

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Commercial Strategy, Estates and Property
Date:	12 October 2022
Title:	Managing Hampshire's Built Estate
Report From:	Director of Culture, Communities and Business Services

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Purpose of this Report

1. The purpose of this report is to confirm increased budget allocations and update on progress made in delivering the County Council's repair and maintenance programme for 2022/23 for the corporate and schools' estates. It also brings forward an updated project appraisal for a named scheme in the 2022/23 CCBS capital programme.
2. The report provides an update on ongoing activity to reduce carbon across the built estate, including the closing position on the programme of work funded by phase one of the Public Sector Decarbonisation Scheme (PSDS); opportunities for further grant funding; and brings forward new initiatives for approval that will support reduction in carbon and mitigate the impacts of rising energy costs.
3. The report notes the latest position in respect of ongoing challenges facing the construction industry and the impacts on delivery of projects and maintenance budgets.

Recommendations

That the Executive Member for Commercial Strategy, Estates and Property:

4. Notes that since the last report to the Panel, the Director of Adult Services has allocated £2.4 million from departmental cost of change reserves to be focused on further addressing health and safety priorities across its portfolio of buildings. Individual programmes of work will be approved within Chief Officer Delegations.
5. Approves the provision of £600,000 of additional Schools Condition Allocation (SCA) funding for the replacement roofing project at Stoke Park

Infant School, identified in the 2022/23 CCBS capital programme, giving a revised total scheme value of £1,900,000 as set out in paragraph 24 and in the updated project appraisal within Appendix 3

6. Notes Hampshire County Council's ongoing programme of decarbonisation including the conclusion of phase one of the Public Sector Decarbonisation Programme (PSDS) with £29.4million of grant funding invested across the Corporate and Schools' estates.
7. Approves the proposal at paragraph 40 to consolidate the remaining £1.45 million of Energy Performance Programme funding to support the County Council's decarbonisation programme and delegates the commitment of this funding to individual projects to the Director of Communities, Culture and Business Services.
8. Approves the proposal at paragraphs 41 to 43 to allocate £500,000 within the SCA programme to create a revolving fund to enable schools to undertake energy efficiency projects.
9. Notes the ongoing challenging construction industry market conditions and the associated impacts on the supply chain and work being delivered across the County Council's built estate.

Executive Summary

10. Following confirmation of the high-level repairs and maintenance budget allocations for the corporate and schools' estates in June, Property Services has continued delivery of work to address the highest maintenance priorities across the corporate and schools' estates to ensure that the built estate is maintained in a safe, compliant and operationally effective condition to support the delivery of the County Council's services.
11. A further phase of priority work is to be carried out on the Adult Health and Care estate, funded from departmental cost of change reserves. This comprehensive programme will increase the pace at which repairs and maintenance liabilities on critical items such as fire safety, legionella management and infection control across the portfolio of buildings can be progressed. It will also enable the wider repairs and maintenance budget to be directed at completing more of the highest priority works elsewhere on the corporate estate.
12. Although good progress is being made on delivery of the planned maintenance programmes, the rising costs and other difficulties in the construction market are becoming increasingly challenging and beginning to create some reports of contractor insolvency. Property Services continues to work to manage these issues with its suppliers and progress work, where value for money can be assured, to minimise disruption to building users.

13. To help mitigate the impacts of exponential increases in energy costs and recognising the broader need to reduce consumption and reliance on fossil fuels, Property Services continues to progress and adapt its own Energy Performance Programme and seek further grant funding to accelerate the pace of change.
14. The completion in June of the £29.4 million PSDS grant funded work is a good step forward; and further bids to new phases of the scheme are now being made. Beyond this external funding, innovative ways for existing budgets to be consolidated or used differently are being identified. This will enable further piloting of new technologies and create an affordable scheme for schools to progress self-funded energy improvement work. Maintaining momentum in decarbonisation is critical in support of the County Council's target for net zero emissions by 2050.

2022/23 Repairs and Maintenance Programmes

Corporate Estate

15. Since the last report to the panel, the Director of Adult Services has allocated a further £2.4 million from departmental cost of change reserves to fund a new phase of work to manage the health and safety priorities across its asset portfolio. This comprehensive programme will include works to evacuation lifts, ensuring compliance with the updated British Standards; improvements to hot water systems, reducing the risk of legionella colonisation; and works to generators and back-up power systems following annual "black building" tests, improving resilience.
16. The revised 2022/23 funding allocations for the repairs and maintenance of the corporate estate are as set out below.

2022/23 repairs & maintenance funding for the corporate estate		
Funding source	Confirmed Funding Jun 2022 £'000	Revised Funding Jun 2022 £'000
Policy and Resources Cash Limited Budget	8,199	8,199
CCBS capital allocation (carry forward)	865	865
CCBS capital allocation 2022/23	219	219

CCBS additional funding (carry forward)	1,130	1,130
Accumulated R&M Reserve (carry forward)	2,152	2,152
R&M Reserve 22/23 contribution	545	545
Adult Health & Care health & safety priorities (carry forward)	1,863	1,863
Adult Health & Care health & safety priorities 2022/23*	0	2,404
Total Funding	14,973	17,377

* as noted in paragraph 15

17. The revised high level budget allocations for programmes of work are as follows:

Corporate Estate – 2022/23 budget allocations	
Programme	Confirmed allocations Jun 2022 £'000
Building fabric reactive maintenance	1,704
Engineering reactive maintenance	3,024
Engineering cyclical servicing	930
Compliance inspections and monitoring	555
Health and safety priorities (non AHC)	1,056
AHC health & safety priorities (Phases 1 and 2 inc. carry forward)	4,247
Planned revenue works	4,777
Planned capital works (including carry forward)	1,084
Total Funding	17,377

18. Property Services has continued to implement a condition and risk-based approach to prioritising and addressing maintenance requirements and health and safety risks across the built estate within the available funding.

19. Planned programmes of work have been approved by the Director for CCBS under Chief Officer delegations and a broad range of projects across the corporate estate are progressing, including phase 2 of the sea wall remedial works at the River Hamble, stocks and sail remedial work on Bursledon Windmill and repair and ongoing conservation work at Fort Nelson.
20. It is positive that a further £1.5million of additional funding for each of the financial years 2023/24 and 2024/25 was approved within the [Medium-Term Financial Strategy report](#) presented to Cabinet in July for essential asset condition works. This will ease some pressure caused by the ongoing cost increases in maintenance costs and enable more of the highest priority works to be completed.

Schools Estate

21. Good progress has been made with the 2022/23 SCA programme over the spring and summer, despite the challenges presented by current market conditions and spells of exceptionally hot weather.
22. The major re-cladding and internal alteration project at Testbourne School in Whitchurch completed in readiness for the autumn term, as did the re-roofing of Hatch Warren Junior School, along with the Atrium roof upgrade, pipework replacement and mall re-paving at the Shakespeare site of Crestwood Community School in Eastleigh. The SCOLA reclad project at Marnell Junior School will complete in October.
23. Over the summer, recladding at the Wavell School in Farnborough commenced and is progressing well. The unusual glazing replacement at the listed block Warblington School in Havant has also commenced; asbestos removal has been carried out and the first shipment of specialist glazing is due imminently. The specialist nature of the “vacuum cavity” glazed window units limited the supply options and manufacture and shipping have been impacted by ongoing Covid restrictions in and out of China. Risk of further disruption exists and is being monitored, including the possible escalation of current tensions between China and Taiwan. Mitigation plans have reduced the number of shipments for the future phases, with units stored on site until required.
24. Work to replace the timber shingle and zinc roof at Stoke Park Infant School has continued, however undertaking the project on its unusual circular roof has not been straightforward. Deterioration in the condition of the existing roof substructure and a more challenging methodology than anticipated, due to unforeseeable design items, will increase the time necessary to complete the work. To continue the project, it is necessary to bring this back to Panel and to request further funding of £600,000 to be taken (as noted in paragraph 27) from the contingency sum held within the SCA grant allocation. An updated project appraisal is provided in appendix 3.

25. Delivery of other programmes of work, including toilet refurbishment, mechanical upgrades and roofing replacement are also progressing. Internal resource capacity is increasing with the conclusion of the phase 1 PSDS work, however some projects are currently paused until their interface with or eligibility for PSDS3 bid proposals and outcomes of the School Rebuilding fund bids (as below) are clear. As with the major projects, these other programmes of work are being affected by ongoing cost increases and material lead times in the market. As an illustration of the impacts of the current market conditions detailed later in the report, in some instances the lead time for roof tiles has been notified by contractors as being 42 weeks. Tenders are being evaluated and, where these represent value for money in the current market, the necessary additional funding is being approved within officer delegations.
26. As noted to the Panel in June, the confirmed 2022/23 funding allocations for the repairs and maintenance of the schools' estate are as set out below.

2022/23 repairs & maintenance funding for the schools' estate	
Funding source	Confirmed Funding Oct 2023 £'000
SLA funding contributions	14,209
SCA grant 22/23	23,084
SCA grant carry forward (projects in development)	20,868
SCA grant carry forward (contingency)	6,005
Total Funding	64,166

27. Taking into account the proposed changes noted in this report, the revised high level budget allocations for programmes of work are as follows:

Schools Estate – 2022/23 Budget Allocations	
Programme	Confirmed allocations June 2022 £'000
Building fabric reactive maintenance	3,952
Engineering reactive maintenance	6,970

Engineering cyclical servicing	1,790
Compliance inspections and monitoring	1,282
Health and safety risk management priorities	2,875
Vandalism prevention security patrols	179
Works to support decarbonisation of the schools estate	118
Warblington & Wavell Schools	1,486
Heatherside & Nightingale Schools	1,389
Building fabric - planned projects	11,196
Mechanical services – planned projects	2,252
Stoke Park Infant School	600
Schools' energy/carbon efficiency "revolving fund" scheme*	500
Contingency for 2022/23 projects	4,400
SCA carry forward for identified projects >£500k	12,929
SCA carry forward for identified projects <£500k	7,939
SCA carried forward (contingency - to be allocated)	4,309
Total Funding	64,166

* as noted in paragraph 41-43

28. The outcome of nominations against the latest tranche of the Department for Education (DfE) [School Rebuilding programme](#) is still awaited. Seventeen HCC schools were proposed for consideration within the next 300 to be selected. Site visits have been taking place over the summer and decisions are due to be announced later this year.
29. Orchard Lea Junior School which was one of the first 100 schools selected to be rebuilt under the scheme, continues to progress. The DfE feasibility study for the project has been approved and the procurement process using the DfE Construction Framework commenced. A preferred contractor is expected to be appointed very shortly and the next stage of design will commence in consultation with the School and HCC Children's and Property Services representatives.

Construction Market Conditions

30. As reported to the Panel in June, the construction market situation continues to be challenging. A number of influencing factors remain volatile and are

impacting costs and the availability of materials and resources to deliver programmes of work.

31. Latest Local Authority Maintenance indices from the BCIS (Building Cost Information Service) show costs grew by 6.8% from May 2021 to May 2022, up 0.7 percentage points from the 6.1% it had previously anticipated. BCIS has also significantly revised the forecast for the year May 2022 to May 2023, and is now indicating a further 9.0% increase, versus the 1.7% it had previously forecast.
32. The ongoing war in Ukraine continues to cause uncertainty with the availability and cost of critical materials such as steel, iron, and timber; as are the other international tensions including those around China. Transport costs continue to grow linked to fuel cost and, with energy tariffs rising exponentially, cost increases for materials that are imported or require intensive energy input, such as bricks, plastics and ceramics, are likely to continue for some time.
33. The shortage of labour in the construction and maintenance sector also continues, particularly for skilled craft operatives, which has led to an increase in site rates. A wage index prepared by Hayes and BCIS shows that site rates increased by 11.1% in the year to Quarter 1 2022. With increases to the National Living Wage and National Minimum Wage due in 2023, labour costs are expected to increase further. It is also foreseeable that, with significant industrial action in other industries and continued rising inflation, wage settlements will be higher than forecasted and will impact tender prices from local and national suppliers.
34. The consequences of all the above are beginning to manifest themselves within supply chain resilience. Since the last report to the Panel, a number of contractors and subcontractors from key local frameworks have gone into administration with cashflow difficulties since the pandemic reaching crisis point. This is following national trends where recent data from Creditsafe shows 115 construction related companies went into administration in the first six months of 2022, versus 72 during the same period of 2021.

Hampshire County Council's Decarbonisation Programme

35. Work concluded on the bid funded projects under phase one of the Public Sector Decarbonisation Scheme (PSDS) in June 2022. The 477 projects across the schools and corporate estate included:
 - Window replacements at 82 sites
 - Replacement of oil-fired boilers with gas at 17 sites not currently suitable for electric/heat pump conversion (with gas representing a lower carbon emission)
 - New heating control systems at 85 sites
 - Photo-voltaic panels at 258 sites

- Cavity wall insulation at 35 sites
36. A further 'Phase 3b' round of PSDS funding has recently been announced and is expected to open for bid submissions in October 2022. The eligibility criteria for Phase 3b are substantially different from Phase 1 and are restricted to the replacement of life-expired fossil fuel heating systems with electrically-powered heat-pump based systems.
 37. It is proposed that the heat pump heating system project at Heatherside Junior School is submitted again for consideration for PSDS funding, along with two other similar schemes which have funding allocated via SCA for SCOLA recladding. The total bid value for the heat pump work on these three projects is anticipated to be circa £1.475m, of which £900k would be the PSDS funding, and outcomes are expected to be announced by Salix in January 2023.
 38. Library Services and Property Services in partnership, have submitted a grant application to the Arts Council – Libraries Improvement Fund for £150k (total project £210k) to add additional green technologies to Bridgemary Library including an air source heat pump heating system, solar photovoltaics and electric vehicle charging points, following improvements already made via the recent PSDS grant. The vision is to create an 'Eco-excellent library' which showcases how libraries can reduce their impact on the environment, engage with the public in new and different ways and provide skills and activities to engage the community. Successful bids will be announced in Spring 2023.
 39. HCC's Energy Performance Programme (EPP) continues to progress. The EPP was funded by upfront capital investment in 2017 and 2018 of more than £7 million for a number of individual workstreams including LED lighting, Electric Vehicle (EV) Charging, and Battery Storage. £5.7 million has been committed to date across all workstreams including £450k expected to be spent this financial year including a pilot battery storage project at an Adult Health and Care site which is in feasibility stage.
 40. It is now proposed to draw together the remaining £1.45 million funding across the various workstreams into a single Energy Performance Programme as part of the County Council's wider climate change programme. This will include further investment in the County Council's electric vehicle infrastructure to support the continued transition of fleet vehicles to electric and decarbonisation pilot projects that reduce carbon emissions and evidence the costs and technical viability of solutions to inform future external funding bids and continued dialogue with Government and its funding agencies.
 41. It is also now proposed that HCC establishes a £500,000 "revolving fund" from within the SCA budget for use by schools for energy efficiency projects such as LED lighting replacement. The fund is proposed to meet the ongoing (but frustrated) demand since the closure in April 2021 of the government scheme, delivered via Salix, for this purpose. Schools continue

to seek an affordable way of undertaking self-funded work that helps manage the impacts of the escalating energy costs and improves classroom environments. The benefit for the County Council and the SCA budget is that appropriate energy saving measures also reduce maintenance liabilities and contribute to the overall reduction in carbon generated across the County Council's built estate.

42. Managed in the same way as the previous Salix scheme, the costs of viable projects funded from the revolving fund would be returned in full by the schools (including the costs of managing scheme) over a maximum term of 8 years, replenishing the fund to support future projects.
43. As a self-sustaining fund at nil cost to the County Council, reinstating a scheme of this nature will re-establish pace in energy improvement work and ensure the positive outcomes for the schools, the County Council and wider society can continue.

Conclusions

44. Property Services continues to implement effective planned and reactive maintenance strategies that improve health and safety and address high priority maintenance liabilities across HCC's corporate and schools' built estates, within the available budgets.
45. The consequences of various external factors influencing the construction industry continue to have impacts across the work delivered on the built estate. These impacts are being managed for the programmes of work already agreed and, as planning develops for the 2023/24 financial year, the pre-tender estimates and programmes are being adjusted accordingly. However, unless additional funding is made available, this will lead to a reduction in the total volume of work delivered.
46. The completion in June of the £29.4 million PSDS grant funded work has made a positive contribution to reducing carbon emissions from the built estate. However, the significant rising costs of energy continue to place substantial pressure on operational budgets. In response to this, and recognising the broader need reduce consumption and reliance on fossil fuels, Property Services continues to progress and adapt its own Energy Performance Programme and seek further grant funding to maintain this pace of change.
47. The current repairs and maintenance and de-carbonisation programme will make a contribution to addressing condition liabilities and carbon reduction across the County Council's built estate. While the additional £2.4million allocated by Adults Services and the £1.5million allocated corporately for each of the 2023/24 and 2024/25 financial years is welcome, continued ongoing investment beyond this is essential to ensure that it remains fit for purpose and to sustain the necessary progress to achieve the County Council's net-zero emissions target by 2050.

Appendices

- Appendix 1: Corporate and Legal Information
- Appendix 2: Impact Assessments
- Appendix 3: Project appraisals for named capital projects
- Appendix 4: Project appraisals site location plans

REQUIRED CORPORATE AND LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
Schools Condition Allocation Projects – 20/07/21	<u>Date</u> 20/07/21
Managing Hampshire's Built Estate Report 06/04/22	06/04/22
Managing Hampshire's Build Estate Report 14/06/22	14/06/22
Direct links to specific legislation or Government Directives	
<u>Title</u> N/A	<u>Date</u> N/A

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

Equalities Impact Assessment:

2.1 The expenditure identified in this report will ensure that the County Council's built estate continues to provide a safe, compliant and suitable environment for the delivery of public services. The programmes of work identified will have a positive impact on children of school age through improvements to school buildings and older persons in the County Council's residential care homes through delivery of planned health and safety and condition works.

2022/23 SCHOOLS CONDITION ALLOCATION – PROJECT APPRAISALS

Stoke Park Infants School - Roof Covering Renewal and Insulation Upgrade

Overview

1. At the [Executive Member for Commercial Strategy, Estates and Property](#) on 20 July 2021 funding was agreed for the roof covering renewal and insulation upgrade project at Stoke Park Infant School.
2. That project is brought back to the Buildings Land and Procurement Panel to request further funding be made available from the 2022/23 Schools Condition Allocation (SCA) grant. This is required as a result of additional work discovered whilst on site and will provide additional measures to ensure a good quality of education is provided to pupils at the school during this highly complex project, and make further provision for contingency as a precaution.
3. Stoke Park Infant School is located in Bishopstoke, Eastleigh and is of steel frame construction with masonry elevations and a pitched multi-faceted roof on rafters with glulam beam purlins. The roof coverings are a mixture of patent glazing, timber shingles and zinc sheet finishes. The building was constructed in 1990. A 2 classroom Year R extension was constructed later and is accessed through a link corridor.



4. The project is necessary as the roof finishes are now at the end of their life and the school suffers from multiple leaks. Remedial works are also required to some of the glulam beams.
5. An outline project appraisal was included in the July 2021 Executive Member for Commercial Strategy, Estates and Property report. It noted that the works would include replacement of the patent glazing with a similar modern system, like for like replacement of the cedar shingles and replacement of the zinc roofing system with a coated steel system.
6. The work was planned to be undertaken in five phases with modular classrooms used to decant the areas underneath those where the contractor was immediately working, and with the hall and kitchen works completed during the school summer holidays in order to minimise disruption.
7. Although significant consideration was given to the complex nature of this project and a level of contingency was included within the original scheme, the nature of the roof materials meant there was limited opportunity for intrusive investigation ahead of the main works. On commencement, it was identified there had been greater deterioration of condition of the existing roof substructure than anticipated, and elements of the construction of the roof varied from those noted in the original archive drawings. This could not have been foreseen and has required additional specialist design and some material changes. The revised scheme addresses these points and makes provision for a further sum of contingency.
8. Beyond the additional material and design costs (and the impact of inflation on these extra elements) the consequential delay has also created additional “prelim” cost due to the extended programme, which is now due to complete in Spring 2023 versus the original scheme at the end of 2022.
9. The original contingencies are insufficient to meet the increased costs and therefore to enable this project to continue, it is necessary to bring it back to Panel to request further funding of £600,000 (to be drawn from the contingency sum that is being held within the SCA grant allocation) as noted in paragraph 27 of the main report.

Climate Change Impact Assessment

10. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council’s climate change targets of being carbon neutral and resilient to the impacts of a 2°C

temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

11. The Adaptation Project Screening Tool identifies that in extreme circumstances, strong winds, storm events and heat waves arising from Climate Change in the future, could have the potential to affect the use of the building, but generally the scheme is considered to have low vulnerability to climate change.
12. The carbon mitigation tool does not calculate emissions for refurbishment projects so is not applicable. However, the project will incorporate the following features to reduce energy consumption and mitigate the impact of climate change:
 - Provision of new roof insulation to modern standards, reducing heat loss and thermal gain.
 - Replacement of the single glazed patent glazing with new double glazed, solar reflective glass which will reduce glare and excessive heat gain whilst maintaining a good standard of daylight
 - Reduce the amount of artificial light needed.

Finance

14. This project is brought back to the Buildings Land and Procurement Panel for review due to the increased cost associated with the redesign works necessary and associated delays to the project. The Executive member for Commercial Strategy, Estates and Property is also requested approve allocation of a further £600,000 of SCA to progress the project to completion. The updated value of this “Key Project” to be notified to Cabinet is now £1.9million.
15. The funding currently approved for this scheme is as follows:

Financial Provision for Total Scheme	Buildings £	Fees £	Total £
School Condition Allocation (SCA) 2021/22 (Main works)	1,115,000	185,000	1,300,000
Total	1,115,000	185,000	1,300,000

16. The revised anticipated cost for this project and amended proposed funding for the scheme is now as follows:

Financial Provision for Total Scheme	Buildings £	Fees £	Total £
School Condition Allocation (SCA) 2021/22 (Original works)	1,115,000	185,000	1,300,000

School Condition Allocation (SCA) 2022/23 (scope complexity and cost pressures)	515,000	85,000	600,000
Total	1,630,000	270,000	£1,900,000