

		AGENDA ITEM 5
		CS/22/09
Committee:	Policy and Scrutiny Committee Referrals from the Essex Works Corporate Plan/Local Area Agreement	
Date:	21 December 2009	
Performance Indicator On Capital Receipts		
Enquiries to:	Anna Dawson, Acting Head of Capital Receipts, Essex Property and Facilities 01245 435571 anna.dawson@essex.gov.uk	

The Council's performance indicator set out below has been identified as red under the RAG system:

Value of capital receipts Indicator Ref LI 21

The indicator is included in the EssexWorks Corporate Plan/ Local Area Agreement Scorecard, and has been referred to the Committee because the indicator has consistently been assessed as red in 2008/09 against the target. In line with agreed practice the Committee will consider performance delivery and decide if a more detailed review of the issues and actions is required.

A briefing paper has been provided by Anna Dawson, Acting Head of Capital Receipts, Essex Property and Facilities is attached at Appendix A to this report.

Action Required:

The Committee is requested to scrutinise the performance indicator in question.

Evidence to the Policy and Scrutiny Committee on Capital Receipts

Briefing paper prepared by Anna Dawson, Acting Head of Capital Receipts, Essex Property and Facilities (EPF)

Value of Capital Receipts (LI 21)

Purpose

To inform scrutiny members of the background and reasons for current performance with regard to performance indicator LI 21

Background

In 2005 the former Asset Management Team was set a target of achieving aggregated total receipts of £200M over a five year period to March 2010. This is currently reflected by the inclusion in the Corporate Plan of a target of £40M per annum. This target was set at a time of different economic climate. Capital Receipts including reuse, exchange and abatements for the previous four years amount to £119M

Current Performance

LI 21 'Value of Capital Receipts': RED

Capital receipts achieved as at 9th December, 2009 total £1,944,838.

The central issue in relation to the above indicator is that Essex County Council does not have direct control over the property market.

All sectors of the property market that EPF are involved with remain very weak with continuing lack of funding for anything other than purchases at heavily discounted prices compared to 2007 values, or where there is minimal risk in terms of planning or other site abnormalities. This is being evidenced by the high level of conditionality that prospective purchasers are applying to their offers.

Even substantial national and regional developers are struggling to secure Bank funding and this is evidenced even in the case of contractually committed sums. The Banks have been seeking re-negotiation of contractually secured terms, which have been rejected by EPF on two major schemes. However, to maintain the ability to receive the agreed headline prices it has been necessary to re-structure payments over a longer period with payment of interest on the outstanding sums. The result of this re-structuring and the re-securing of the outstanding debt with continuing Legal Charges and phased payment will generate a receipt of £2.5M this year and a further receipt of £9M over the next four years.

The shortage of funding at the start of the year also impacted on the ability to complete smaller sales. Two purchasers exchanged contracts in 2008/09 worth £1.3M but both were unable to meet their contractual obligation to complete on the due dates, despite apparent financial ability to perform when their offers were accepted. Completion Notices were served in respect of both properties with positive results.

EPF continues the approach adopted since the start of the down turn, offers on all properties are welcome but will only be progressed if they represent the right decision for the County Council both in terms of value and in the context of negating outgoings on empty properties or where there are only limited chances of future capital growth. Most recently, the residential development market is showing some indications of cautious activity with several of the national house builders apparently keen to acquire land following recent share rights issues that have put them in funds to purchase land without needing to borrow from banks. EPF is closely monitoring this interest.

There are no ECC properties currently on the market and planned vacation of premises is being delayed where this is practical. The approach is, in the main, one of holding property short term in anticipation of an improvement in market conditions. However, preparation for sale continues on all surplus properties with the actual decision on sale of each individual property to be considered on its merits having regard to emerging market intelligence, market interest and offers received compared to holding costs and borrowing costs.

Offers in hand are heavily conditioned with resultant delays in achieving receipts. 8 sites are currently under offer / subject to options (approximate potential value in the order of £10m) but with conditionality on Planning in most cases and the desire to achieve further uplift in values few are likely to come to fruition in 2009/10. Only two of these (combined value £650K) have a high likelihood of completing this financial year.

Where practicable, sales that do conclude are being coupled with overage or clawback provisions, which will provide ECC with a continuing interest should the future planning consents or end-values of sites be enhanced by a rising market.

Future Activity

The nature of the Council's surplus, unsuitable or underused properties released forming the portfolio of land and buildings to generate receipts, is such that ordinarily selling on the basis of just the existing use does not generate best value in the market. For example, the value of a surplus school playing field will be increased many times over if planning permission can be obtained for residential development. To maximise receipts for future years it is necessary to pursue a position where prospective purchasers can make an assumption that planning permission will be

forthcoming or, where such an assumption cannot be made, to attempt to secure the planning permission before marketing.

On a site specific basis the current slow down in market conditions is being used to pursue planning permission on vacant sites to enhance their value and marketability ready for when market conditions improve. In addition, the current Local Development Framework process presents the opportunity for the County Council itself or developers who hold options on ECC land to pro-actively promote sites for future development through the process to generate value from a diminishing landbank.
