

HAMPSHIRE COUNTY COUNCIL

Committee/ Panel:	Buildings, Land and Procurement Panel
Date of Decision:	3 January 2018
Decision Title:	Property Services: Major Programmes Update
Report From:	Director of Culture, Communities and Business Services

Contact names: Steve Clow

Tel: 01962 847858 **Email:** steve.clow@hants.gov.uk

1 Summary

1.1 The purpose of this report is to provide an update on the major programmes, projects and issues currently being progressed relating to:

- One Public Estate (OPE) Programme Update
- School Condition Allocation (SCA) and Corporate Repairs and Maintenance Update – Project Appraisals
- Construction Industry Appraisal
- T19 Property Futures & Office Accommodation Strategy
- The Community Hub at Gosport Discovery Centre – Project Appraisal

2. One Public Estate (OPE)/Asset Transformation Programme Update

2.1 Hampshire County Council (HCC) has been participating in the One Public Estate (OPE) initiative since its inception in 2013. OPE is an initiative to support Local Government working with Central government and other public sector partners on land and property initiatives to deliver against four core objectives:

- Stimulation of economic growth (including new homes and jobs)
- More integrated and customer-focused (public) services
- Generation of capital receipts
- Reduction of premises running costs (shared buildings) and increased revenue generation.

2.2 To date, with the County Council as the lead for the local Wider Hampshire partnership, there have been 5 successful phases of funding secured totalling £1.06M. A sixth bid for a further potential revenue and capital was submitted in November 2017.

- 2.3 The OPE programme nationally has matured and expanded. Partnerships now receive an increased level of support from regional account managers from both the Local Government Association and the Government Property Unit, who are able to act as a conduit to Central Government departments and other organisations to remove barriers that can often be faced when facilitating and delivering shared projects.
- 2.4 There are now a greater number of OPE partnerships all looking for financial support for their programmes. This has, in part, led to the evolution of the priorities of the national programme with funds now more likely to be provided for schemes that deliver significant number of new homes (a government policy priority). This change places a greater emphasis on regional collaboration rather than individual local colocation schemes (which the Wider Hampshire partnership has achieved success in bidding for in the past). There is also increased focus on the need to include central government departments within project proposals. In addition, the OPE assessment team are keen to see Local Authorities engage more actively with the Defence Infrastructure Organisation (DIO) and the MOD's estate rationalisation strategy and associated disposals. This Council has positive links with the MOD through the established Civil Military Partnership and a DIO senior officer is a regular attendee at Board Meetings.
- 2.5 The wider Hampshire partnership (which includes 22 partners) has commissioned a number of feasibility studies which have identified opportunities for joint initiatives in areas such as Whitehill and Bordon, Fareham, Havant and Aldershot and Farnborough. Funding has also provided staff resource which has facilitated the delivery of projects with Central Government such as the Andover Job Centre plus moving into Test Valley Borough Council's offices and the Ministry of Justice (MOJ) installing pilot commuter hubs for its staff at Farnborough and Basingstoke libraries. Subject to a positive review commuter hubs could be provided in other locations across Hampshire, potentially in County Council owned buildings generating a modest income stream and sharing costs of occupation.
- 2.6 As well as the funding provided for specific feasibility studies, the access to support from the Government Property Unit and the way in which the governance of the wider Hampshire programme is run has provided the forum for links to be made with colleagues from across the public sector which has lead to the generation of new ideas and opportunities to generate better use of the public sector estate.
- 2.7 The outcome of the bid was announced in early December (since the Chairman's Briefing). One new major initiative in Winchester has been funded and will receive £50k. This is to investigate the opportunities arising from the MoD vacating the Sir John Moore Barracks off the Andover Road. This clearly met the latest more challenging criteria having a direct link to the future delivery of housing numbers.
- 2.8 A number of other submitted projects scored highly but not enough to secure funding in a competitive bidding round. There are now

considerably more OPE programmes competing for a fixed amount of funding compared to earlier phases. The funding pot was over-subscribed more than three times. We still await the result of the capital bid for 'land release' funds.

- 2.9 The feedback received was in line with our expectations and this demonstrates the development in emphasis and bid requirements as referred to earlier in this section. In a recent meeting with the Cabinet Office, they recognised the positive work that Hampshire County Council is leading and proposed to collaborate to redirect some of our existing funds and help us to make bids for further additional programme management resources. They recognise this is an essential ingredient to positive progress on the many initiatives on-going.
- 2.10 Overall, the continued progress is a success and the outcome for one additional project brings the total to 19. Officers will be reviewing our resources and role alongside investigating further opportunities to initiate projects and secure income. This will also include the potential offer of support to other local authorities who have recently secured OPE projects.

3. School Condition Allocation (SCA) and Corporate Repairs and Maintenance Update

- 3.1 Work on the 2017/18 Repair and Maintenance programmes continues well against the approved schemes in the April 2017 Managing the Built Estate approved by the Executive Member Policy and Resources (EMPR). This section of the report includes Project Appraisals for schemes which have been designed and developed since April report and are now clear in scope and funding. They are recommended for approval to EMPR.
- 3.2 The Education and Skills Funding Agency (ESFA) have recently announced that the 2018/19 Schools Condition Allocation (SCA) will be allocated to Local Authorities based on the same criteria as 2017/18. This is good news and whilst the final value of the 18/19 SCA grant is not yet known it is anticipated it will be in the region of £17m for Hampshire. This increased certainty for 2018/19 allows us to plan forward and commit to further works for LA schools. The following proposed works at Alderwood, Westgate and Applemore look to make best use of this increased visibility.

Alderwood School – Project Appraisal

- 3.3 It was supported at the 31 March 2016 BLaPP and approved at the subsequent 8 April 2016 EMPR that Property Services should commence with design work for a SCOLA recladding project at Connaught School (which is now called Alderwood School) subject to confirmation of the 2017/18 School Condition Allocation grant. This funding was confirmed in March 2017, however the programme was paused whilst the school reorganisation was in progress.
- 3.4 The proposals are to reclad the SCOLA Technology block using the tried and tested system developed by Property Services. This approach gives

the block a new external envelope and improved fire and window safety, thermal performance removing a significant condition liability. The building will be more economic and efficient which will reduce energy costs for the school and deliver cyclical maintenance saving by avoiding decoration.

- 3.5 The detailed design is now being developed and it is therefore recommended that approval is given to both procure and deliver the scheme using the new minor works framework (MWF) which has a specific lot designed to procure SCOLA recladding. It is envisaged the contract could be formed this financial year 17/18 and a start on site in April 2018. The contract duration is expected to be 9 months and cost £932,000 including fees.

Applemore School - Project Appraisal

- 3.6 With the increased certainty around the 2018/19 SCA grant it is now proposed to progress the design and procurement of the recladding of a SCOLA block at Applemore School. As soon as the 2018/19 SCA grant is confirmed Property Services would then let the contract for the works.
- 3.7 The proposed recladding work is similar to that for Alderwood above and will offer the same substantial benefits. The scheme will enhance the educational environment for the staff and pupils and remove the condition liability of the external envelope.
- 3.8 The detailed design is now being developed and it is proposed to procure and deliver the scheme using the SCOLA recladding lot of the new minor works framework (MWF). It is envisaged the contract could be formed as early as this financial year 17/18 and a start on site in April 2018. The contract duration is expected to be 8 months and cost £1,048,000 including fees.

Westgate School – Project Appraisal

- 3.9 A scheme for recladding and window replacement of three storey block at Westgate School was approved by the EMPR on 9 March 2017 with an estimated construction value of £500,000. Through the development of the design it has become apparent that the scope of the works will need to be increased to address the complexities of the existing building. The building is three stories high and is abutted by a single storey section. The revised value of the work is estimated at £1,048,000 including fees. The three storey block is not of SCOLA construction but has similar condition liability and performance challenges. The proposal is to reclad the block using a modified version of the SCOLA system developed by Property Services. The additional cost of this enhanced scheme will be funded through savings on other schemes within the SCA grant 2017/18 and deferral of some works to 2018/19. The works will be procured and delivered through an existing construction framework. Start on site is envisaged in April 2018 with work continuing for 9 months.

Totton Library – Project Appraisal

- 3.10 The internal refurbishment of Totton library was a named scheme in the Library Service Transformation – Strategy to 2020, approved by the Executive Member Culture and Recreation on the 18th April 2016. Design of the internal refurbishment is now well advanced. It is now proposed to take the opportunity to address some essential building fabric and services improvements, while the library is closed for refurbishment. This approach will be prudent to minimise disruption to service delivery and library users. The additional works consist of boiler and heating replacement (including conversion from oil to gas) and replacement of external windows and doors. It is proposed to use the Minor Works Framework (MWF) to procure the work. The revised cost of the enhanced contract is estimated at £362,000 including fees. A start on site is targeted for January 2018 with completion expected in April 2018.
- 3.11 The Landlord Repair and Maintenance contribution for the heating can be met from the future additional Capital Repairs and Maintenance allocation of £4.5m (2018/19 to 2020/21).

4. Construction Industry Appraisal

- 4.1 The general economy remains uncertain due to the terms of the UK leaving the European Union to be determined. This uncertainty has impacted on the pace of economic growth which has fallen to a relatively low level during the six months to the 3Q/2017. This in turn has had a knock on effect on the construction sector which is performing at weaker level than GDP. The latest figures from the Office of National Statistics shows construction sector growth over the year to Sept 2017 of just 1.1% with output actually falling between August and September by 1.6% overall. There has been a particular fall in the orders of new housing and private/industrial/commercial start due to the present uncertainty.
- 4.2 General inflation levels have seen a steady increase over the last year with the October Consumer Price Index showing an annual increase of 3% which is a five and half year high; well above the Governments target figure of 2%. This in turn led to the Bank of England to raise rates to a level of 0.5% in November. Both of these factors will put pressure on tender costs. The RICS predicts the year on year change in construction tender prices for 2017/18 to be -1%, but inflation will return in 2018/19 at a rate of 2.1% and then increase to 5.5% in 2019/20. It remains to be seen if the predicted slight inflation fall in 2017/18 will transpire.
- 4.3 The construction market continues to be relatively buoyant in the South East and London. This is in part attributable to continuing skills shortages in key trades and an aging workforce which exert upward pressure on prices. Many of the key construction trades depend on migrant EU labour which may not remain in the UK after leaving the European Union. The fall in the value of Sterling has also caused

inflationary pressures in imported materials costs. The market in the South East and Hampshire, in particular, continues to be challenging. The RICS Building Cost Information Service (BCIS) show that regional prices are holding up with the average cost of building in Hampshire some 11% higher than the UK norm. In spite of this there has been increased contractor interest in returning tenders to the County Council at or below our current funding levels. This has been helpful in enabling pressured capital budgets stretch further.

4.4 It is not yet fully clear what impact the Grenfell Tower Fire tragedy will have on the construction sector as this will be dependant on the various enquiries underway. In the medium to long term, if major changes emerge to the Building Regulations this could create delay on projects and put pressure on costs.

4.5 The County Council's Property Service team is continuing with its lead role of national cost benchmarking of schools. A sixth annual study is underway and the results will be published in February 2018. The study is funded by the Local Government. To date 107 local authorities and the ESFA have contributed to a sample of 550 schools worth £2.9bn. The output of the will be eagerly awaited by the local authorities and ESFA and it will enable us to track the trends in the market directly related to school building. This important work enables us to accurately set developer contributions with a strong evidential basis. Maximising private sector contributions to supplement grant funding from government is vital to ensure any call on local resources is kept to an absolute minimum.

5. T19 Property Futures & Office Accommodation

- 5.1 Property Services is responsible for two key programmes to realise revenue savings as part of the wider T19 programme within CCBS.
- 5.2 The first programme is focused on achieving revenue savings through the professional services managed and delivered by Property Services including Facilities Management (FM). Work to identify and deliver these savings is being undertaken as part of a wider review of Property Services' operating model under a project called Property Futures. Property Futures is seeking to address existing and potential future drivers of change through development of a robust operating model that ensures a strong Property Services for the future.
- 5.3 As part of this project T19 savings will be identified through a combination of increased surplus and cost savings. The additional surplus will be primarily from income generated from the management of the regional procurement frameworks which are used by local authorities across the south of England. Cost savings will be achieved through a more efficient organisational structure and processes, making best use of professional resources and technology to reduce the costs of delivering revenue funded services.

- 5.4 The high level organisational design is due to be completed in late 2017 with the restructuring and new operating model being put in place during 2018. The detailed savings strategy will be identified as part of the design of the new operating model and structure, which will also identify the detailed actions required to realise the savings by March 2019.
- 5.5 Property Services is also responsible for the management of the corporate office accommodation. A new Office Accommodation Strategy has been developed that builds on the previous successful Workstyle programme and seeks to deliver a £1.3m saving from more efficient utilisation of the corporate office portfolio.
- 5.6 Utilisation studies undertaken in 2017 confirmed that there is surplus capacity that could be released to achieve savings, but this capacity is dispersed across the portfolio. The ongoing requirement for customer facing and area based services in all the Hampshire districts makes it difficult to release whole buildings and realise significant savings through a further reduction in the number of assets within the portfolio.
- 5.7 The proposed strategy therefore seeks to consolidate the space occupied by HCC staff. This will allow the release of discrete spaces within buildings for leasing to third parties, preferably public sector partner organisations, at a rate that covers operating costs and generates a reasonable level of rental income.
- 5.8 The consolidation of HCC staff forms part of the wider organisational change to introduce new ways of working and increase productivity and will be enabled through current flexible working practices and the ongoing introduction of new digital and mobile technology.
- 5.9 The letting of surplus space to third parties is an extension of current practice, as we have a number of existing tenants in our office buildings, the most recent example being the leasing of workstations in E11 West to the Clinical Commissioning Group (CCG). This approach also aligns well with the feedback from the T19 public consultation that identified a public preference for seeking new income streams and using assets to generate income, rather than reducing public services.
- 5.10 Specific proposals and timing of implementation are being discussed with departments and will depend on a number of property related and wider organisational considerations. Due to the long lead in times and interdependent nature of office moves, it is anticipated that the full delivery of savings will go beyond April 2019.

6. The Community Hub at Gosport Discovery Centre – Project Appraisal

- 6.1 This section seeks approval to the project proposals (design and expenditure) to create a Community Hub facility at Gosport Discovery Centre at an estimated cost of £600,000 inclusive of fee. This project forms part of the County Council's 'Community Hubs' strategy identified in the One Public Estate programme and the Library Service's Strategy to

2020 which both seek to achieve a more efficient and effective use of public buildings. Funding of up to £750,000 has previously agreed and included in the approved Capital Programme in February 2017, following full consideration of this project by CMT in September 2016.

Contextual Information

- 6.2 Gosport's Discovery Centre is already a thriving Tier 1 library providing full library services, a range of spaces for hire by community groups, a café and small drop-in facility for Council staff. The proposed scheme seeks to further enhance the opportunities afforded by this well located asset to enable the delivery of a wider range of complimentary services to the community, including Older Person's Day Services provision, a wider Public Health offer and enhanced drop-in accommodation. It is anticipated that this integration of services will provide additional benefits to customers.
- 6.3 The scheme ensures that the Gosport Discovery Centre building is utilised to its full potential, without compromising existing Library Services. This provides better value for money from the building itself, and supports savings and efficiencies elsewhere in Gosport. The principle of hosting additional complimentary services within a Library is not new – other partners are already accommodated for example, Citizens Advice Bureaux at a number of branches including Petersfield library, and a Ministry of Justice (MoJ) Commuter Hubs Pilot at Farnborough Library (see the OPE update elsewhere in this report). As well as making best use of the asset, this project has also provided an opportunity to explore alternative models for building management and governance.
- 6.4 The scheme was approved and added to the Capital Programme by Cabinet in February 2017. Since that date work has focused on developing the scheme proposals for the building. Following further consideration, the Adult Services Learning Disability day centre team have decided that they would prefer to remain in their existing accommodation for the time being. However, the design has been left flexible to ensure that should this position ever change, additional services can still be accommodated.

Scope of Work

- 6.5 The scheme will see the creation of a new space to house an Older Person's Day Services offer within the Discovery Centre building. These services are currently delivered through leased accommodation located nearby which does not meet the needs of the clients and, therefore, limits the number of clients to whom this service can be provided. By bringing them into the library environment, clients will also benefit from all that the library provides (including the café, reminiscence resources, groups and activities). Housing this service within the Discovery Centre will generate a small saving for the County Council.

- 6.6 Existing toilet areas will also be remodelled to increase provision and to provide additional accessible facilities. A new Changing Place will be provided (there is currently no provision within Gosport for people who need enhanced facilities).
- 6.7 New bookable rooms will be created to increase the community activities delivered from the building and generate additional hiring income. Existing community space currently used by Public Health for Baby Weigh clinics and other health services will be enhanced to allow for the delivery of additional health related services.
- 6.8 Two new workstyle drop-in offices will be created to enable Adult's and Children's staff to work flexibly from a southern location within Gosport and enable the release of other accommodation elsewhere on the peninsular (eg the Adult's Service's Stoke Road office). Existing library staff spaces will be remodelled to increase drop in space elsewhere in the building.
- 6.9 General improvements will be made to the presentation and décor of the building. The remodelling has been specifically designed to enable flexibility to accommodate other services in the future if the need or opportunity arises.
- 6.10 A significant aspect of the project involves the consolidation and relocation of the Library Service's Hampshire Naval Collection and Local Studies collection back into the Discovery Centre Building. These collections are currently held in the adjacent 'Old Grammar School' Building which also houses the Gosport Gallery and Search Museum (hosted by Hampshire Cultural Trust).
- 6.11 The County Council and Cultural Trust will also be working together to review the Gosport Museum with a view to providing an improved 'Heritage' floor on the Mezzanine level of the Discovery Centre building, integrating social and cultural resources relating to Gosport's rich history. This will interlink with work that the Cultural Trust are doing to explore the future potential for the Old Grammar School building. Due to the timings of the Cultural Trust work, improvements to the Mezzanine Floor will be completed as a later phase of works.
- 6.12 A tender for these works has been issued under the Property Service's Minor Works Framework. Subject to approval of the project proposals and a satisfactory outcome of the tender process, works are planned to commence in February 2018 and be completed in May 2018.

Recommendations

That the Buildings, Land and Procurement Panel recommends to the Executive Member for Policy and Resources that:

- a) Progress of each of the programmes is noted.
- b) That procurement and spend approval for contracting activity associated with the projects as outlined in this report is granted.

- c) Approval is given the project appraisal to reclad the SCOLA Technology Block at Alderwood school at a total cost of £800,000 plus fees. (with fees is £932,000)
- d) Approval is given to the project appraisal for the reclad of a SCOLA block at Applemore School at a total cost of £1,048,000 including fees.
- e) Approval is given to the project appraisal for the reclad of the three storey block at Westgate School at a total cost of £1,048,000 including fees.
- f) Approval is given to add essential maintenance works into the Library Transformation project at Totton Library with a revised total cost of £362,000 including fees.
- g) Approval is given to the project appraisal (design and expenditure) on the basis set out in the report to facilitate the delivery of the Community Hub at Gosport Discovery Centre project at a total construction cost of £600,000 including fees.

CORPORATE OR 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:	
<u>Title</u>	<u>Date</u>
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

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.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1 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 under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

1.2 Equalities Impact Assessment:

An equalities impact assessment has /has not been considered in the development of this report as access requirements are always considered during the design stages of building maintenance projects and are often improved.

2. Impact on Crime and Disorder:

2.1 The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all decisions it makes on the prevention of crime. The proposals in this report have no impact on the prevention of crime.

3. Climate Change:

3.1 This is an update report which has no impact upon climate change.