

## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE - ECONOMY 13 NOVEMBER 2008

#### PROPERTY PERFORMANCE INDICATORS

#### 1.0 Purpose of Report

- 1.1 To inform Members of the position regarding the Council's performance on Property Performance Indicators (PPIs) and to establish further targets for those indicators.

#### 2.0 Background

- 2.1 The City Council has a significant property asset portfolio. At the year end for 2007/8 the net book values of these assets (not including housing) were as follows:

Operational assets	£58,703,000
Non-operational assets	£43,841,000

- 2.2 The non-operational portfolio is held for strategic purposes and also generates a substantial rent roll which underpins the City Council's revenue budget.
- 2.3 As part of its Asset Management Plan requirements for local authorities, the Government established high level PPIs which have been developed to provide a standard set of data against which authorities can measure their own performance year on year and also can use to benchmark nationally. These were first reported in the Council's Asset Management Plan submission to the Government Office South West in July 2002 for the year 2001/2 and have been reported to Economy Scrutiny Committee on an annual basis since then.
- 2.4 The Council has also identified a series of local PPIs to measure specific performance in certain areas. It is intended that these will assist the Council to focus on and monitor in greater detail the objectives set out in the Capital Strategy and Asset Management Plan. Again, these PPIs have been reported annually to the Economy Scrutiny Committee since 2003.
- 2.5 The Economy Scrutiny Committee also set targets for both the national and local PPIs and performance against these targets are shown in the PPI tables in the Annex to this Report.

#### 3.0 Property Performance Indicators and Targets

- 3.1 The returns for 2007/8 are set out in the Annex together with the 2006/7 data and the targets set for 2007/8. New targets for 2008/9 are also proposed.

#### 4.0 Performance Analysis

- 4.1 Comment can be made as follows on each Indicator:

##### *National PPIs*

- 1A Property Condition:  
The position has stabilised. It is hoped that some of the projects being brought forward under Capital and AIM budgets in 2008/9 will enable us to address some of the Category C and D properties (e.g. proposed works to the Bridge Road Depot and the Canal Depots).

- 1B Backlog of Maintenance:  
The AIM programme continues to make significant inroads into the outstanding identified maintenance backlog with most premises now fit for purpose (condition Category B or better). Most urgent outstanding works have been addressed and this has led to a much improved performance on this indicator.
2. Overall Average Internal Rate of Return\*:  
The internal rate of return of the retail portfolio has decreased by 1.5% from 1 September 2007. This reflects the adoption of an assumption of zero rental growth and the extension of property yields to reflect the current market position. It is possible that some rents due for review in 2009 will fall and we would anticipate a further reduction in the rate of return in 2008/9.
- 4A Maintenance spending has been sustained at present levels across the portfolio.
- 4B The collation and analysis of the data for these PPIs is the responsibility of the  
C Energy Manager in Contracts & Direct Services. Unfortunately the post-holder  
& has left without completing the task. The post has been filled with the new  
D post-holder starting soon. The preparation of this data will be a priority and we will report back at the earliest opportunity.

#### *Local Indicators*

1. Capital Disposals:  
Significant receipts were not received in the year 2007/8 (e.g. Canal Basin). We continue to actively manage the portfolio to secure capital receipt opportunities as and when they arise.
2. Performance and Investment Portfolio:  
The initial yield on the portfolio has increased as a consequence of some marginal rental growth over the subject year. We would anticipate further lengthening in the yield in current circumstances.
3. Voids:  
Active management of the portfolio has resulted in a voids performance significantly above target. It is anticipated that new economic conditions will make a repeat of such performance challenging.
4. Efficiency of Income Collection:  
It has proved more challenging to maintain our traditionally very high levels of income collecting efficiency. This issue is addressed in more detail in the Voids and Debts report that is also being presented to this Committee.

## **5.0 RECOMMENDED that:**

- 5.1 The report on Property Performance Indicators be noted and the targets for 2008/9 be adopted.

**DAVID PROSSER  
HEAD OF ESTATES**

**ECONOMY & DEVELOPMENT DIRECTORATE**

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

Revenue and Capital Estimates

Draft Accounts 2007/8

\* The internal rate of return is the actual return obtained from an investment. It is the rate of return at which the Net Present Value is zero with the investment making neither a profit nor a loss.

**PROPERTY PERFORMANCE INDICATORS AND TARGETS**

	<b>National Property Performance Indicators</b>	<b>Performance 2006/7</b>	<b>Target 2007/8</b>	<b>Performance 2007/8</b>	<b>Target 2008/9</b>
1A	Percentage of gross internal floor space in condition categories A to D for operational properties				
	A (Good)	42%	42%	41%	42%
	B (Satisfactory)	48%	49%	49%	50%
	C (Poor)	7%	7%	7%	6%
	D (Bad)	3%	2%	3%	2%
1B.	Backlog of maintenance by cost for operational property expressed as:				
	(i) As total value (up to condition B)	£347,500	£300,000	£252,500	£200,000
	(ii) As a percentage in priority levels 1 – 3.				
	1 (Urgent)	4%	4%	2%	1%
	2 (Essential)	15%	11%	7%	5%
	3 (Desirable)	81%	85%	91%	94%
2.	Overall average internal rate of return (IRR) for the Council's Retail Portfolio.	10.25%	10%	8.75%	8.5%
4A	Total annual repair and maintenance costs per sq metre (GIA) for operational property	£20.13	£20.00	£20.24	£20.00
4B	Total annual energy costs per sq metre (GIA) for operational property.	£2.31	£2.25	-	-
4C	Total annual water costs per sq metre (GIA) for operational property.	£1.54	£1.50	-	-
4D	Total annual CO <sub>2</sub> emissions in tonnes per sq metre (GIA) for operational property.	0.004	0.004	-	-
5A	Percentage of projects where outturn falls within plus or minus 5% of estimated outturn.	68%	70%	68%	70%
5B	Percentage of projects falling within plus 5% of estimated timescale.	69%	77%	53%	60%

	<b>Local Performance Indicators</b>	<b>Performance 2006/7</b>	<b>Target 2007/8</b>	<b>Performance 2007/8</b>	<b>Target 2008/9</b>
1.	Performance of capital disposals against target set as a percentage of the financial value achieved against the target set.	32%	100%	61%	100%
2.	Performance of Investment Portfolio as a percentage of the return of income against capital value of the investment estate.	7.2%	7%	8%	8.5%
3.	Voids. Number of lettable units void as a percentage of total units.	6.1%	5%	2%	5%
4.	Efficiency of Income Collection as a percentage of total gross income receivable as a percentage.	99%	99%	96.6%	99%