

REPORT TO: POLICY AND RESOURCES COMMITTEE ON 30 MARCH 2010

SUBJECT: PROPERTY PERFORMANCE INDICATORS

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 This report considers the range of performance indicators currently used for property asset management reporting and following a review of their fitness for purpose recommends a revised set of indicators for reporting to members.
- 1.2 This report is submitted to Committee in terms of Section A (41) of the Council's Administrative Scheme relating to the formulation, implementation and review of asset management policies and practices.

2. RECOMMENDATION

2.1. The Policy & Resources Committee is invited to:

- a) Approve the use of the following three high-level property asset management performance indicators for reporting to members:**

REVENUE COSTS

- 1) Property costs (£)/m² Gross Internal Area (GIA).**

CONDITION

- 2) % GIA of operational accommodation that is in a satisfactory condition (i.e. in condition categories A and B).**

SUITABILITY

- 3) % GIA of operational accommodation that is suitable for its current use (i.e. in suitability categories A and B).**

- b) Note that performance in relation to carbon emissions is reported separately to members under the Carbon Management Programme.**

- c) Note that further work will be done to develop a more balanced measure of sufficiency for the office portfolio and that a recommendation will be brought back to members for approval in due course.**

3. BACKGROUND

- 3.1. On 29th March 2006, the Policy & Resources Committee approved a vision statement for asset management together with three supporting asset objectives (para 9 of the Minute refers).

Vision Statement

'All our assets will contribute to sustainable and accessible service delivery.'

Asset Objectives

- *'To ensure that our assets are fit for purpose in terms of condition, sufficiency, suitability, and accessibility.'*
- *'To ensure that our asset use demonstrates Best Value in terms of running costs and environmental impacts.'*
- *'To ensure that our asset management processes reflect good practice.'*

- 3.2. On 24th May 2006, the Policy & Resources Committee approved the introduction of a range of property performance indicators (para 11 of the Minute refers). The indicators concerned are those now used by the Scottish Benchmarking Group for Asset Management, which is run jointly under the National Best Value Benchmarking Scheme by FPS Scotland and CIPFA Property. The full suite of indicators is shown in the **Appendix** to this report.
- 3.3. Moray Council was a founding member of the Scottish Benchmarking Group. However, the Council withdrew its membership two years ago as only three other authorities were able to submit benchmarking data. Whilst the number of members has increased significantly, it is understood that improvements in the amount of data being shared have been slow. Should the Council decide to rejoin the group, membership fees would amount to £1000 pa.
- 3.4. The previously approved indicators, which deal with property costs, condition, sustainability, suitability, accessibility and sufficiency, have now been used by officers and reported annually to members for three full years.

FITNESS FOR PURPOSE

- 4.1. There are two fundamental objectives in measuring performance – improving services and improving accountability. Clarifying the outputs and outcomes that are achieved makes it easier to hold services accountable. Members need to ensure that strategic objectives are met and service standards maintained; whilst managers need to monitor and manage service efficiency and output in their areas of responsibility, and benchmark their performance.
- 4.2. The emphasis on performance measurement in the public sector carries with it the risk that the process becomes an end in itself. If performance measures do not reflect current priorities or do not assist in improving services and improving accountability, then they should not be used. A question that should be applied to every indicator is 'What action could the recipient of the information take on the basis of this information?' Where the answer is clearly 'none', then these indicators should not be used for measuring performance.
- 4.3. Performance indicators should be tightly focused on the users' information needs, and on the decisions they are required to make. Therefore, whilst the range of available indicators may be large, the number provided for any one user group should be low. If the high-level indicators suggest that there are problems

in service delivery, then additional lower level information should be provided on an exception basis.

- 4.4. The suite of approved indicators shown in the **Appendix** covers both high-level and low-level requirements. Those high-level indicators suitable for reporting to members are identified below.

Spend (Revenue Costs)

- 4.5. Expenditure on property costs is a key area of performance. The desired outcome is to improve the efficiency of the portfolio resulting in reduced costs. It is proposed that a single high-level indicator be used for reporting to members covering all property costs per unit floor area. More detailed lower level indicators will continue to be used by officers for performance monitoring.

Stock Condition

- 4.6. A full condition survey of each property is undertaken every five years on a rolling programme basis. These surveys identify the works required to bring each building up to, and maintain it at, an appropriate standard. The data collected is updated annually for construction industry inflation and to reflect any work carried out or any additional works identified since the original survey. Each building is placed into one of four condition categories:

A (Good)	Performing well and operating efficiently.
B (Satisfactory)	Performing adequately but showing minor deterioration.
C (Poor)	Showing major defects and/or not operating adequately.
D (Bad)	Life expired and/or serious risk of imminent failure.

- 4.7. The SPI for condition, being the proportion of operational property that is in categories A and B, provides a good outcome-based high-level performance indicator. It is proposed, therefore, that this indicator be used for reporting to members.

Sustainability

- 4.8. The Council has an agreed aim of reducing its CO₂ emissions as part of its Carbon Management Programme. The Council's Energy Officer reports regularly to members on progress in this regard. It is recommended that the level of CO₂ emissions be dealt with as part of the existing arrangements for reporting on progress with this commitment and that the sustainability indicators be dropped from members' reports on Asset Management.

Suitability

- 4.9. A suitability assessment is undertaken of each property every five years. This is reviewed annually and updated to take account of material changes in circumstances. Each building is placed into one of four categories:

A (Good)	Performing well and operating efficiently.
B (Satisfactory)	Performing well but with minor problems.
C (Poor)	Showing major problems and/or not operating optimally.

D (Bad) Does not support the delivery of services.

- 4.10. Indicator **4B(i)** (% of properties graded as good or satisfactory) is calculated on the same basis as the SPI for condition. It thus provides a good outcome-based high-level performance indicator. It is proposed, therefore, that this indicator continues to be used for member reporting purposes.
- 4.11. Some of the original indicators are now redundant as all relevant properties have been assessed and arrangements put in place to ensure that they will be reviewed regularly.

Accessibility

- 4.12. On 17th November 2009, the Head of Estates reported to the Policy & Resources Committee that the Council's programme of adapting its public buildings to remove or overcome any barriers disabled persons may experience in accessing services was almost complete and that arrangements were in place to ensure that the Council meets its duty under Part 3 of the Disability Discrimination Act 1995. The programme of works is expected to be substantially complete by the end of the current financial year with only a few minor projects slipping into next year.
- 4.13. The existing SPI for public access, which provides a good overall outcome-based measure of portfolio performance, will continue to be reported publicly. However, now that all relevant properties have been assessed for compliance and appropriate plans put in place, the remaining indicators are redundant. Therefore, it is proposed that the Accessibility performance indicators be dropped from member reporting on Asset Management.

Sufficiency

- 4.14. Nationally agreed sufficiency indicators are geared to how intensively assets are used and are specific to individual building types. The most widely used example relates to schools, where the school roll is divided by its functional capacity. This measure is reported separately.
- 4.15. A problem exists in relation to the measure for office buildings (indicator **5B** (floor space per person)), where an "improvement" in reported performance can be achieved by simply cramming more people into a smaller space. This can result in reduced staff morale and performance. The measure used for school sufficiency provides a more balanced view of intensity of use. Further work is required in order to develop something similar for use in offices.

5. SUMMARY OF IMPLICATIONS

(a) Single Outcome Agreement/Service Improvement Plan.

This report informs the Single Outcome Agreement 'Progress' target for 2010-11 of reviewing reporting and accountability to local communities.

(b) Policy and Legal

There are no policy or legal implications arising directly from this report.

(c) Resources (Financial, Risks, Staffing and Property)

There are no resource implications arising directly from this report.

(d) Consultations

Members of the Asset Management Working Group have been consulted during the preparation of this report.

6. CONCLUSION

6.1. The Council uses a wide range of nationally agreed property performance indicators, some of which are appropriate for performance reporting purposes. Others are necessary for informing property strategy, property reviews, options appraisals and forward maintenance planning. Others still have proven limited in value at strategic and operational levels.

6.2. The following measures are presented as providing a balanced view of overall property asset management performance and therefore as appropriate for reporting to members:

Revenue Costs

1) Property costs (£)/m² Gross Internal Area (GIA).

Condition

2) Percentage of operational accommodation (by GIA) that is in a satisfactory condition (i.e. in condition categories A and B).

Suitability

3) Percentage of operational accommodation (by GIA) that is suitable for its current use (i.e. in suitability categories A and B).

6.3. The existing measure for office space utilisation only provides part of the picture. It is proposed that further work be done to develop a more balanced measure for sufficiency in relation to the office portfolio. This may involve identifying the capacity of each office building and comparing this with the number of FTE staff members accommodated.

6.4. The suite of approved indicators and relevant SPIs are detailed in the **Appendix**, which shows those indicators that are considered suitable for public performance reporting, reporting to members, and for use by officers. Those indicators which are no longer required are listed as 'Not required'.

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Background Papers:

- 1) Report to 29th March 2006 meeting of the Policy & Resources Committee by the Chief Financial Officer on Asset Management Planning.
- 2) Report to 24th May 2006 meeting of the Policy & Resources Committee by the Chief Financial Officer on Asset Management Performance Indicators.
- 3) Report to 10th March 2009 meeting of the Policy & Resources Committee by the Director of Environmental Services on the Carbon Reduction Programme.
- 4) Report to 17th November 2009 meeting of the Policy & Resources Committee by the Head of Estates Services on the Disability Discrimination Act 1995.
- 5) *A New Direction: SPI Guidance for audited bodies 2009/10* by Audit Scotland.

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