

Finance and Property Portfolio - Summary


Performance Summary

1. Performance highlights this quarter:

- The Property and Assets Team continues to support a wide range of Council initiatives despite staffing shortages within the department. The focus for the Facilities Management team over the last quarter has been to review County Council properties, including school buildings, to **determine the presence of reinforced autoclaved aerated concrete (RAAC)** and whether or not remedial action is required. Currently, the team are investigating RAAC across 114 schools and 315 corporate sites. For those properties where further investigation is required, the team are continuing to work closely with experts and stakeholders.
- During the quarter, the Estates Team have continued to work on **property negotiations alongside other projects** including nine potential academy conversions over 14 land sites and three community asset transfers. The Capital Team has continued to support the delivery of the agreed Capital Programme which includes 10 projects at feasibility stage, 30 projects in design/ pre-construction and 11 projects in construction and defects liability period.
- A draft refresh of the 2024/25 **Council Plan and County Council's Medium Term Financial Strategy** were reviewed and endorsed by Cabinet in July. The report recommended that the four priorities: keeping people safe from vulnerable situations, a suitable and prosperous economy, helping people and communities to fulfil their potential and making the best use of resources, with an underlying theme of protecting the environment, remain. Further updates were shared with Cabinet in October and will be considered by Scrutiny Committees in November before Full Council in February 2024 to agree the Council Plan and Budget for 2024/25 and Treasury Management Strategy.

Our Council Performance Measures

2. The following section provides KPI updates comparing performance over the last three periods (each measure will explain the reporting period).

Finance and Property		2023/24 Target	Performance Over The Last 3 Periods			DoT	Year End Forecast
16	Measure: New competitive tenders and their resulting contracts over the value of £500,000 include 'social value' criteria as part of the evaluation, in line with the Council's social value framework Reporting Frequency: Year-to date annual average, updated each quarter.	80.0%	Mar-23	Jun-23	Sep-23		G
			G	A	G		
			65.3% (2022/23 Target: 60%)	78.0%	89.0%		

Finance and Property		2023/24 Target	Performance Over The Last 3 Periods			DoT	Year End Forecast
	<p>Performance Analysis: Sep-23: The data shows the latest result for a year-to date annual average. Commentary relates only to the latest quarter performance.</p> <p>There were eight eligible tenders over the value of £500,000 that required a Key Decision in Q2 of 2023/24. All of these tenders (100%) included a social value consideration and five (63%) contained a social value consideration weighting of 10%.</p> <p>Actions: The County Council continues to ensure it complies with obligations for Social Value and to measure the value and benefit it brings to the local economy.</p>						
49	<p>Measure: Square metres of operational property (e.g., offices, libraries, fire stations etc) that are in use</p> <p>Reporting Frequency: Quarterly</p>	113,500 m ²	Mar-23	Jun-23	Sep-23		G
			G	A	A		
	<p>119,534 m² (Target 2022/23: 162,000m²)</p> <p>118,803 m²</p> <p>117,824 m²</p> <p>Performance Analysis: Sep-23: The target for property rationalisation in Q2 has not been achieved due to the handover of the new Fire Training Centre and Horsham Fire Station which has added 3,500 sqm to the operational estate. The old Horsham and Horley Fire Stations are now vacant releasing 2,800 sqm but a net increase overall. There are also other changes contributing to the overall figures. The target for the end of year is still green with other estate rationalisation expected.</p> <p>Actions: Progress rationalisation projects to time.</p>						
50	<p>Measure: The aggregated unit cost of our services compared to our statistical neighbours</p> <p>Reporting Frequency: Annually (March)</p>	7th - 8th highest out of 15	2020/21	2021/22	2022/23		A
			R	G	G		
	<p>4th Highest out of 15</p> <p>8th Highest out of 15</p> <p>8th Highest out of 15</p> <p>Performance Analysis: Sep-23: West Sussex County Council had the 4th highest average unit cost for services in 2020/21 when the baseline was set when compared to statistical neighbours. The budgeted position for 2021/22 and 2022/23 shows an improvement to 8th position for both years.</p> <p>Actions: The County Council is still in uncertain times with significant budget gaps over the next three years and therefore further reductions will be required but this is likely to be the same across all authorities and therefore the council's relative position may not improve further. Going forward, there are plans to review benchmarking information and use information which provides a measure of cost effectiveness relative to outcomes achieved and this will be updated for 2024/25.</p>						
52	<p>Measure: New competitive tenders and their resulting contracts over the value of £500,000 include an appraised option for partnership working to assess opportunities for efficiency</p> <p>Reporting Frequency: Quarterly</p>	80.0%	Mar-23	Jun-23	Sep-23		G
			G	G	G		
	<p>83.0%</p> <p>100.0%</p> <p>88%</p> <p>Performance Analysis: Sep-23: The data shows the latest result for a year-to date annual average. Commentary relates only to the latest quarter performance.</p> <p>There were eight eligible tenders over the value of £500,000 that required a Key Decision in the first quarter of 2023/24. Of these, six tenders (75%) considered Partnership working within the business appraisal options process. Although this percentage is slightly lower than in Q1, the year-to-date average remains at 88%, well above the target for this measure.</p> <p>Actions: The County Council continues to ensure partnership working consideration is embedding in working practices.</p>						

3. To note - a new KPI was agreed in the Council Plan for 2023/24 to measure the number of new school pupil places created in year. KPI 59 – Number of New Pupil Places is reported within the Children and Young People, Learning and Skills Portfolio.

Finance Summary

Portfolio In Year Pressures and Mitigations

Pressures	(£m)	Mitigations and Underspending	(£m)	Year end budget variation (£m)
Assets and Estates – Reduction in income from property rental	£0.600m	Assets and Estates – Projected additional income including non-domestic rates appeals rebate	(£0.200m)	
Assets and Estates – Projected property holding costs	£0.200m	Facilities Management – Staffing Vacancies and underspending on furniture, fittings and haulage	(£0.220m)	
Joint Venture – Non delivery of savings	£0.200m	In-year staffing vacancies	(£0.287m)	
Facilities Management – Additional contract costs following re-tender and additional work associated with reactive maintenance and repairs	£0.550m	Other minor variations	(£0.019m)	
Facilities Management – Income shortfall on SLA's	£0.250m			
Finance – Apprenticeship levy increase due to increase in staffing base	£0.170m			
Finance – Increase in base audit fee	£0.050m			
Finance and Property Portfolio - Total	£2.020m		(£0.726m)	£1.294m

Financial Narrative on the Portfolio's Position

4. As at the end of September, the forecast against the Finance and Property budget is a projected overspend of £1.294m, an increase of £0.413m when compared to the June position.
5. As previously reported, there will be a **shortfall on the property rental income** during the year as a result of the current tenant vacating the City Park site in Hove from September 2023. It is estimated that this will result in a £0.6m pressure which includes rental loss, holding costs, non-domestic rates liability and professional fees.
6. There are a number of County Council buildings currently vacant due to planned estate rationalisation which includes Centenary House Durrington and the old Horsham and Horley Fire Stations. It is estimated that **holding these buildings vacant** in the short-term will result in £0.2m of additional pressure.
7. A £0.2m saving relating to the **Joint Venture** is no longer expected to be achieved in 2023/24. The saving was planned by charging Edes Estates for staff costs associated with the developments delivered by the Joint Venture. Planning delays have meant that the first business case is not now expected until October and therefore it is unlikely that the income will be delivered until 2024/25.
8. Facilities Management are projecting a £0.550m overspend on **reactive maintenance**. This increase is due to higher volumes of works across the corporate estate, along with rising costs of construction materials and inflation.

There are also additional costs associated with the procurement of the main building maintenance contract which is due to be renewed in October 2024. The service is also projecting an **income shortfall** of £0.250m largely due to a reduced up-take of service level agreements by schools. The overall position for the service has been partly offset by £0.220m of **staffing vacancies** currently within the team.

9. Based on the latest data, the **Apprenticeship Levy** budget is projected to overspend by £0.170m. This is a result of increasing the numbers of employed FTE of the County Council following the insourcing of services from Capita last financial year. The budget for the levy will need to be reviewed for 2024/25 based on forecast staff numbers.
10. Anticipated **audit fee increases** of 151% have been advised by Public Sector Audit Appointments, following the reprocurement of external auditors for the five-year period 2023/24 to 2027/28. This reflects the audit work needed to deliver additional requirements of the Code of Audit Practice and an increase in external audit market rates. The final fee scale is expected to be published by the end of November 2023. Based on previous announcements, £0.1m was added to the budget from 2023/24, but this latest notification means a further pressure of £0.1m is anticipated. This £0.1m pressure will be partly offset by a £0.047m grant from the Department Levelling Up, Housing and Communities in 2023/24.
11. The pressures within Finance are partly offset by additional income of £0.2m relating to **rebates** following successful non-domestic rates appeals, and a further £0.306m of **staff vacancies and underspending**.

Savings Delivery Update

12. There are £0.586m of savings to be delivered within the portfolio. Details are shown in the table below:

Saving Activity	Year	Savings to be Delivered in 2023/24 (£000)	September 2023		Narrative
Reduction in the operational estate costs of the Early Help Service	2023/24	100	100	G	Delivery of savings from the cost of properties vacated as part of the Early Help Project.
Property Joint Venture - Staff Costs	2023/24	200	200	R	This saving is not expected to be achieved in 2023/24 due to first site not planned to be agreed until October, however it is anticipated to be met in 2024/25.
Rationalisation of the Operational Office Estate	2023/24	80	80	G	The review completed to date of the operational estate has identified properties that can be released as part of known changes in service delivery.
Future Smarter Working Arrangements	2023/24	50	50	G	Reduced estate running costs as a result of the move to hybrid working post-pandemic.

Saving Activity	Year	Savings to be Delivered in 2023/24 (£000)	September 2023		Narrative
Staffing vacancy increase in vacancy factor from 5% to 6%	2023/24	156	156	G	Staffing budgets currently assume a vacancy factor of 5% but over the last few years, this has averaged 6% across the organisation and is expected to remain at this level for 2023/24.

Savings Key:

R Significant Risk
 A At Risk
 G On Track
 B Delivered

Capital Programme

Performance Summary - Capital

13. The Finance and Property capital programme; as approved by County Council in February 2023, agreed a programme totalling £7.427m for 2023/24.
14. Since this time, the profiled spend has decreased overall by £3.119m, to give a current year end projection for 2023/24 of £4.308m.
15. The portfolio's capital programme contains 11 projects. Nine of the projects are in delivery and two are practically complete and are within a retention phase whilst snagging and cosmetic works are completed. The performance and financial details for each are reported below.

	Finance and Property Capital Projects	Performance RAG Status			Total Project Budget	Previous Years Expenditure To 2022/23	2023/24 Expenditure to Date	In Flight Remaining Project Budget
		Time	Quality	Cost	In Flight Projects			
1	Project: Accessibility Audit	G	G	G	£2.190m	£0.416m	£0.043m	£1.731m
	Latest Estimated Completion Date: March 2024			Project Phase: In Delivery				
	Narrative: Works are continuing on this project on various sites including Crawley library, County Hall, Parkside and Durban House.							
2	Project: Broadbridge Heath Park	A	G	R	£18.461m	£0.788m	£0.227m	£17.446m
	Latest Estimated Completion Date: TBC			Project Phase: In Delivery				
	Narrative: Programme slippage incurred as a result of late design changes and procurement discussions. When proposed costs are returned it is likely that a revised business case will be considered to ensure that these are full and representative. If they fail to generate an acceptable return for the County Council, then the scheme will not go ahead.							
3	Project: Facilities Management Structural Maintenance Programme – Block Allocation	G	G	G	£3.436m	N/A	£0.459m	£2.977m
	Latest Estimated Completion Date: On-Going			Project Phase: In Delivery				

	Finance and Property Capital Projects	Performance RAG Status			Total Project Budget	Previous Years Expenditure To 2022/23	2023/24 Expenditure to Date	In Flight Remaining Project Budget
		Time	Quality	Cost	In Flight Projects			
	Narrative: Block programme - Overall projects are on track, however some schemes are progressing slower than planned and will not commence on site until early in 2024.							
4	Project: Gypsy and Travellers Improvements Programme	G	G	G	£0.675m	£-	£-	£0.675m
	Latest Estimated Completion Date: On-going			Project Phase: In Delivery				
	Narrative: Site improvement projects are currently being developed.							
5	Project: Horsham Enterprise Park	A	G	G	£5.092m	£4.368m	£0.006m	£0.718m
	Latest Estimated Completion Date: TBC			Project Phase: In Delivery				
	Narrative: The first Reserved Matters applications have been submitted to Horsham District Council.							
6	Project: Latent Defects Programme	G	G	G	£0.200m	£0.003m	£0.009m	£0.188m
	Latest Estimated Completion Date: On-going			Project Phase: In Delivery				
	Narrative: Projects are on track.							
7	Project: Targeted Minor Asset Improvement Plan (CLOG) - Block	G	G	G	£0.735m	£0.677m	£0.010m	£0.048m
	Latest Estimated Completion Date: On-going			Project Phase: In Delivery				
	Narrative: Programme of minor works - progressing to plan.							
8	Project: Staff Capitalisation - Property	G	G	G	£0.940m	N/A	£-	£0.940m
	Latest Estimated Completion Date: On-going			Project Phase: In Delivery				
	Narrative: Eligible costs associated with capital projects will be charged at the year-end based on 'actuals'.							
9	Project: Chichester High School Demolition	G	G	G	£0.591m	£0.554m	£0.011m	£0.026m
	Latest Estimated Completion Date: 2022			Project Phase: Practically Completed - In Retention				
	Narrative: Project complete. Once final invoices have been settled, any remaining funds will be returned to the Capital Improvement Budget.							
10	Project: Orchard Street Development	G	G	G	£1.950m	£1.848m	£-	£0.102m
	Latest Estimated Completion Date: 2022			Project Phase: Practically Completed - In Retention				

	Finance and Property Capital Projects	Performance RAG Status			Total Project Budget	Previous Years Expenditure To 2022/23	2023/24 Expenditure to Date	In Flight Remaining Project Budget
		Time	Quality	Cost	In Flight Projects			
	Narrative: Project complete. Once final invoices have been settled, any remaining funds will be returned to the Invest to Save – Future Economic Development Budget							
11	Project: Halnaker Windmill – Heritage Asset Improvements	G	G	G	£0.228m	£-	£-	£0.228m
	Latest Estimated Completion Date: 2024			Project Phase: In Delivery				
	Narrative: Structural engineer has visited the site. Project is progressing.							

16. A summary of the latest Capital Programme Budget Monitor is reported in **Appendix 4** and full details of all individual schemes are set out in the Budget Report published in February 2023

Risk

17. The following table summarises the risks within the corporate risk register that would have a direct impact on the portfolio. Risks to other portfolios are specified within the respective portfolio sections.

Risk No.	Risk Description	Previous Quarter Score	Current Score
CR22	The financial sustainability of council services is at risk due to uncertain funding from central government and economic conditions (mainly inflation and interest rates) impacting on service delivery, and/or failure to make the required decisions to ensure the budget is balanced. This has been compounded further with the Covid-19 pandemic and the now cost of living crisis, which is making economic conditions uncertain, and impacting on the cost of council services and demand for services.	20	20

18. Further detail on all risks can be found in **Appendix 5** - Corporate Risk Register Summary. Full details of the latest Risk Register, including actions and mitigations can be found under the County Council's Regulation, Audit and Accounts Committee Agenda website.