

HAMPSHIRE COUNTY COUNCIL**Report**

Committee/Panel:	Buildings, Land and Procurement Panel
Date:	28 June 2016
Title:	Major Programmes Update Report
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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 The purpose of this paper is to provide an update on the major programmes and issues currently being progressed relating to:

- Children's Services Capital Programme Update
- Managing Hampshire's Built Estate
- Capital Receipts Update
- Construction Industry Appraisal
- Managed Frameworks Update

2. Children's Services Schools Capital Programme Update

- 2.1. The Capital programme has grown significantly and particularly in relation to the delivery of additional school places which will be needed across Hampshire in the next 3 to 5 years. There are pressures on funding from Government Grant and Developers' Contributions.
- 2.2. There is continued and regular dialogue with Government Departments, the Department for Education (DfE) and the Education Funding Agency (EFA) to maximise funding. Benchmark cost data has been published nationally to help inform future grant funding levels and opportunities are being taken to identify and bring additional funding into Hampshire, such as, from the Free Schools programme.
- 2.3. Dialogue continues with District and Borough Councils (as planning authorities) to secure education infrastructure sites and developers contributions. Negotiations are ongoing with developers for sites to maximise financial contributions to schools from new housing developments; particularly for the new secondary and primary school provision planned for

North Whiteley (Winchester), Whitehill/Bordon, and Horton Heath (Eastleigh). There is early design development work being undertaken to support the proposals for school provision in the new housing planned for Manydown to the west of Basingstoke.

- 2.4. There are a significant number of new primary schools and school extensions planned for 2016-17 openings which are now on site or at planning design stages and there are further programmes of new primary schools and school extension projects for 2017-18 and 2018-19, openings which are also into the early design stages and in consultation stages with local schools. The planned new primary schools will be Academies and as such there is design development work ongoing with Academy sponsors.
- 2.5. There are further places identified as required within the secondary school provision in the coming three to five years. Design development work has now started on these; including two new secondary schools related to housing developments at Whitehill/Bordon, and North Whiteley, and an extension for one additional form of entry to Robert May's School, Odiham. Design work has commenced on proposals for a site for a new all-through school (a combined secondary and primary provision) at Horton Heath, Eastleigh in support of proposals for a Free School bid being made by Wildern Academy Trust to the DfE.
- 2.6. Downward pressure is being maintained on project costs in the light of ongoing reductions in public spending and the relatively high level of inflation continuing in the construction industry across the country. This includes a review of the design brief for schools, efficiently planned building and site proposals, and economies of scale across programmes of work using common design templates and specifications. Resources are being secured for the delivery of these extensive programmes of work over the coming three years.
- 2.7. In addition to new school places there is a programme for five new children's homes, four children's homes are currently in construction on site, and the first two are due to be completed in late autumn this year. The project for the relocation of the Linden Education Centre to Aldershot has been successfully tendered and is due to start on site in June to complete and be open in September 2017.

3. Managing Hampshire's Built Estate

- 3.1 In the Managing Hampshire's Built Estate report March 2016, there were two Appendices which listed the proposed work for the 2016/17 financial year. While the Appendices were presented to the Panel, the report did not include a recommendation to proceed with the works scheduled in these two Appendices. A suitable recommendation is now included in this report. The Appendices are attached again for completeness; now referenced as Appendix A and Appendix B.
- 3.2 The April report included reference to the need to seek the views of the Academies Partnership Forum before concluding the programme of planned

works under the Property Services SLA for Academies in 2016/17. A subsequent meeting of the Partnership Forum agreed the programme and the following planned works will, therefore, proceed to Academies funded from the contributions to the SLA:

Schemes £50 - £100K

Costello School	External decorations
Perins School	External decorations
Thornden School	External decorations
Wyvern College	External decorations

Schemes £100K - £150K

Everest Community Academy	External decorations
Costello Technology College	Roof replacement
Noadswood School	Roof replacement
Eggars School	Roof replacement
Testwood Sports College (Foundation)	Lighting and Ceiling replacement
Winton School	Window replacement

4. Capital Receipts Update

- 4.1. Capital receipts delivery during 2015/16 proved to be better than forecasted with £9.093m achieved from the disposal of 25 properties. At the beginning of the financial year, the forecast had been £6m - £8m and has been achieved partly by the unexpected acceleration of the disposal of some properties or the availability of properties which had not been previously anticipated to become surplus.
- 4.2. The picture moving forward is one where the general capital receipts trend suggests fairly modest receipt expectations in the short term with the opportunity in 2016/17 perhaps being no greater than £6m, with significant longer term receipt generation being reliant on the delivery of Strategic Land sites in Eastleigh and Basingstoke & Deane boroughs. The scope of Strategic Land delivery is predicated on the County Council's landholdings being identified for development within adopted Local Development Plans. The Basingstoke & Deane Local Plan was formally adopted on 26 May 2016 which creates more certainty for the delivery of Manydown, Land to the east, Upper Cufaude Farm and Swing Swang Lane sites. The timeline for the Eastleigh Local Plan review is a little longer but the Plan could potentially be adopted from summer 2017.

- 4.3. Whilst there are some geographical exceptions, the market interest and land prices being both offered and achieved on some of the larger sites suggest there are some significant challenges in the development land market. The relative costs of delivery on large greenfield sites in particular are creating viability challenges and house builders are being selective about which development opportunities they pursue with concern over the sustainability of house prices. Many house builders have also already secured several years of land supply. The planning environment also remains challenging for the County Council as well as developer purchasers. Despite these challenges, the County Council remains in a relatively unique position of having such a large property portfolio with short, medium and long-term development potential, on which it can make choices about whether and when to make these sites available. It is also able to make choices about the delivery mechanisms for its sites, which could comprise anything from traditional sale to more innovative partnership approaches or even self development.
- 4.4. The Director of CCBS is actively pursuing a balanced portfolio of both capital receipt and revenue income in the longer term. Consideration is being given to retaining a stake in the residential market to generate desirable revenue income through rentals while holding onto appreciating assets for future potential disposal.

5. Construction Industry Appraisal

- 5.1. Previous reports to this Panel have identified the inflationary pressures and capacity shortages in the construction market that are impacting on construction cost.
- 5.2. The latest indicators from the Royal Institute of Chartered Surveyors (RICS) Building Cost Information Service (BCIS) are that tender prices will continue to rise but that the rate of increase has slowed. During 2016 tender prices are expected to rise by about 4% over the year. This trend is expected to continue until 2018. After 2018 tender price increases are expected to move ahead of costs again, as growth in new work output strengthens. Over the next five years tender prices are forecast to rise by around 25%.
- 5.3. In its latest report on the construction sector the BCIS has also commented that EU referendum has introduced a high level of uncertainty to the economy with a knock on effect on construction which will continue until the outcome is known. The latest BCIS forecast are based upon the UK voting to remain within the EU.
- 5.4. Market intelligence obtained by the National Association of Construction Frameworks (NACF) which is led by the County Council indicates that the pricing of key trades has increased in excess of the quoted tender price inflation levels. This is particularly the case in the south east with the volume of construction underway, our proximity to London and the high levels of activity in the housing sector across the county and the wider region. These increases are as a result of continuing shortages of key materials, skilled labour plus rising raw material prices. As a result these pressures on the industry are impacting on major infrastructure projects and all public sector

projects including education programmes. The latest Market Intelligence information shows the capacity needs are being partially addressed with the number of employees across the key packages showing a 5 to 10% increase over the last year. This trend is expected to continue in 2016 but will lag behind demand and hence the pressure on key packages such as brickwork, carpentry and joinery, and concrete frame will continue.

- 5.5. Main contractors have become selective about tendering opportunities. Those opportunities that are associated with longer term business relationships such as through managed frameworks have become the preferred route for many organisations. As a result, there is less interest from the industry at the current time with single stage tendering particularly for major construction projects. The County Council uses a broad range of procurement types and has developed a suite of managed frameworks that enable it to respond well to the evolving market for the construction sector.

6. Managed Frameworks Update

- 6.1. Both the Southern Construction (SCF) and Intermediate Construction Frameworks (ICF) are now providing the majority of major contractor capacity for the projects identified in the County Council's capital programme particularly in the Children's Services Programme. At the time of this report the total value of construction worked placed through the Southern Construction framework which caters for projects over £4m stands at £68m. This figure includes the project for Mill Chase Academy worth in the region of £31.8m, which will provide a new 6FE Secondary School. The appointed contractor will work with the design team during the pre-construction stage to plan and procure the entire project with work scheduled to commence on site in the autumn of 2017. The intent is to procure the entire programme of new schools through the SCF which will be worth in excess of £200m. The programme will include the development of a generic design supported by a common supply chain to generate economies of scale and to secure key supply chain capacity. The SCF Framework has been procured in partnership with Devon County Council and Haringey Council has 8 national contractors appointed to the South East which the County Council will access for the capacity to deliver the capacity for this programme.
- 6.2. To complement the SCF an Intermediate Construction Framework (ICF) has been procured to cater for works from £1m to £4m which has attracted a number of local and regional contractors to deliver at this scale. This Framework is currently being used to deliver 18 projects within the Capital Programme worth £44m.
- 6.3. The procurement stage of the Southern Modular Building Solutions Framework is nearing conclusion. The new framework which will complement the SCF and ICF will be in place early in July. It will be available to all local authorities across the south of England and London with a potential value of £600m over its 4 year term. The framework will cater for both temporary and permanent buildings covering both schools and wide range of other building types. The framework will allow for a standard class solution and bespoke projects to be procured. There has been a high level of

interest in the framework. The County Council's entire programme of temporary classrooms will be procured through this new arrangement.

- 6.4. Procurement is about to commence for the new Minor Works Framework that will streamline the procurement of small and more specialist projects up to £1m and SCOLA recladding works. The new framework is arranged in 5 separate lots and will go live in Q1/2017:

Lot 1: General Building Works £1 to £250,000

Lot 2: General Buildings Works £250,000 to £1,000,000

Lot 3: Recladding Works £1 to £2,000,000

Lot 4: Doors and Windows Works £1 to £500,000

Lot 5: Roofing Works £1 to £250,000

- 6.5. These innovative Frameworks continue to 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 manage the impacts of inflation and secure the capacity it needs.
- 6.6. Framework Management is a growing area of business for Property Services. Not only are they mechanisms for the delivery of Hampshire projects but they also provide a route to market for an increasing number of public sector organisations. Through a modest rebate on the value of each of the contracts let, an income of £1.17m was generated in the last financial year. This covers the full cost of professional time to manage and procure the frameworks and, in addition, makes a significant contribution to the overhead of the service, offsetting the revenue cost of managing the Council's estate.

7. Recommendations

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

- 7.1. The proposed revenue maintenance budgets and planned repair programmes for 2016-17 be approved as set out in Appendices A and B.
- 7.2. Progress of each of the programmes is 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.)

Document

Location

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:

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.

Revenue Maintenance Budgets 2016/17

	Budget
	£'000
Corporate Estate Services	
Building Reactive Maintenance	1,835
Engineering Reactive Maintenance and Servicing	1,469
Non-functional buildings	16
Childrens Centres	129
Strategic Professional Support	399
Winter Contingency	108
Sub-total	3,956
Schools and Academy Buy-back Services	
Building Reactive Maintenance	2,740
Engineering Reactive Maintenance and Servicing	5,480
Sub-total	8,220
Total	12,176

Notes

All figures above are inclusive of fees which are charged at 12%

Planned Repairs Programme Proposed Allocations 2016/17

Area of work	P & R Corporate Buildings	Schools (CERA)	Schools (SCA)	Total Budget
	£'000	£'000	£'000	£'000
Corporate Risk assessment				
Condition of Building Fabric	1,868	4,211	11,867	18,545
Mechanical Services Failure	602	1,781	2,967	5,251
Fire Management and prevention	56	448		504
Electrical Services Failure	695	883	2,967	4,149
Management of Asbestos	110	481		591
Structural Condition	56	265		321
Management of Legionella	110	168		670
Other Priorities	411	630		1,042
CRA Contingency	168	0		168
Other Allocations				
County Farms	267			
External Works / Landscaping	18			
Other Priorities	76			
Contingency	545			
Total	4,982	8,867	17,800	32,148

Notes

The amounts are inclusive of fees but exclude proposed re-profiling from 2015/16 to 2016/17