

HAMPSHIRE COUNTY COUNCIL**Report**

Committee/Panel:	Buildings, Land and Procurement Panel
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Title:	Hampshire County Council's Property Services: A Strategy for Growth
Reference:	3925
Report From:	Director of Culture, Communities and Business Services

Contact name: Steve Clow

Tel: 01962 847858

Email: steve.clow@hants.gov.uk

1. Executive Summary

- 1.1. Property Services has had a successful year in 2011-2012 and concluded the year in a balanced budget position. Growth in new business with public sector partners compensated for a year in which County Council income was slightly less than in previous years.
- 1.2. However, following a period of consolidation and transition, Hampshire County Council's Property Services is confident about significant growth in income in 2012-2013 and beyond. This is due to the following principal factors:
 - Growth in Hampshire County Council (HCC) Capital Programmes over the next 3-5 years, particularly in the provision of additional school places for Children's Services.
 - HCC service changes leading to asset change programmes in Adults and Children's Services – Learning Disability, extra Care and Children's Homes for example.
 - A major programme of work to respond to opportunities to develop strategic land holdings to deliver future major capital receipt income streams.
 - Significant growth in sold and partnership services to other public sector bodies; particularly the Surrey County Council Joint Working arrangement.
 - HCC capital investment in corporate buildings' repair and maintenance, energy projects, coastal defence and the 'One Public Sector Estate' programme of asset rationalisation across the county of Hampshire.

- 1.3. The scale of the secured growth is expected to be an additional 25% of 2011-2012 levels over the next two years with sustained income levels at this higher level for years 3-5. Apart from a major shift in Government policy that could affect the flow of capital and the structure of local government there is significant certainty about this. Our income predictions are based on programmes of work that are now identified and developed beyond feasibility stage.
- 1.4. Property Services' response is to grow the resource to deliver this work and continue to develop the skills and capacity of the workforce. A 'mixed economy' approach is proposed for the increased resource using a balanced proportion of:
 - Permanent recruitment
 - Temporary recruitment
 - Partners and agency staff.
- 1.5. A strategy has been produced and a plan developed that profiles the resources over the next 18 months ensuring sufficient 'management grip' is employed to control expenditure and delivery. There is also a continuing focus on the quality of the product together with targeted efficiencies and further standardisation/aggregation to deliver cost savings to both internal and external clients.

2. Introduction

2.1. This report aims to:

- Summarise the principal issues that have affected Property Services and the nature of its business delivery in 2011-2012.
- Explain the context nationally, regionally and locally which we must respond to in order to continue to flourish and be sufficiently agile over the next two years or so.
- Set the strategic direction for 2012-2013 and beyond in response to the new drivers and work programmes that are both externally influenced and generated through a local business development programme.

2.2 The report also updates the Panel on issues relating to Improvement and Efficiency South East (iESE), its move to an independent entity and the management of the iESE Construction Framework.

3. 2011 - 2012 Summary

3.1. Property Services has had a successful year and has concluded the year in a balanced budget position. This has taken considerable managerial control and major contributions from staff to deliver programmes and projects which generate fee income. Of particular note are:

- Income from HCC programmes was at lower levels to 2010-2011 because of some turbulence during the year; income has been sufficient to match costs and the required contribution to overheads achieved.
- External business (including schools) generated over £6 million which represents around 35% of the total income and was in line with previous years. The most significant changes were the reduction in direct grant from the Government through iESE and the NIEP balanced by the increase from the introduction of the Surrey Partnership in June 2011.
- The tight monitoring and control of costs, including staff (over 70% of our costs), private sector partners and service overheads. Hourly rates were reduced by an average of 16% from 2010-2011 levels, staff costs were reduced by 13% through voluntary redundancies and workforce remodelling and other efficiencies contributed to achieving a balanced budget (despite an overall reduction in income). Customers have seen reduced costs for our services during 2011-2012 as a result of the reduced hourly rates.
- A very positive grasp by managers and staff of the need to strengthen our business skills and approach to securing the income we need to cover our costs and put us in a strong position to move forward into 2012-2013.

3.2. 2011-2012 has been very much a 'Transitional Year'. From a position of considerable uncertainty in the Autumn of 2010 about future workload and the impact of 'austerity' in the public sector to the current situation of clarity and certainty about future workload and considerable growth now on the immediate horizon. Property Services can now plan with confidence for the next 2-3 years.

3.3. Efficiencies and Performance in 2011-2012:

Property Services monitor and manage a range of performance indicators. These demonstrate that costs are reducing and efficiencies are being delivered; staff and contractor performance is steady or improving; customer satisfaction is up and contractors' Health & Safety performance is improving through robust management by Property Services staff. Refer to Appendix 1 for details of the 2011/12 performance indicators.

4. National and Regional Context

4.1. The significant strategic issues that emerged through 2011-2012 which we now have to plan to respond in 2012-2013 and beyond are as follows:

- Government grant reductions to Local Authorities has meant the biggest change (reduction) in revenue funding for generations. This has had a major impact on HCC departments and Property Services has seen reductions in its Revenue Budget in line with this.

- Reductions in total capital available from Government has not had the impact on our business that we had anticipated back in 2010. In fact, the opposite is occurring as, for example, the need to deliver additional school places because of demographic growth is leading to additional capital funding being made available.
- Withdrawal of Government support for any regional infrastructure and, significantly for Property, the Improvement and Efficiency Partnerships means that there is now no flow of grant funding for the future and we need to change our approach to construction framework management.
- The Government response to the James Review of Capital Funding For Schools has not yet been published and there is uncertainty about future strategic governance for schools capital (being reviewed alongside the revenue funding of schools nationally).
- The Government has recently announced a major change to the National Planning Policy Framework and how this will impact on development locally and regionally will take time to roll out.
- The Government Policy to promote Academy Schools has led to a significant number of Hampshire schools converting last financial year. It is expected that around 50% of secondary schools and a few primary schools will have converted by the end of the 2012-2013 financial year. Property Services has an excellent record of securing Academy Business and only two Academies are not currently using our services who previously bought the Property Service Level Agreement.
- Property Services continues to work with Partners in Central Government in support of the Capital and Assets Pathfinder programme. This work has centred around supporting 'wave two' authorities and close involvement with the business case review process. Hampshire Officers have been an integral part of the core team and have assisted authorities across England to develop methodologies and government to tackle place-based projects.

5. Strategic Direction for 2012-2013 and Beyond

5.1. The following programmes of work and projects explain the growth in business and the certainty of work for 2012-13 and over a 3-5 year horizon. HCC Capital Work Programmes:

- Completion of feasibility studies for Children's Services future school places demand over the next four years has identified a programme of work of over £200 million at schools. Growth of this scale has not been experienced since the late 1990s (for over 10 years there has been an overall drop in rolls across the County).
- Growth of major change programmes for Adult Services: principally in the provision of support to residents with learning difficulties and the strategic change from Residential Care to Extra Care for the elderly as a result of growth in demand, changes in service delivery.

- Strategic Land: Property Services now needs to continue to respond to opportunities to develop our land to deliver housing and community growth over the next 10-15 years. Additional capital funding has been made available to fund the initial planning and design work necessary over the next 2-3 years.
- Repair and Maintenance Funding: There has been a reduction in Policy & Resources revenue funding in line with corporate budget cuts. However, this has been more than offset by an additional £5 million of non-schools capital over the next two financial years to invest in the maintenance of our reduced estate. The Schools Capital (both from the Schools SLA and from central HCC sources) will be retained at similar levels to previously. All but four schools of the 500+ in Hampshire have renewed the Property SLA for another five years.
- Workstyle: There will continue to be projects to deliver across Hampshire until the end of the 2013 calendar year.
- Culture, Community and Business Services 'Internal' Clients: This refers to clients that were previously functions like Libraries, Countryside Service and Museums. 2011-2012 has been a transitional year as they have become part of the merged Department and we have been developing the working relationship and arrangements in response to this. There are a range of opportunities that require strategic support and feasibility studies alongside the day-to-day maintenance and repair. The Heritage Lottery Fund still has significant available capital and a number of projects are being developed to bid for funding.

5.2. Partnerships (Non-HCC Clients):

- Surrey County Council: The Joint Working Arrangements have been established and programmes of work commenced in 2011-2012. From a standing start, significant income has been generated from this relationship. Major school places expansion is also planned in Surrey, as in Hampshire, and a £240 million programme has been identified over the next four years.
- Reading Borough Council (RBC): The long standing Partnership continues to thrive. Reading is part of the Team engaged in creating a Regional partnership or Cluster with Surrey County Council. We continue to get good feedback about the service we provide and the quantum of income is expected to be at similar levels in 2012-2013 and beyond.
- Hampshire Fire and Rescue Service (HFRS) / Hampshire Constabulary (HC): The SLA with HFRS was renewed at the start of 2011-2012. In the latter half of 2011-2012 a piece of work was undertaken to create an Outline Business Case for Joint Working between HCC/HFRS/HC 'Corporate' services. A decision has been made by all three Authorities to form one Property Function for all three organisations. Work has commenced to align the HC Property function with HCC and the SLA with the HFRS will now come under

the banner of the Joint Working Agreement. This arrangement is expected to commence from April 2013.

- Other Public Sector and External Clients: We continue to have a number of smaller commissions which, together, bring in substantial income to complete our overall target. There continues to be success in securing projects and work for Districts, Boroughs and other public bodies in Hampshire. Our plan going forward is to respond to further requests from existing clients positively but not to pursue new clients as partners unless there is a significant strategic fit.

6. Responding to the Growth in Business and Preparing for Future Opportunities

6.1. The Strategic Management Team commenced an exercise at the end of 2011-2012 to assess the impact of programmes and project demand on the resources we require to deliver the known growth over the next two years or so.

6.2. A complete assessment of future resources has been undertaken across all services in parallel using a common methodology. This has estimated that the resources required to deliver this growth will be in the order of 25% greater than we currently have. The strategy is to apply a 'mixed economy' approach to this need by:

1. Recruiting to new permanent posts (over and above current vacancies)
2. Recruit to additional fixed/short term posts where there are know shorter term requirements with no current guarantee of long-term sustainability.
3. Access additional Private Sector Partner resources via secondments and discipline specific commissions.

The final balance of these three will be dependent on more detailed work but we do expect it to add up to 30 FTE permanent and temporary posts on the establishment with a further 40 FTE equivalent coming from partners. This is intended to be a bold (and managed) approach that is capable of responding to fluctuations in demand. The additional secure income will more than cover the additional staff and partner resource.

6.3. The demand is not even across all services and functions but there is no evidence of any 'shrinkage' in requirements in other areas that would enable us to redeploy capacity and skills. The approach is, therefore, to recruit in a way that is appropriate to:

- The timing and planning of known future workload programmes.
- Our ability to progress a recruitment drive quickly with the current demands on our management and HR resources of the Council.
- The need to continue with our workforce remodelling strategy of growing the complement of staff at middle and junior grades to deliver reduced operating rates, succession planning and bring in younger, junior staff to balance the current age profile.

- 6.4. The expanding complement of staff and partners will be supported by a range of programmes, including: Leadership and Management capacity and development; staff skills development and the ongoing replacement of out of date IT and data systems to support business efficiencies and expansion.

7. Improvement and Efficiency South East

- 7.1. An exempt report was presented to the Executive Member for Policy and Resources on 19 April 2012 updating him on the current arrangements with iESE which is to become an independent legal entity (iESE Ltd). The report also indicated that the Chief Executive and Councillor Davidovitz in due course will stand down from their duties, and that negotiations take place over the future of the iESE Construction Framework.
- 7.2. The iESE Management Board have now been informed that the Chief Executive and Councillor Davidovitz will be standing down from their respective roles, thereby severing their links with the new company.
- 7.3. The County Council assumed responsibility as lead authority for iESE from Kent County Council in 2010, including the accountability for the balance of the Department for Communities and Local Government (DCLG) funding and the employer of the iESE staff. The Deputy County Treasurer is currently liaising with DCLG regarding the iESE funds currently held by the County Council and their transfer to iESE Ltd. The Council's HR and Legal Services have also been involved with the transfer of the four members of staff which are due to be transferred to iESE Ltd at the same time as the funding transfer. The remaining funds to be transferred are in the region of £5m.
- 7.4. The outstanding issue is the Construction Framework where the County Council is the lead authority responsible for the workstream. It is proposed to seek agreement from iESE to manage and develop the Framework independently from iESE Ltd. This is the subject of discussions and negotiations in the coming weeks. Any transfer will be completed through the Council's solicitors or any such suitable arrangements that need to be made to facilitate this.

8. Recommendations

That the Panel advises the Executive Member for Policy and Resources that:

- a) The outturn balanced budget position for the year 2011/12 in Property Services be noted.
- b) The 'Strategy for Growth' for the County Council's Property Services is endorsed and the Director of Culture, Communities and Business Services be authorised to proceed with the business development and recruitment, as set out in this report.
- c) That the arrangements in respect of iESE Ltd are noted.

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):	

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. Equalities Impact Assessment:

1.1. An Equalities Impact Assessment has been completed in the development of this report and no adverse impact has been identified.

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 the 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. The strategy will have a limited direct impact on our carbon footprint and energy consumption.

Efficiencies and Performance in 2011-12

	Area of Performance Monitoring	Change from 2010-11
1.	Workforce	
1.1	Days lost per FTE due to absence	- 61.43% (3.3 to 2.7)
1.2	% of staff graded 'G' and above	- 6%
1.3	Average staff salary cost	- 4%
2.	Service and Project Delivery	
2.1	Property Services Project Team Performance (as rated by contractors)	+ 4% (79% to 83%)
2.2	Contractor performance (all projects over £500k)	+ 1% (83% to 84%)
2.3	Private Sector Partner performance	+ 2% (81% to 83%)
2.4	Major projects completed on time	+ 17% (59% to 76%)
2.5	Major projects completed on cost	100%
2.6	Average cost variation of contracts	- 0.5% (under spent)
3.0	Health & Safety	
3.1	Number of avoidable construction related incidents	- 18%
3.2	% of Site Safety Audits that require improvement	- 4%
4.	Customer Satisfaction	
4.1	Complaints	- 23%
4.2	Compliments	+ 37%
4.3	Customer satisfaction with completed projects	+ 2% (86% to 88%)
4.4	Customer Satisfaction with service	+ 2% (84% to 86%)