

## AGENDA MANAGEMENT SHEET

<b>Name of Committee</b>	<b>The Cabinet</b>
<b>Date of Committee</b>	<b>30<sup>th</sup> June 2005</b>
<b>Report Title</b>	<b>Corporate AMP Property Performance Indicator Report</b>
<b>Summary</b>	The Cabinet is asked to approve the Asset Management Plan Property Performance Indicators, taking into account any observations which may be reported orally from COMT, subject to any necessary last-minute amendments the Director of Property Services might deem necessary in consultation with the Corporate Services Portfolio Holder
<b>For further information please contact:</b>	Rebecca Couch Asset Management Plan Co-ordinator Tel: 01926 412354 rebeccacouch@warwickshire.gov.uk
<b><i>Would the recommended decision be contrary to the Budget and Policy Framework?</i></b>	No
<b><i>Background papers</i></b>	Asset Management Plans report to Resources Management Sub-Committee on 5 <sup>th</sup> . November 1998, and to other Committees  Achieving Best Value Through Effective Property Management report to Cabinet on 13 <sup>th</sup> . April 2000  Asset Management Plans report to Cabinet on 13 <sup>th</sup> . April 2000  Asset Management Plans and Capital Strategy report to Cabinet on 15 <sup>th</sup> . June 2000  Corporate Capital Strategy reports to Cabinet on 27 <sup>th</sup> . July 2000  DETR: Draft Asset Management Plan report to Cabinet on 24 <sup>th</sup> . August 2000  Corporate Asset Management Plan report to Cabinet on 19 <sup>th</sup> . October 2000  Developing a Corporate Asset Management Plan for Summer 2001 report to Cabinet on 30 <sup>th</sup> . November 2000  Single Pot, Capital Strategy and Asset Management Plans report to Cabinet on 3 <sup>rd</sup> . July 2001

Capital Strategy and Corporate Asset Management Plan report to Cabinet on 26<sup>th</sup>. July 2001

Corporate Capital Strategy and Asset Management Plan (July 2002) report to Cabinet on 9<sup>th</sup>. July 2002

Corporate Capital Strategy and Asset Management Plan (July 2003) report to Cabinet on 17<sup>th</sup>. July 2003

Corporate Asset Management Plan PPI Report (July 2004) report to Cabinet 22<sup>nd</sup> July 2004

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

- |                          |                                     |  |
|--------------------------|-------------------------------------|--|
| Other Committees         | <input type="checkbox"/>            | .....  |
| Local Member(s)          | <input type="checkbox"/>            | .....  |
| Other Elected Members    | <input checked="" type="checkbox"/> | <i>O&amp;S Spokespersons for reference:</i><br>Councillor G.Atkinson: Agreed for discussion<br>Councillor D.Booth:<br>Councillor F.McCarney: |
| Cabinet Member           | <input checked="" type="checkbox"/> | Councillor A.J.L.Cockburn: Agreed for consideration  |
| Chief Executive          | <input type="checkbox"/>            | .....  |
| Legal                    | <input checked="" type="checkbox"/> | via Sarah Duxbury: Happy with the report   |
| Finance                  | <input checked="" type="checkbox"/> | via Virginia Rennie: Happy with the report   |
| Other Chief Officers     | <input type="checkbox"/>            | .....  |
| District Councils        | <input type="checkbox"/>            | .....  |
| Health Authority         | <input type="checkbox"/>            | .....  |
| Police                   | <input type="checkbox"/>            | .....  |
| Other Bodies/Individuals | <input type="checkbox"/>            | .....  |

**FINAL DECISION YES: BY CABINET**

Agenda No 9

**The Cabinet - 30<sup>th</sup>. June 2005**

**Corporate AMP Property Performance Indicator Report**  
**Report of the Director of Property Services**

**Recommendation**

That the Cabinet

- (1) approves the Corporate AMP Property Performance Indicator Report at Appendix A to this report.
- (2) agrees that in the event of any last-minute amendments being necessary, they be made by the Director of Property Services in consultation with the Corporate Services Portfolio Holder.

*This report is designed for the consideration of Chief Officers' Management Team, Corporate Services Overview and Scrutiny Committee and the Cabinet. Observations from the Chief Officers will be reported orally to Cabinet in its consideration of the AMP Property Performance Indicator Report. Subsequently, any additional observations made by the Corporate Services Overview and Scrutiny Committee would be incorporated in the AMP Report by agreement with the Corporate Services Portfolio Holder if the Cabinet agreed this procedure.*

1. The County Council was granted a "Good" by the Government Office West Midlands (GOWM) for its 2002 Asset Management Plan (AMP). The Office for the Deputy Prime Minister (ODPM) has advised that this year the Council is now required to produce only the Property Performance Indicator data.
2. This data is embodied in Appendices A and B, which the Cabinet is recommended to approve as part of the Corporate Asset Management Plan process following guidance from ODPM in 2003.
3. In the event of any last-minute amendments being necessary, it is suggested that they be made with the agreement of the Corporate Services Portfolio Holder.
4. Corporate AMP submissions were returned in July 2001, 2002. In 2003 and 2004 only the Property Performance Indicators were required to be submitted. This year, it is programmed to complete the Corporate AMP Performance Indicator Report by the end of July.
5. The documentation is held electronically for easy access, and will be reviewed and updated as changes occur.

**PETER RIDLEY**

Director of Property Services

Shire Hall, Warwick 7<sup>th</sup>. June 2005

## Corporate Asset Management Plan Property Performance Indicators 2005

### 1. Introduction

The first Corporate Asset Management Plans (AMP) were produced in 2001 and 2002 preceded by a “dry run” in 2000. The content of the Corporate Asset Management Plans have been very much prescribed by Office for the Deputy Prime Minister (ODPM) and related to procedures, structures, policies and information sources which support the asset management planning process. The Corporate Asset Management Plan excludes Schools which are reported separately to the DfES within the Schools Asset Management Plan. Corporate Asset Management Plan guidance is now being reviewed and updated by ODPM.

In 2002 Warwickshire's Corporate Asset Management Plan received a “good” classification from ODPM, the highest classification achievable. As a result of this classification Warwickshire has not been required to submit a Corporate Asset Management Plan to ODPM.

There is, however, a requirement to report on the 5 key national Property Performance Indicators (PPI's). ODPM are currently consulting nationally on the expected revisions to these PPI's, which will come into effect in 2006.

This report provides:-

- A summary of Property Performance Indicators for 2005.
- Detailed analysis of Property Performance Indicators for 2005.
- Comparison of WCC's 2004 Property Performance Indicators with other County Councils.

### 2. Summary of the Property Performance Indicators 2005

The following is a summary of this year's Property Performance Indicators (PPI's), which have been calculated following the ODPM guidance received in 2003.

Property Performance Indicator 1 - 2005					
PPI 1 A - % gross internal floor-space in condition categories A to D					
	No of Properties	Condition A Good	Condition B Satisfactory	Condition C Poor	Condition D Bad
Operational Properties	235	20.44%	68.62%	3.44%	7.50%
Non Operational Properties	70	30.28%	59.64%	7.99%	2.09%
Surplus Properties	5	78.08%	2.62%	0.00%	19.30%

Property Performance Indicator 1 - 2005				
PPI 1 B – Backlog of maintenance by cost expressed as i) total value and ii) as a % in Priority Levels 1 to 3				
	Total Value £	Priority 1 Urgent works	Priority 2 Essential within 2 years	Priority 3 Desirable within 3 to 5 years
Operational Properties	£20,350,000	£0	£8,640,000	£11,709,000
Non Operational Properties	£5,382,000	£98,000	£3,577,000	£1,707,000
Surplus Properties	£559,000	£0	£448,000	£111,000

## Property Performance Indicator 2 - 2005

**PPI 2 – Overall average Internal rate of return (IRR) for each of the following portfolios: a) Industrial, b) Retail c) Agricultural investment property**

a) Industrial Properties	<b>9.89%</b>	<i>2004 National Average 11%</i>
b) Retail Properties	The Authority does not retain any Retail property.	
c) Agricultural Investment Properties	<b>8.23%</b>	<i>12%</i>

## Property Performance Indicator 3 - 2005

**PPI 3 – Total annual management costs per sq. m (GIA) for the property portfolio**

Total Annual Management Costs per sq.m for the property portfolio (including Schools)	<b>£1.06</b>	<i>2004 National Average £0.80</i>
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## Property Performance Indicator 4 - 2005

**PPI 4 – A - Repair and maintenance costs per sq. m GIA. B - Energy Costs per sq. m (GIA). C – Water costs per sq. m GIA. D - Co2 emissions in tonnes of carbon dioxide per sq.m.**

A – Repair and Maintenance costs per sq. m GIA	<b>£12.96</b>	<i>2004 National Average £15.40</i>
B – Energy costs per sq. m GIA (gas, electricity, oil, solid fuel)	<b>£4.94</b>	<i>£5.30</i>
C – Water Costs per sq. m GIA	<b>£1.25</b>	<i>£1.40</i>
D – Co2 emissions in tonnes of carbon dioxide per sq.m.	<b>Not available</b>	

## Property Performance Indicator 5 - 2005

**PPI 5 – A - % of projects where outturn falls within +/- 5% of the estimated outturn, expressed as a %age of the total number of projects completed in the financial year.**

Percentage of Capital projects falling within +/- 5% of the estimated outturn of this sample:		<i>2004 National Average</i>
4 out of 11 Capital Projects =	<b>36%</b>	<i>63%</i>

## Property Performance Indicator 5 - 2005

**PPI 5 – B - % of projects falling within +/- 5% of the estimated timescale, expressed as a % of the total number of projects completed in that financial year.**

Percentage of Capital projects falling within +/-5% of the estimated timescale of this sample:		<i>2004 National Average</i>
7 out of 11 Capital Projects =	<b>64%</b>	<i>56%</i>

### 3. Detailed analysis of Property Performance Indicators 2005

#### PPI 1a - % gross internal floor-space (GIA) in condition categories A to D

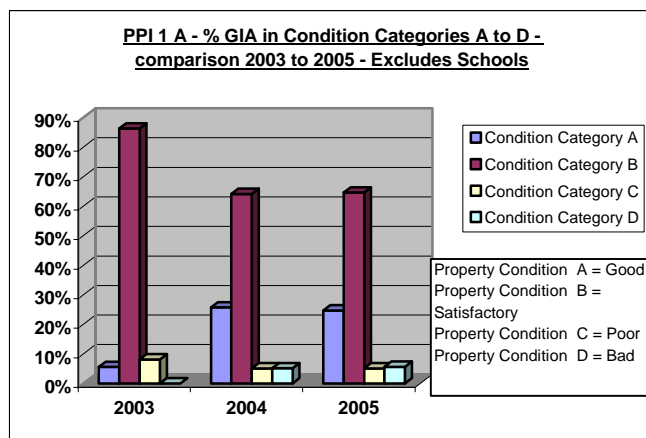
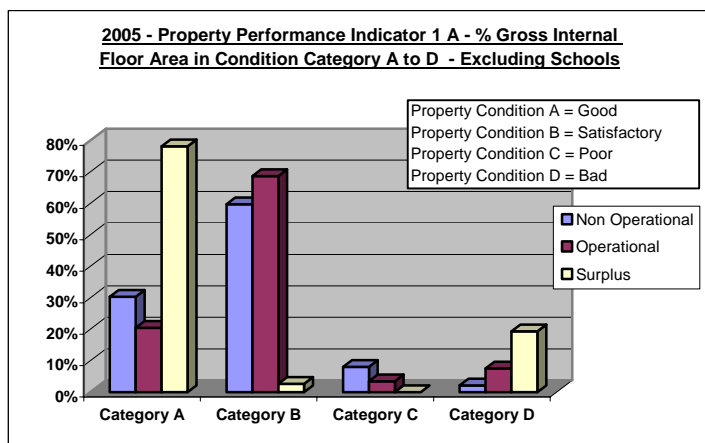
Condition surveys for non-schools are reviewed annually. These condition surveys provide detailed analysis, including costs by property, building and element (e.g. roof, flooring). To enable a property to be graded as per the ODPM definitions i.e. Condition A – Good; B – Satisfactory; C – Poor; or D – Bad, the following formula has been applied:-

Total cost of repairs for each property/rebuild cost x 100 = %.

This % would then have a number of condition ranges e.g. 5% = Condition A; 5% to 35% = Condition B; 35% to 65% Condition C and greater than 65% = Condition D.

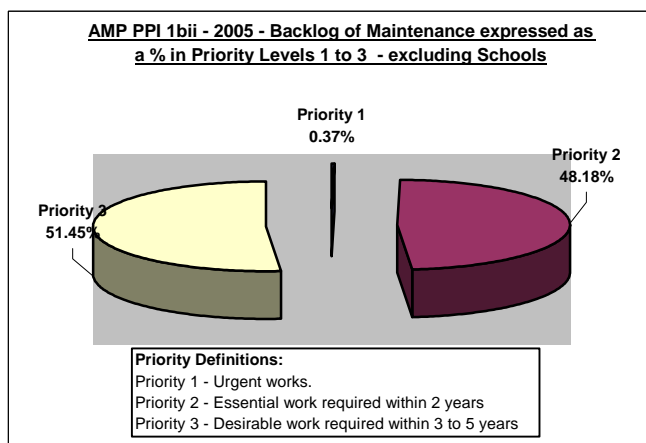
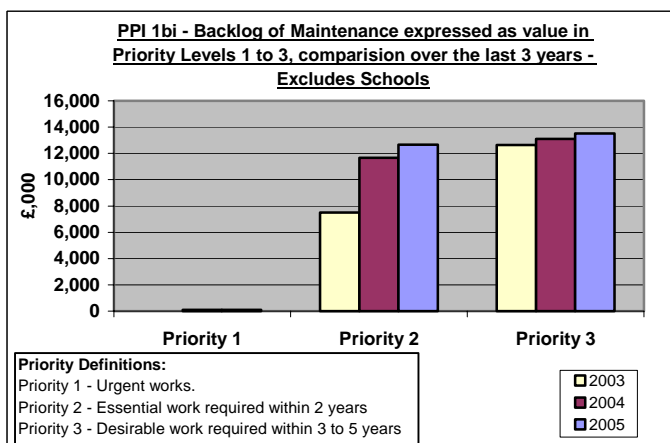
Although this formula is useful for providing an overall property grade it is worth considering that although a Property may have an overall Condition Grade of A or B this property may have elements within the property that fall in Condition Grade C or D with a priority cost level of 1 or 2.

The results of this years Performance Indicator 1a indicate that the majority % floor area falls in Condition Categories A and B, whilst there is a small % of properties, mainly Surplus properties, which fall in Condition Category D. In 2003 external consultants were commissioned to carry out the condition surveys. Since 2004 these condition surveys have been carried out by in-house staff which has brought a consistency to the process.



#### PPI 1b – Backlog of maintenance by cost expressed as i) total value and ii) as a % in Priority Levels 1 to 3.

The charts below indicate that there have been minimal Priority 1 Costs (Urgent works) over the last 3 years. Although the maintenance backlog is increasing each year, the current total maintenance backlog, excluding schools, stands at £26,290,175 the trend indicates that the maintenance backlog costs are moving to Priority 3 Level, i.e. desirable work required within 3 to 5 years.



**PPI 2 – Overall average Internal Rate of Return (IRR) for each of the following Industrial and Agricultural investment property.**

Internal Rate of Return Definition: An investment analysis method which discounts all future receipts and payments at a discount rate, whereby, the discounted receipts equal the discounted payments. This discount rate will then show the actual rate of return on the capital invested in the property.

The overall IRR for Industrial Estates/Business Centres for 2004/05 is 9.89%. This is a slight increase on last years figure due to the proximity of the rent review dates. The individual IRR's for Industrial Estates/Business Centres are as follows:-

Industrial Estates/Business Centre	IRR
Church Lawford Business Centre	6.47%
Rugby Great Central Industrial Units A & B	11.71%
Nuneaton Hammond Business Centre	16.12%
Nuneaton Pool Road Business Centre	11.72%
Bidford Smallbrook Business Centre	7.44%
Nuneaton Bermuda Innovation Centre	7.71%

The overall IRR over the last 3 years for the Industrial Estates/Business Centres are as follows:-

	2002/03	2003/04	2004/05
Industrial Estates/Business Centre	10.64%	9.83%	9.89%

The Agricultural portfolio IRR for 2004/5 is 8.23% showing an increase on last years IRR. This increase reflects the increase in the capital value of the smallholding estate:-

	2002/03	2003/04	2004/05
Agricultural Portfolio	11.68%	7.77%	8.23%

**PPI 3 – Total Annual Management costs per sq.m. (GIA) for the property portfolio.**

The total management costs for the financial year 2004/05 are £1.06, showing an increase on last years. This figure includes all staff who make a strategic contribution towards the development of the Corporate Asset Management Plan and the Schools Asset Management Plan.

	2002/03	2003/04	2004/05
Management Costs per sq.m. (GIA)	£0.81	£0.93	£1.06

**PPI 4 – a Repair and maintenance costs per sq.m. (GIA); b Energy Costs per sq.m. (GIA); c Water Costs per sq.m. (GIA).**

Each Department within the Authority is responsible for monitoring it's own energy costs. Total energy cost has reduced from 2001/02 to 2003/04 by £296,159. This has been achieved in large through consolidation of under 100 kW properties onto one WCC contract which enabled competitive tendering. There have been steep increases in the market price of both gas and electricity, 48% and 22% respectively, so a large increase can be expected in total unit costs for this present financial year.

**Total Unit Costs By Year  
for all properties excluding schools**

Year	Total Floor Area sq.m	4a. Total Repairs and Maint.	Unit Cost / sq.m	4b. Energy	Unit Cost / sq.m	4c. Water	Unit Cost / sq.m
2003/04	189,908	2,885,755.52	<b>£12.88</b>	692,575.92	<b>£4.91</b>	122,804.88	<b>£1.24</b>
2002/03	158,396	1,512,502.67	<b>£9.55</b>	927,375.22	<b>£5.85</b>	234,544.83	<b>£1.48</b>
2001/02	167,938	2,452,538.91	<b>£14.60</b>	988,734.57	<b>£5.89</b>	224,302.21	<b>£1.34</b>
2000/01	161,739	1,598,312.31	<b>£9.88</b>	930,332.58	<b>£5.75</b>	209,953.81	<b>£1.30</b>
1999/00	179,711	1,646,926.55	<b>£9.16</b>	891,160.29	<b>£4.96</b>	191,919.74	<b>£1.07</b>

**PPI 4d - Co2 Emissions in tonnes of carbon dioxide per sq.m.**

Consumption data is required to calculate this indicator and at the time of writing this report the Authority has been unable to obtain consumption data. The supplier up to 1st September 2004 went into liquidation and was unable to provide this data in sufficient accuracy for reporting. Contract arrangements with a new supplier have been in place with effect from 1st September 2004, which will enable us to calculate this indicator for 2004/05 and provide this in next years report. The consumption data from all properties on this contract will be provided by the supplier to ESPO. ESPO will use the energy management software system 'SystemLink' to report on consumption and carbon dioxide emissions data for each property.

**PPI 5 - % of projects where outturn falls within +/- 5% of the estimated outturn, expressed as a %age of the total number of projects completed in the financial year.**

The table below shows those capital projects undertaken with a value of £100,000 or greater that have been completed during 2004/05. 4 out of 11 projects were completed within 5% of the estimated outturn.

**Cost Predictability**

Property	Estimated Outturn (£)	Actual Outturn (£)	Difference	5% of Est. Outturn	Diff within +/- 5%	Notes
Alcester High School	£1,794,100.00	£1,879,423.00	<b>£85,323.00</b>	89,705.00	Y	
Exhall Grange School & Science College	£199,677.32	£12,691.25	<b>£71,986.07</b>	9,983.87	N	
Nuneaton, Higham Lane School	£250,783.69	£247,015.00	<b>£3,768.69</b>	12,539.18	Y	
Hartshill, Michael Drayton Junior School	£131,114.64	£130,392.00	<b>£722.64</b>	6,555.73	Y	School decided not to proceed with full scheme but a reduced scheme instead.
Kenilworth, Castle VI Form Centre	£225,000.00	£248,000.00	<b>£23,000.00</b>	11,250.00	N	
Henley-in-Arden, Riverhouse School	£764,440.00	£815,817.00	<b>£51,377.00</b>	38,222.00	N	
Warwick, Aylesford School	£634,000.00	£872,085.92	<b>£238,085.92</b>	31,700.00	N	Value changed due to change in project plan and approach
Keresley, Pupil Reintegration Unit	£383,412.34	£440,821.00	<b>£57,408.66</b>	19,170.62	N	Additional funding given to the school
Stratford, Bridge Town Primary School	£691,000.00	£685,071.00	<b>£5,929.00</b>	34,550.00	Y	
Nuneaton, Stockingford Early Years Centre	£1053,439.00	£1,149,986.60	<b>£96,547.60</b>	52,671.95	N	
Warwick, Wedgnoek House	£155,530.50	£116,313.12	<b>£39,217.38</b>	7,776.53	N	Value changed due to savings made by client in direct orders
Percentage of projects falling within +/- 5% of the estimated outturn of this sample: X out of Y = <b>36%</b>						

The following table shows those capital projects with a value of greater than £100,000 and how they performed within the predicted timescale. 7 out of 11 projects were completed within the 5% of the estimated timescale.

**Time Predictability**

Property	Estimated Start Date	Estimated Finish Date	No. of Days	Actual Start Date	Actual Finish Date	No. of Days	Time Diff.	5% of Timescale	Within +/- 5% of Est. Timescale
Alcester High School	29/03/2004	14/01/2006	645	29/03/2004	15/02/2006	676	31	32.25	Y
Exhall Grange School & Science College	12/01/2004	12/03/2005	420	12/01/2004	11/03/2005	419	1	21	Y
Nuneaton, Higham Lane School	28/06/2004	22/11/2005	504	28/06/2004	12/11/2005	494	10	25.2	Y
Hartshill, Michael Drayton Junior School	19/07/2004	19/11/2005	480	19/07/2004	22/10/2005	453	27	24	N
Kenilworth, Castle VI Form Centre	05/07/2004	06/09/2005	421	05/07/2004	06/09/2005	421	0	21.05	Y
Henley-in-Arden, Riverhouse School	11/01/2003	23/02/2005	762	23/06/2003	14/05/2005	681	81	38.1	N
Warwick, Aylesford School	01/09/2003	16/07/2005	675	01/09/2003	26/08/2005	715	40	33.75	N
Keresley, Pupil Reintegration Unit	13/01/2003	17/05/2004	484	07/04/2003	12/09/2004	515	31	24.2	N

## Time Predictability continued

Property	Estimated Start Date	Estimated Finish Date	No. of Days	Actual Start Date	Actual Finish Date	No. of Days	Time Diff.	5% of Timescale	Within +/- 5% of Est. Timescale
Stratford, Bridge Town Primary School	17/01/2003	26/09/2005	969	17/02/2003	27/10/2005	970	1	48.45	Y
Nuneaton, Stockingford Early Years Centre	19/09/2003	25/08/2005	696	19/09/2003	17/09/2005	718	22	34.8	Y
Warwick, Wedgnock House	21/01/2004	02/10/2004	251	21/01/2004	02/10/2004	251	0	12.55	Y
Percentage of projects falling within +/-5% of the estimated timescale of this sample: X out of Y = <b>64%</b>									

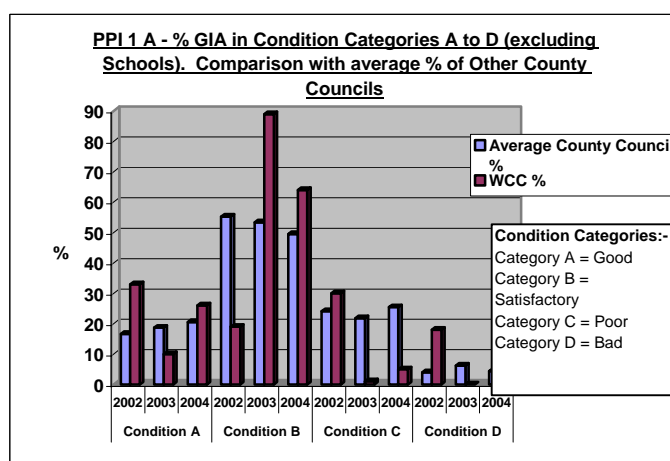
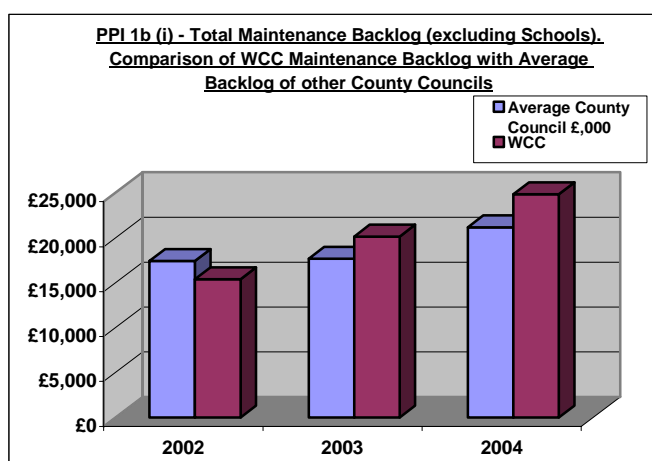
#### 4. Comparison of WCC Property Performance Indicators from 2002 to 2004 with other County Councils.

This section provides analysis of the Property Performance Indicators (PPI's) over the previous 3 years and how they compare with other County Councils nationally. Concerns have been raised nationally regarding the definitions for the PI's and the relevance of some of the 5 Key PPI's. This is highlighted by 2002's results, which vary as Authorities were interpreting the definitions in different ways. As a result of this potential misinterpretation ODPM have commissioned COPROP (Chief Officers for Property Services) to set up a Performance Management Working Group to make revisions to the 5 national PPI's for 2006/07. Warwickshire's Property Services Department are a member of this Working Group. The Working Group have made revisions to the existing PI's and are developing local PI's which it is hoped will have more relevance to Authorities. Authorities are being consulted by the Performance Management Initiative to ensure that the definitions for the revised PPI's are easily understood enabling more accurate benchmarking in the future.

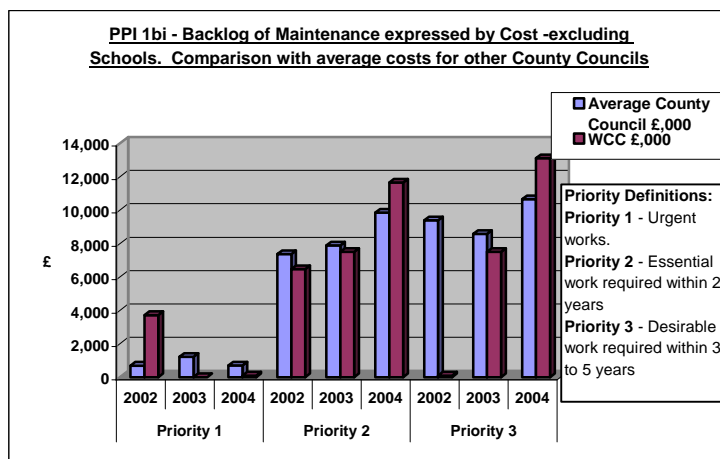
##### PPI 1 - Property Condition

In 2002 an external consultant was commissioned to carry out a full condition survey programme. Unfortunately, it became apparent that some of these condition surveys were not completed within the agreed guidelines and we were concerned with the results of some of the surveys. Since 2003 we have completed the condition surveys in-house, which has improved the accuracy of the surveys. Due to lack of in house resources however, not all properties can be surveyed annually, we currently re-survey 20% of properties each year. The condition surveys assist with the prioritisation of the maintenance programme each year.

The charts below show how the maintenance backlog, excluding Schools, is increasing each year and WCC's maintenance backlog is above the national average. The significant increase in the backlog in 2003 is due to the Smallholdings estate being surveyed for the first time. However, even though there is a financial increase in the maintenance backlog, the overall condition categories for non school properties trend is improving and the majority of properties are graded in Category A, Good or B Satisfactory.

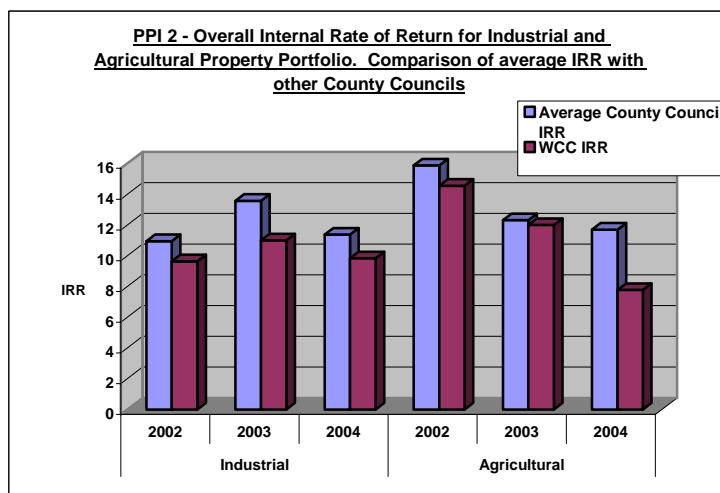


The chart below indicates that the priority level of maintenance works is also improving. In 2004 the majority of maintenance costs are within Priority Level 3, which indicates that the works would need to be completed within 3 to 5 years indicating that they are not of a high priority. This is also above the national average.



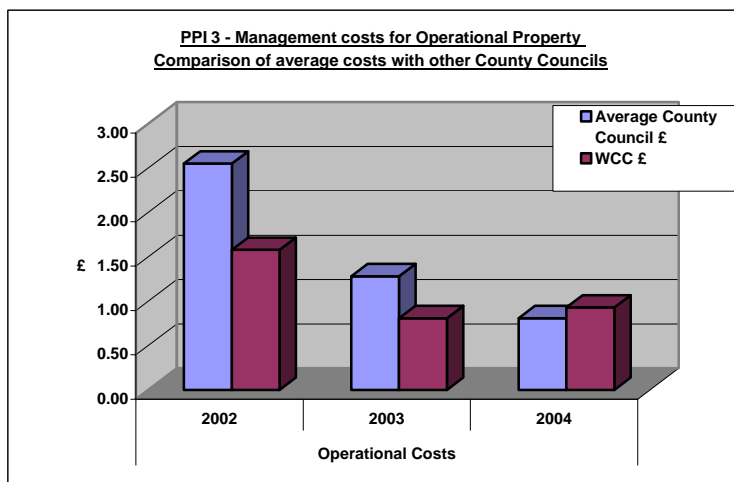
### PPI 2 – Internal Rate of Return

The following chart shows how the Internal Rate of Return for Warwickshire Industrial and Agricultural holdings is below the national average when compared with other County Councils. This is probably due to variations in assumptions made by individual Authorities as to the rental inflation and cost inflation.



### PPI 3 – Property Management Costs

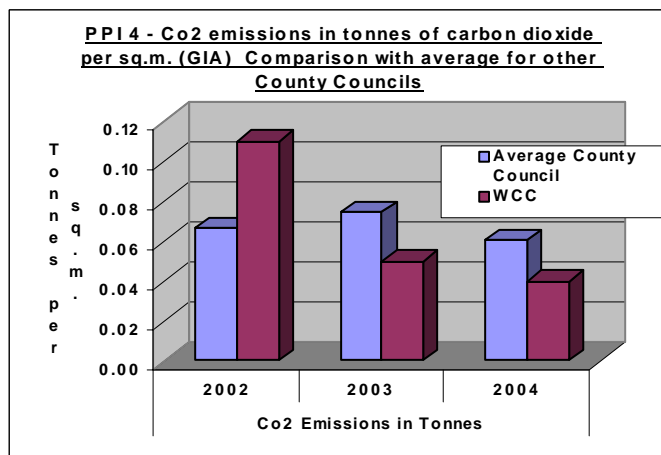
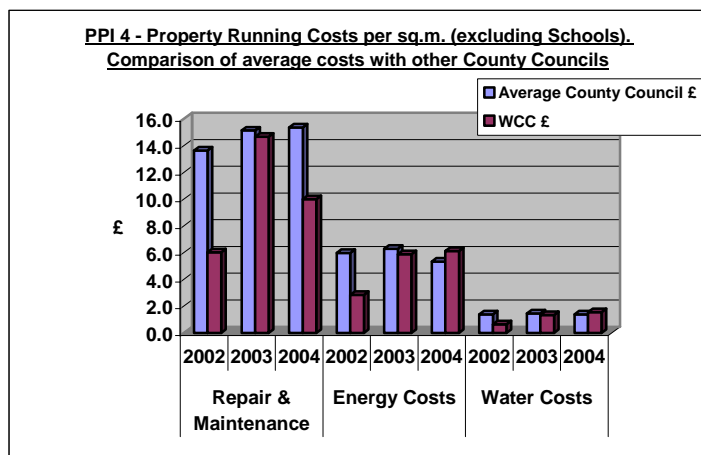
The definition for this PI has been altered since 2002. In 2002 the management costs, which includes all costs associated with AMP work throughout the Council, were to be calculated for the property portfolio excluding Schools. Since 2002 the indicator has been calculated for the entire property portfolio including schools. In 2004 the Council's management costs appear slightly above the national average. However, there is no confidence that accurate comparisons are being made and this indicator may be dropped in future years.



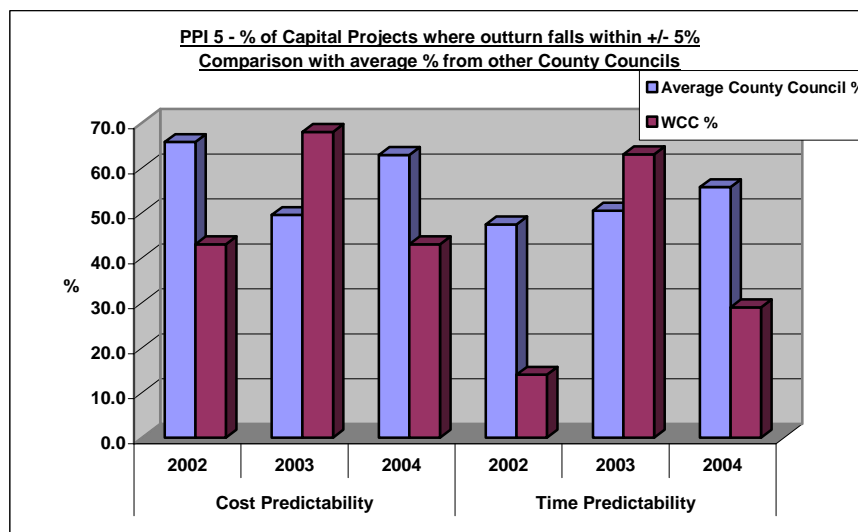
**PPI 4 – Property Running Costs, including Co2 Emissions.**

The repair and maintenance and water costs reflect favourably when compared with the national averages. Whilst the Energy Costs (electricity, gas, oil) do not reflect as favourably in 2004 when compared to the national average it is recognised that it would be more beneficial to monitor consumption rather than costs to avoid misleading results due to estimated billing and credit notes.

The Co2 emissions are below the national average in years 2003 and 2004. In 2002 the Performance Indicator was calculated for the first time, the definition for the PI was difficult to interpret, which resulted in varying results nationally.

**PPI 5 – Time and Cost predictability**

This indicator analysis the time and cost predictability of capital projects (relating to property) over £100,000 in value. This analysis shows that with the exception of 2003 the time and costs prediction for capital projects are well below the national average.

**PETER RIDLEY**

Director of Property Services

Shire Hall  
Warwick

06 June 2005