

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Buildings, Land and Procurement Panel
Date of Decision:	12 January 2010
Decision Title:	Strategy for the Built Estate – Mid-year Review
Decision Reference:	689
Report From:	Director of Property, Business and Regulatory Services

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1. Executive Summary

- 1.1. The purpose of this report is to provide the Panel with a mid-year review against the agreed annual strategy plan for the Built Estate in 2009/2010.
- 1.2. In addition, the report introduces the intention to pursue an updated approach to Strategic Asset Management and an Interim Asset Management Plan for 2010/11.

2. Background information

- 2.1. On 9 April 2009 the Executive Member for Policy and Resources approved the Annual Strategy Plan for 2009-10. The Strategy for the Built Estate established the framework by which the County Council manages priorities in respect of the asset base and maintenance liabilities for its land and property holdings. The principal objectives of the strategy are to:
 - a) Direct resources to the highest and most significant liabilities for core properties within the built estate
 - b) Establish a robust Health and Safety Corporate Risk Assessment that helps to ensure buildings are safe to occupy
 - c) Continue to develop long term strategies to address the backlog of repairs and maintenance liabilities
 - d) Maximise the opportunities for planned maintenance regimes as opposed to reactive patch and mend repairs
 - e) Maximise the opportunities for capital receipts
 - f) Ensure investment opportunities are linked to effective procurement practices that offer best value

- g) Ensure buildings are accessible and remain open for business
- h) Maintain strong links with schools through the SLA and to ensure that schools have access to corporate property advice.

2.2. The following sections of this report provides an update on each of the key areas of the Annual Strategy Plan for 2009/10.

3. Finance Framework

3.1. The Revenue and Capital Repairs budget allocation for the proposed distribution of revenue resources for 2009/10 and capital resources for 2009/10 and 2010/11 is on track as anticipated for this time of year.

3.2. It is worth noting that, over the last few years, the management of the New Deal for Schools (NDS) element of the capital repairs budget has become very complex. The latest adjustment to the NDS funding is in respect of accelerated funding, to bring forward NDS spending from 2010/11 to 2009/10 and this will be factored into the strategic plan. The resources that have been put in place to deliver the accelerated NDS funding are being closely monitored to ensure the County Council achieves the spend by the required date.

3.3. Clearly, there is uncertainty about budgets beyond 2011 as the Government's spending plans are awaited, but it is likely that these budgets will be affected significantly, the impact of which will feature in future reports.

4. Managing the backlog of Repairs and Maintenance through the Revenue and Capital Repairs Investment Programmes

4.1. The repairs and maintenance budgets as they stand, are insufficient to address the backlog and therefore a Strategic Risk Assessment is used to review property risks annually which, in turn, is used to determine the priority areas for investment.

4.2. The greatest challenge for these budgets is the Non Education Estate with a further reduction in 2010/11 of the capital repairs budget. The concentration of funds in this area will be almost exclusively higher risk items including those preventing buildings closing. This leaves very little scope for addressing building condition matters such as redecoration and renewal of floor coverings. Building Schools for the Future (BSF) funding presents an excellent opportunity to impact on the backlog of repairs in those part of the school estate included in the programme.

5. Risk Management Strategy for the Built Estate

5.1. A separate update report on Risk Management and the Risk Register for 2009/2010 was presented to the Panel last October. Whilst risk cannot be eliminated it is being managed through long-term risk management strategies that have been in place for the last ten years. Over £100 million has been directed at health and safety strategies for the built estate over this period.

- 5.2. Essentially, the risk management strategy for the built estate is about making continuous year-on-year improvement through an agreed agenda. Capital investment is made according to an agreed risk order and published improvement plans. Having built a strong property health and safety platform over the last ten years, it is important to develop further risk based strategies that will support planned capital investment programmes as opposed to reactive strategies.
- 5.3. Continuous progress is being achieved through focussed management actions and capital investment according to the rank order and published improvement agenda. Strategic risks are monitored biannually to quantify the levels of risk retained by the County Council and to provide information about resources required to control or eliminate each risk. The annual risk review provides clear evidence that risk management is being effective in all areas and leading to positive and sustained improvement in risk handling.
- 5.4. A new risk heading covering climate change was added to the Strategic Risk Register this year.

6. Developing Opportunities for Capital Receipts

- 6.1. Over the past 18 months, global financial market decline has affected residential property growth and provision in the UK. As a direct result of this, house builders were no longer buying land. Consequently the County Council's Capital Receipts expectations have been reduced. However, for 2009/2010 the agreed capital receipt target has already been achieved. In addition, further disposals programmed for completion in 2009/10 are still being pursued to look to improve this situation.
- 6.2. Market analysis over the past financial quarter indicates that there are possible early indications that the overall decline may be beginning to bottom out. Based upon current assessments, it is proposed that for 2010/11, possible Capital Receipts might be expected to begin to recover slightly.

7. Developing Hampshire Workstyle Initiative

- 7.1. The Hampshire Workstyle programme is being developed to complement the refurbishment of the County Council Headquarters offices and will promote and implement new flexible working and more efficient utilisation of work spaces.
- 7.2. It was originally intended to focus Workstyle almost exclusively in the north-east of the county. However, as work has evolved, and given the way in which opportunities have now arisen, priority projects are being developed in the following localities:
 - Havant (Public Service Village)
 - Eastleigh
 - Winchester
 - New Forest

7.3. The Workstyle programme is also now sufficiently mature to define the associated benefits. A benefits management strategy is being developed. For later phases of the programme, opportunities will almost certainly exist with Basingstoke, Gosport, Fareham, Test Valley and Hart.

8. Service Level Agreement (SLA) with Schools and BSF

8.1. Collectively, schools receive over £11 million of Landlord funding each year in respect of Local Management of Schools (LMS) and Fair Funding revenue repairs and maintenance. In addition schools received around £22 million of devolved formula capital funding this year from the Department for Children's Schools and Families (DCSF) for investing in schools Asset Management Plan (AMP) priorities.

8.2. Corporate property advice and support is provided to schools through a repairs and maintenance SLA. The key points for the Panel to note about the school's SLA is that it:

- a) Provides an important gateway for schools to access the County Council's Corporate property services
- b) Creates a link for the County Council to influence schools with the investment of significant levels of delegated funding
- c) Helps to develop a strategic approach to addressing key AMP priorities
- d) Maintains standards in terms of property health and safety and performance
- e) Helps to ensure that school buildings remain open for business and are safe to occupy.

8.3. Although the current SLA runs through into 2012, officers have already set up an initial working group to scope the potential new SLA offer that will be made to schools in due course and to examine if it would be appropriate to consider widening what is included and offered as part of a future SLA. As part of this, related research is also being undertaken with schools to explore what they themselves might be looking for in the new SLA.

8.4. Within the past few months the County Council has also been successful in securing government funding to enable the first phase of BSF in the south east of the County in the Havant area. The details of the individual schools and projects that this will benefit are now being further developed and further reports will be presented to the Panel in 2010.

9. Procurement Strategy

9.1. The procurement model and strategy for the County Council's property maintenance and construction work was presented in the Procurement Initiatives report to the Panel on 31 March 2009.

9.2. The Procurement Initiatives Mid Year Review report presented to the Panel in October provided an update on progress with the various procurement arrangements identified in the model. These include:

- A combined building and engineering maintenance contract for the Castle Complex headquarters buildings which brings together previously separate arrangements into a combined 'hard' facilities management contract, in line with the County Council's modernised and centralised Facilities Management (FM) model
- A framework for the delivery of hard landscaping works including works funded through the School Access Initiative (SAI) and more specialist works such as Multi Use Games Areas (MUGAs) and Synthetic Turf Pitches (STPs)
- Area based frameworks for provision of reactive building maintenance across the county, which will align with the current area based engineering maintenance term contracts and support the move towards a more strategic approach to FM.
- A framework for procurement of external repair and decoration work which builds on previous experience of procuring this work with a number of preferred contractors which provided benefits in terms of improved quality of work and better programme management
- Renewal of the framework for hire and purchase of temporary buildings.

10. FM for County Council's Headquarters' Buildings

- 10.1. A major piece of work has been the development of a new integrated FM service for the County Council's headquarters buildings. This new FM service forms part of the County Council's Corporate Efficiencies Agenda and has been launched in line with the opening of the Elizabeth II Court refurbished offices. For the first time the new FM approach has integrated into a single service provider, a range of "hard" and "soft" FM services that were previously organised by departments.
- 10.2. The new FM service includes integrated reception, room booking and post room services, catering, waste collection and cleaning services, a help desk facility and centrally coordinated and managed services for printing and photocopying. In addition, it includes a new generation of contract that incorporates both building and engineering reactive repair and servicing work under the management of one main contractor.
- 10.3. In 2010, work will commence on planning and rolling out the next phase of the FM proposals.

11. Developing a response to the Government's Climate Change Agenda

- 11.1. The Panel considered a report in July 2008 about Climate Change legislation that will affect the County Council's built estate for the foreseeable future. That report signalled a systematic approach to building a carbon reduction commitment into its operations through a series of corporate work streams over the next five years.

- 11.2. Since the report in July the Environment Secretary has announced that all state funded schools are to be included in the Government's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, more commonly referred to as the carbon trading scheme with effect from April 2010. This will mean that school CO₂ emissions will form part of the County Council's overall 'carbon footprint' for carbon trading purposes.
- 11.3. The County Council, in common with the tier two authorities are also required to submit to Defra, National Indicator 185 data, about the CO₂ emissions associated with the authority's operational activities. Property Services has been gathering data on the County Council's carbon emissions for both the CRC and NI 185 and have, in addition, assembled, collated and submitted to Defra the NI 185 data for all Hampshire districts.
- 11.4. In 2008 Property Services completed the first set of Display Energy Certificates (DEC) for 355 buildings over 1,000m² floor area. The DEC's for 2009 are 80% complete and the table below shows the year-on-year comparison of the buildings performance assessed thus far.

Rating	No. of Properties 2008*	No. of Properties 2009	Variance +/-
A <i>(best)</i>	1	0	-1
B	8	16	+8
C	47	65	+18
D	92	105	+13
E	93	61	-32
F	29	28	-1
G <i>(poorest)</i>	17	12	-5
Total	287	287	0

*for comparison purposes on a property-to-property basis.

- 11.5. The overall figures are representative of a built estate where some 80% of the stock pre-dated thermal standards set by the Building Regulations, but the year-on-year figures do show an improvement. The cost of producing the DEC's this year is less than that in 2008 at £50,000 reflecting the need in the first year to collect a substantial amount of data for each building. For 2010 the Government require a DEC for each individual building over 1,000m² on campus sites (currently campus sites have one single DEC to cover the whole site). This would increase the number of buildings requiring a DEC from 355 to approx 600 with an associated cost of £200,000.
- 11.6. Accurate data collection will be essential for CRC and NI 185 purposes. Property Services has negotiated with utility companies the installation of smart utility meters across the County Council's estate, including the procurement of IT systems to support carbon measurement and reduction. A Carbon Management Group has also been established to develop a

Carbon Management Plan (CMP) for the County Council and to deliver the carbon reductions required for the CRC and CMP. The Group has developed a number of key workstreams around Buildings, Performance and Monitoring, ICT, Finance, Communications, Hearts and Minds and Street Lighting.

12. New Initiatives and Other Updates

12.1. The following paragraphs provide an update on other workstreams and new areas of work that have developed during 2009:

a) Improvement and Efficiency South-East Civic Offices Workstream

Through the County Council's lead role on the Buildings and Procurement workstream under the IESE, a number of Civic Office projects have emerged within Hampshire in conjunction with the County Council's own Workstyle programme. Currently there is an explicit joint project with Havant Borough Council in relation to the Public Service Village project, and other joint working arrangements are currently being explored which might result in similar co-location of County Council and District/Borough Council staff in the same building or as part of a shared campus.

b) County Farms Review

A review is underway of the County Farms Service, and the intention is to report on the outcome early in the new year. The Review is examining the way in which the County Farms are managed, and how policies and practices can be changed to ensure the Farms meet current corporate priorities. The Review also considers the impact of climate change on the County Council's estate, current pressures on the food supply and other scarce resources, the role the Farms can play in stimulating the rural economy, and how rural education and training can be improved. The Council has consulted widely as part of this Review, and the recommendations will attempt to meet as many different objectives as possible.

c) Gypsy and Traveller Review

The Gypsy and Traveller Service operated by the County Council is also being reviewed. The Service currently manages four residential caravan sites, and provides a more general unauthorised encampment service in respect of County Council and District Council owned land. A recent change in legislation means that the County Council no longer has a legal duty to provide residential accommodation for Gypsies and Travellers, and the Review is exploring other options for this provision. At the same time, the Review is also exploring whether the part of the Service that deals with unauthorised encampment could potentially be expanded to offer wider support and advice to people affected by encampments, and to assist other agencies (such as the Police) to respond to Gypsy and Traveller issues.

d) Asset Valuations

The County Council's property asset base consists of 1,850 land assets and 6,450 buildings, approximately. As part of the ongoing five year rolling programme of asset valuation, approximately 20% of these assets were identified to be valued in 2008/09. These valuations were primarily in the Districts of Basingstoke and Deane and Hart with a smaller number being in Test Valley.

The current year's programme of valuations comprises 480 land assets and 1,400 buildings, and are primarily in the Districts of Rushmoor, Test Valley and East Hampshire.

e) Uniform Business Rates

Every 5 years all the non-domestic properties throughout the country are revalued by the Valuation Office Agency (VOA). Each has a Rateable Value (RV) ascribed, which is representative of the open market rental value which is thought to have been achievable for the property two years before the start of the List. If the in-house Rating Team considers it appropriate, an appeal will be submitted in an effort to secure a reassessment of the RV and thereby secure savings to the Council as the ratepayer.

The 2010 List has just been published, and the majority of the RV's have increased in line with the increase in market rents between 2003 and 2008. Given the speed with which the current recession hit the British economy and the impact on property markets since the peaks of 2007/08, it is likely that the RV's now being applied will be out of kilter with current property values and that, as in previous Lists, a counteracting feature of this revaluation will be the availability of transitional relief to offset hardship to businesses. The County Council will be able to take advantage of such relief over the first few years of the List.

Since the start of the 2005 List (1 April 2005), the Rating Team has achieved major savings for the County Council on an 'invest to save' basis, achieving a return of approximately 5 : 1 on the investment in operating the Team. The Team is on course to reach its target for the 2009/10 financial year.

13. Strategic Asset Management – A Way Forward For The Future

- 13.1. Over the past few months Property Services has been exploring how the County Council should move towards more strategic management of its assets in light of many drivers for change.
- 13.2. The most immediate imperative is the Comprehensive Area Assessment and its "Use of Resources" criteria. The emphasis is on integrated management of assets with other public bodies to deliver seamless cross-sector, cross-agency, community-based services. The Audit Commission has released its report 'Room for Improvement', which criticises the lack of strategic asset management within local authorities. The Total

Place initiative is examining how a “whole area” approach to public services can lead to better services at less cost.

- 13.3. Alongside these very specific initiatives, other factors that are encouraging local authorities to consider assets more strategically include public sector funding pressures; consumer expectations of how services will be delivered, and the specific implications of the Personalisation agenda, Safeguarding etc.
- 13.4. A key to this will be that the County Council adopts a wider and more comprehensive approach to Strategic Asset Management and Asset Management Planning that will involve both cross County Council and partnership working with other bodies. As a key initial step towards this, Property Services is now looking to develop an Interim Asset Management Plan for 2010/11. A comprehensive report on this will be brought back to the Panel for further consideration.

14. Recommendations

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

- a) Good progress has been made on all points of the 2009/10 strategic plan.
- b) The intention to produce an Interim Asset Management Plan for 2010/11 be noted.

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

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

Other Significant Links

Links to previous Member decisions:		
<u>Title</u> EMPR - Strategy for the Built Estate	<u>Reference</u> 577	<u>Date</u> 9 April 2009
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. Equalities Impact Assessment:

- 1.1. An equalities impact assessment has been considered 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 proposals in this report will assist the County Council in reducing its carbon footprint and energy consumption.

FEEDBACK FROM CONSULTEES:**OTHER EXECUTIVE MEMBERS:**

Executive Member & Portfolio	Reason for Consultation	Date Consulted	Response:

OTHER FORMAL CONSULTEES:

Organisation	Reason for Consultation	Date Consulted	Response: