (i.e. based on lack of supply of the right type and projected population growth etc) and the implications of this in order to potentially reduce the number of objections and delays to the process.**

The dual role of authorities as both asset holders and local planning authority can present challenges for the release/reuse and economic optimisation of surplus land. Local authorities will have various internal processes for the allocation of their own land within the Local Plan development process. Views were expressed that at times this was not particularly commercial and a far more aggressive approach would have been taken had the land asset been in private ownership. This could have seen land allocated as a residential site, for example, and it was the fact of local authority ownership that has prevented this.

- **Localism Act and Community Right to Bid** – this introduces moratorium periods (2 periods – 6 weeks and then 6 months) during which the owners of 'assets of community value' cannot dispose of registered assets to give time for community groups to fundraise and develop bids. Authorities reported that it can stall the productive use of surplus properties and that it can also have significant time/cost/workload implications for local authority officers dealing with the cases. The inability to discharge the requirements to avoid delay means some local authorities felt it can be used as an 'instrument of nuisance' at times where there is no realistic prospect of community groups ever being in a position to be able to raise sufficient funds to acquire land/property assets. An example provided through the consultation processes alluded to a major town centre scheme where the local authority had already adequately considered the reprovision of the public library but this legislation was used to delay a wider £10m town regeneration scheme.

Potential solutions:

- **Consider the length of the 6 month moratorium period or require more detailed expressions of interest.**

- **Central Government clawback, PFI and use restrictions** – a number of local authorities have assets which may be surplus to their ongoing needs but which are tied into clawback agreements as a result of previous Government funding interventions. These often restrict the use of buildings for a defined period of time within which financial penalties are incurred should there be any contravention of this. Examples of underutilised/vacant buildings were referenced such as Surestart property which cannot be reused/redeveloped for other purposes due to clawback issues. Private Finance Initiative (PFI) restrictions were also identified as being a current issue to the reuse of a number of surplus assets. A number of authorities also referenced the fact they have surplus former school sites which are no longer required for educational purposes but which cannot be redeveloped for alternative use for a period of time ("7 year rule") as defined by the Department for Education.

Potential solutions:

- **Potential to relax the 7 year rule for surplus educational buildings where the local authority can demonstrate and evidence a lack of projected educational need for the asset in the particular location through both supply and demand analysis**.
- **Consideration of an approach by Government which would enable local authorities to restructure PFI contracts without the present restrictions threatening their PFI credits in the event that the PFI is replaced with another on-balance sheet solution.**

- **EU/OJEU (Official Journal of the European Union) procurement regulations** – under the current legislation, the awarding of contracts for public works and the purchase of goods/services by the public sector must be undertaken in accordance with relevant procurement legislation which often results in significant time and cost implications for local authorities. This applies to authorities when they are seeking consultancy support with initial feasibility work through to procuring a private sector development partner and could potentially result in decisions being made not to progress schemes due to the procurement implications.

Potential solutions:

- **Central Government could provide a 'best practice' guidance note to Local Authorities to include advice on the OJEU process and the extent to which there may be other alternative routes to procuring services/goods, particularly with regards to the procurement of developers and development partners. This could include options around utilising planning policy as a mechanism to maintain control over the future use of surplus assets or granting long leases to avoid the time/cost implications of OJEU for both public and private sector partners. It could also provide guidance on developing optimum specifications within the OJEU process to ensure that the process is not over-prescriptive and over-complicated from the outset.**

- **Other legislation** – e.g. local authorities cannot dispose of statutory allotment land without the Secretary of State's consent as per Section 8 of the Allotments Act 1925. This and other types of similar legislation can limit the ability of local authorities to maximise the efficient use of declared surplus land and property assets.

6. Governance and policy

- **Changes to regional/sub-regional governance structures** – some authorities perceived that the loss of the regional tier of governance in terms of the Regional Development Agencies (RDAs) and the subsequent introduction of Local Enterprise Partnerships (LEPs) has resulted in a 'gap' in the governance and funding machinery at the sub-national level. LEPs have taken a while to establish themselves and remain in their relative infancy, with varying degrees of 'in-house' capacity and capability. Certain authorities indicated concern around some LEPs' skills, capacity and resources to deliver, suggesting that they have strong policy development and project management capabilities but that they lack commercial delivery capabilities. Whilst authorities supported the idea of devolved funding at the Combined Authority level and recognised the influential role that Combined Authorities could have, there were some concerns around a perceived lack of leadership at the LEP level and the future certainty over funding.

- **Short term Central Government planning, policy and funding regimes** – linked to the above, there is a view that Government initiatives are often reactive, short-term and continually changing which is not conducive to longer term planning at the local authority level. The annually reviewed Local Government Finance Settlements are a good example of this from a funding perspective, but there is a view that Central Government is often ad hoc in relation to policy implementation which again makes longer term planning challenging.

- **London-centric focus of Central Government policy** – there was some suggestion that Central Government policy often does not account for regional needs/disparities and the Central Government policy focus on capital receipt realisation is an example of this, given that the potential for this is so limited in certain parts of the country due to market demand/value issues.

Potential solutions:

- **Policy-makers should ensure that national policy documents reflect regional/sub-regional disparities in terms of market and socio-economic performance and indicators. Measures should be adopted to ensure that the specific needs of different parts of the national economy are reflected within this.**

- **Lack of awareness around Central Government asset strategy at the local authority level –** authorities identified not only a lack of visibility of the Central Government estate at the local authority level in terms of the scale and extent of the asset base, but also a lack of awareness of Central Government strategy in relation to its assets. Authorities referenced examples of large DWP/MOJ properties in town/city centre locations whereby they had a lack of understanding as to the extent to which they may/may not be declared surplus and what the longer term strategy for them might be to understand where there may be shared goals and opportunities to maximise outcomes for all.

Potential solutions:
• **Potential role for GPU to better engage with local authorities to ensure that authorities are aware of the Central Government service delivery and asset management strategies and the implications of these on asset at the local levels.**

- **Lack of clarity/guidance as to what Local Authorities should and should not be doing –** a number of authorities identified that there is a lack of clarity from Central Government around what Local Authorities should be doing from a Central Government perspective in terms of their remit and objectives, particularly in light of the increasing austerity and drives for efficiency against the need to maintain service delivery. Authorities consider there is a lack of visibility around Central Government goals and the extent to which they should be seeking to align with these. Under the General Power of Competence that was introduced in 2012, there is recognition that local authorities legally have the ability to do "anything that individuals generally may do" (as long as they do not break other laws). However, authorities expressed that they would benefit from further guidance as to the extent, for example, to which they should be proactively seeking to develop substantive investment portfolios to provide a revenue stream, despite the fact that in some situations this may involve competing with the market. There is also uncertainty around the extent, for example, that local authorities are able to deliver market housing, especially when there is a requirement for social housing at the local level and the authority is the Registered Provider.

Potential solutions:
• **Central Government could prepare a clear and concise guidance note to articulate the parameters within which it considers Local Authorities to have a role. This could provide further guidance on the General Power of Competence to give greater clarity around the practical implications of this from a local authority perspective and to enable them to better understand what Central Government will support them to do, particularly from the perspective of being active developers and investors in their own right to enhance their financial sustainability.**

10. Conclusions and areas for policy development

A number of conclusions and potential areas for policy development can be drawn from the findings of this study to inform future Central Government policy and action.

DCLG Local Government Finance Statistics

The analysis of the DCLG's Local Government Finance Statistics indicates:

- The value of all declared local authority surplus assets in 2014 was £2.4bn.
- This represents an average of approximately £6m for each English local authority.
- However, the £2.4bn figure is just 1% of the value of total assets reported in the same year which suggests that it is an under representation of potential surplus assets.
- The value of surplus assets has been growing year on year over the period 2011 to 2014, however, so too has the quantity of receipts that have been realised.
- There is a geographical mismatch in respect of the value of receipts crystallised from assets which is substantially greater in the South East of the country.

Feedback on local authority activity in managing surplus assets

Consultation with the 16 sampled local authorities appears to confirm the inference drawn from the data returns that there is an under reporting of the total potential of surplus local authority assets. Many local authorities are interpreting the definition of surplus as being only those assets that have been identified as not required and ready for immediate sale; as a result there is believed to be substantial additional land and property that is vacant or under-utilised that is arguably surplus. Other summary findings regarding the treatment and recording of surplus assets are:

- All local authorities have a schedule of identified surplus assets with strategies/programmes for disposal/reuse. They vary significantly in terms of where they are with transformation/disposal programmes.
- The reported surplus asset position does not necessarily reflect the full position given ongoing enhancements in working practice/space utilisation which could drive further surplus land and property - authorities recognise that the actual level of surplus assets could be much higher.
- A number of authorities are reportedly "currently" or "about to" undertake strategic reviews of assets which could result in further surplus land and property
- The key driver of the reuse/redevelopment of assets is revenue savings as opposed to capital receipts although there are geographical differences based on market values/capital receipt potential.

In respect of capital receipts:

- All authorities are able to demonstrate past and future projected capital receipts from the disposal of surplus assets.
- Key driver of reuse/redevelopment of surplus assets is revenue savings as opposed to capital receipts. Other key drivers include economic outcomes and business rate/council tax receipts which are more valuable than capital receipts in many cases.
- Capital receipts are highly dependent upon market conditions and there are major geographical variances.
- Re-use/disposal doesn't always generate a capital receipt, e.g.:
    - terminating a lease to reduce revenue costs
    - transferring land at nil value to enable wider scheme delivery
    - transferring property to community groups
- Hold strategy – in a number of cases, the realisation of capital receipts has been deferred due to market conditions and a number of authorities are likely to realise receipts over the next few years.
- Asset disposals vary from outright auction sale through to local authorities investing in upfront building/site investigation and securing outline planning consent to maximise capital receipt values.

The review also highlighted the following key messages in respect of investment assets:

- Most authorities don't categorise investment assets as surplus.
- Investment portfolios typically comprise a large number of small inherited/legacy assets that are held for policy reasons rather than financial reasons. Most local authorities expressed an aspiration to review their portfolio to enhance financial performance to create future income – however, very few have actually implemented this.
- Some authorities don't have investment assets at all, others have extensive portfolios. Going forward there are mixed messages about whether authorities should be increasing or reducing the scale of their portfolios.
- Recognition that many authorities need to enhance the efficiency of their investment portfolios which may involve the disposal of poorly performing assets and potentially acquiring new assets to drive financial efficiencies.
- Local authorities are increasingly recognising the value of investment assets to increase revenue income and the need to become increasingly financially sustainable.
- Rationale for having an investment portfolio varies but the key driver is principally to maximise financial returns to reinvest in core service delivery to achieve corporate policy outcomes.

Reasons some local authorities have been more active than others

The key reasons identified were:

- Market conditions and recovery – in areas where there is occupier demand and increased scope for capital receipts, authorities have been more incentivised to dispose of surplus assets.

- Political drivers and leadership – some authorities have been mandated by local politicians to drive the efficiency agenda and disposal of surplus land/property more than others.
- Town planning – some local authorities still don't have adopted Local Plans in place which is stifling their ability to redevelop land for alternative use – they are more likely to hold the land until the policy allocation is confirmed to maximise value.
- Asset disposal strategies and transformation/rationalisation programmes – the authorities with more established and approved strategies in place are often more advanced with their rationalisation and disposal activity.
- Corporate landlord model – some authorities have adopted this which means they are more likely to have driven efficiencies in their use of property.
- Resources – some authorities have more human and financial resource than others to progress rationalisation/redevelopment activities. This relates not only to authority scale but also appetite to borrow/invest and ability to secure external support.
- Inherited estates – some authorities only formed more recently e.g. unitary authorities and inherited a 'mixed bag' of land and property assets which they are only now starting to rationalise/redevelop. They did not start from a level playing field.
- Relationships with wider public sector bodies – some authorities have taken advantage of initiatives such as OPE and others are doing this type of activity but not under this guise, whereas others are finding it challenging to engage with and work alongside partners to maximise the efficiency of their estate.
- Ambition/appetite for risk – some authorities have clearly been more ambitious than others with a greater appetite for risk. However, this is often those which are perhaps in a stronger position to do so than others (i.e. larger authorities in stronger markets) or those which have had to take on increased risk in order to realise a disposal opportunity.

Key constraints affecting the re use of local authority assets

Market and viability issues

- Market conditions for purchase/lease must be strong enough to justify divestment against other alternatives.
- There are significant regional/sub-regional market disparities.
- In some locations, there remains very limited occupier/investor demand for land/property assets.
- In weaker market areas, authorities have to invest in land/property to make it attractive to the market (e.g. in site infrastructure, planning etc.).

Appetite to invest at risk

- The productive re-use of surplus land often requires upfront investment, particularly to maximise value.
- This requires available revenue funding.
- Some authorities are very risk averse and will not invest to save or speculate to accumulate to maximise efficiency and value.
- This relates to both financial standing/priorities and authority appetite for risk.

- Some authorities are at their borrowing limits/capacity.

Skills and resources

- There is a time/cost/potential opportunity cost, involved in the productive re-use of surplus land.
- Some authorities recognise that they do not have the necessary in-house resource to support this.
- This requires available revenue funding and ability to secure private sector support is often limited.
- Construction sector capacity/skills barriers.

Political culture

- Some authorities are constrained by the ideology of ‘holding onto the family silver’.
- Some lack political drive/leadership to drive the surplus assets agenda.
- Political issues/debates can often get in the way of maximising efficiencies and values.

Silo behaviours

- Both inter-departmental issues within local authorities and across the wider Government and public sector estate.
- Insular approach to property occupation and ownership.
- Challenges with aligning multi partner/agency service delivery and business needs and IT systems.
- Challenges with engaging with other public sector partners and securing ‘buy in’.
- Complex/confusing Central Government estate and confusion around who to engage with.
- Local authorities often having to take the lead role in cross public sector working.

Legislation and Regulation

- EU/OJEU procurement regulations can hinder the process.
- State Aid legislation can limit the ability of local authorities to serve in a direct development capacity.
- Localism Act – community right to buy/asset transfers can impact redevelopment proposals.
- Town planning – the lack of adopted Local Plans in some areas creates uncertainty and is more likely to result in a ‘hold strategy’.
- CPO – time/cost implications.
- Social housing funding.
- Clawback issues may restrict reuse.

Governance

- Lack of steer/direction/clarity/consistency from Central Government around what Local Authorities should/shouldn't be doing as part of their raison d'etre in the new economic climate.
- Changes to regional/sub-regional governance (i.e. RDAs to LEPs/CAs) have left a gap in the machinery for a couple of years and uncertainty remains.
- Suggested that Central Government policy can be London-centric and not reflect regional issues.

Options for further considertaion

The findings of this research project have revealed that there are a wide range of factors that are influencing local authority activity in the re use of surplus land and property. As such, there is an equally wide range of possible policy responses that could be deployed to accelerate such activity.

Consultation with officers identified a number of potential solutions to accelerating re use, some of which were borne out best practice and others based on perceptions of what would make a difference.

In this final section of the report we pinpoint the key actions that the Government could consider further to facilitate the accelerated re use of surplus local authority land and property. These actions are based on our distillation of the feedback sessions together with our analysis of how common constraints can be overcome.

We have grouped our considerations under two headings:

i. Direct policy actions – measures that can be considered more quickly that will have a direct positive effect in accelerating the re use of local authority surplus property

ii. Areas for wider policy review and development – other actions which would have a positive impact on the ability of local authorities to accelerate the re use of their property, but which we consider need to be considered in the light of broader policy agenda. Such matters include legislative reform, promotion of shared services and collaboration at the local level and further empowerment of local authorities to stimulate growth within their areas.

These options are defined further in the tables below.

Direct policy actions

Direct/immediate short term actions for consideration
(a) – Reward mechanisms to incentivise the release of surplus assets Introduction of incentives to positively influence local authority behaviour in accelerating the re use of surplus and under-utilised property. Feedback demonstrates that business rate retention and new homes bonus has encouraged local authorities to more proactively promote growth; in the same way a reward basis for bringing vacant and under-utilised property back into use would have a positive effect on behaviour. ***(b) – Creation of a 'Surplus Asset Initiative Fund'*** A fund to provide capital and revenue grant/loan for local authorities to bid into to support the upfront costs of initiatives to accelerate the re use of surplus property. This could include funds for preparing an initial strategy and action plan or for the upfront investment required to prepare surplus assets for re use. ***(c) Enhancing local authority capacity to deliver*** Additional 'capacity' revenue funding could be provided by Central Government to enable Local Authorities specifically to 'buy in' skilled resource either through contract staff on fixed term contracts or consultants to assist with the acceleration of the reuse of surplus assets (e.g. extension of the previous £3m Site Delivery Fund). This could be a national 'pot' of funding into which local authorities could bid competitively for an allocation based on the strength of business cases outlining a case for funding linked to revenue savings, capital receipts and economic growth trajectories. Alternatively, Central Government could provide some form of peripatetic resource that could be available at no/limited cost on a secondment type basis to assist Local Authorities. This could be provided at a central level through a function such as GPU or it could mirror the ATLAS arrangement and be managed by DCLG but delivered through the HCA, perhaps at a regional level. Alternatively, DCLG could follow the Enterprise Zone approach and appoint preferred external advisory support which is then made available to local authorities at nil/low cost to them. ***(d) – Preparation of practice guidance for local authorities*** Central Government could prepare a clear and concise guidance note to articulate the parameters within which it considers Local Authorities to have roles, remits and responsibilities. This should provide further guidance on the General Power of Competence to give greater clarity around the practical implications of this from a local authority perspective and to enable them to better understand what Central Government

will support them to do, particularly from the perspective of being active developers and investors in their own right to enhance their financial sustainability (i.e. develop investment portfolios or deliver market housing, for example). This needs to reflect the changing fiscal climate and the associated impacts of this upon devolved funding from central levels. It should also provide examples of best practice from across England to illustrate the key points and alongside this, Government could deliver training and knowledge transfer events to further inform both local authority elected members and officers.

Further guidance could also be provided around the definition of 'surplus assets' to ensure that all vacant/underutilised land and property is reported and accounted for appropriately. This needs to ensure that the definition captures the wider roles, responsibilities and objectives of local authorities in the changing funding climate and in the context of the General Power of Competence.

Central Government could also provide a 'route-map' to enable local authorities to understand the central organisational structures and processes more clearly and importantly, to enable them to understand the roles and responsibilities of each and whom they should approach in the first instance in relation to land/property assets.

(e) – Performance targets and improved data collation and monitoring

As already in place across the Central Government estate, performance targets could be implemented at the local authority level around property/space utilisation and efficiency to promote the optimum use of local authority assets. This could be monitored with rewards linked to improved estate utilisation and the release of surplus assets.

Central Government could consider establishing some form of live and interactive property database which maps/details all Central Government property at the Local Authority level as well as all surplus/potentially surplus Local Authority assets, particularly those that could be potentially suitable for housing. This could then be made available to all relevant public sector organisations to provide enhance visibility of opportunities to all relevant bodies.

Areas for wider policy review and development

Review of EU/UK legislation and regulation

(a) – Review of borrowing regulations relating to the delivery of public sector led development

For example, limits on borrowing headroom.

(b) – Review of the capital finance regulations

To allow greater flexibilities around charging capital receipts to revenue accounts to promote surplus asset disposals and offset the revenue funding issues.

(c) - Increased flexibilities in relation Central Government funded assets no longer required for their original use

Measures to address clawback/use restrictions should be explored where Government funded buildings are no longer required for their original purpose, particularly in the case of surplus educational buildings where there is an identified lack of current or likely future educational need for the building.

(d) – Promotion of stability and longer term financial certainty

Need to promote increased stability within the policy and funding environment across Central and Local Government. Potential for the Local Government Finance Settlements to extend to beyond just 12 month periods? Government to recognise that a ‘one size fits all approach’ is not applicable and that there are significant sub-national disparities across local government

(e) – More flexible and growth focused planning policy

Providing more certainty around the reuse/redevelopment of public owned land through planning legislation and policy. The Housing and Planning Bill will enable local planning authorities or neighbourhood groups to grant ‘permission in principle’ for housing sites allocated in future local or neighbourhood plans or identified on local brownfield registers. Permission in principle will give applicants greater certainty that the suitability of land for an amount of housing development is agreed before significant investment is made in costly technical matters. The result will be a quicker and more predictable planning process where the fundamental principles of development are established once.

(f) – ‘Best practice’ guidance on OJEU

Central Government could provide a ‘best practice’ guidance note to Local Authorities to include advice on the OJEU process and the extent to which there may be other alternative routes to procuring services/goods, particularly with regards to the procurement of developers and development partners. This could include options around utilising planning policy as a mechanism to maintain control over the future use of surplus assets or granting long leases to avoid the time/cost implications of OJEU for both public and private sector partners. It could also provide guidance on developing optimum specifications within the OJEU process to ensure that the process is not over-prescriptive and over-complicated from the outset.

Promotion of shared services and collaboration at the local/combined authority

level
Central Government could continue to drive the shared service and collaboration agendas to promote optimum service delivery and the efficient use of land/property assets at the local levels. Inter-organisational silos at the local/combined authority spatial scales remain there is clear evidence of an insular approach to property occupation and ownership across the public sector landscape at the sub-national level. Central Government needs to consider how it can overcome these. Whilst initiatives such as OPE are driving this in the right direction, more may be needed to the address the scale of the challenge that exists. Government could consider the pooling of public sector owned land and property at the Combined/Local Authority level into a single entity which would be responsible for the management and co-ordination of assets with a focus on driving enhanced service delivery, revenue cost savings and housing/economic growth. The Greater Manchester/Liverpool Combined Authorities are proposing this type of mechanism as part of their devolution deals with Government. Manchester, for example is proposing a ‘Land Commission’ which will be jointly chaired by the (to be) appointed Mayor and the Housing Minister and it will also secure devolved planning powers including CPO. Worcestershire County Council has also already established the ‘Place Partnership’, a sub-regional property management, procurement and delivery vehicle, in partnership with other local authorities and blue light services. There are various models which could be explored further and a ‘one size fits all’ approach is unlikely to be suitable.
Supporting the growth and devolution agenda
Devolution and economic growth remain key Central Government priorities and it is important that local authorities are sufficiently supported and incentivised to drive these national agendas. There is a role for Central Government to continue to devolve powers and funding to local/combined authorities and to ensure that they have increased abilities to drive economic growth at the sub-regional level. Business rate retention will be an important mechanism and there is the potential for Government to consider introducing other fiscal and policy measures as part of devolution packages to incentivise growth at the local levels.