

# The Highland Council

Agenda Item	<b>7</b>
Report No	<b>HP/16/24</b>

**Committee:** Housing & Property

**Date:** 14 August 2024

**Report Title:** Property & Facilities Management Services Revenue Budget:  
Year-end Outturn for 2023/24

**Report By:** Assistant Chief Executive - Place

## 1. Purpose/Executive Summary

- 1.1 This report covers the Property, Catering, Cleaning and Facilities Management Budgets, and provides Members with an out-turn monitoring statement for the 2023/24 financial year.
- 1.2 The report also provides information on the current status of agreed corporate budget savings for the year.
- 1.3 The service net budget for 2023/24 was £77.993m, and the year-end outturn figure was £79,603m, resulting in a year end income under recovery of £1.630m (2.1%). This variance consists of:
- Projects and Property Maintenance Teams - Fee Income - shortfall: £2.425m.
  - CCFM Services – Combined underspend: £0.863m.
  - PPP & Wick Campus Contractual Payments – underspend: £0.205m.
  - Property Revenue Maintenance Budget – overspend: £0.903m
  - Properties – Asset Management, (HLH/Depots/Office's) - Operational utility costs Rates payments – Combined underspend (due in the main to rates savings/recovery): £0.649m.

## 2. Recommendations

- 2.1 Members are asked to:
- NOTE** the final position for the 2023/24 financial year.
  - NOTE** the progress update provided in relation to budget savings delivery.

### 3. Implications

- 3.1 **Resource** - Resource implications are as noted in this report.
- 3.2 **Legal** - The Service budget supports delivery of a range of statutory services. Income generation is permitted and is an integral part of the Service budget. This report also contributes to the Council's statutory duties to report performance and secure best value in terms of; Section 1(1)(a) of the Local Government Act 1992, and Section 1 of the Local Government in Scotland Act 2003, respectively.
- 3.3 **Risk** - The 2023/24 Property & FM Service budget relies on £22.289m of income to meet a portion of service delivery costs. Service income applies to nearly every service area. This brings risk to achieving a balanced budget, especially when most income generating services are demand-led. There is ongoing risk in that pressures will continue to emerge, in particular, external factors such as fluctuating fuel/energy and material costs, all impacting on our supply chain's ability to keep up with demand.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** - There are no additional health & safety implications arising from this report.
- 3.5 **Gaelic** - There are no implications for Gaelic arising from this report.

### 4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring update report and therefore an impact assessment is not required.

### 5. Revenue Budget Monitoring – Q4 2023/24

- 5.1 **Appendix 1** sets out the monitoring position to end March 2024. The service net budget for 2023/24 was £77.993m, and the year-end outturn figure was £79,603m, resulting in a year end income under recovery variance of £1.630m (2.1%).
- 5.2 **Appendix 2** provides more information on the net budget by showing the different service areas in more detail along with the gross income and gross expenditure positions. The main issues and variances are explained below.
- 5.3 **Project Delivery:** Within this budget heading, the collective technical design, project management, property maintenance, estates and property support teams are reliant on achieving fee income targets derived from the delivery of General Fund and HRA capital and revenue programmes of work. The number of fee-earning staff vacancies (circa 48 posts) continues to have a negative impact on the Service achieving its annual income targets and is also affecting project delivery and maintenance works. Moving forward, the Council has agreed over a three-year period to remove the hourly

rate income multiplier from project delivery/technical posts so these annual staff income targets will in future be significantly reduced.

- 5.4 **CCFM:** Catering, Cleaning and Facilities Management (CCFM) services delivered a year end budget underspend of £0.863m, mainly due to a number of staff vacancies. The combined CCFM team provide a significant level of service to Education, HLH and Office accommodation across Highland. Income targets continue to be reliant on food sales in schools and cleaning income from various Council Services. It is anticipated that increasing food costs will continue to impact the CCFM budget.
- 5.5 **PPP and Wick SFT:** This budget covers the management of the contracts and annual payments for the Council's PPP school properties and the Wick Community Campus, totalling £36.435m, with the Wick Campus annual payments supported by SFT grant funding totalling £4.201m. This budget was underspent by £0.205m at year-end.
- 5.6 **Revenue Maintenance:** This budget covers the delivery of statutory, reactive, and planned maintenance including engineering servicing works to the General Fund built estate in particular schools, nurseries, offices, and High Life Highland properties. This budget was overspent at year-end by £0.902m, but this is in the context that annual budget savings had resulted in a reduced budget for 23/24. Moving into FY 2024/25 an additional budget pressure of £2.0m has been agreed by Council and this will assist where we need to deal with urgent, high priority repairs.
- 5.6.1 Where possible, we seek to mitigate the impact on cost on revenue budgets by capitalising spend on revenue repairs where appropriate and/or through drawdown of approved earmarked reserves where these exist, such as the approved ringfenced Health and Safety budget. Further cost control measures include reprioritising and/or deferring of a range of repairs where that is considered reasonable and appropriate and consistent with our legal responsibilities to building users and occupiers. The opportunity cost of this approach however is that all the above can mean that there will need to be an element of expectation management in terms of the nature and extent of what works may be carried out and in what timescale, and in some cases, whether some categories of works will be carried out at all.
- 5.7 **Property Asset Management:** This team is currently leading on property asset management across the Council estate and are focused on reducing the number of buildings that Services occupy. This budget line has underspent by £0.049m.
- 5.8 **Depots:** This budget covers the cost of utility consumption in all Council depots and was overspent by £0.055m. However, building users are working towards reducing their energy consumption, where practicable, in order to minimise any future, overspend.
- 5.9 **HLH Properties:** This budget also covers the cost of utility consumption in a number of HLH occupied premises, and was overspent by £0.382m, which can be attributed to the fluctuating cost of energy prices across the country.
- 5.10 **Other Offices & Properties:** This heading also relates to utility consumption across this portfolio and was overspent by £0.043m.
- 5.10.1 This budget position for Depots, HLH and Offices may vary depending on the allocation of centrally held funding to cover cost pressures related to utilities.
- 5.11 **Non-Domestic Rates:** The Council has now centralised the payment of non-domestic rates via the Property Service (previously all Council Services held individual rates

budgets for the buildings they occupied). An ongoing review of rates payments to identify further savings will continue. The year end position due to various rebates and savings being achieved is an underspend of £1.080m.

## **6. Corporate Budget Savings Delivery**

- 6.1 Also enclosed within this report is an updated assessment of progress with delivery of budget savings. **Appendix 3** sets out a Blue/Red/Amber/Green (BRAG) assessment of those savings.
- 6.2 The Appendix reflects the savings proposals being taken forward within the Service as well as the Service share of corporately allocated savings.

Designation: Assistant Chief Executive – Place

Date: 24 July 2024

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### **Appendices:**

Appendix 1: Monitoring of Revenue Expenditure to 31 March 2024 – Summary

Appendix 2: Monitoring of Revenue Expenditure to 31 March 2024 – Detailed

Appendix 3: Corporate Savings – BRAG Assessment Q4 23/24

**PROPERTY & FACILITIES MANAGEMENT SERVICE BUDGET 2023/24 - YEAR END MONITORING**

**APPENDIX 1**

	<b>£'000 Annual Budget</b>	<b>£'000 Actual YTD</b>	<b>£'000 Year End Estimate</b>	<b>£'000 Year End Variance</b>
<b>BY ACTIVITY</b>				
Project Delivery	(4,672)	(2,247)	(2,247)	2,425
CCFM	24,617	23,754	23,754	(863)
PPP & Wick SFT	32,234	32,028	32,028	(206)
Revenue Maintenance Properties	8,522	9,424	9,424	902
	17,292	16,644	16,644	(648)
<b>TOTAL</b>	<b>77,993</b>	<b>79,603</b>	<b>79,603</b>	<b>1,610</b>
<b>BY SUBJECTIVE</b>				
Staff Costs	32,322	31,308	31,308	(1,014)
Other Expenditure	67,963	70,193	70,193	2,230
<b>Gross Expenditure</b>	<b>100,285</b>	<b>101,501</b>	<b>101,501</b>	<b>1,216</b>
Grant Income	(5,727)	(5,685)	(5,685)	42
Other Income	(16,565)	(16,213)	(16,213)	352
<b>Total Income</b>	<b>(22,292)</b>	<b>(21,898)</b>	<b>(21,898)</b>	<b>394</b>
<b>NET TOTAL</b>	<b>77,993</b>	<b>79,603</b>	<b>79,603</b>	<b>1,610</b>

**PROPERTY & FACILITIES MANAGEMENT SERVICE BUDGET 2023/24 - YEAR END MONITORING**

**APPENDIX 2**

	GROSS EXPENDITURE				EXPENDITURE VARIANCE		GROSS INCOME				NET TOTAL			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Staffing	Other	Annual Budget	Actual YTD	Year End Estimate	Year End Variance	Annual Budget	Actual YTD	Year End Estimate	Year End Variance
<b>BY ACTIVITY</b>														
<b>Project Delivery</b>														
Technical Design & Projects	4,726	5,325	5,325	599	154	445	(9,246)	(6,244)	(6,244)	3,002	(4,520)	(919)	(919)	3,601
Project Management	1,167	1,040	1,040	(127)	(130)	3	(1,547)	(2,662)	(2,662)	(1,115)	(380)	(1,622)	(1,622)	(1,242)
Property Support	245	299	299	54	(9)	63	(17)	(5)	(5)	12	228	294	294	66
COVID 19	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>CCFM</b>														
CCFM Business Support	508	432	432	(76)	(86)	10	(36)	0	0	36	472	432	432	(40)
Catering	17,504	17,465	17,465	(39)	(866)	827	(4,043)	(4,213)	(4,213)	(170)	13,461	13,252	13,252	(209)
Cleaning & Facilities Management	12,309	11,666	11,666	(643)	(1,301)	658	(1,625)	(1,597)	(1,597)	28	10,684	10,069	10,069	(615)
<b>PPP &amp; Wick SFT</b>														
PPP & Wick SFT	36,435	36,148	36,148	(287)	45	(332)	(4,201)	(4,119)	(4,119)	82	32,234	32,029	32,029	(205)
<b>Revenue Maintenance</b>														
Revenue Maintenance	9,496	12,186	12,186	2,690	(112)	2,802	(974)	(2,761)	(2,761)	(1,787)	8,522	9,425	9,425	903
<b>Properties</b>														
Property Asset Management	1,537	1,335	1,335	(202)	(23)	(179)	(281)	(128)	(128)	153	1,256	1,207	1,207	(49)
Depots	1,123	1,184	1,184	61	0	61	(73)	(79)	(79)	(6)	1,050	1,105	1,105	55
HLH Properties	3,019	3,240	3,240	221	1	220	(198)	(37)	(37)	161	2,821	3,203	3,203	382
Other Offices & Properties	471	519	519	48	0	48	(48)	(53)	(53)	(5)	423	466	466	43
Non Domestic Rates	11,742	10,662	10,662	(1,080)	0	(1,080)	0	0	0	0	11,742	10,662	10,662	(1,080)
<b>TOTAL</b>	<b>100,282</b>	<b>101,501</b>	<b>101,501</b>	<b>1,219</b>	<b>(2,327)</b>	<b>3,546</b>	<b>(22,289)</b>	<b>(21,898)</b>	<b>(21,898)</b>	<b>391</b>	<b>77,993</b>	<b>79,603</b>	<b>79,603</b>	<b>1,610</b>

Corporate Savings - Housing & Property Service - BRAG Assessment Q4 2023/24					APPENDIX 3			
Budget Saving Category	Saving Ref	Service	Saving Type	Saving Description	Agreed Savings £m	Savings Confirmed to Date (Blue/Green)	Savings still to be confirmed (Amber)	Status: BRAG
Reducing Waste/ Avoidable Spend	1.3c	H&P	Staffing	Reduce Overtime/Agency Appointments	0.050	0.050		G
Reducing Waste/ Avoidable Spend	1.3d	H&P	Staffing	Reduce Casual and Temp Contracts	0.150	0.150		G
Reducing Waste/ Avoidable Spend	1.5	H&P	Non-Staffing	Reduce council tax payments on School houses	0.040	0.040		G
Reducing Waste/ Avoidable Spend	1.6	H&P	Non-Staffing	Catering Services (Reduction of operational costs)	0.100	0.100		G
Budget Not Required for Original Purpose	2.1e	H&P	Staffing	Reduce 2 FTE equivalent posts in service	0.100	0.100		G
Budget Not Required for Original Purpose	2.1f	H&P	Non-Staffing	General review of all budget lines	0.200		0.200	A
Budget Not Required for Original Purpose	2.7	H&P	Non-Staffing	Further delivery of Asset Rationalisation	0.410		0.410	A
Service Redesign and Efficiency	3.20	H&P	Staffing	Redesign of FM Service	0.250	0.250		B
Service Redesign and Efficiency	3.24a	H&P	Non-Staffing	Changes to the Council's approach to homelessness - Housing Support budget	0.070	0.070		B
Service Redesign and Efficiency	3.24b	H&P	Non-Staffing	Changes to the Council's approach to homelessness - Homelessness budget	0.070	0.070		B
Removal or Reduction in Service	6.6	H&P	Staffing	Redesign of Cleaning Services	0.450	0.450		B
Removal or Reduction in Service	6.9a	H&P	Non-Staffing	Review and reduce Property Maintenance budget - recurring savings	0.500	0.500		B
Removal or Reduction in Service	6.9b	H&P	Non-Staffing	Review and reduce Property Maintenance budget - 2023/24 one-off savings	1.000	1.000		B
Increasing Income - Commercial	7.18	H&P	Non-Staffing	Regularise lease/rental charges	0.040		0.040	A
				<b>Total</b>	<b>3.430</b>	<b>2.780</b>	<b>0.650</b>	
				<b>Savings as a % of Total</b>		<b>81%</b>	<b>19%</b>	