

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Buildings, Land and Procurement Panel
Date:	27 June 2017
Title:	Property Services Business Review 2016/17
Report From:	Director of Culture, Communities and Business Services

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1. Executive Summary

1.1. The purpose of this paper is to provide an overview of Property Services' financial outturn position for 2016/17 and reflect on business strategy priorities for 2017/18 and beyond.

2. Contextual information

2.1. The 'Business Review 2015/16' report presented to the Panel in June 2016 set out Property Services' financial outturn position for 2015/16 and identified that Property Services had entered a period of consolidation following the significant growth in workload and services between 2011/12 and 2014/15.

2.2. In January 2016 the Panel was provided with an overview of the Property Services' Business Plan 2015 to 2020. The business plan provides financial forecasts for the 5 year period from 2015 to 2020, but recognises that there is considerable uncertainty about workload, particularly beyond 2018.

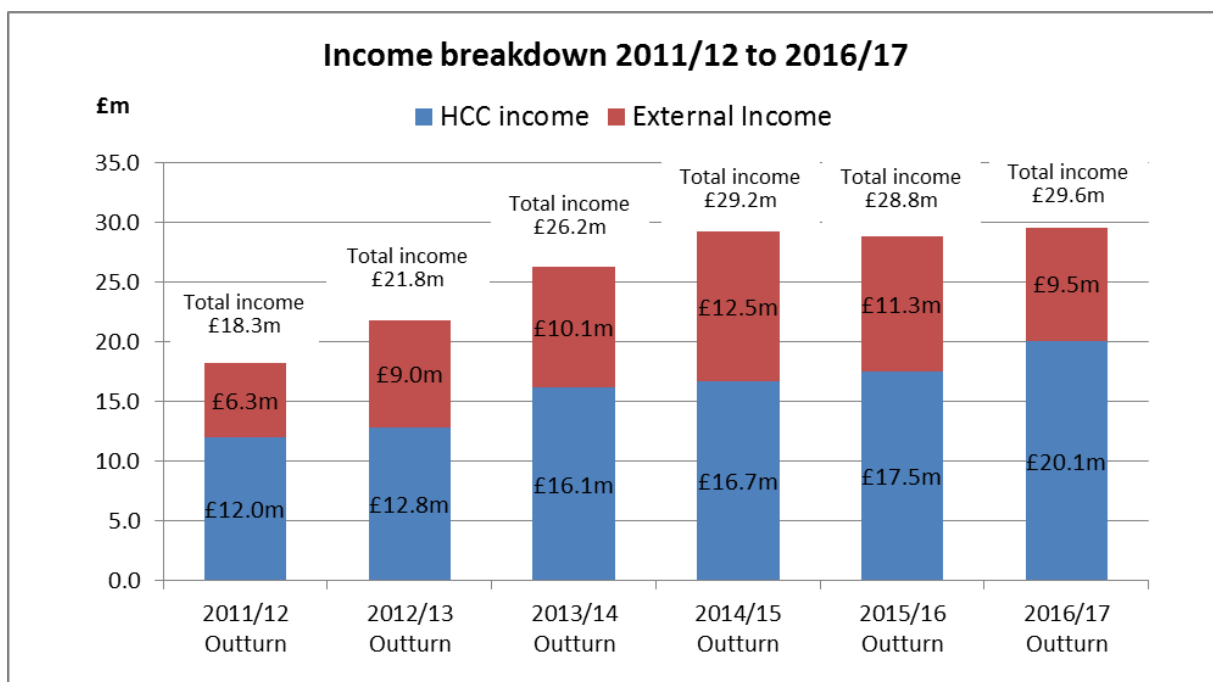
2.3. 2016/17 has seen Property Services continue to deliver significant programmes of work and professional services to both internal and external customers and clients. Key achievements include:

- Ongoing delivery of the Children's Services capital programme of additional pupil places, including feasibility work for provision of additional secondary school places;
- Delivery of significant maintenance programmes for both schools and corporate buildings, including design and procurement of 4 schemes funded through phase 2 of the government's Priority Building Schools Programme (PSPB2);
- Successful renewal of the Property Services SLA for schools on a new open-ended basis; continuing the delivery of a comprehensive service to 96% of schools in the County at a lower cost than the previous generation;

- Design and procurement of the first phase of a programme of new accommodation for adults with learning disabilities, as part of the Adult Services transformation strategy;
- Significant progress on the Strategic Land programme to promote the County Council's strategic landholdings for housing development, including allocation of the Manydown site in the Basingstoke and Deane local plan and commencement of procurement of a private sector development partner for the Manydown development project in partnership with Basingstoke and Deane Borough Council;
- The launch of the new temporary and modular building framework for public sector organisations across the South of England, as a key part of the Property Services' traded services strategy and procurement of a new Minor Works Framework to support the delivery of programmes of planned maintenance and condition improvement works for both schools and the corporate Estate;
- A number of national and regional awards and commendations including 9 winners and 5 highly commended.

3. Income

3.1. Like 2015/16, 2016/17 was a further year of consolidation, following a period of significant growth between 2011/12 and 2014/15. Total income was £29.6 million compared with £28.8 million in 2015/16 and £29.2 million in 2014/15. This is the highest ever income for the service. £20.1 million of this income (68% of the total) was from HCC programmes and projects and £9.5m (32% of the total) was from external clients, including schools.



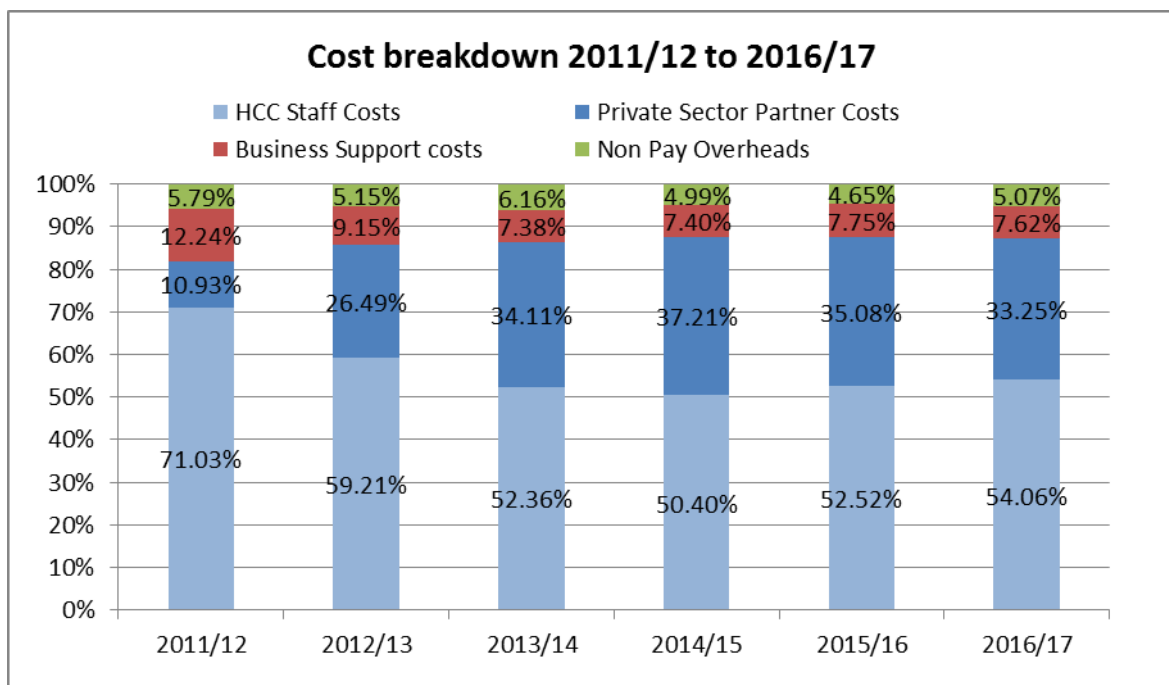
3.2. The figures illustrate a continuation of the trend of growth in workload for the County Council, in particular:

- Delivery of the Children's Services capital programme of new school places;
 - Delivery of major programmes of repairs, maintenance and refurbishment work across the corporate estate including further modernisation of office accommodation;
 - Enabling and supporting the delivery of transformation programmes in CCBS, Adult Services and Children's Services, through effective and innovative use of property and assets;
 - Progression of the planning and development strategy for the County Council's strategic land holdings;
- 3.3. Income from external clients reduced in 2016/17 compared with 2015/16, following the substantial completion of the schools capital programme delivery for Surrey County Council in 2015/16 and the more recent completion of a £60m schools capital programme for Reading Borough Council through the Reading Hampshire Property Partnership.
- 3.4. Reducing the volume of capital project delivery we undertake for external clients was part of the traded services strategy set out in 2014 to ensure that we have been able to focus resource to meet the demands of the County Council's growing programme of capital and asset transformation projects at a time of skills and capacity shortages in the wider construction industry.
- 3.5. However, as set out in our 2015 to 2020 Business Plan, Property Services remains committed to maintaining external business in order to retain skills and capacity, deliver value in the wider public sector and make a financial contribution to overheads for the Council.
- 3.6. During 2016/17, Property Services continued to develop the Joint Working arrangements with the Office of the Police and Crime Commissioner and Hampshire Fire and Rescue Service with a focus on making stronger links between the Property and Facilities Management services.
- 3.7. The ongoing joint working arrangement with the Isle of Wight Council and Property Services' experience gained from working with the Education Funding Agency (EFA) to secure and deliver significant investment in four schools in Hampshire as part of the government's Priority Schools Building Programme, has resulted in a commission to manage and deliver a further seven PSPB2 schemes on the Isle of Wight with a total value of £20 million.
- 3.8. Property Services also continues to develop and offer a range of specialist services, such as heritage architecture, where we continue to support a wide range of clients to shape strategies, secure funding and deliver good quality successful projects. Currently this includes schemes to develop and enhance visitor attractions for Portsmouth City Council, Portsmouth Historic Dockyards and the Museum of Army Flying. Such work builds our reputation and portfolio of external clients and projects and also contributes to the County Council's strategic priority of enhancing Hampshire as a place.
- 3.9. Developing and managing a range of local and regional construction frameworks continues to be a key part of our traded services strategy,

ensuring delivery capacity for the County Council's programmes as well as for other public sector organisations across the south of England, generating additional income through levy arrangements. 2016/17 saw the launch of a new regional arrangement for temporary and modular buildings and the commencement of planning for the next generation major construction framework.

4. Costs

- 4.1. Property Services continued to exercise strong financial management throughout 2016/17 to ensure that costs were in line with income.
- 4.2. Resource costs continue to account for around 85% of total costs, with a continuation of the last two years' trend of a slight increase in the proportion of directly employed resource.



- 4.3. Non pay overheads and business support costs continued to be tightly managed. However, additional investment was made in 2016/17 for the further implementation of new design software which supports the application of Building Information Modelling (BIM) on larger projects in line with Government policy and modernisation of the technologies in this service.

5. Resources

- 5.1. Resource demand continues to be met through a 'mixed economy' approach of recruitment to new permanent and temporary posts and resources secured through the strategic partner arrangements established jointly with the Director of Economy, Transport and Environment in 2014. This level of strategic partner resource ensures that Property Services continues to be able to flex its capacity to match the fluctuating demand and also access a range of specialist skills that complement our in-house teams.

- 5.2. New staff are recruited where the longer term workload forecast identifies a need and capacity is available within the market. This approach ensures that we maintain the core capacity and capability whilst building new skills where these are required to meet the needs of the wider organisation.
- 5.3. It continues to be challenging to recruit and retain certain professional disciplines. Investment in the formal and on the job training and development of staff plays an important role in being able to attract and recruit new staff, particularly those at the beginning of their careers. In support of this, Property Services is seeking to make use of the new Apprenticeship Levy to subsidise course fee costs of staff who are undertaking relevant degree qualifications, with a number of staff due to start relevant accredited courses in the autumn.

6. Future proposals

- 6.1. A recent review of the challenges and opportunities for Property Services identified the convergence of a number of key internal and external drivers that will, or have the potential to, impact on the scope and scale of services we deliver. These include:
- The integration of the office accommodation (previously Workstyle) and Facilities Management (FM) functions with Property Services as part of the T17 savings;
 - The further revenue savings to be achieved by 2019 across all these functions;
 - The impact of the Government's free school strategy and the ESFA's lower cost school model on the current delivery model for new school places;
 - The academisation of schools and the pressure in schools' revenue budgets;
 - Changes in our client base and workload with an increased focus on joint and partnership working and enabling service transformation and revenue savings through innovative asset solutions;
 - Capacity, performance and cost challenges in the wider construction industry
- 6.2. By considering the combination of these factors, it was apparent that it will be necessary to adapt Property Services' current operating model to ensure that we continue to respond to challenges and capitalise on new opportunities that align with the County Council's strategic priorities. We have therefore embarked on a full review of our operating model referred to as 'Property Futures'.
- 6.3. Through Property Futures, we aim to:
- Gain agility and flexibility to prepare for the future and enhance our resilience;
 - Use our strong reputation and capability to enable and deliver change that meets the County Council's strategic priorities;

- Fully integrate the additional services recently added to the portfolio;
 - Maximise on opportunities for income generation and efficiency to contribute to T19 savings;
 - Gain financial security for the future;
 - Provide challenging and rewarding careers in order to recruit and retain staff.
- 6.4. The Property Futures project will run until the end of 2017 and will be followed by a period of implementation and benefits realisation through 2018/19.
- 6.5. In parallel with the Property Futures project, the service will continue to work closely with County Council colleagues, joint working partners and other public sector organisations to ensure the most effective use of the County Council's built estate. We continue to aim to shape and deliver innovative, financially advantageous and sustainable property and asset solutions.
- 6.6. We expect income from external clients to reduce further in 2016/17, but we will continue to seek to grow new traded services where these support the delivery of public value within the Hampshire geographic area or generate additional income that is beneficial to the County Council. This will ensure that we maintain the breadth and depth of skills and capacity within the service and continue to make a significant contribution to overheads, reducing the overall cost of the service to the County Council and the cost of managing its built estate.

7. Conclusion

- 7.1. 2016/17 was another successful year for Property Services. Shaping, enabling and delivering the County Council's key programmes of work continues to account for a growing proportion of the workload, but the services also continues to generate external income through joint working arrangements with a variety of partners including schools, academies, police, fire, Reading Borough Council and the Isle of Wight.
- 7.2. The convergence of a number of factors has identified the need for a wide ranging review of Property Services' operating model to ensure that it has the agility and flexibility to respond to future challenges and opportunities and maintains a robust financial model that drives efficiency and delivers revenue savings in line with the Transformation to 2019 targets.

8. Recommendations

- 8.1. That the Panel notes the successful outturn for Property Services in 2016/17.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</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.)

<u>Document</u>	<u>Location</u>
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:

The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

Take steps to meet the needs of persons sharing a relevant protected characteristic 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 which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

This report has no impact on those with protected characteristics as it is a report outlining the financial position of the Property Services function in 2016/17.

2. Impact on Crime and Disorder:

- 2.1. This report has no impact on crime and disorder as it is a report outlining the financial position of the Property Services function.

3. Climate Change:

How does what is being proposed impact on our carbon footprint / energy consumption? No impact.

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? No impact – a report on financial outturn.