

REPORT TO: Organisation Improvement & Environment Overview
and Scrutiny Commission

DATE: 16 January 2008

REPORTING OFFICER: Acting Head of Property & Economic Development
(*Mr J Hayton*)

SUBJECT: REVISED REVENUE BUDGET 2007/08 AND DRAFT
REVENUE BUDGET 2008/09
PROPERTY MANAGEMENT BUSINESS UNIT
COMPRISING ESTATES AND THE BUILDING
MANAGEMENT ACCOUNT (BMA), PUBLIC HALLS,
AND PUBLIC TOILETS

WARD/S AFFECTED: ALL

FORWARD PLAN REF: N/A

1.0 PURPOSE OF REPORT

- 1.1 The report sets out proposals for the Revised Estimates 2007/8 and the 2008/9 Original Estimates in respect of the Property Management Business Unit comprising Estates and the Building Management Account (BMA), Public Halls, and Public Toilets.
- 1.2 For the purpose of the report the Budget Book is presented in a combined manner for the Property Management Service. The Estates and Building Management function, with regard to staffing, are therefore integrated financially to reflect the management arrangements.
- 1.3 The Property Management Business Unit Fees and Charges were the subject of a separate report to the Cabinet Member (Finance & Resources) on 28 November 2007. The overall increase in charges was in line with the Council's approved financial strategy for 2008/09, which included a target of 4.0% increase for Fees and charges.

2.0 RECOMMENDATION/S

2.1 The Cabinet Member (Finance & Resources) is requested to:-

- a) Recommend the Property Management Revised Estimates 2007/08 to Cabinet.
- b) Recommend the Property Management Original Estimates 2008/09 to Cabinet.

3.0 RECOMMENDED REASON/S FOR DECISION/S

3.1 The proposed revised estimates 2007/8 and the original estimates for 2008/9 will permit the continued Property Management and investment in repairs, maintenance and general running costs of the Council's building stock to be undertaken.

4.0 ALTERNATIVE OPTION/S CONSIDERED AND RECOMMENDED FOR REJECTION

4.1 The main budget has been prepared in accordance with the guidelines issued by the Director of Resources, therefore no alternative has been considered.

4.2 No alternatives exist without placing a risk upon the Council.

5.0 THE REPORT

5.1 Key features of the draft budget – See also Attached Appendix A which are extracts from the Budget Book relating to Estates and Building Management Account, Public Halls and Public Toilets.

5.1.1 The budget for this Business Unit contains deferred charge write-downs. These represent capital charges for loans in relation to asset sales. The difference between deferred charge write-downs and the usual capital charges is that deferred charges are all written off (charged to revenue) in the year they occur. Normal capital charges on our own fixed assets are spread over the life of the asset. This treatment is in accordance with capital accounting rules. It should be noted that a contra entry for these items appears in the Council's Treasury Management Account.

5.1.2 Revised Estimate 2007/08 – significant variations

- a) Reduction in employment costs – net effect of vacancies and changes in hours including savings relating to vacant Head of Service post and honoraria paid in relation to the vacancy and also re-employment costs comprising of a project co-ordinator – reduction £4,360. (Appendix 1 page 2).
- b) Increase in Planned Maintenance – essential maintenance – totalling £60,000 comprising the following: -
 - i) £15,000 - Fire Safety Works following the introduction of new legislation. (Appendix 1 page 2)
 - ii) £45,000 – essential maintenance at Ripon Spa Baths following dilapidation and structural report. (Appendix 1 page 2)
- c) Increase in Mechanical and Electrical costs – mainly resulting from Legionella Water Treatment Testing following the introduction of new legislation - increase £7,000. (Appendix 1 page 2)
- d) Increase of Cleaning and Hygiene – additional attendant costs at Ripon Bus Station Public Toilets – increase £10,320. (Appendix 1 page 2)
- e) Reduction in District Refrigeration – reduced consumption from the district refrigeration scheme due to mild summer – reduction £9,800. (Appendix 1 page 2)
- f) Increase in Energy (Utilities) – reflects transfer of Hugh Ripley Hall from the Department of Community Services to the Department of Development Services as part of Resource Reallocation Review– increase - £4,440. (Appendix 1 page 2)
- g) Reduction in rents, rates and insurance - reflects updated Royal Baths rent agreement not available at 2006/2007 and actual NNDR (national non domestic rates) charges during 2006/2007 – reduction £21,290. (Appendix 1 page 2)
- h) Increase in additional expenditure – reflects changes in Property Management, management arrangements and re-evaluation of Knapping Mount Annex - increase £60,650. (Appendix 1 page 1)
- i) Increase in Recharges to Services – reflects the overall increase in the Building Management Account operational costs and salaries holding account re-charged to services – increase £125,120. (Appendix 1 page 1)
- j) Increase in other consultants fee – resulting from costs incurred in disposing of Spacey Houses Farm – increase £30,000 funded from reserves hence a net nil increase. (Appendix 1 page 5)

- k) Increase in other fees – reflects appointment of external agency staff to analyse all lease terms to identify the extent of the Council’s health and safety liability – increase £4,000 funded from reserves hence a net nil increase. (Appendix 1 page 5)
- l) Increase to/from reserves – includes appropriation towards improvements to Horseshoe Bridge, Knaresborough – increase £35,000 (Appendix 1, page 5)
- m) Reduction in income Wakeman’s House – reflects a rent free period given to the tenant to carry out improvement works to the first floor – reduction £2,000. (Appendix 1 page 5)
- n) Increase in Ground Rent – reflects receipt of additional income under the terms of ground rent lease– increase £36,000. (Appendix 1 page 5)
- o) Increase in Other Property and Land Rents – resulting from ongoing review of Property and Land Rents – increase £26,530. (Appendix 1 page 5)
- p) Increase in Miscellaneous Income – resulting from income received from parties on land transactions to cover surveyor’s costs – increase £2,000. (Appendix 1 page 5)
- q) Decrease in External Income – Public Conveniences – resulting from less than anticipated usage of Ripon Bus Station attended toilets – reduction £17,000. (Appendix 1 page 5)
- r) Increase in Estates – Other Salaries due to appointment of new Estates post – increase £3,000. (Appendix 1 page 5)
- s) Increase in Capital Expenditure write-downs – resulting from loan to the tenant of Spacey Houses Farm to fund purchase of temporary accommodation – increase £100,000. (Appendix 1 page 5)

5.1.3 Original Estimate 2008/09 – commentary and significant variations

Commentary

- i) Guidelines are issued by the Director of Resources to prepare the estates and BMA original estimate.
- ii) Utilities/NNDR/Insurances vary as per actual estimates and these predicted amounts are incorporated in the budget.
- iii) The ratio of planned maintenance to reactive repairs is targeted at 70/30, but actual need each year varies this year.

- iv) Increase in maintenance costs – due to standard inflation and extent of work forecast at budget setting stage – increase £56,470. (Appendix 1 page 3)

Significant variations

- a) Reduction in employment costs – net effect of vacancies and changes in hours and also re-employment costs comprising project co-ordinator – reduction £19,000. (Appendix 1 page 3)
- b) Increase in security costs – reflects improvements to security systems identified under Resource Re-Allocation Review and inflation across maintenance of intruder alarms and CCTV systems – increased £11,589. (Appendix 1 page 3)
- c) Increase in Mechanical and Electrical maintenance – increase includes Legionella monitoring under new legislation and emergency lighting requirements identified under Fire Reform legislation - £39,460. (Appendix 1 page 3)
- d) Increase in fire precautions – resulting from required works to fire alarm systems identified under Fire Reform legislation – increase £15,000. (Appendix 1 page 3)
- e) Increase in painting and decorating – reflects extent of buildings requiring painting under a 5 year cyclical painting programme including exterior of Royal Pump Room and Ripon Town Hall – increase £17,510. (Appendix 1 page 3)
- f) Increase in Landscape and Hardstanding maintenance – mainly resulting from resurfacing of driveway to Conyngham Hall – increase £6,000. (Appendix 1 page 3)
- g) Increase in Roof Servicing – mainly resulting from roof maintenance at Scottsdale House – increase £4,000. (Appendix 1 page 3)
- h) Reduction in Cleaning and Hygiene – mainly resulting from planned closure of attended toilet service at Ripon Bus Station; also includes additional costs of cleaning new offices at Level 10, Victoria MSCP, Harrogate – reduction £29,080. (Appendix 1 page 3)
- i) Reduction in District Refrigeration across the Building Management Account – due to reduced due to savings in energy costs of the District Refrigeration scheme due to more competitive tariffs for electricity – reduction £6,200. (Appendix 1 page 3)
- j) Reduction in District Heating across the Building Management Account – reflects decreasing gas consumption following replacement boiler – reduction £3,370. (Appendix 1 page 3).

- k) Increase in Energy (Utilities) – reflects estimated costs across Council buildings predicted for year 2008/2009 accounting for renewal of electricity contract for small buildings in November 2008, the provision of new offices at Level 10, Victoria MSCP, Harrogate and volatile market conditions and uncertainties in commodity markets – increase £48,750. (Appendix 1 page 3)
- l) Increase in Rents, Rates and Insurances – due to re-evaluation of the Council's property portfolio and increase in rental charges to let premises and review of Council's property insurance by Department of Resources – increase £22,940. (Appendix 1 page 3)
- m) Increase in Additional Expenditure – reflects changes in Property Management, management arrangements and increased computer SLA costs and re-evaluation of Knapping Annex – increase £83,000. (Appendix 1 page 1)
- n) Increase in re-charges to services – reflects the overall increase in the Building Management Operation Costs and the salaries holding account re-charged to services – increase £153,309. (Appendix 1, page 1)
- o) Increase in premises costs - Wakeman's House – resulting from rectification to accounts ringfencing all rentals monies received as required under the Heritage Lottery grant – increase £4,000. (Appendix 1 page 6)
- p) Decrease in Rents and Wayleaves – reflects net change in the rental payable following the sale of a jointly owned asset between NYCC and HBC, land off Wetherby Road, Harrogate and entering into a new lease for a car park – decrease £14,000. (Appendix 1 page 6)
- q) Increase in NNDR (National Non Domestic Rates) – increase £2,000. (Appendix 1 page 6)
- r) Decrease in Other Consultants Fees – one off budget for 2007/08 – decrease £1,000. (Appendix 1 page 6)
- s) Increase in provision for bad debts/voids – previously no provision shown, good estate management practice to account for possible situations – increase £14,000. (Appendix 1 page 6)
- t) Increase in Wakeman's House – sinking fund established to ring fence all income and expenditure in accordance with the grant clauses – increase £9,000. (Appendix 1 page 6)
- u) Decrease in Ground Rent – short term reduction in rental income in order to carry out internal works re-shaping the layout and offering incentives to relocate tenants, resulting in a short term reduction in rental income – decrease £17,000. (Appendix 1 page 6)

- v) Decrease in Property and Land Rent – following disposal of land and property assets and changing policy on others – decrease £22,000. (Appendix 1 page 6)
- w) Increase in Misc Income – increase £3,000 (Appendix 1 page 6).
- x) Decrease in External Income – Public Conveniences – due to closure of attended toilets at Ripon Bus Station – decrease £37,000. (Appendix 1 page 6)
- y) Decrease in Building Management Charge Public Conveniences – resulting from reinstatement of unattended toilets at Ripon Bus Station – decrease £21,610. (Appendix 1 page 6)
- z) Increase in capital expenditure write-down – resulting from surrender payment to the tenant of Spacey Houses Farm from sale proceeds – increase £300,000. (Appendix 1 page 6)

5.2 Projections for 2009/10 and 2010/11

5.2.1 We are now required under the Government's new prudential code and also for the Comprehensive Performance Assessment to produce projections for the next 2 years. These projections are only a broad indication of likely net expenditure levels and have been compiled in accordance with the guidance and parameters set.

5.3 Details of Any Growth

5.3.1 No growth items have been identified for the financial year 2008/2009.

5.4 Details of Efficiency Savings for 2008/2009

5.4.1 The Property Management Business Unit has put forward £43,480 efficiency savings comprising £20,660 cash savings and £22,820 non-cash savings.

5.4.2 Cash efficiency savings include:

- a) Savings in energy costs of the district-heating scheme due to the replacement of boilers - £8,360.
- b) Savings in energy costs of the district refrigeration scheme due to more competitive tariffs for electricity - £9,050.
- c) Savings in energy costs from new lighting at Red Car park Harrogate International Centre due to replacement lighting - £1,500.
- d) Reduction in maintenance costs to Victoria Link Bridge, Harrogate - £1,750.

e) Reduced energy consumption from new lighting in Victoria MSCP - £2,200.

5.4.3 Non Cash efficiency savings include:

a) Savings from Economic Development and Property Management restructure - £12,000.

b) Additional work with same resources for the control of Legionella bacteria in water systems (330 hours) - £10,820.

6.0 SERVICE CUTS

6.1 No service cuts have been identified for the financial year 2008/2009.

7.0 FINANCIAL RISK ASSESSMENT

7.1 In order to address priorities and to evaluate risk, building requirement lists provided by Departments/Business Units are assessed in conjunction with the Councils Asset Management Plan and 'in house' Condition Surveys, Asbestos Survey, Fire Safety Reports and Resource Reallocation Review of Leisure and Community Buildings.

7.2 To minimise risk, the budgets within the Business Unit are managed through the financial processing and monitoring system in place in the Department of Development Services. Monitoring statements and forecasts are prepared and considered in detail with budget holders and reported to the Departmental Resources Monitoring Meeting on an exception basis.

8.0 USE OF RESERVES

8.1 In line with CIPFA guidance, reserves are reviewed as part of both final account and the budget process.

8.2 The current Statement of Recommended Practice requires that the purpose and usage of earmarked reserves be clearly identified.

8.3 The use of Business reserves in the current and future years was reported to Council in September. Such expenditure is subject to Business Unit rules regarding the level of authority required, hence is not being reviewed here.

8.4 The Property Management Business Unit has one earmarked reserve – district heating and district refrigeration reserve. The balance brought forward on the reserve at the 1 April 2007 was £118,133. The reserve will be used to fund the boiler replacement in 2008.

9.0 SCRUTINY

9.1 The Organisation Improvement and Environment Overview and Scrutiny Commission will consider this report on the 16 January 2008.

10.0 CONCLUSION

10.1 The revised estimates for 2007/2008 and draft original estimates for 2008/2009 in respect of the Property Management business Unit have been prepared in accordance with the guidelines and timescale set by the Department of Resources.

Background Papers – None

OFFICER CONTACT: Please contact Mr J Hayton, Acting Head of Property & Economic Development if you require any further information on the contents of this report. The officer can be contacted at Harrogate Borough Council, Knapping Mount, West Grove Road, Harrogate HG1 2AE by telephone on 01423 556641 or by Email – john.hayton@harrogate.gov.uk

SUSTAINABILITY ASSESSMENT/POLICY CONSIDERATIONS

		Implications are		
		Positive	Neutral	Negative
A	Economy		✓	
B	Environment	✓		
C	Social Equity			
i)	General	✓		
ii)	Customer Care / People with Disabilities	✓		
iii)	Health Implications	✓		
D	Crime and Disorder Implications		✓	

If all comments lie within the shaded areas, the proposal is sustainable