

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Buildings, Land and Procurement Panel
Date:	28 June 2016
Title:	Property Services Business Review 2015/16
Reference:	7551
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 2015/16 and reflect on business strategy priorities for 2016/17 and beyond.

2. Contextual information

2.1. The 'Business Review 2014/15' report presented to the Panel in June 2015 set out Property Services' financial outturn position for 2014/15 and reflected on the significant growth in workload and services that Property Services has seen since 2011/12.

2.2. In January 2016 the Panel was provided with an overview of the Property Services' Business Plan 2015 to 2020. The business plan provides financial forecasts for the 5 year period from 2015 to 2020, but recognises that there is considerable uncertainty about workload, particularly beyond 2018.

2.3. 2015/16 has seen Property Services continue to deliver significant programmes of work and professional services to both internal and external customers and clients. Key achievements include:

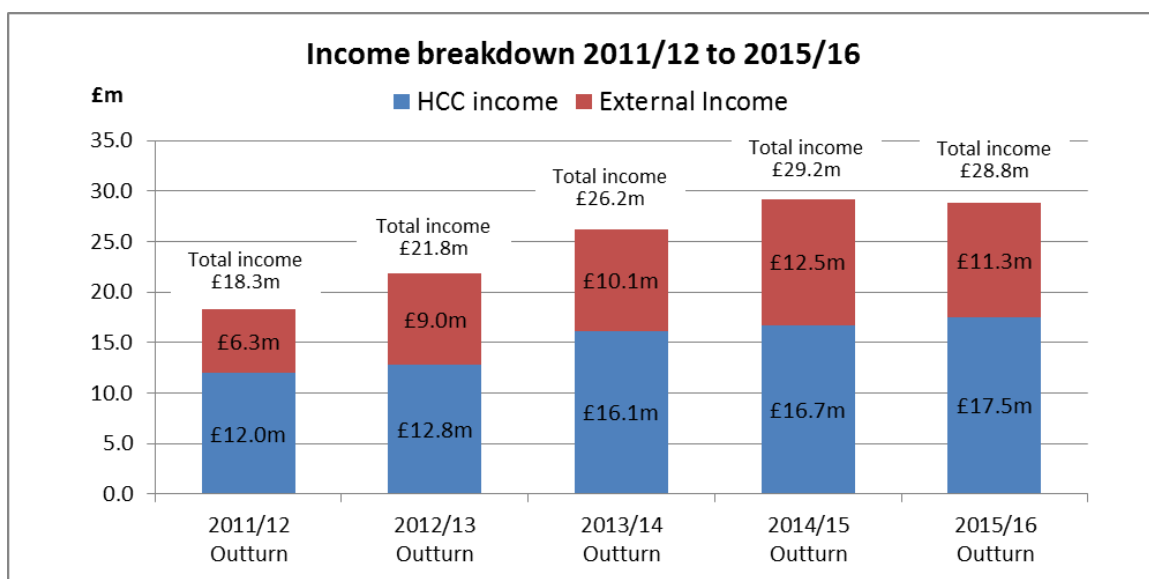
- Ongoing delivery of the Children's Services capital programme of additional pupil places, including feasibility work for provision of additional secondary school places;
- Delivery of significant maintenance programmes for both schools and corporate buildings;
- Shaping of a programme of new accommodation for adults with learning disabilities, as part of the Adult Services transformation to 2017 strategy;
- Progression of the Manydown development project in partnership with Basingstoke and Deane Borough Council, and with additional funding from

the Department for Communities and Local Government, as part of the wider programme of promotion of the County Council's strategic landholdings for housing development;

- Delivery of first phase of the Fire and Police joint headquarters project in Eastleigh under the joint working arrangements formally established in 2014/15;
- Procurement of new framework to provide temporary and modular building solutions for public sector organisations across the South of England, as a key part of the Property Services' traded services strategy;
- A number of awards and commendations including winning the Royal Institute of British Architects (RIBA) South Award 2016 for the Winchester Cathedral Learning Centre and the Royal Institute of Chartered Surveyors (RICS) regional award for Community Benefit for Park Community School, Havant.

3. Income

3.1. Following a period of significant growth between 2011/12 and 2014/15, 2015/16 was a year of consolidation, with total income of £28.8million, compared with £29.2 million in 2014/15. Of this, £17.5 million of income (61% of the total) was from HCC programmes and projects and £11.3m (39% of the total) was from external clients, including schools.



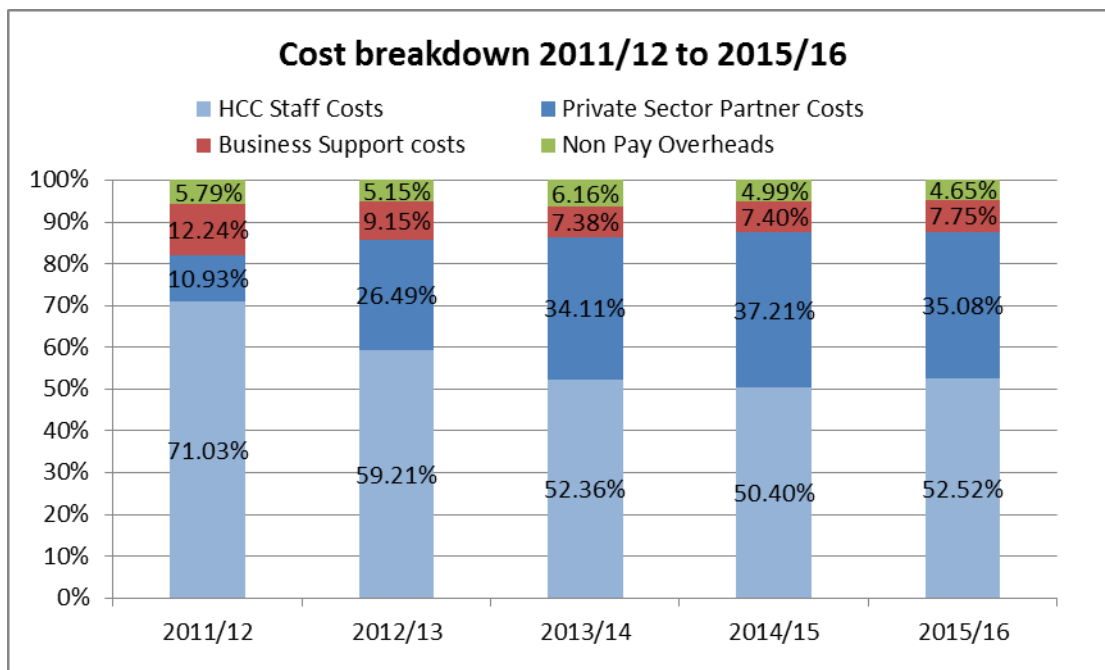
3.2. The figures illustrate the continued growth in workload for the County Council, in particular:

- Delivery of the Children's Services capital programme of new primary and secondary school places;
- Delivery of major programmes of repairs and maintenance work across the schools and corporate estate;

- Enabling and supporting the delivery of transformation programmes in CCBS, Adult Services and Children's Services, through effective and innovative use of property and assets;
 - Progression of the planning and development strategy for the County Council's strategic land holdings.
- 3.3. Income from external clients reduced in 2015/16 compared with 2014/15, primarily due to the substantial completion of the schools capital programme delivery for Surrey County Council.
- 3.4. Reducing the volume of capital project delivery we undertake for external clients forms part of the traded services strategy set out in 2014 and has ensured that we are able to focus resource to meet the demands of the County Council's capital programme at a time of growing skills and capacity shortages in the wider construction industry.
- 3.5. However, as set out in our 2015 to 2020 Business Plan, Property Services remains committed to sustaining and developing our external business in order to maintain skills and capacity, deliver value in the wider public sector and make a financial contribution back to the County Council.
- 3.6. During 2015/16, Property Services continued to develop the Joint Working arrangements with the Office of the Police and Crime Commissioner, Hampshire Fire and Rescue Service, Isle of Wight Council, Reading Borough Council and Hampshire schools and academies, providing both business as usual property services and providing strategic consultancy and professional services to enable specific investment, rationalisation and transformation programmes.
- 3.7. Property Services also continues to develop and offer a range of specialist services, such as historic buildings, where success in supporting a wide range of clients to shape strategies, secure funding and deliver highly successful projects such as the Winchester Cathedral Learning Centre and the HMS M.33 refurbishment at the Portsmouth Historic Dockyards continues to build our reputation and portfolio of external clients and projects.
- 3.8. Developing and managing a range of local and regional construction frameworks continues to be a key part of our traded services strategy, ensuring delivery capacity for the County Council's programmes as well as for other public sector organisations across the south of England. 2015/16 saw the procurement of a new regional arrangement for temporary and modular buildings which will provide additional income from 2016/17 through rebate arrangements.

4. Costs

- 4.1. Property Services continued to exercise strong financial management throughout 2015/16 to ensure that costs were in line with income and that a modest surplus was achieved at year end, making a contribution to the departmental funding available for cost of change.
- 4.2. Resource costs continue to account for in excess of 85% of total costs, with the proportion of directly employed resource increasing slightly in 2015/16.



4.3. Non pay overheads and business support costs continued to be tightly managed to ensure that activities undertaken continue to add value and contribute to the operational effectiveness and efficiency of the service.

5. Resources

- 5.1. The additional resource demand from the growth in Property Services' workload over recent years continues to be met through a 'mixed economy' approach of recruitment to new permanent and temporary posts and resources secured through the strategic partner arrangements established jointly with the Director of Economy, Transport and Environment in 2014. This ensures flexibility of capacity to meet fluctuating and uncertain demand and access to a range of specialist skills that complement our in-house teams.
- 5.2. The growth in the wider construction market continues to drive significant skills shortages across the sector making recruitment in some professional disciplines challenging. Nonetheless, the total number of Property Services' directly employed staff has remained steady during 2015/16 with recruitment of new staff across a range of disciplines and grades alongside a reduction in the number of revenue funded staff through the enhanced voluntary redundancy programme to achieve savings in line with Transforming the Council 2017.
- 5.3. 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. As identified in the 2015 to 2020 Business Plan, further growth in Property Services' workload for the County Council is expected in 2016/17 due to a combination of the new programme of secondary school expansion, the ongoing transformation agenda and the progression of the strategic land programme.
- 6.2. Ensuring the most effective use of the County Council's built estate and shaping and delivering innovative, financially advantageous and sustainable property and asset solutions will continue to be an essential theme within the wider transformation agenda beyond 2017.
- 6.3. Total income from external clients is expected to reduce further in 2016/17, as we continue to refocus project delivery resource on the County Council's key programmes. However, 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 such as framework management, further and higher education and housing development.
- 6.4. This will ensure that we maintain the breadth and depth of skills and capacity within the service and continue to make a significant contribution to overheads, reducing the overall cost of the service to the County Council, and therefore the cost of managing its built estate.

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. Delivering the County Council's key programmes of work accounts for a growing proportion of Property Services' workload, but an ongoing commitment to sustaining and developing our external business ensures that the service continues to make a significant financial contribution back to the County Council.

8. Recommendations

- 8.1. That the Panel notes the successful outturn for Property Services in 2015/16.

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:

The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

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 has no impact on those with protected characteristics as it is a report outlining the financial position of the Property Services function in 2015/16.

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 function.

3. Climate Change:

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

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.