

The Highland Council

Agenda Item	5
Report No	HP/23/25

Committee: Housing and Property

Date: 13 August 2025

Report Title: Property and Facilities Management Services Revenue Budget:
Final Outturn for 2024/25 and Monitoring Statement to 30 June 2025

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 outturn monitoring statement for the 2024/25 financial year, as well as the first reported position for the new 2025/26 financial year Q1 period to the end of June 2025.
- 1.2 The report also provides a forecast position regarding budget savings within the remit of the Service.
- 1.3 The purpose of this report is to support the Council's overall financial management and budgetary control arrangements. This report also supports the Committee and its Members in fulfilling the Scheme of Delegation in relation to financial management and remit of Strategic Committees which includes: *"to scrutinise the management of the Revenue and Capital Budgets for the Services included in the Committee's remit and monitor and control these budgets, including dealing with over- expenditure."*
- 1.4 This report provides members with commentary on any material variances within the forecast, and actions taken or proposed in relation to variances.

2 Recommendations

- 2.1 Members are asked to:-
 - i. **Scrutinise** and **approve** the final budget position for the 2024/25 financial year;
 - ii. **Scrutinise** and **approve** the budget position for the first quarter of the 2025/26 financial year and, and the estimated year-end position; and
 - iii. **Consider** and **note** the update provided regarding budget savings delivery.

3 Implications

- 3.1 **Resource** - This report provides key financial information regarding the Service budget and forecast financial performance against that budget, including progress with Service delivery. An overspend position is forecast at present for 2025/26 and will require action to address the position.
- 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.
- 3.3 **Risk** - As noted above an overspend is currently forecast and with associated risks if this is not addressed over the course of the financial year.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** - Much of the Service activity and spend is related to Health and Safety requirements as regards the safe operation and management of Council assets.
- 3.5 **Gaelic** - There are no implications arising as a direct result of 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 report and therefore an impact assessment is not required.

5 Section 1 - Overview - Revenue Budget Outturn 2024/2025

- 5.1 **Appendix 1** sets out the financial analysis of the 2024/2025 final outturn across the Service budget headings. Within this Appendix, against a net budget for the year of £81.319m, there has been an overall overspend of £1.490m (1.8% of the total allocated budget) at year end. This compares to an estimated overspend of £2.002m at the end of Quarter 3 (to the end of December 2024) which was reported to a meeting of this Committee in January, an overall improvement of £0.512m.
- 5.2 **Appendix 2** provides more information on the net revenue budget by showing the different service areas in more detail, along with the gross income and gross expenditure positions. The main reasons for the overall budget not being balanced at year end are set out in section 6 below.

6 2024/2025 Budget - Final Outturn Position

6.1 Commentary on Budget Line Variances

The combined **Project Delivery** budget headings show an improved fee income recovery position with annual fee targets being exceeded by £0.348m for the year. This budget line is reliant on project teams achieving fee income targets derived from the delivery of General Fund and HRA capital and revenue programmes of work. The other final year-end variances are set out in sections 6.1.1 – 6.1.9.

6.1.1 **Catering Cleaning and Facilities Management** - The combined CCFM team provide a significant level of service to Education, HLH and Office accommodation across Highland. Income targets are particularly reliant on food sales in schools and cleaning income from various Council Services. There is a combined underspend at year end of £1.527m, this is due in the main to the turnover and filling of vacant posts and subsequent recruitment challenges in a highly competitive job market throughout the year.

6.1.2 **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 £32.810m, with the Wick Campus annual payments supported by SFT grant funding totalling £4.102m. This budget has been balanced at year-end with no variance.

6.1.3 **Revenue Maintenance** - This budget covers the delivery of statutory, reactive, and planned maintenance works, including essential engineering servicing to the General Fund built estate in particular schools, nurseries, offices and High Life Highland (HLH) properties. This budget was overspent at year end by £1.229m, due in the main to the high demand for repairs, as well as the general condition of a number of our operational buildings.

Where possible, we seek to mitigate the impact of cost to revenue budgets by capitalising expenditure 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.

For future years, the opportunity cost of this approach is that there will be a need to manage expectations 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.

6.1.4 **Property Asset Management** - This team is currently leading on property asset management across the Council estate and are focused on area property reviews and reducing the number of buildings that Services occupy. This budget was overspent at year end by £0.193m, due in the main to staff/fee income targets not being achieved. These income targets will be removed for 2025/26 as part of re-basing budgets.

- 6.1.5 **Depots** - This operational budget covers the purchase of material and equipment supplies in all Council depots. This budget was overspent at year end by £0.344m, due in the main to considerable demands for service delivery as well as the inflationary increase in the materials required by local teams to discharge their frontline functions. Moving forward this budget will be transferred over to the teams that spend it, and future budget pressure bids may have to be considered subject to essential service requirements.
- 6.1.6 **HLH Properties** - This budget also covers the cost of utility consumption in HLH occupied premises, increasing energy prices have resulted in a year end overspend of £0.120m. Dialogue is ongoing with the Finance Service to review how responsibility for utility budgets will be allocated going forward. There is also a programme of work underway through the Net Zero Portfolio Board to extend the rollout of Solar PV which will go some way to reducing costs.
- 6.1.7 **Other Offices & Properties** - The budget impact arising from these budget lines also relates to utility consumption across this portfolio, resulting in a year end overspend of £0.070m. Further analysis of these budget lines is required to establish how a balanced budget in future financial years can be achieved.
- 6.1.8 **Non-Domestic Rates** - The Council has centralised the payment of non-domestic rates via the Property Service (previously all Council Services held individual rates budgets for the buildings they occupied). A reduction in the number of non-domestic properties being eligible for rates relief for 2024/25 has resulted in the allocated budget being overspent by circa £0.598m at year end. A budget pressure was submitted and approved for 2025/26 to reduce the potential for a negative variance at year end.
- 6.1.9 The budget lines within **Appendix 2** include the savings proposals that were taken forward within the Service as well as the Services share of corporate specific savings. The corporate asset rationalisation savings target of £1.164m which was previously held within unallocated corporate savings has now been allocated to the Property budget. Savings of £0.354m have been achieved bringing the savings still to be achieved down to £0.810m. The balance of this budget saving has been transferred into financial year 2025/26 where various general fund properties will be targeted for disposal or additional lease income generated to support the delivery of this saving.

7 Section 2 - 2025/2026 - Property and FM Services - Budget Monitoring Overview

- 7.1 **Appendix 3** sets out the monitoring position for Quarter 1 to end of June 2025. Within this Appendix, against a net budget for the year of £84.470m, the forecast is currently an overall budget overspend of £1.851m.
- 7.1.1 **Appendix 4** provides more information on the net revenue budget by showing the different service areas in more detail, along with the gross income and gross expenditure positions. Service managers, supported by the service accountant, will continue to review and analyse the complete budget, on a line-by-line basis, with a view to reducing the forecast budget overspend including achieving allocated savings and by financial year end bringing in a balanced budget.

- 7.1.2 **Appendix 5** contains the list and summary detail of the Corporate and Service budget savings that the Service has responsibility for.
- 7.2 **2025/2026 Budget - Quarter 1 Position - Commentary on Budget Line Variances**
- 7.2.1 Within **Appendix 3** at Quarter 1 the combined **Project Delivery** budget line is forecasting a year end negative variance of £1.025m. As has already been stated above, service managers, supported by the service accountant, will continue to review and analyse the complete budget, on a line-by-line basis, with a view to reducing the forecast budget overspend and by financial year end bringing in a balanced budget. Commentary on the remaining budget variances at Quarter 1 from **Appendix 3** are set out in sections 7.2.2 – 7.2.5.
- 7.2.2 **CCFM Budget** - This budget line (£26.598m), is being **forecast to underspend by £0.204m** at year end due in the main to the turnover of frontline operational posts and subsequent recruitment challenges throughout the year.
- 7.2.3 **PPP and Wick SFT Budget** - This budget line covers the management of the contracts and annual payments for the Council's PPP school properties and the Wick Community Campus, totalling £33.764m. This budget line is being **forecast to be balanced** at year-end with no variance.
- 7.2.4 **Revenue Maintenance Budget** - This budget line (£9.219m), covers the delivery of statutory, reactive, and planned maintenance works including essential engineering servicing works to the General Fund built estate in particular schools, nurseries, offices, and High Life Highland properties. This budget line is being **forecast to be balanced** at year-end with no variance.
- 7.2.5 **Combined Properties Budget** - This budget line covers the delivery of the following areas of work:-
- Property Asset Management;
 - Depots;
 - HLH Properties;
 - Other Offices & Properties; and
 - Non-Domestic Rates

These combined budgets (£16.739m), are being **forecast to be £1.031m** overspent at year-end. A large part of this deficit relates to previously agreed asset management savings, and a significant effort will be required to vacate and dispose of properties over the coming year. A Strategic Assessment Management Plan has been drafted, with a priority list of properties to be vacated and this work will continue in discussions with local Members at the appropriate time.

8 Actions Taken or Proposed

- 8.1 As well as the specific actions outlined in the report, there are two major areas of review underway in the Service to ensure the overall projected overspend is managed down. These are the preparation of Mitigation Plans related to Revenue Maintenance budgets and for Asset Management. These require cross-service input and the control of the Asset Management Project Board to enable faster decisions over the continued use of particular properties.

9 Property and FM Services - Budget Savings Progress

- 9.1 Also included as part of this report within **Appendix 5** is an updated assessment of progress with the delivery of allocated Service and Corporate budget savings, totalling £3,083,766. At Quarter 1, circa 30% of the allocated savings, amounting to £910,662 have been forecast as being achieved by year end with further work underway to demonstrate how the remaining savings can be achieved.

At present there are 12 savings being progressed, and these have been ragged as follows:-

Green	4
Amber	2
Red	6

Further progress with these savings will be reported to each Committee cycle.

Designation: Assistant Chief Executive - Place

Date: 25 July 2025

Authors: Finlay MacDonald, Chief Officer Property & Assets
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Background Papers: None

Appendices: Appendix 1 – Revenue Expenditure to 31 March 2025 - Summary
Appendix 2 - Revenue Expenditure to 31 March 2025 - Detailed
Appendix 3 – Revenue Expenditure to 30 June 2025 - Summary
Appendix 4 - Revenue Expenditure to 30 June 2025 - Detailed
Appendix 5 – Budget Savings Forecast – RAG Assessment Q1 2025/26

PROPERTY & FACILITIES MANAGEMENT MONITORING STATEMENT 2024-25				APPENDIX 1
	£'000	£'000	£'000	£'000
05/06/2025	Actual	Annual	Year End	Year End
	YTD	Budget	Estimate	Variance
BY ACTIVITY				
Project Delivery	(5,276)	(4,928)	(5,276)	(348)
CCFM	24,178	25,705	24,178	(1,527)
PPP & Wick SFT	32,810	32,810	32,810	(0)
Revenue Maintenance	11,760	10,531	11,760	1,229
Properties	19,337	17,201	19,337	2,136
Grand Total Property & Facilities Management	82,808	81,319	82,808	1,490
BY SUBJECTIVE				
Staff Costs	32,653	34,810	32,653	(2,157)
Other Expenditure	74,695	68,672	74,695	6,024
Gross Expenditure	107,348	103,482	107,348	3,866
Grant Income	(4,043)	(5,682)	(4,043)	1,639
Other Income	(20,497)	(16,481)	(20,497)	(4,016)
Total Income	(24,540)	(22,163)	(24,540)	(2,376)
NET TOTAL	82,808	81,319	82,808	1,490

PROPERTY & FACILITIES MANAGEMENT MONITORING STATEMENT 2024-25																Appendix 2				
05/06/2025	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End
	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance
BY ACTIVITY																				
Project Delivery																				
Technical Design & Projects	5,396	4,348	4,348	(1,048)	(1,131)	686	686	1,817	(1,481)	(1,915)	(1,915)	(434)	(7,925)	(6,114)	(6,114)	1,811	(5,141)	(2,995)	(2,995)	2,146
Project Management	1,502	1,805	1,805	303	5	17	17	11	0	0	0	0	(1,548)	(4,266)	(4,266)	(2,718)	(41)	(2,445)	(2,445)	(2,404)
Property Support	407	425	425	18	128	92	92	(36)	0	0	0	0	(280)	(353)	(353)	(73)	254	163	163	(91)
COVID 19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CCFM																				
CCFM Business Support	462	395	395	(67)	54	79	79	25	0	0	0	0	(36)	0	0	36	480	474	474	(7)
Catering	12,293	12,032	12,032	(260)	5,697	5,960	5,960	263	0	0	0	0	(3,939)	(4,588)	(4,588)	(650)	14,050	13,403	13,403	(647)
Cleaning & Facilities Management	12,550	11,199	11,199	(1,351)	455	679	679	224	0	0	0	0	(1,831)	(1,577)	(1,577)	254	11,174	10,300	10,300	(873)
PPP & Wick SFT																				
PPP & Wick SFT	268	234	234	(35)	36,743	34,676	34,676	(2,067)	(4,102)	(2,078)	(2,078)	2,024	(100)	(23)	(23)	77	32,810	32,810	32,810	(0)
Revenue Maintenance																				
Revenue Maintenance	1,483	1,582	1,582	99	9,334	13,274	13,274	3,940	0	0	0	0	(285)	(3,096)	(3,096)	(2,810)	10,531	11,760	11,760	1,229
Properties																				
Property Asset Management	384	595	595	211	1,197	1,192	1,192	(4)	0	0	0	0	(298)	(312)	(312)	(14)	1,282	1,475	1,475	193
Depots	66	31	31	(35)	1,068	1,452	1,452	384	0	(3)	(3)	(3)	(79)	(80)	(80)	(1)	1,055	1,399	1,399	344
HLH Properties	0	8	8	8	3,379	3,325	3,325	(54)	(82)	0	0	82	(115)	(32)	(32)	84	3,181	3,301	3,301	120
Other Offices & Properties	0	0	0	0	424	536	536	112	(17)	(48)	(48)	(30)	(43)	(55)	(55)	(11)	363	434	434	71
Non Domestic Rates	0	0	0	0	12,130	12,728	12,728	598	0	0	0	0	0	0	0	0	12,130	12,728	12,728	598
Asset Rationalisation Saving	0	0	0	0	(810)	0	0	810	0	0	0	0	0	0	0	0	(810)	0	0	810
Grand Total Property & Facilities Management	34,810	32,653	32,653	(2,157)	68,672	74,695	74,695	6,024	(5,682)	(4,043)	(4,043)	1,639	(16,481)	(20,497)	(20,497)	(4,016)	81,319	82,808	82,808	1,490

PROPERTY & FACILITIES MANAGEMENT MONITORING STATEMENT 2025-26						Appendix 3
	£'000	£'000	£'000	£'000		
Q1	Actual	Annual	Year	Year		
	YTD	Budget	End	End		
			Estimate	Variance		
BY ACTIVITY						
Project Delivery	1,287	(1,350)	(325)			1,025
CCFM	5,248	26,098	25,894			(204)
PPP & Wick SFT	8,851	33,764	33,764			0
Revenue Maintenance	2,643	9,219	9,219			(0)
Properties	13,766	16,739	17,770			1,031
Grand Total Property & Facilities Management	31,796	84,470	86,321			1,851
BY SUBJECTIVE						
Staff Costs	7,402	37,437	36,537			(900)
Other Expenditure	26,279	67,564	69,315			1,751
Gross Expenditure	33,681	105,001	105,852			851
Grant Income	(712)	(5,835)	(1,980)			3,855
Other Income	(1,174)	(14,696)	(17,551)			(2,855)
Total Income	(1,886)	(20,531)	(19,531)			1,000
NET TOTAL	31,796	84,470	86,321			1,851

																				Appendix 4
	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Q1	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End	Annual	Actual	Year End	Year End
	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance	Budget	YTD	Estimate	Variance
BY ACTIVITY																				
Project Delivery																				
Technical Design & Projects	8,230	1,228	8,225	(5)	151	112	378	227	(1,630)	(711)	(1,959)	(330)	(6,324)	0	(6,529)	(205)	428	629	115	(312)
Project Management	1,031	458	1,031	0	5	1	1	(4)	0	0	0	0	(1,230)	0	(1,230)	0	(194)	458	(198)	(4)
Property Support	328	119	328	(0)	126	81	93	(33)	0	0	0	0	(263)	0	(263)	0	191	200	158	(33)
Savings Target	0	0	0	0	(1,774)	0	(400)	1,374	0	0	0	0	0	0	0	0	(1,774)	0	(400)	1,374
CCFM																				
CCFM Business Support	453	106	432	(20)	45	268	17	(29)	0	0	0	0	(36)	0	0	36	462	374	449	(13)
Catering	13,131	2,629	12,885	(246)	5,486	842	5,957	471	0	0	0	0	(4,267)	(963)	(4,545)	(277)	14,349	2,508	14,297	(52)
Cleaning & Facilities Management	13,380	2,348	12,866	(514)	(419)	73	44	463	0	0	0	0	(1,675)	(55)	(1,762)	(88)	11,286	2,366	11,148	(139)
PPP & Wick SFT																				
PPP & Wick SFT	268	0	0	(268)	37,720	8,851	33,764	(3,956)	(4,102)	0	0	4,102	(123)	0	0	123	33,764	8,851	33,764	0
Revenue Maintenance																				
Revenue Maintenance	336	255	401	65	9,120	2,467	11,522	2,402	0	0	0	0	(237)	(78)	(2,705)	(2,468)	9,219	2,643	9,219	(0)
Properties																				
Property Asset Management	218	246	335	117	1,123	129	969	(154)	0	0	0	0	(322)	(56)	(349)	(27)	1,018	320	954	(64)
Depots	62	9	34	(28)	1,010	212	1,184	174	0	(1)	(4)	(4)	(86)	(0)	(81)	5	986	219	1,133	148
HLH Properties	0	6	0	0	2,804	237	2,727	(77)	(87)	0	0	87	(61)	(10)	(32)	29	2,656	233	2,695	38
Other Offices & Properties	0	0	0	0	404	76	441	37	(17)	0	(17)	0	(72)	(11)	(55)	18	314	65	369	54
Non Domestic Rates	0	0	0	0	12,974	12,929	12,618	(355)	0	0	0	0	0	0	0	0	12,974	12,929	12,618	(355)
Asset Rationalisation Saving	0	0	0	0	(1,210)	0	0	1,210	0	0	0	0	0	0	0	0	(1,210)	0	0	1,210
Grand Total Property & Facilities Management	37,437	7,402	36,537	(900)	67,564	26,279	69,315	1,751	(5,835)	(712)	(1,980)	3,855	(14,696)	(1,174)	(17,551)	(2,855)	84,470	31,796	86,321	1,851

Budget Savings - Property and FM Service - RAG Assessment - Q1 2025/26							APPENDIX 5
	Saving Ref'	Saving Description	Annual Target for 25/26	Latest Annual Forecast Delivery	Forecast Under Target	Latest RAG	Comments
1	2122	Allocation of Corporate Savings - Staff Benefits	£40,000	£40,000	£0	Green	Joint review of budget lines underway with Property Teams in conjunction with the Service Finance Accountant.
2	2122	Allocation of Non-Staff Corporate Savings	£166,000	£50,000	-£116,000	Red	Joint review of budget lines underway with Property Teams in conjunction with Service Finance Accountant.
3	2324	Reduce Total Budget Allocation - Review Line by Line	£200,000	£100,000	-£100,000	Amber	Joint review of budget lines underway with Property Teams in conjunction with Finance Accountant.
4	2324	Staffing - Reduce Full Time Vacant Posts	£100,000	£100,000	£0	Green	Budget for Long Term vacant posts will be removed.
5	Corp 21	Staffing - Savings from Reducing Establishment Posts	£415,202	£0	-£415,202	Red	Joint review of Establishment Posts is underway with Property Teams in conjunction with Service Finance Accountant.
6	Corp 22	Staffing - Savings from Reducing Staff Overtime	£5,662	£5,662	£0	Green	Review of Overtime use with appropriate Managers is underway.
7	Corp 23	Staffing - Savings from Time to Fill Vacant Posts	£255,727	£100,000	-£155,727	Amber	Joint review of budget lines underway with CCFM Teams will be progressed in conjunction with Service Finance Accountant.
8	2425	Arborist - Post Funding Contribution	£15,000	£15,000	£0	Green	Budget has been removed to fund this post.
9	2425	Hybrid Working	£36,000	£0	-£36,000	Red	Analysis of Hybrid Working practice will be reviewed to establish where this savings can be achieved from.
10	2425	Demonstrator Projects - New Rental Income	£100,000	£0	-£100,000	Red	Additional Tenants/Partners are being sought to collocate in Council Offices and share operating costs.
11	2122	Previous Years Savings Brought Forward	£540,175	£50,000	-£490,175	Red	Joint review of budget lines underway with Property Teams in conjunction with the Service Finance Accountant to establish where these savings can be taken from.
12	2122	Asset Rationalisation Savings	£1,210,000	£450,000	-£760,000	Red	The Asset Management Team are conducting a detailed review of the Councils estate to progress property sales, demolitions, and transfers.
		Totals	£3,083,766	£910,662	-£2,173,104		