

HAMPSHIRE COUNTY COUNCIL**Report**

Committee/Panel:	Buildings, Land and Procurement Panel
Date:	30 June 2015
Title:	Property Services Business Review 2014/15
Reference:	6516
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 2014/15 and reflect on the growth in workload and services that Property Services has seen over the last four financial years.

2. Contextual information

2.1. In July 2012, following a period of transition, Property Services forecasted a period of significant growth in income in 2012-2013 and beyond due to a range of factors, including growth in the Hampshire County Council (HCC) capital programmes for both school places and service transformation and growth in traded services to other public sector organisations.

2.2. The 'Strategy for Growth' report presented to the Panel in July 2012 identified the scale of growth anticipated and the resource strategy proposed to ensure that Property Services was able to develop both the skills and capacity to meet the demand. This proactive approach has proved fruitful and growth has exceeded the targets set out in 2012.

2.3. 2014/15 has seen Property Services continue to deliver a major programme of work to customers and clients. Highlights include:

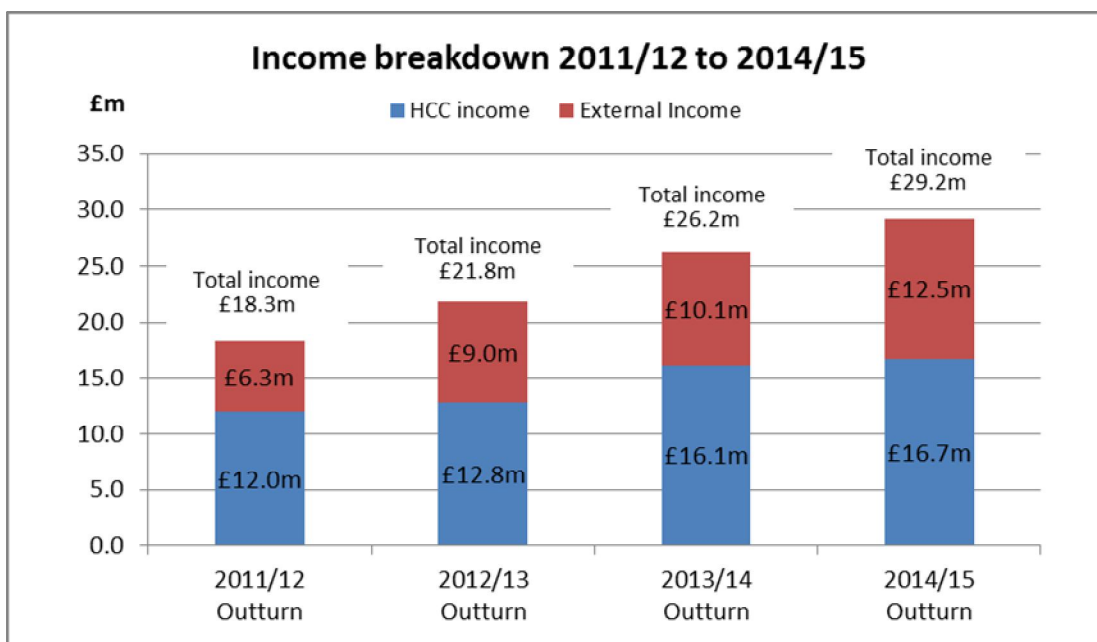
- Schools Capital Programme for Children's Services to deliver additional pupil places.
- Major maintenance programmes at both schools and corporate buildings.
- Formal establishments of the Joint Working with Police and Fire and the commencement of the delivery of an Estates Change Programme for the Police and Crime Commissioner.

- Major programmes of work for Reading, Surrey and West Sussex Councils through the Cluster Programme.
- Procurement of the Southern Construction Framework which is anticipated to act as the vehicle for building delivery across the South of England.
- Recruitment over the year to grow capacity and skills to meet current and future demand.
- Extension of the Graduate Development Programme to bring in new and talented individuals at the start of their careers.
- A number of awards and commendations throughout the year including a success in achieving two finalist entries in the 'Women in Construction' awards.

3. Income

3.1. In 2012, the scale of growth anticipated was in the region of 25% of 2011-2012 levels for the following two years, with sustained income at this higher level for years 3-5.

3.2. In reality, the total growth in income has been more significant with total income increasing from £18.3 million in 2011/12 to £29.2 million in 2014/15: a 60% growth.



3.3. The growth in the County Council's capital programme for both Children's Services (new school places), Adult Services (learning disability and extra care transformation programmes) and Policy & Resources (strategic land programme) has resulted in a 39% increase in income from internal programmes of work which has risen from £12.0 million in 2011/12 to £16.7 million in 2014/15.

3.4. However, Property Services has also almost doubled its fee income from shared and traded services arrangements with external clients including

schools, academies, fire, police, Reading Borough Council, Surrey County Council, together with income generated from the regional construction framework arrangement. External income rose from £6.3m in 2011/12 to £12.5m in 2014/15 - far exceeding the expectations set in 2012. Total external income in 2014/15 was £12.5 million; 43% of total income. Of particular note, the last year has seen income from the following 'external' clients:

- Reading Borough Council: design and delivery of a major programme of primary school places.
- Police and Crime Commissioner: design and delivery of the Estates Change Programme through the 'joint working' arrangements with police and fire.
- Framework management: tariff from managing construction frameworks in the region providing a delivery mechanism for other public sector organisations.

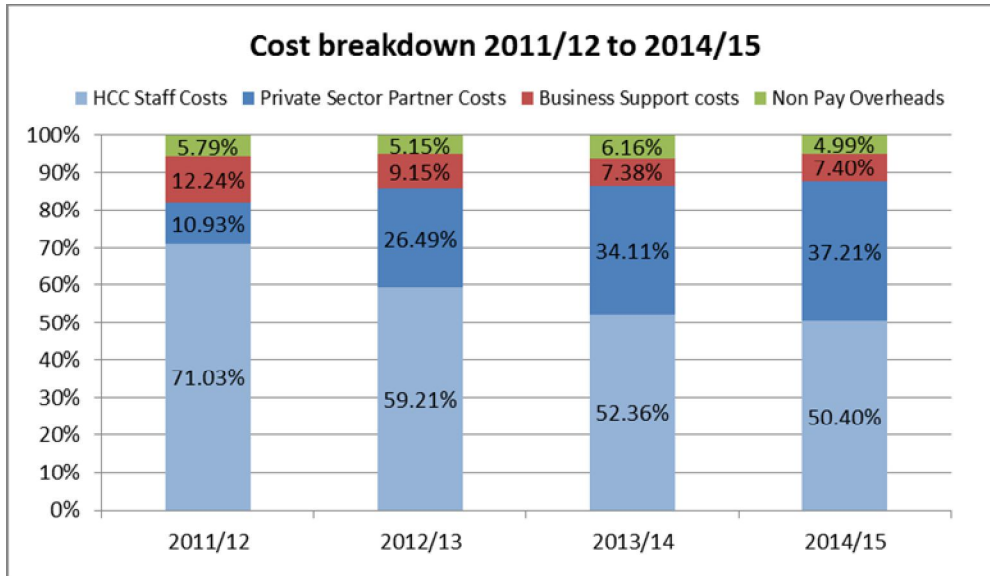
3.5 Property Services undertakes work for other public sector organisations for the following reasons:-

- It aligns with the County Council's strategic aim of being a provider of services in the sector – 'a modern business delivering public services'.
- It enables the function to maintain significant capacity and specialist professional skills to the benefit of the Council.
- There are significant economies of scale associated with collaborations with other local authorities jointly delivering programmes of work.
- External income makes a substantial contribution to overheads which reduces the cost of the service and thereby the management of the Council's own built estate.
- Opportunities for staff to develop their skills and knowledge of a wider portfolio of work to the benefit of the County Council.

4. Costs

4.1. Throughout this period of growth, Property Services has exercised strong financial management, monitoring and controlling costs carefully to achieve a modest surplus on the Property Services budget in each of the last three financial years, contributing to the CCBS departmental funding available for cost of change.

4.2. There has been a particular focus on control of staff costs associated with the management and maintenance of the corporate estate in order to achieve the revenue savings targets, with resources redeployed on fee earning work.



4.3. Non pay overheads have been tightly managed as a proportion of total costs and business support activities are continually reviewed to ensure that they continue to add value, contributing to the operational effectiveness and efficiency of the service.

4.4. This robust financial management has also ensured that Property Services' hourly rates benchmark competitively with the private sector, remaining fixed for three years from 2011/12 to 2013/14 with a small increase in 2014/15 to reflect the staff pay award.

5. Resources

5.1. The 'Strategy for Growth' report to the Panel in 2012 identified an estimated 25% growth in resource required to meet the anticipated increased workload. The report proposed a 'mixed economy' approach of recruitment to new permanent and temporary posts and increased use of private sector partner resources, ensuring flexibility of capacity to meet fluctuating and uncertain demand.

5.2. Since 2012, the growth in the wider construction market, resulting from an improving economic outlook, has created significant skills shortages across the sector making recruitment in some professional disciplines challenging. Nonetheless, Property Services' directly employed staff numbers have risen from around 280 FTEs in mid 2012 to 338 FTEs at the end of 2014/15, a 20% growth.

5.3. The additional resource requirements have been largely delivered through private sector partners, now provided under the new strategic partner arrangement established jointly with the Director of Economy, Transport and Environment in 2014, together with a small number of agency staff. This has been absolutely necessary to deliver the 60% in income growth over the last 4 years. Property Services is gradually building more internal professional and technical resources by recruiting to reduce the requirement for private sector partners. However, this model of operation will continue as it gives

flexibility to respond to variation in demand and gives access to specialist skills to complement the in-house team.

- 5.4. Resource costs make up over 85% of Property Services' total costs with the proportion of cost due to private sector partner resource increasing over the last 3 years.
- 5.5. Property Services will continue to recruit new staff where the longer term workload forecast identifies a need and capacity is available within the market. This includes growing a pool of non cognate graduate resource that can offer a flexibility and broader skill set to support the evolving demands of both the County Council's transformation agenda and Property Services' traded services strategy.

6. Future proposals

- 6.1. With the continued growth in primary school places across the county, the programme of secondary school expansion currently being developed and the ongoing transformation agenda, Property Services forecasts continued growth from HCC programmes of work.
- 6.2. Income from some of our external clients, such as Surrey County Council, is expected to reduce as the current programmes of project delivery come to an end. This will allow resources to be focused on HCC's growing capital programmes. Other teams within Property Services will seek to grow new traded services through a focus on strategic clients and higher value services within growing market sectors, including:
 - Framework management
 - Education sector specialisms (Further Education for example)
 - Housing development consultancy
 - Health sector estate rationalisation

7. Conclusion

- 7.1. Property Services has had another successful year and its aspirations continue to align with the County Council's strategic aim to be a provider of services to the public sector and operate as a modern business.
- 7.2. The service is preparing its next business plan for the period 2015-20 which will establish the context and direction in the medium term. Further growth for the County Council is expected, particularly in relation to expansion of secondary schools and the ongoing rationalisation of the corporate estate in response to the transformation agenda.

8. Recommendations

- 8.1. That the successful outturn for Property Services in 2014/15 as follows is noted:

- Total growth in income over 4 years from £18.3m to £29.2m: a 60% increase.
- A doubling of external income from £6.3m in 2011/12 to £12.5m in 2014/15. External income in 2014/15 represented 43% of the total.

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:

- 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:

- (a) This report has no impact on those with protected characteristics as it is a report outlining the financial position of the Property Services department from 2014/15.

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 department.

3. Climate Change:

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