



# HM TREASURY

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8 October 2008

Dear Accounting Officer

## DISPOSAL OF SURPLUS LAND FOR HOUSING

**This DAO letter reminds Accounting Officers of some factors they should take into account in selling public sector land for housing development. It also adjusts MPM to permit overage in certain disposals. All public sector organisations involved in sales of public sector land or property should be aware of it.**

2. It is government policy to build more and better homes to help meet growing housing demand. In pursuit of this objective, public sector organisations should identify surplus land and property as part of their asset management strategies. Once identified, they should record surplus land on the Register of Surplus Public Sector Land maintained by English Partnerships (EP).<sup>1</sup> This will make it easier for transfers between public sector organisations to take place smoothly.

3. When transfers of property between public sector organisations take place, it is good practice to commission a single independent valuation to settle the price to be paid. This eliminates client bias and saves time. The public sector organisations involved should agree to be bound by the single independent valuation.

4. When a public sector organisation sells land or property to a private sector firm, it is good practice to respect EP's Quality Standards. Ministers have recently made four<sup>2</sup> of these standards mandatory<sup>3</sup>. These are intended to ensure that homes built by developers achieve good design and meet sound environmental standards.

5. Annex 4.8 of *Managing Public Money* (MPM) provides guidance on achieving good value for money in disposals of assets. This letter draws attention to a change made to underpin ministers' housing policy. It applies, exceptionally, to certain sales to EP (or its successor the Homes and

<sup>1</sup> <http://www.englishpartnerships.co.uk/rspsl.htm>

<sup>2</sup> <http://www.englishpartnerships.co.uk/qualitystandards.htm>

<sup>3</sup> Joint letter from Yvette Cooper and Caroline Flint of 16 July 2008 to ED(HPR) committee.



Communities Agency). The sales affected are those where there are clear plans for EP to dispose of land or property to a private developer for housing within a short foreseeable period and there is a realistic prospect that selling through EP rather than direct can improve the outcome for housing policy in a tangible way. Such sales may include overage if all the following apply:

- EP intends to sell the property for housing development within two years;
- the Accounting Officers of both the selling public sector organisation and EP are convinced that, in this transaction, overage offers value for money for the public sector as a whole;
- the development gain is to be split equally between the selling organisation and EP; and
- the Treasury agrees.

6. An adjustment to annex 4.8 of *Managing Public Money* to bring these changes into effect has been made and can be accessed at [http://documents.treasury.gov.uk/mpm/mpm\\_annex4.8.pdf](http://documents.treasury.gov.uk/mpm/mpm_annex4.8.pdf).

7. If you wish to discuss this further please contact Sue Gamble on 020 7270 5715 or at [sue.gamble@hm-treasury.x.gsi.gov.uk](mailto:sue.gamble@hm-treasury.x.gsi.gov.uk).



Yours sincerely,  
Paula Diggle

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