

AGENDA ITEM 6
CS/05/10

Committee	Central Services Policy and Scrutiny Committee	
Date:	15 February 2010	

Performance Indicator on Asset Management

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At the 21 December meeting, Members took evidence from Roger Moore, Head of Estates, Valuation and Property Strategy and agreed that they would like further information about the County Council's property portfolio.

As a result, the below report has been prepared for Members by the service area, and Anna Dawson, Principal Asset Strategy Manager will be in attendance to give a presentation and answer Members questions.

Essex Property and Facilities

Portfolio and Capital Receipts Briefing

This briefing is intended to inform members of the Scrutiny Committee about the current status of the County Council's property portfolio, and in particular how this relates to historic, current and future capital receipts targets, the progress of which the Scrutiny Committee is responsible for monitoring.

The Council's portfolio contains a diverse mix of properties. It is principally held for delivering Council services, and the majority of properties are specialised and operational. The portfolio is also held in a mix of tenures – freeholds and leaseholds, PFI and PPP, managed and shared, and even some on Trust.

Details of the Council's property ownership records are held by the Property Information Unit in EPF, and are available on a GIS mapping system. The system, View Essex, is available via the Intranet, although an individual login is required. There are unrestricted access points via PC's in County Hall B1, available to any ECC officer or Member.

The Book Value of ECC's property portfolio in 2008/09 was £2.4bn, but this does not represent a price at which the property could be sold on the open market. That would be estimated to be around 50% of that figure, of which 90% lies in the Schools portfolio, over which ECC has little or no direct control

The portfolio is valued on a 5 year rolling programme, adjusted on an annual basis. The Property Information Unit holds all the valuations of the assets, and details of numbers of types of properties, and data on Book and Alternative Use Values can be drawn from the system. Some properties, such as Country parks and some historic buildings, are actually classified as 'Community Assets', which are considered to be held for the community in perpetuity and not capable of sale, so financial value is only based on historic cost

It is anticipated that the total Book Value for the 2009/10 accounts will fall materially, because of the continued poor performance of the property market, and also because a number of Schools are moving to Trust, Foundation or Academy status, and as a result sites with significant values are being reduced to nil in the Council's accounts.

In terms of Capital Receipts, a target was set by Members in 2005 at £200m over five years, and was effectively based on 10% of the Book Value of the portfolio. The target has not been reset or reviewed for 2010/11. (Central Government has recently undertaken its own review of its own property and has adopted a similar percentage of book value approach in suggesting a potential for release within its own portfolio)

The Capital Receipts team within EPF has achieved receipts of £65m from 2003-05, and £119m from 2005-09. The receipts either go to ring-fenced replacement/improvement schemes, or into the central fund to pay down debt or support the capital programme, avoiding the need for borrowing. Most properties are not readily suitable to let in the alternative, and ECC is generally service need-led as to releasing property for sale, rather than market-led (which is not to say that best advantage of market conditions isn't taken where possible).

Disposals linked to projects go through an Options Appraisal process, which looks at the best financial outcome for the site, wider financial considerations for the Authority, and non-cashable Service benefits. A more sophisticated version of this process is under development, but property decisions are based on the best widest solution for the Council.

The continuing pressures on the Council's wider finances, and in particular the drive to a greater involvement with public sector partners across the County which is being driven by Transformation, means that property outcomes face increasingly competing demands. The drive for capital receipts has to be

balanced against operational needs of the Council, and its partners, regeneration, carbon efficiency, reductions in revenue spending to name but several.

In this context, at the end of the financial year there will be a shortfall of about £70m against the £200m historic target. It is appropriate therefore to consider extending the Capital Receipts Programme in to future years. On the basis of some improvement in the property market and availability of finance through the coming year and estimated receipts in the order of £15m for the next two years, it would take at least three years, possibly four, to raise the sum outstanding.

In terms of future years supply of property for sale, as a result of the Building Schools for the Future programme and other school rationalisations, a number of large school sites, including St. Peter's College, Chelmsford and Passmores in Harlow, will be vacated. Work has already started in exploring options for the potential re-use and part disposal of these sites. In addition, the Capital Receipts team is engaged with the Local Development Framework exercise of the district councils, continuing to work on developing the long term value of the ECC estate through the Planning process.

It is not yet clear what the outcome of Transformation will be in terms of the release of service property for disposal. However, there is an identified feed of potential receipts over the next two years of around £60m. The majority of these opportunities are currently in operational use and their release is dependant on the implementation of service and corporate property change projects including the corporate office strategy and school rationalisations. The eventual receipt for individual disposals is heavily dependent on capital receipts being a priority over other competing ECC strategies, achieving favourable planning consents, the release of restrictive covenants and in the case of former school sites, the approval of the Partnership for Schools, as well as the property market. As with all property transactions there is no guarantee that any sale will be completed until the purchase money is received.

For Information

Essex Property and Facilities is a recent amalgamation of the former Asset Management and Facilities Management Services. It sits within Commercial Services, under the overall direction of Graham Tombs, and reports to the cabinet Member for Finance and Change Management (Sarah Candy) and the Cabinet Member for Central Services (Derrick Louis)

Delivery of Estates and Valuation services (including disposals) is provided by term consultants, Lambert Smith Hampton, under a 5 year contract. Delivery of

FM services is largely within EPF, but maintenance and minor works projects are also delivered through terms consultants, Atkins.

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