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CABINET

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MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY
SUB COMMITTEE ON DISPOSAL OF PUBLIC ASSETS

DISPOSAL OF SURPLUS LAND AND BUILDINGS IN THE PUBLIC SECTOR
Memorandum by the Secretary of State for the Environment

1. The meeting of E(DL) on 5 June 1979 asked me to circulate a paper about the longer term disposal of public sector land and buildings (E(DL)(79)1st). I propose to do this in two stages: the first - to which this paper relates - covers the disposal of surplus land and buildings and for which provisions will be needed in the Local Government, Planning and Land Bill in the autumn. The second stage will relate to raising cash on assets that are not surplus, and is not subject to the same timetable.
2. My objectives in securing the disposal of surplus land are:-
 - a. to bring in capital receipts
 - b. to make the land more readily available to people likely to develop it or use it better
 - c. to help minimise the demand on agricultural land for development
 - d. to deal with the widespread impression that the public sector is not concerned at having valuable assets lying around doing nothing.
3. I must warn my colleagues at the outset that the measures necessary for any serious pursuit of these objectives could be represented as contrary to the philosophy of business independence for the nationalised industries and to our policy of greater freedom for local authorities. We may inevitably be driven to some change in relationships with many of the bodies concerned, and in the principles on which they are at present expected to manage their land. There are also staffing and cost implications both for the civil service and for the other public bodies involved, on which consultations are needed before any worthwhile assessment can be made. But the general importance of rolling back the frontiers of the public sector, along with the importance of the four specific objectives above, justifies in my view facing any charges that may

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be made of interference or inconsistency: and I envisage that we could get the earliest effects for the lowest costs by starting with sizeable sites in areas where under-used public sector land is concentrated.

4. Basically my proposal, which excepts Crown land, provides:-
- a. that publicly-owned land not in full beneficial use would be entered on a register maintained by local authorities and open to public inspection. The register would give public authorities an opportunity to explain why the land was not in full beneficial use, and indicate to developers and others whether or not it was for disposal. The exact definition to give effect to this will require careful consideration;
 - b. a power for the territorial Secretary of State to direct disposal of public land, subject to consultation and pricing safeguards;
 - c. a power for public bodies and bona fide developers to challenge the continued public ownership of specific sites with adjudication by the territorial Secretary of State concerned (with optional provision for a public inquiry);
 - d. Crown sites would be entered on the register on a voluntary basis.

These proposals are set out more fully in the attached note prepared by my officials after discussion with other Departments (although other Departments are not committed to them).

5. I seek my colleagues approval to the general shape of the proposals; to initiating consultations with the bodies concerned - chiefly local authorities and nationalised industry; and to my bringing back detailed proposals to the Committee.

MH

Department of the Environment
2 Marsham Street
SW1

16 July 1979

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DISPOSALS OF LAND IN THE PUBLIC SECTOR
NOTE BY OFFICIALS

The Scheme

1 The main features of the scheme would be:

- (a) statutory registers, to be kept by local authorities of land and buildings in their area but not in full beneficial use and owned by public bodies, including themselves and the Crown, to be reviewed annually;
- (b) power for the territorial Secretary of State to direct disposal of public (non-Crown) land, subject to consultation, assessment of merit and adequate pricing safeguards;
- (c) power for public bodies and bona fide developers to challenge reasonably the continued public ownership of specific sites, other than Crown sites, with adjudication by the Secretary of State for the Environment, for Wales or for Scotland who would consider whether to hold an inquiry;
- (d) Secretaries of State to act in consultation with the Ministers responsible for the service concerned.

Some of the more detailed aspects of these proposals are set out in Annex A. Further consultation will be needed to determine such matters as staffing and administrative costs, exemptions and the tier of local government to keep the registers. The proposals could be incorporated in the Local Government, Planning and Land Bill to be published in the Autumn.

Scope of proposals

2 The chief public landowners are Government Departments, local authorities and nationalised industries, and the following paragraphs indicate how these groups would be affected.

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3 Government Departments. Government departments have well-documented land holdings and are under a duty to dispose of land surplus to their requirements. The larger land-owning departments maintain updated programmes of land disposals. The abolition of the first offer procedure between public bodies before surplus land is offered on the market, which has already been announced, should do much to permit quicker sales. The way ahead is therefore for each department to take full advantage of this. There is no suggestion that the Crown would be bound by the proposals but presentationally it would be better if qualifying 'Crown' land were also registered, though there might be no particular advantage once a piece of land had been declared surplus and put on the market.

4 Local authorities. The bulk of publicly owned land is in the hands of local authorities. No central ownership records are collected. Their land is usually held in separate accounts, eg housing, planning, rather than managed as an asset in its own right. This means that its management is often fragmented. There are no overall statistics about land turnover. In the major cities local authorities own high percentages of vacant land (examples at Annex B). Local authorities may be expected to feel that the proposal to require them to maintain a register of certain publicly owned land in their area is incompatible with the Government's policy on the reduction of expenditure and manpower, and with the Government's policy on the reduction of controls over local government. On the other hand, many of them will be attracted to the possibilities they will see of easier ways of securing the release of land held by other bodies in the public sector. A unanimous reaction is therefore unlikely.

Nationalised Industries

5 Some of these (British Rail, British Gas, CEEG, Post Office) are large or otherwise important holders of land. Under present legislation, they are independent statutory corporations. Powers for sponsoring Ministers to issue directions of a general and sometimes a specific nature are available, but to require them to sell off land new legislation is needed. This could be seen as a radical

change in their status, and if they are required to sell off property against their own commercial judgement of their longer term interests, they might look to be compensated. Industries have their own arrangements for reviewing their requirements and keep their own records of land holdings. For sponsor Departments to keep duplicate records and try to assess independently what land was surplus and might be sold off would be a considerable administrative burden and an unprecedented intervention into the field of management decision. Prospective capital receipts however are one element taken into account in setting the external finance cash limits for nationalised industries. The scope for realisation of nationalised industry assets as a whole is being examined in a separate exercise which the Treasury is co-ordinating and it will be possible in appropriate cases to take into account the outcome of this review in settling future financial targets and cash limits. The present proposals summarised in paragraph 1 will involve nationalised industries in staff and expenditure costs, and are likely to provoke the reaction that they will involve fruitless work and be incompatible with the Government's apparent intention to leave them to manage their undertakings on commercial principles.

6 Other Public Bodies. There are several bodies like the Nature Conservancy Council who own various amounts of land; but not much of the kind with which these proposals are concerned.

Practical issues relating to the proposals

7 It has been suggested that the proposals are likely to be counter productive because they will, by introducing new procedures, lengthen the chain of events leading up to transactions. They may also put sellers at a disadvantage since purchasers may be able to bring external pressure to bear on the transaction by calling in the Secretary of State.

8 It has also been suggested that the prime constraint on disposals of land is the level of demand for land in the area concerned at a realistic price. It is true that this is an important constraint, especially in inner areas, or where land is in need of restoration. But, except where the value is negative, there are general benefits to be sought in getting transactions going as soon as possible at a price determined at auction, for which some transactions - though by no means all - are well suited.

9 There has been the further suggestion that incentives are needed to stimulate efficient turnover of land. The new lower rate of DLT will help. There is a case, too, for allowing a disposing authority to use the proceeds of sales to increase its spending, as is the practice with NHS land and the land of local authorities. It seems desirable to seek a common practice that would provide an incentive to sell while safeguarding the PSER.

10 Finally, it has been urged that, especially when the planning position is uncertain and the prospects for the local economy not good, the effect of selling off land is to get it into the hands of speculators who sit on it waiting for a better price. There may be some truth in this, but it seems likely that private speculators may be quicker than public authorities to sell land on to other private organisations seeing the chance to do something useful with it.

Initiation

11 The scheme could begin in those inner city areas where there is a concentration of under-used land and it could be applied initially to sites over a certain size. This would help to ensure that it began at a reasonable pace and that the work involved was small.

General Conclusion

12 A good deal of further work remains to be done on details of the scheme and its manpower implications. But a scheme on

the lines proposed appears to be administratively practicable and the best that could be produced as a major encouragement to bringing publicly held land into fuller use more quickly.

Basis of Register

- 1 To be kept by Districts and London Boroughs, designated by Secretary of State.
- 2 Register to include all land owned by public authorities but not in full beneficial use on a certain date.
Definition would include:
 - minimum size of site
 - land admittedly surplus
 - vacant land not regarded as surplus but for which there is no present or immediate prospect (12 months) of development;
 - land or buildings substantially underused in terms of the permitted use;
 and including land not needed for the technical operation of the public body concerned and retained only for its financial well being.
- 3 Public authorities to mean local authorities, nationalised industries (and other statutory undertakers) and other public bodies. The Crown not to be a public authority for this purpose; but to register on a voluntary basis as if the legislation did apply.
- 4 Requirement on these public bodies to provide information for the register, including reasons why land not in full beneficial use and an indication whether or not the land is for disposal.
- 5 Form and content of returns to be prescribed.
- 6 Returns to be made by a prescribed date and thereafter updated annually.
- 7 Copies of register to be sent to the Regional Office.
- 8 Register to be open to public inspection at all reasonable times.
- 9 No penalty for failure to comply but, if a local authority failed to maintain a register, default power for Secretary of State or another council to act. Effective means will be required to ensure that public bodies include their land on the register.

Powers of Ministers

- 10 Power for Secretaries of State for the Environment, Scotland and Wales to direct disposal by sale of particular public interests in land against broad (political) objectives (this power should be provided in its own right, not just as a consequential of the land register). Provisos -
- power to be exercised only after consultation with owner of interest concerned,
 - Secretaries of State to be satisfied that disposal can be made without serious damage to the functions, operations, business etc of owning body,
 - Secretaries of State to act in consultation with Ministers responsible for the service concerned,
 - the powers would not normally be exercised without allowing the selling authority to establish the planning position.

Basis of Sale

- 11 Consideration to be accepted for sale to be the best that can reasonably be obtained, with arrangements for district valuer advice and subject to special consideration if sale is to be severely time restricted or made without establishing planning uses.

Other

- 12 Consultation with LAAs, NIs, etc.
- 13 Assessment of resources required for system.
- 14 Consider whether a start can be made in advance of legislation.

- The extent of land vacancy varies from area to area. From such data as has been collected vacant land in cities ranges between 3% and 8%, with one half to three quarters in the outer areas and one quarter to one half in the inner areas, where it represents 5%-14% of inner city land (eg Greater London 6%, Birmingham 7%, Glasgow 12%, Liverpool 14%).
- It is essential to be clear that because land is vacant it does not mean it can, and ought to be, brought into development right away. There are frequently very good reasons why land is vacant and its shape and character may make it quite unsuitable for development.
- The following information has been collected at different times and may have changed somewhat by this point in time but it does still give a fair indication of the extent of current public ownership and vacancy, reflecting what is presumed to be prima facie evidence that the land is "surplus".

Liverpool - 716 hectares of which 463 hectares is in the inner area. Vacant, and about to become vacant, land in the inner area is put at 643 hectares or 14% of the inner area. The land is primarily in the ownership of the public sector. The local authority own about half of all the land in Liverpool: probably at least that percentage of inner area vacant land is theirs. Some 200 hectares is owned by other public bodies of which the largest slice, 178 hectares, is owned by MHDC. Much of the vacant land in Liverpool is unlikely to be developed by the present owners in the next 5 years.

Manchester - 630 hectares of vacant land in the inner area of which 30% is committed for early development, 53% is allocated for use but not programmed and 17% unallocated. Two-thirds (ie over 400 hectares) is owned by the City Council and a further 34 hectares by statutory undertakers.

Birmingham - 312 hectares in the inner area: 63% of this is in City Council ownership and 77% in public ownership as a whole.

Nottingham - 330 hectares of which 74% (246 hectares) is owned by Council, 16% by other public bodies and 10% by the private sector. Only about 26 hectares has no firm proposal for development.