

REPORT TO: Cabinet Member (Finance & Resources)

DATE: 17 December 2008

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

SUBJECT: **REVISED REVENUE BUDGET 2008/09 AND DRAFT REVENUE BUDGET 2009/10 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 2008/9 and the 2009/10 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 the 26 November 2008. A 5.0% increase for the period 1 April 2009 to 31 March 2010 was in line with the Council's financial strategy for 2009/10.

2.0 RECOMMENDATION/S

- 2.1 The Cabinet Member (Finance & Resources) is requested to:-
- a) Recommend the Property Management Revised Estimates 2008/09 to Cabinet.
 - b) Recommend the Property Management Original Estimates 2009/10 to Cabinet.

3.0 ALTERNATIVE OPTION/S CONSIDERED AND RECOMMENDED FOR REJECTION

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

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

4.0 THE REPORT

4.1 **Key features of the draft budget – See also Attached Appendix 1 which are extracts from the Budget Book relating to Estates and Building Management Account, Public Halls and Public Toilets.**

4.1.1 The budget for this Business Unit did contain deferred charge write-downs which have now been omitted due to a change in the accounts rules. These represent capital charges for loans in relation to asset sales.

4.2 General fund areas of Estates, Public Halls and Public Conveniences 2008/09 Revised Estimates – significant variation

4.2.1 The Revised Estimates 2008/09 shows a decrease of £395,220 and the main reasons are identified below.

4.2.2 **Increase in Employee Costs** – net effect of cost of Job Evaluation Review – increase £3,000 (Appendix 1, page 3).

4.2.3 **Increase in Premises Costs** – net effect of payments to external contractors for rebuilding Horseshoe Bridge, Knaresborough, and securing Spacey Houses Farm following tenants relocation to new farmstead funded from Reserves and grants hence a net nil increase – increase £84,000 (Appendix 1, page 3).

4.2.4 **Decrease in transfer payments** – resulting from delay in sale of Spacey Houses Farm having been listed £265,000 (Appendix 1, page 3).

4.2.5 **Decrease to/from reserves Wakeman's House** – sinking fund established to ring fence all income and expenditure – decrease £7,000 (Appendix 1, page 3).

- 4.2.6 **Special Carry Forwards** – reflects additional Estates consultancy works – increase £17,000 (Appendix 1, page 3).
- 4.2.7 **Increase in Ground Rent** – reflects receipt of additional income resulting from backdated rent from Victoria Gardens Shopping Centre under the terms of ground rent lease – increase £129,000 (Appendix 1, page 3).
- 4.2.8 **Decrease in Employee/Support Costs** – net effect of changes in staff and support charges – decrease £11,000 (Appendix 1, page 3).
- 4.3 **General Fund areas of Estates, Public Halls and Public Conveniences – 2009/10 Original Estimates**
- 4.3.1 The Original Estimate 2009/10 shows a budget decrease of £298.340 and the main reasons are summarised below.
- 4.3.2 **Increase in Employee Costs** – net effect of cost of Job Evaluation Review and pay award – increase £4,000 (Appendix 1, page 4).
- 4.3.3 **Decrease in Transfer Payments**– resulting from delay in sale of Spacey Houses Farm having been listed decrease £300,000 (Appendix 1, page 4).
- 4.3.4 **Increase in Ground Rent** – reflects forecast rental income from Victoria Gardens Shopping Centre following refurbishment increase £34,000 (Appendix 1, page 4).
- 4.3.5 **Increase in Additional Expenditure Employee/Premises/Support Costs** – net effect of increase in staff charges for Estate managed buildings and planned improvements to Public Toilets – increase £60,000 (Appendix 1, page 4).
- 4.4 **Holding Accounts including Building Management Operational Account and the Salaries Holding Account 2008/09 Revised Estimates rechargeable across departments.**
- 4.4.1 The Revised Estimates 2008/09 recharged across departments shows a budget decrease of £74.862 and the main reasons are summarised below.
- 4.4.2 **Decrease in Employee Costs** – net effect of changes in hours including savings relating to vacant posts reduction £85,000 (Appendix 1, page 7).
- 4.4.3 **Decrease in Premises Costs** – net effect, resulting from reduced consumption from district refrigeration scheme during summer and actual NNDR (National Non Domestic Rates) charges during 2008/2009 – reduction £11,000 (Appendix 1, page 7).

- 4.4.4 **Increase in Supplies and Services** – reflects appointment of consultant to negotiate new utilities contract and software maintenance charge for property database – increase £6,000 (Appendix 1, page 7).
- 4.4.5 **Increase in Additional Expenditure Employee Costs** – resulting from re-apportionment of full year costs between Building Management and Economic Development following appointment of new Head of Property and Economic Development – increase £24,000 (Appendix 1, page 7).
- 4.4.6 **Decrease in Additional Expenditure Supplies and Services** – resulting from reduction in capital deferred charges and charge for property database IT support – decrease £15,000 (Appendix 1, page 7).
- 4.4.7 **Increase in Additional Expenditure Support Services** – reflects overall variances in support costs following minor restructure of Property Management and Economic Development – increase £7,000 (Appendix 1, page 7).
- 4.5 **Holding accounts including Building Management Operational Account and the Salaries Holding Account – 2009/10 Original Estimates rechargeable across departments.**
- 4.5.1 The Original Estimate 2009/10 recharged across departments shows a budget increase of £434,204 the main reasons are summarised below.
- 4.5.2 **Decrease in Employee Costs** – net effect of cost of job evaluation and pay award, vacancy provision and overtime – reduction £14,000 (Appendix 1, page 8).
- 4.5.3 **Increase in Reactive Repairs** – reflects 2007/08 outturn figures, detailed condition surveys and unavoidable maintenance contract inflation – increase £28,000 (Appendix 1, page 8).
- 4.5.4 **Decrease in Fire Precaution** – reflects completion of priority works in 2007/08 identified under Fire Reform Surveys – reduction £17,000 (Appendix 1, page 8).
- 4.5.5 **Decrease in Floor Coverings** – resulting from efficiency savings – reduction £19,000 (Appendix 1, page 8).
- 4.5.6 **Decrease in Roof Services** – resulting from efficiency savings – reduction £14,000 (Appendix 1, page 8).
- 4.5.7 **Increase in Cleaning and Hygiene** – reflects increase in costs against public toilet cleaning following re-tendering of contract and administrative building cleaning costs– increase £8,000 (Appendix 1, page 8)

- 4.5.8 **Increase in District Refrigeration** – reflects impact of new utilities contract commencing 1 April 2009 and projected consumption – increase £8,000 (Appendix 1, page 8).
- 4.5.9 **Increase in District Heating** – reflects impact of new utilities contract commences 1 April 2009 and projected consumption – increase £26,000 (Appendix 1, page 8).
- 4.5.10 **Increase in Utility Costs** – reflects estimated costs across Council buildings predicted for year 2009/2010 accounts for renewal of electricity contract for large buildings in April 2009 and volatile market conditions and uncertainties in commodity markets – increase £370,000 (Appendix 1, page 8).
- 4.5.11 **Increase in Rents, Rates and Insurances** – due to re-evaluation of Council's property portfolio and increase in rental charges to let premises and review of Council's property insured by Department of Resources – increase £25,000 (Appendix 1, page 8).
- 4.5.12 **Increase in Additional Expenditure Employee Costs** – resulting from full year costs of Head of Property and Economic Development – increase £12,000 (Appendix 1, page 8).
- 4.5.13 **Decrease in Additional Expenditure Premises Costs** – reflects reduction in building occupancy charge – reduction £4,000 (Appendix 1, page 8).
- 4.5.14 **Decrease in Additional Expenditure Supplies and Services** – reduction in mapping and computer charges – reduction £10,000 (Appendix 1, page 8).
- 4.5.15 **Increase in Additional Support Services** – reflects overall variances in support costs – increase £27,000 (Appendix 1, page 8).

4.6 **Projections for 20010/11 and 2012/13**

- 4.6.1 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.

4.7 **Details of Any Growth**

- 4.7.1 No growth items have been identified for the financial year 2009/2010.

4.8 **Details of Efficiency Savings for 2009/2010**

- 4.8.1 The Property Management Business Unit has included in the budget efficiency savings comprising £49,450 cash savings.

4.8.2 Cash efficiency savings include:

- a) Reduction in maintenance cost across the entire Building Management Account - £40,000.
- b) Reduction in building cleaning material costs across the Council's Administrative buildings - £5,000.
- c) Transferral of the running of Dacre Top public conveniences including maintenance, utility costs and cleaning to the parish – £3,000.
- d) Reduction in equipment costs across the Council's Let buildings comprising: Ripon Town Hall, Knaresborough House, Pateley Bridge Council Offices, and Hugh Ripley Hall, Ripon – £1,450

5.0 SERVICE CUTS

5.1 No service cuts have been identified for the financial year 2009/2010.

6.0 FINANCIAL RISK ASSESSMENT

6.1 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.

6.2 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.

7.0 USE OF RESERVES

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

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

7.3 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.

7.4 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 2008 was £133,133. The reserve has been used to fund the boiler replacement in 2008 (Appendix 2).

8.0 CMT CONSIDERATION

8.1 CMT will be considering the budget at its meeting on 11 December and the outcome of that discussion will be reported verbally to the Cabinet Member meeting on 17 December.

9.0 SCRUTINY

9.1 The Organisation Improvement and Environment Overview and Scrutiny Commission will consider this report on the 14 January 2009.

10.0 CONCLUSION

10.1 The revised estimates for 2008/2009 and draft original estimates for 2009/2010 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, 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