

# In the public interest?

## Community benefits from Ministry of Defence land disposals: research report

### Summary of findings

Large swathes of Ministry of Defence land are earmarked for sale in the near future. This study considers the dilemma of how to secure maximum public benefit from the disposals. It looks at the chequered history of defence land sales and draws on a range of expert opinions to recommend the best way to balance the needs of local communities with those of the MOD at a time of financial constraint.

#### Key points

An unprecedented amount of land will become available for development in the near future as the Ministry of Defence seeks to rationalise its landholdings. This represents an opportunity to achieve public benefits, such as new jobs and affordable housing, that may never be repeated.

There is a conflict between the MOD's chief aim of achieving maximum financial benefit from the sale of its land and the requirement for other agencies to achieve maximum value in terms of quality and benefit to the local community.

In the past, the record of the MoD and its partners has been mixed. Land disposals have frequently failed to deliver hoped-for community benefits.

There has been no overarching research into the best way of achieving public benefit from such disposals, and the issue has not been high on the policy agenda.

Almost all recent approaches to community benefit have been dependent on rising land values and, frequently, a contribution from the public purse as well. This strategy is problematic in the current financial climate.

#### The context

The planned disposal of large swathes of Ministry of Defence land offers a unique opportunity to provide long-term economic benefits to local communities, such as new jobs and affordable housing.

The MOD is under increasing pressure to rationalise its landholdings and save public money. This process was already well advanced before the financial crisis and subsequent recession of 2008-9. It is likely to accelerate as the 2010 Strategic Defence Review proceeds and the MOD seeks to release additional funds for frontline services.

Widespread public benefits can be achieved through many of these land disposals. But little research has been done to examine how this can be realised and for the last decade there has been minimal interest in the issue from central government. This report raises significant issues of public policy that have been largely ignored for many years.

Much MOD land is in areas that have been highly dependent economically on military activity (such as Aldershot and Whitehill Bordon in Hampshire). The release of land is an opportunity not only to meet housing need but also to reconfigure defence-dependent local economies. Other sites are of significant historic interest and are valued by local communities; the opportunity to reuse them to

meet contemporary needs should not be passed over. Others may not be developable but have environmental value and may be re-used as public open space.

## **The findings**

Many of these benefits are unlikely to be realised under current conditions. At the heart of the problem is the way HM Treasury deals with surplus public land: government departments must obtain market value and are set targets for asset sales which help to balance their departmental budgets. So if the MOD fails to achieve the expected value for a piece of land, savings must be found elsewhere. This forces the MOD to equate public benefit with departmental benefit: the future use of the site takes second place to achieving the maximum receipt.

There is a clear conflict between the pressure on the MOD to achieve maximum value in terms of price, and the requirements for other agencies to achieve maximum value in terms of quality and benefit to the local community. Furthermore, although military land has been sold for many years, there has been no systematic attempt to bring together and share learning about how to do this well.

This omission causes difficulties for central and local government departments and agencies. The Homes and Communities Agency (HCA) is tasked with ensuring housing supply meets anticipated needs and is responsible for the national affordable housing programme; local authorities have a duty to ensure the economic, social and environmental wellbeing of their communities and are now also responsible for assessing local economic needs. Education authorities must plan school services for new settlements, while local councils must consider the necessary transport and utility infrastructure.

Attempts to resolve this conflict within individual disposals have been tentative, muddled, or dependent on cross-subsidy from a buoyant private property market. While the MOD is required to work with the Homes and Communities Agency to achieve quality standards set out in the Code for Sustainable Homes, there are doubts about whether this is contractually enforceable.

Where the MOD has worked with other bodies such as local authorities or regional development agencies to achieve agreed outcomes for major sites, there has been a history of unsatisfactory partnership working and poor communication. In the past rising land values have helped to paper over the policy cracks, because developers were prepared to subsidise community facilities from the profits available from residential or commercial sales. Since the collapse of the property market in 2008-9 this has ceased to be a viable option and is unlikely to be in the near future.

Examples of partnership work cited as good practice during the course of this research project show that community benefits can be achieved through disposals of military land. But this is often through complex workarounds and local agreements, and is fundamentally dependent on the strength of the local property market combined with strong local leadership. None of the models suggested offers a tried and tested long-term solution to the dilemma of achieving the best outcomes for the public rather than for the MOD and/or the Treasury. There are, however, untested options that may prove successful: joint venture companies and asset-backed vehicles may provide a model for long term planning and development of major sites.

This research suggests, however, that without a resolution of central government's approach to disposals of publicly owned land, we are likely to see continued conflict between the short-term demands of the MOD and the long-term needs of communities. This conflict may result in long-term blight caused by neglect or inappropriate development; failure to build community infrastructure into housing developments, leading to the need for remedial action by local authorities and housing providers at a later stage; and the disposal of sites for housing development without regard to the wider needs of the local economy and quality of life.

As the first stage of the research a literature review considered academic research, news reports, Parliamentary debates, and documents produced by local authorities, regional development agencies, voluntary organisations and other interest groups. It found a lack of overarching academic research and little to suggest the issue has been high on the national policy agenda, despite some progress in recent years. This is a cause for concern, as there is a risk that mistakes will be repeated through a

lack of awareness of good practice and a desire by central government to maximise the short-term gain to the Exchequer.

The review examines a range of models and approaches based on the experience of different projects over the last 15 years. Since the removal of Crown Immunity in 2004 there has been a shift in the degree of community involvement in MOD land disposal plans, and a more imaginative approach by public agencies. The review outlines the most important of these, ranging from community involvement in planning to a large-scale EU approach to the protection and development of military heritage. However, the success of some of these approaches is in the balance as falling land values and the stagnation of the housing market have caused private developers to rethink their commitments.

The vulnerability of such schemes to market fluctuations suggests the time may be right to examine different models of achieving community benefits from the sale of MOD land. In particular, it is worth examining whether approaches adopted in other countries, where land is transferred to another public sector or community organisation at a reduced or nominal price, may achieve more lasting benefits.

## **Recommendations**

Through research with key stakeholders working in housing, local authorities, Defence Estates, government agencies, community organisations and academia, the study identified a range of options that should be explored to learn from accumulated experience and avoid repeating previous mistakes, such as the piecemeal disposal of the Rowner Estate in Gosport.

First, we need a **new approach to valuing public assets** that removes the process from the short-term budgeting requirements of individual government departments or Treasury demands. While a central property unit to deal with government-owned land has been created following the April 2009 Operational Efficiency Review, this is not a solution in itself. The new unit (the Shareholder Executive Property Unit) is tasked mainly with reducing running costs and disposing of property. Central management of assets on its own will not help unless individual departments are freed from the need to maximise the return on land disposals. There needs to be a separation between the value credited to a government department when assets become surplus to requirements, and the wider view of best value associated with the asset's future use.

Second, we need **better mechanisms for ensuring cooperation** between government departments, and between central and local government, when a site becomes available for development. The research found high levels of distrust and frustration owing to poor communication and the lack of a shared vision in many instances. Partnership arrangements need to secure the buy-in of all stakeholders throughout the development process.

Third, there must be **effective ways of sharing good practice**, learning from mistakes and building on successes. There is no central hub of information on the redevelopment of military land and sites are dealt with on an ad-hoc basis. There is a strong case for passing this responsibility to the Homes and Communities Agency, and indeed for giving the HCA a central role in brokering new developments as it currently does with the redevelopment of NHS land. Alternatively, an independent body could be set up to provide a research and information hub, working in partnership with the HCA.

Finally, there is a strong case for **following up this research** with a major inquiry or research project to identify new ways of achieving community benefits from the disposal of MOD and other public land. This should draw on international experience - which has been beyond the scope of this project.

The requirement to achieve maximum value for public money in future demands a shift from short-term gain to long-term benefits. A better and more collaborative approach to the disposal of MOD land must be central to such a shift.

## Next steps

We suggest three ways of taking this work forward in the short term:

- 1      A **further study** to bring together evidence from international approaches to sales of military land, paying particular attention to the public accounting mechanisms used and the costs and benefits to the public purse.
- 2      A **public event or inquiry** to hear evidence from a range of stakeholders on options for community uses of military land. It will be important to include evidence from Defence Estates and those with defence experience as well as central government officials. Members of the House of Commons Treasury, Communities and Local Government and Defence select committees should be encouraged to highlight and investigate this issue further.
- 3      A **compilation of existing best practice and experience** in the form of a guide or toolkit for stakeholders involved in the re-use of MOD land. It was clear from our research that good practice is not effectively communicated and little information is exchanged between projects. If sufficient funding can be found this should be accompanied by a permanent online guide to resources and an information exchange for practitioners and community organisations.

### About this research

This research was commissioned by the Bill Sargent Trust, a charitable trust established to research housing and related issues in memory of Rev Bill Sargent, founder of Portsmouth Housing Association.

It was undertaken by New Start Plus (NS+ Ltd) a consultancy established by Julian Dobson, co-founder of New Start, the regeneration magazine. NS+ specialises in placemaking and sustainable communities, providing training, facilitation, research and writing services.

The literature review was undertaken during the summer of 2009 and the subsequent interviews and research during the autumn of 2009 and early 2010.

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The full report is available from the Bill Sargent Trust.