Public land: a win-win for the NHS, councils and housing

Capsticks sets out the ways in which public land can be unlocked to benefit all parties

If the UK government is going to meet its target of one million homes by 2020, public land will undoubtedly have a central role to play.

One of the obstacles to the acceleration of new housing development at pace is the scarcity of suitable land. Potential answers include developing on the green belt or brownfield sites, but these are not without their challenges.

According to its 2015 Estates Return Information Collection figures, the NHS alone holds 6,520 hectares of land, so there is a major opportunity to make a real dent in the housing crisis if the sector is able to effectively utilise this land.

Chancellor Phillip Hammond has announced in the Autumn Statement that an extra £1.7bn has been earmarked to speed up the construction of new homes on public sector land, so the political appetite appears to be there.

Progress is slowly being made, but Lee Clarke, partner at Capsticks, believes the government should be doing more.

'The government has set its 'top down' housing targets, but not enough is being done to provide 'bottom up' solutions, especially when public sector organisations remain sat on vast amounts of land in England and Wales – which can be expensive to maintain and not all of which is needed or even appropriate for their needs,' he says.

'A considerable percentage of the land and buildings that is held by the NHS is not fully utilised or used productively at all.'

For example, the 2016 Carter review into the NHS in England and Wales concluded that across the NHS too much land is being used for non-clinical purposes and estate running costs are too high.

'If space utilisation improved and the percentage of NHS space for non-clinical activity reduced to the target 35 per cent, a huge amount of land would be free for development and the NHS could save £1bn a year on running costs,' he adds.

A recent session at the Social Housing Annual Conference, entitled 'Unlocking public land', looked at some of the major barriers to unleashing the latent capacity that can support new homes.

A significant challenge is around how to overcome some of the in-built organisational processes for disposing of land. The NHS, for instance, might see a land sell off as an opportunity to plug a funding gap in their service provision, meaning what constitutes a good outcome for it as an institution would be to sell the land off to the highest bidder.

As a result, housing associations and local authorities, often with less capital available than private developers, might miss out on prime development opportunities.

Mr Clarke says that associations and local authorities need to be better at selling the opportunities and benefits they offer in order to help improve their case for securing land.

Inventive initiatives will no doubt go some way towards promoting the benefits of working with RPs. For instance, the NHS' Healthy New Towns programme is working with 10 housing developments to look at how sites can redesign local health and care services, and how they can take a cutting edge approach to improving their community's health, wellbeing and independence.

This type of scheme helps to shift the focus of land discussion from the highest bid to what added value can be offered. Taking a longer-term view that a healthier populous will reduce the burden on NHS services in the future is one compelling argument that registered providers can make.

With Tesco acknowledging it can make much better use of its existing estate by developing housing and perhaps generating £1.5bn in the process, the question is what steps should the government and public bodies be taking to provide land to help ease the housing crisis and generate income for the public purse?

Mr Clarke says the answer has two parts, national or major initiatives and locally agreed projects.

National initiatives

The first national initiative is the Homes and Communities Agency's (HCA) Land Development and Disposal Plan (LDDP). All central government land (excluding London, NHS and MOD land) declared surplus becomes the responsibility of the HCA as part of the LDPP programme.

The June 2016 version of the LDDP provides an updated overview of the landholdings that the HCA expects to bring forward for development and/or disposal over the next 12 months.

The government's ambition is to release land with the potential for 160,000 homes by 2020. With over 360 hectares of land currently on the market, and a further 740 hectares of land coming to market by 2017. The sites are intended to support a mix of residential and commercial development. The HCA believes the sites available could support the future delivery of over 8,000 new homes.

Croydon council and the NHS see the New Addington site as a 'quick win'

Croydon is one area that is embracing partnership working

The HCA took over this former hospital site in Kidderminster

> "The government can do more to provide 'bottom up' solutions"

Mr Clarke says: 'From an RP perspective, the land will be subject to a competitive process, with the bidder offering the best consideration reasonably available likely to win. And in this age of austerity the financial offer is usually determinative.'

Another solution is the One Public Estate programme, which launched in 2013 and is now in its third phase. It promotes and enables partnership working with local authorities to enable co-location, shared services and more efficient use of their joint estate. The result is the release of land and the provision of new housing and jobs, while generating capital receipts and lowering running costs.

There is some funding and expert advice available to help shape One Public Estate projects. Examples include LB Croydon's programme to release 15 sites for regeneration (pictured above).

Working with the NHS, it is seeking to bring four pilot schemes to market for the development of 900 homes and seven new community facilities within the next five years.

Mr Clarke says: 'With 159 councils set to join the next phase, this could start to deliver at scale. RPs need to maintain good links to their local councils and be ready to offer joint ventures and/or be ready to compete when the project comes to market.'

In addition, NHS Property Services (NHSPS), the NHS-owned property company, holds a large amount of ex-primary care estate. NHSPS can dispose of this property if NHS commissioners declare it surplus. NHSPS ensures that market value is achieved in the sale of assets through an arm's length, open market process.

Any property to be disposed of is first listed on the Electronic Property Information Mapping Service (ePIMS) website, which allows other public sector bodies to purchase it. Properties are listed for forty working days and if no other public sector organisation expresses an interest then they will be marketed locally. Again, it means best price is likely to win such open-market competition.

A recent project in Henley saw an old community hospital building replaced with a £10.4m multi-use development on a site owned by NHS Property Services. Part of the footprint will include a 60-bed care home, which will be run by Oxfordshire County Council, over 40 assisted-living residences, 12 key worker residences and a new community health centre.

Local links

Aside from major land disposal projects, which are subject to competition to obtain the best consideration, it is also possible to negotiate directly with public sector organisations, especially NHS Trusts, and help them to achieve their estate objectives without having to declare their land surplus.

Mr Clarke says that currently many NHS Trusts have a lack of capital to invest in estate reconfiguration, or at least have many demands on the capital they do have.

Traditional projects such as keyworker accommodation are growing in popularity as housing pressures and caps on agency workers means NHS trust need to offer the best accommodation they can for their staff.

However, the projects 'are starting to become more complex,' he explains.

'As utilisation of NHS estate is often sub-optimal, there is a growing role for RPs and developers to provide capital and regeneration expertise to optimise parts of existing NHS Trust's estate.'

If a new building enables NHS services to co-locate, that can free up large parts of the estate and enable mixed-use development. Rather than just straight capital return, a revenue sharing agreement can be set up.

With growing NHS interest in revenue sharing projects, the potential is 'considerable,' Mr Clarke concludes.