

HAMPSHIRE COUNTY COUNCIL

Committee/ Panel:	Buildings, Land and Procurement Panel
Date of Decision:	5 January 2016
Decision Title:	Property Services Major Programmes Update Report
Decision Reference:	6340
Report From:	Director of Culture, Communities and Business Services

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1. Executive Summary

1.1. The purpose of this report is to provide an update on the major programmes, initiatives and issues being progressed in Property Services relating to:

- Building Repair, Maintenance and Improvement Programmes.
- Priority Schools Building Programme (PSBP2).
- Children's Services Capital programme: Schools Update.
- One Public Estate: Maximising value and efficiency across the public sector assets
- Construction Industry Appraisal
- Construction Frameworks Update
- Property Shared Services and Business Partnerships

2. Building Repair, Maintenance and Improvement Programmes

Forward Planning of Schools Maintenance Projects

2.1 At the BLPP meeting on 30 June 2015, it was reported that the Education Funding Agency (EFA) had announced an indicative budget of £17.8m Schools Condition Allocation funding (SCA) per annum for the three financial years 2015/16, 2016/17 and 2017/18. This is to be used for Hampshire's Local Authority funded schools. The only caveat to this is that the allocation will reduce according to the level of Academy conversions in the County over the same period.

2.2 This announcement affords the opportunity to plan, with some confidence, to 2018 on condition liability issues. The total anticipated allocation over 2016/17 and 2017/18 is therefore £35.6m. It is now intended to take advantage of the greater certainty and commence early design work.

- 2.3 The Panel supported a programme of advanced design work on £10m of projects. The following four schemes are being progressed and contracts will be let as soon as the 2016/17 SCA Grant is available:
- Horndean Technology College (SCOLA re-cladding of the three-storey block): £1.3m
 - Aldworth School (SCOLA re-cladding of the ROSLA block): £940,000
 - Warblington School (Phase 1 re-cladding of the School): £1.3m
 - Morelands Primary School (SCOLA II re-cladding of the building): £1.3m
- 2.4 Grange Junior School, Gosport (two-storey timber framed building) is a more significant scheme and options are still being explored for recommendations to a future Panel.
- 2.5 As expected, it has proved valuable to be able to develop design work in advance of the 2016/17 grant allocation, particularly those projects which have longer lead times where planning permission and ecological considerations are required. To this end it is proposed to progress the design of a further three projects to be started early in the 2016/17 financial year with an anticipated value of £3m in total:
- Park Community School (Re-roofing to the Theatre): £200,000
 - Freegrounds Junior School (SCOLA re-cladding): £1.3m
 - North Baddesley Junior (SCOLA re-cladding): £1.5m
- 2.6 Design work is underway for the first phase of re-cladding at Crofton School which is estimated at £1.5m. The School has requested the inclusion of a £300,000 remodelling of the gym to convert it into a teaching space. This will lead to the removal of two double temporary classrooms from the site. It is considered prudent to extend the re-cladding scheme to include the gym which will result in an overall project value of £2.275m. It is recommended that this project is enlarged to this value to maximise economies of scale.

Three Minsters House, Winchester:

- 2.7 Three Minsters House has been identified as a core building in the successful Workstyle Programme. The roof and upper floors are now long over due essential maintenance works. Re-roofing of this building has been deferred over the last 15 years to focus on more pressing issues in the Corporate Office Estate. A report to the Panel in March 2015 explained the need to re-roof the building at an estimated cost of up to £900,000. To delay any longer will risk incurring detrimental deterioration to the fabric and additional costs in damage and disruption due to on-going water penetration.

Design works are now well advanced and planning permission has been achieved for the works. As part of the proposals, it is considered prudent to include some further works to replace the windows, ceilings, carpets and redecorate the top floor. These additional works will make

good the damage caused by water ingress and offer the opportunity to maximise the intensification of the upper floors of the building.

It is recommended that an additional £600,000 is spent on the repair, maintenance and improvement works. The works can be fully funded from the Workstyle Programme and Policy and Resources Capital Maintenance budget.

2.8 Elizabeth II Court South, Winchester:

EII Court South is progressively being refurbished to bring it in line with the Workstyle Strategy as a core building in the Corporate Estate. It is not a typical Workstyle building and being Listed has its particular challenges. However, there are still opportunities to maximise its potential and intensify the use of the floor area to increase staff occupation levels. The central services areas, toilets and kitchens have had little investment for many years.

In order to intensify the use of the remainder of the building, the next phase of works needs to address some of the key repair and maintenance issues that remain. It is proposed to:

- Refurbish the toilets and the provision of additional kitchens and resource areas.
- Replace poor condition cast iron drainage.
- Replace much of the life expired electrical services including distribution boards.
- Replace of floor finishes and decorations in areas associated with the works.

On completion of the various elements of work the opportunity will be available to complete the remaining remodelling of the building to a Workstyle standard maximising its potential capacity.

The investment necessary to deliver these significant improvements amounts to some £980,000. The works are fully funded and will be met from a combination of capital funds from the Workstyles Programme, Landlord Programme and other departmental budgets. This final phase of works is in line with earlier remodelling projects which have significantly intensified the use of the building and upgraded the infrastructure to secure the building for efficient ways of working for the foreseeable future.

2.9 Glazing Safety in SCOLA Buildings:

It was reported in the Strategic Asset Management – Risk Management Report (BLPP October 2015) that the risk rating of glazing management had increased due to a number of recent reportable incidents. Since that report a programme of new technical glazing surveys across the schools estate has been completed and reports issued to schools.

One key risk in the schools estate was identified on the upper floors of SCOLA system buildings. The issue refers to guarding adjacent to upper floor windows and relates to 78 SCOLA buildings.

The design of a guard rail has been completed and a programme for installation of the rails has commenced on all of the affected sites. The works are anticipated to cost £250,000 and will be undertaken over a 12 week period. The decision to proceed was made by the Director of Culture, Communities and Business Services under delegated powers given the urgency of the matter. In the interim, local management arrangements have already been agreed with Children's Services and the affected schools.

3 Priority Schools Building Programme (PSBP2)

- 3.1 The EFA has commissioned Property Services to progress a number of pilot PSBP2 projects using 'local delivery' methods. Hampshire has been selected as one of a small number of Local Authorities to pilot this approach. This will include five sites, four of which are SCOLA re-cladding schemes and the fifth is part funding for the proposals to replace Mill Chase School building with a new school.
- 3.2 Work on the feasibility studies on the four SCOLA cladding schemes has commenced and, if the conclusions of the studies are accepted by the EFA, Property Services is almost certain to be commissioned to deliver these projects. The anticipated start on site for these four projects is Spring 2017 and would include the following sites:
 - Oliver's Battery Primary School
 - Talavera Infant School
 - Wootey Junior School
- 3.3 The design and project management fees will be funded directly by the EFA increasing the external income to Property Services.

4 Children's Services Capital Programme Schools Update

- 4.1 As the Capital programme grows (particularly the delivery of new school places) there will be greater pressures on limited funding from Grant and Developers' Contribution. The Council needs to reduce costs and maximise delivery efficiency where possible. Related to this, discussions are underway with colleagues in the South East Seven (SE7) group of Authorities who face the same challenges as the County Council in terms of construction growth and capacity to deliver. The group which includes all the major Local Authorities across the South East, including Surrey County Council and Kent County Council, is planning to develop an overall pipeline of activity to aid market engagement and to inform skills capacity requirements.
- 4.2 The County Council is also in regular dialogue with Government Departments – particularly the Department for Education (DfE) and the Education Funding Agency (EFA) over visibility of their pipeline and areas of collaboration; particularly benchmark costs to inform future grant funding levels.
- 4.3 This work will continue over the coming months in order to raise the profile of the inflationary pressures being experienced by the County

Council and other Authorities. The DfE is keen to continue with this dialogue particularly comparing the price levels for major works. This benchmarking work has also been invaluable to the County Council and has shown that the cost of schools in Hampshire compares favourably with national averages. There has also been a steady downward trend in the cost of schools in Hampshire as a result of rationalising the design of new schools, and adopting a common design approach.

- 4.4 In summary, the Directors of Children’s Services and Culture, Communities and Business Services are putting in place a comprehensive response to the pressures now faced by the County Council in delivering new schools places that will involve:
- Reducing building floor areas without a significant impact on space and flexibility – around 5% is deliverable.
 - Achieving economic and simple school plans (including some two-storey options where appropriate) to maximise efficiency.
 - Common design and specification across the programme of work.
 - Realising economies of scale through contracting projects across a number of Authorities – working with Surrey county Council, Reading Borough Council and the wider SE7.
 - Securing capacity through the re-procurement of the Major Construction Framework arrangements; working closely with the newly appointed Contractors and their supply chain.
 - Designing a ‘core’ landscape and external works element which may be developed over time by the school if further funding becomes available.
 - Robust negotiations with developers to continue to maximise funding contributions.
 - Regional and national benchmarking with other local authorities, the DfE and EFA to compare building costs, ensure we are getting best value, share expertise and learning and to challenge funding levels.
- 4.5 The majority of projects in the current programme relate to primary schools. However, as this demand progresses to secondary schools, there is a need to prepare a similar strategic approach. The secondary sector, by its nature, will be more complex in terms of planning, infrastructure and specialist accommodation.
- 5. One Public Estate: Maximising value and efficiency across public sector assets**
- 5.1 One Public Estate (OPE) is an initiative delivered in Partnership by the Cabinet Office’s Government Property Unit and the Local Government Association (LGA). It is about Local Government working with Central government and Public Sector Partners locally on land and property initiatives to deliver against four core objectives:
- Stimulate economic growth, including new homes and jobs.

- More integrated and customer-focused services.
 - Generate capital receipts.
 - Reduce running costs.
- 5.2 Hampshire County Council (HCC) has been participating in the initiative since its inception in 2013. The programme has been an opportunity for HCC to build on the work undertaken as part of the Capital and Asset Pathfinder Programme and HCC's own One Public Sector Estate work. In August this year, existing and new members were invited to apply to join a third phase of the OPE programme. HCC submitted an initial outline proposal which was successful in securing £50,000 resource funding to develop a detailed Service and Assets Delivery Plan. This detailed Plan was submitted on 16 October 2015 and was well received. The outcome of the bids will be published in later November.
- 5.3 A number of Partnership projects were outlined in the bid, including working closely with Districts and Boroughs, Health, the Ministry of Justice and the Department for Work and Pensions. If successful, HCC as the Lead Authority will receive capacity funding and the potential for further 'Targeted Funding' to undertake feasibility studies and unlock progress on more complex or ambitious projects. HCC distribute this funding, which will be shared across a number of projects with different lead organisations taking these forward. Governance to manage accountability for progress against funding allocated to individual projects is currently being developed and was discussed at an inaugural Hampshire One Public Estate Land and Assets Board in December. The Board is Chaired by HCC as the Lead Authority. Land and Asset data will be gathered and mapped for all Partners and will be used to compare metrics/performance indicators and is intended to identify new opportunities for collaborative working.
- 5.4 The Programme will offer support to unblock barriers to progress, including an escalation route to a Ministerial 'Star Chamber'. There is also an intention to pursue work to introduce 'priority purchaser' status for local authorities seeking to acquire Central Government surplus assets where there is demonstrable benefit.
- 5.5 There are strong links with the Devolution Land and Assets stream as part of the Hampshire and Isle of Wight Proposal which also proposes to establish a Land and Assets Board if approved by Government.
- 5.6 HCC was successful in its Bid and the LGA has confirmed that a sum of £400,000 is being granted to progress the programme. This is more than was originally anticipated and recognises the skills and capacity that this Council has to progress the initiative. The Solent LEP has also been successful in their Bid and officers from both organisations will be discussing with the LGA what opportunities there are for collaboration and joint methodologies.
- 5.7 The projects are at an early stage and remain confidential until such time as the stakeholders are confident about making them public.

6. Construction Industry Appraisal

- 6.1 Tender price inflation has continued to rise over the last 12 months as output has increased across all sectors of the construction industry. The industry's limited capacity to meet demand for new work is leading to this inflationary pressure. The RICS Building Cost Information Service (BCIS) has reported that tender prices increased by 5.4% from 3Q/2014 to 3Q/2015. The RICS predicts that tender prices will continue to rise by 5.5% to the 3Q/2016 due to strong input costs, as oil and metals prices bounce back from significant falls. Over the following years to 2019, the BCIS anticipates that tender prices will rise between 5% and 6% per annum. Over the period from 2016 to the 2020 BCIS anticipates that tender prices are expected to rise by around 30%. This will have a very considerable impact on the County Council's building programmes in a time of stretched financial resources.
- 6.2 The National Association for Construction Frameworks (NACF) – a collaborative initiative led by HCC - provides market intelligence from Contractors. The data indicates that the pricing of core trades has increased and continue to do so. The percentages below are the most recent data set in the South East/ Hampshire
- Masonry (Brickwork and blockwork) increased by 20%
 - Carpentry and Joinery increased by 10%
 - Plasterboard/ dry lining Increased by 30%
 - Steelwork increased by 10%
- 6.3 This is a result of shortages of key materials, skilled labour and increases in some raw material prices. These core trades are central to the construction of any project and have a disproportionate impact on specific tenders and supply chain prices.

7. Construction Frameworks Update

- 7.1 The County Council continues to evolve and develop portfolio procurement arrangements with the capacity to deliver a broad range of projects and programmes of work. The Southern Construction Framework (SCF), which was launched in April 2015, is the successor to the highly successful South East and London major projects framework which facilitated £2bn of construction work across the region. The new framework has been procured in partnership with Devon County Council and Haringey Council with eight national contractors appointed to the South East Lot which the County Council will access for capacity to deliver major projects over the next four years. The majority of the County Council secondary school programme and all of the major primary school projects will be procured through this arrangement.
- 7.2 To complement the SCF an Intermediate Construction Framework (ICF) has been procured to cater for works from £1m to £4m. This Framework is currently being used to deliver six projects within the 2016 programme to provide new school places worth £12m.

- 7.3 To complement the SCF and ICF frameworks, a new modular building framework is being procured which will cater for a range of off-site manufactured standard and bespoke buildings. It will cater for both temporary and permanent solutions and is already attracting significant interest from both local authorities and the Education Funding Agency (EFA). Turnover in this Framework will generate a rebate for HCC Property Services which will cover the management fees and potentially offset revenue costs via surplus income.
- 7.4 For the lower value works a new minor works framework is about to be procured and this will capture all general building work, recladding works, extension and refurbishment projects up to £1m. The Framework will be available early in 2017.
- 7.5 These innovative frameworks offer open and transparent working with the supply chain. By working closely with these contractors and their suppliers the County Council is able to best deal with the impacts of inflation and secure the capacity it needs to deliver all of our major programmes of work.

8. Property Shared Services and Business Partnerships

- 8.1 Property Services provided an update on its Shared Services arrangements to the Panel on 21 October 2014. This highlighted the work being undertaken across a number of Shared Service arrangements. This current update highlights how these arrangements have developed.
- 8.2 South East Construction Hub:

The previous update to the Panel highlighted the benefits being achieved through the regional Property Services 'Cluster' arrangement delivering education capital programmes across Hampshire, Surrey, West Sussex and Reading.

Following the successful completion of the majority of these programmes, the South East Seven (SE7) group of Authorities has developed the South East Construction Hub. The ambition is for this collaborative arrangement 'to act as an influential, intelligent regional body to create and manage the regional construction market'. This would be achieved through sharing of resources and knowledge, driving joint efficiencies, managing the market together and conducting intelligence led decision making for the benefit of individual local authorities and the regional collectively. Four workstreams are currently in progress: Pipeline development; market and commercial intelligence; Supply Relationship Management (SRM) and social value and economic development, with Hampshire leading on the first two as well as providing the overarching programme management and co-ordination. This is jointly funded by the Authorities taking part to maximise efficiency of resources and time.

- 8.3 Reading Hampshire Property Partnership:

The Reading Hampshire Property Partnership was established on 01 April 2014, an innovative legal model within which the successful

collaboration of the previous arrangement, which had been in place since 2008, could continue. Most recently, the focus of work with Reading Borough Council has been on the development and delivery of their Primary Basic Need capital programme (over £60 million capital costs). This is now advanced with the majority of the schemes on site and due for completion by September 2016. Property Services has also supported Reading Borough Council in the successful delivery of their new Civic Office (over£4m cost) which was completed in December 2014 and occupied at the beginning of 2015.

A recent report by Mace Consultants on the benefits of the Partnership and previous Shared Services arrangement identified a total benefit saving to the Borough Council of £13.6 million between 2007-2008 and 2013-2014 across a programme of work comprising:

- 33 education projects (new, extensions and remodelling); sixth form centres; vocational centres.
- 9 offices; extra care; housing and historical building projects.
- 3 master planning exercises covering a programme of 80+ schools.
- Modular/temporary building programme.

This benefit saving has been realised through the provision of client management and strategic advice to Reading Borough Council, building on Hampshire County Council (HCC) Property Services' expertise of delivering similar programmes in Hampshire; the professional resource put at Reading's disposal through the shared services and partnership arrangements and procurement of projects through the iESE and south East and London Construction Frameworks.

There was also a benefit to the County Council as income from the Partnership offsets overhead costs ensuring the service runs efficiently as possible.

From a Property Services perspective the Partnership provided £3.5m of fee income in 2014-2015 of which 33.8% (or £1.8m) contributed towards overhead costs, including management, administrative support and non-pay costs.

8.4 Police and Fire Joint Working:

Joint Working arrangements with the Office of the Police & Crime Commissioner (OPCC) and Hampshire Fire & Rescue Service (HFRS) have continued to develop, with staff from both organisations transferring (TUPE) into Property Services during 2014-2015.

In addition to providing a robust 'business as usual' property service, the combined team has been delivering a programme of improvement works to enable the rationalisation of the OPCC's estate; working with HFRS to develop their strategic asset management plan; deliver the new fire station at Basingstoke; and establishing the Joint Police/Fire Headquarters facility in Eastleigh.

8.5 Academies Joint Working Arrangement:

As reported in the last update, an innovative Joint working Agreement is being established with Academies in Hampshire with over 20 Academies now joining the arrangement. Property Services continues to work closely with the Academy and Voluntary Aided Schools to ensure that its models of service delivery develop in line with the evolving education sector. Recent announcements in the Chancellor's Autumn Statement about more autonomy for schools, makes this all the more relevant. It is recommended that the final contracts for the establishment of the Joint Working Arrangement are endorsed by the Panel.

8.6 Building Control Partnership:

The Joint Working Agreement in place between Fareham and Gosport Borough Councils and Hampshire County Council continues to enable the provision of high quality collaborative Building Control services by the Building Control Partnership. The continuity provided by the Joint Working Agreement has ensured that relationships and understanding between the Building Control Officers and Property Services Design Teams has continued to deliver consistent quality control and showed efficiencies without the need to regularly re-procure a service.

9. Recommendation

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

- The proposal to allocate £3m of the indicative 2016/17 – 2017/18 Schools Condition Allocation Grant towards detailed design work on the projects listed in section 2.5 of this report. Approval is also requested to subsequent letting of contracts as soon as possible after the indicative allocations are confirmed by Government.
- An increase in value of the re-cladding project at Crofton School to £2.275m to include additional works funded by the School and the advancement of a future phase of works to benefit from the economies of scale.
- Additional repair and maintenance works to Three Minsters House to include window replacement, ceilings, lighting and internal decorations at a cost of £600,000 to be funded from existing identified budgets.
- A further phase of improvement and maintenance works in Ell Court South as part of the successful Workstyle Programme. This to include replacement of drainage and life-expired electrical services as well as refurbishment of toilets and replacement of work out finishes. The cost of £980,000 to be funded from within existing Workstyle, Maintenance and Departmental budgets.

9.2 That the contracts for the establishment of a Joint Working Arrangement with Academy Schools in Hampshire is endorsed by the Panel and recommended to the Executive Member for Policy and Resources for approval.

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:	no
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.

Equalities Impact Assessment:

1.2 This report provides an update on major programmes being progressed within the department.

2. Impact on Crime and Disorder:

2.1. This update report has no impact upon crime and disorder.

3. Climate Change:

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