

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Buildings, Land and Procurement Panel
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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 projects and issues currently being progressed relating to:

- Property Services Business Strategy
- Asset Transformation and Investment
- Childrens Services Basic Need Capital programme
- Park Community School, Havant
- Summer 2014 Project Completions
- Construction Industry Growth and Inflation
- Property Asset Management System

2. Property Services Business Strategy

2.1. Members will recall, at the meeting in July, that the growth of Property Services over the last two financial years, has been in excess of 40%. The report explained how this fitted well with the County Council's ambitions to grow its professional capacity and, in particular, its Traded Services. Reference was made to the fact that Property had been selected as one of six pilot services to develop a Business Strategy and an Investment Case.

2.2. This section of the report summarises progress to date:

- From May 2014, two of the six in-house Services were selected to be in the vanguard of developing a Business Strategy – these were Property and Legal Services.
- The first step involved a significant amount of analysis of the market, competitors, customers and products/services. This work has then been used

to influence the decisions on narrowing down our focus to those services which have most potential.

- Our Private Sector Partner, Deloitte, has been employed only as a critical friend role on this work and have given us helpful feedback and challenge in relation to progress.
- The Service has defined its vision for Traded Services related to “modern public sector business building solutions for communities” which is our wider vision for Property. For Traded Services it is to:
 - Deliver high quality value for money services to our existing and new external customers.
 - Build capacity to enable our staff to develop themselves, their careers and expertise.
 - Make a contribution back to the Council to support front-line services.
- An interim presentation with supporting documentation was made to the Chief Executive and Director of Resources at the end of July setting out the priority areas for further detailed investigation and an outline Investment Case. These included:
 - Strategic Consultancy Services in the Education market to clients with significant assets or funds.
 - Procurement of a framework to market modular building solutions regionally and potentially nationally.
 - Additional services through the future Southern Convergence Framework for construction projects.
 - Strategic Consultancy Services in the ‘housing’ market to a range of customers in Hampshire.

Potential longer term opportunities were also identified:

- Development of template design products for the Education market across the region.
- Development of market knowledge in order to provide consultancy services to universities, housing associations and the like.

Finally, some potential quick wins were identified which were Strategic Consultancy Services to Academy Trusts, Diocese, Sixth Form and FE Colleges in Hampshire and its immediate borders.

- 2.3. One key issue identified is that pursuing further significant growth in the design and delivery of projects will not deliver the best revenue contribution outcome. This also would have more risk associated with it as operating well beyond Winchester and expanding services to more clients will, inevitably, carry more challenges and risk.
- 2.4. A final Business Strategy report and Investment Case is being prepared for the end of October for presentation to the Chief Executive and the results of

this will be shared with Buildings, Land and Procurement Panel Members at a future meeting.

3. Asset Transformation and Investment

3.1. Under transforming the Council to 2015, and looking forward to the transformation and challenge to 2017, Property Services is leading a workstream entitled 'Workstyle and Asset Backed Opportunities'. The principal focus of this is to both drive down the revenue costs associated with our estate and, critically, to seek income opportunities through investment to bring in new revenue streams, thereby offsetting grant reductions from government.

3.2. The workstream has been split into a number of themes, details of which are set out below:

Theme 1- Investment and acquisition opportunities (HCC as developer/funder)

Opportunities for areas with the most significant potential to generate returns have been identified and are now being assessed and quantified. These include:

- **Commercial investment in the open market:** specifically where an opportunity exists where HCC is currently a tenant in a leasehold property and the purchase of this building could present a saving in revenue and a long term capital investment. A key consideration is where opportunities have a wider benefit e.g., public sector tenants and co-location of services.
- **Commercial investment with HCC as developer.** This is considering opportunities where the Council could develop our own schemes to provide a long term revenue stream. We already have examples of this in Segensworth and are actively looking at an opportunity for a residential and commercial development with re-location of a Highways Depot. In addition to the financial benefits, there are strong economic development reasons to pursue this.
- **Residential investment and development.** Officers are already looking at options for residential development on the Manydown site in Basingstoke in combination with Basingstoke and Deane Borough Council (referred to in a separate report on this agenda). Additionally, there is a dialogue with other authorities in the South East 7 who are looking at similar investment opportunities. This may lead to shared intelligence or considering joint approaches.

Theme 2- Building on the successful Workstyle Programme

Members of this Panel will have received previous reports setting out the progress of the Workstyle programme for rationalisation of the office estate. Building on this programme, Officers are developing opportunities using an area-based approach which is considering wider service needs. Services being delivered in the Gosport and Fareham area are a current focus and also where these could potentially be co-located to allow the release of assets. A key part of building on Workstyle is consideration of partners and where we have opportunities to share assets. The Director of CCBS is in

dialogue with the Clinical Commissioning Groups, Southern Health Foundation Trust and Fareham Borough Council to explore the positive outcomes in this regard.

Theme 3- Property related revenue expenditure

Over the last nine months, Property Services has undertaken a detailed analysis of the revenue expenditure of the HCC corporate built estate. The data forms a complex picture of expenditure across a number of categories and has been obtained from different sources. In summary, the analysis has confirmed that the County Council spends approximately £31m per annum in revenue costs on the estate. This includes: rent; service charge; Council Tax and business rates; repair and maintenance; energy costs and facilities management.

The Property Services team is now actively investigating and challenging the areas of highest expenditure to maximise the opportunities for reducing costs. For example, we are looking at consolidating our warehousing and distribution functions to deliver a revenue saving of up to £300K per year. In addition, resources are being targeted at reviewing the service charge costs of £2.6m per annum for occupancy of leased accommodation.

4. Childrens Services Basic Need programme and scale of the future programme

- 4.1. Property Services are continuing to work closely with Children's Services colleagues in identifying and developing new school and existing school expansion projects to provide additional places. These projects will contribute to the provision of 8,000 additional school places over the next three years across Hampshire.
- 4.2. The completion of building projects over this summer include a new Tweseldown Infant School in Fleet, new Berewood Primary School at West of Waterlooville (Havant), and new primary places at Westgate School (Winchester), Emsworth Primary School, Petersgate Infant School (Clanfield), and Nightingale Primary School (Eastleigh). There were also a significant number of modular classrooms put in place at 17 schools where additional primary and nursery places were needed for September 2014.
- 4.3. There are several projects at existing schools scheduled for 2015 completion: Burnham Copse Primary (Tadley); Pilgrims' Cross Primary (Andover); All Saints Primary (Winchester); Colden Common Primary; Riders Infants & Junior (Havant); Wellington Primary (Aldershot); Locks Heath Infants & Junior; Wellstead Primary (Hedge End); Crescent Primary and Norwood (Eastleigh); Four Marks Primary (Alton); Sun Hill (Alresford) and Herne Junior (Petersfield) Schools. There are also proposals being tendered to replace modular buildings at the New Forest Education Centre (Dibden Purlieu) with permanent accommodation and replacement sports hall and facilities are on site at Warblington Secondary School (Havant), both progressing towards a 2015 completion.

- 4.4. A new primary school, Rooksdown at Park Prewett (Basingstoke) and additional secondary provision at Calthorpe Park Secondary School (Fleet) have had enabling works undertaken this summer on site and are due for a 2015 completion. In addition there are new primary schools for Barton Farm (Winchester), Aldershot Urban Extension and Boorley Green (Eastleigh) all currently targeting a 2016 completion.
- 4.5. Designs for projects at existing schools which are due for 2016 completions, are progressing for: Great Binfields Primary (Basingstoke); Marnel Infants & Junior (Basingstoke); Hook Infants & Junior; Oakwood Infants & Greenfields Junior (Basingstoke); Tower Hill Primary (Farnborough); Brookfield Secondary (Southampton); Nursling Primary - totalling an approximate further £35m investment.
- 4.6. Early stage feasibility and design proposals for additional primary and secondary school places for 2017 and beyond are being taken forward in many areas across Hampshire. There is on going dialogue with Districts and Borough Councils and developers about new housing development for educational provision and infrastructure, and to promote Hampshire's sense of place and local identity. These include five new secondary schools and nine new primary schools for Eastleigh, Fareham, North Whiteley, Basingstoke and Bordon/Whitehill. The scale of this work has not been seen in Hampshire for over 30 years.
- 4.7. In total, design work has commenced on approximately £150m capital investment for new primary school places with planned start dates in 2014-17 across Hampshire.
- 4.8. The County Council has a local and national reputation for the quality of its school buildings and there is work continuing on regional and national benchmarking of costs with other local authorities to ensure the Council continues to achieve and evidence best value.

5. Park Community School

- 5.1. The school have now moved into all of the first major phase new build blocks and were operational for the beginning of term. Since then, the newly refurbished sports hall has also been occupied by the school on programme. All parties worked together to ensure that the next major refurbishment phase commenced on programme without being affected by the new build running a little later than scheduled.
- 5.2. The schools have undertaken the management and implementation of the moves the new builds. They are to be commended for their flexible and helpful approach working with the contractor to open on time for the new term. This is a major, one-off exercise that cannot be underestimated as the first phase was behind schedule caused by severe winter weather and challenges associated with additional asbestos removal on existing buildings.
- 5.3. The IT and FF&E installs have now been completed for the new build phases.
- 5.4. The contractor is currently reporting a small delay to the overall completion in spring 2015. The Director of CCBS is working with the contractor to

endeavour to mitigate this. The compressed handover period has meant rescheduling the start of the demolition and refurbishment phase. It should be noted that the construction project will be a site for 2 years overall – one of the more complex and challenging projects this Council has undertaken.

5.5. The project remains financially on target.

6. Summer 2014 Project Completions

6.1. The summer of 2014 has seen a very significant number of building projects completed at schools and on other sites. The section below highlights what has been achieved:

- 11 major school projects at a value of over £44 million, including two new primary schools and one new secondary school replacement at Park Community School (referred to elsewhere in this report – section 5).
- 41 primary school projects, including small works and refurbishments at a value of £5.3 million.
- 19 secondary school projects, including window replacements and external repairs, at a value of £1.6 million.
- 21 modular classrooms with an equivalent capital value of around £4 million.
- Around 200 improvements to school kitchens to enable the introduction of the Government's Universal Infant Free School Meal Policy (referred to elsewhere in this report – section 6.5).
- Andover Bus Station was completed in July and this £3 million Partnership project between HCC and Test Valley Borough Council, was officially opened on 10 September 2014.

6.2. Members, this is a grand total of 291 separate projects with a value in excess of £50 million successfully completed over the summer of 2014.

6.3. There are still over 50 projects and programmes of work currently on site and on schedule.

6.4. Inevitably, there have been a small number of projects which have run behind schedule for various reasons, including severe winter weather, unforeseen challenges in the ground, issues associated with structure and fabric of existing buildings and, in a limited number of projects, the contractor's performance has had an impact. In all cases, officers are working closely with schools to minimise disruption to teaching and learning as a result. In some case, it will be possible for the contractor to re-schedule activities and complete on time. In others, this will not be possible and plans are always put in place to ensure children's education is not adversely affected.

The table below contains details of the 4 major projects which are currently behind schedule and the reasons for this.

Project	Original completion	Duration behind schedule	Reason
Crescent Primary School, Eastleigh	10 April 2015	8 weeks	Winter weather and structural issues with existing building
Park Community School, Havant, Phase 1 New Build	15 May 2015	3 weeks	Additional asbestos and winter weather conditions
Warblington Secondary School, Havant	15 May 2015	8 weeks	Contractor's performance
Westgate Primary Phase Building, Winchester	Christmas 2014	Estimated at 6 weeks	Ground conditions and ecology (bats)

6.5. Universal Infant Free School Meals (UFSM)

The Director of CCBS and the Children's Services department have worked together over the past 10 months to deliver the UFSM programme across Hampshire. The new Statutory Duty placed on all local authorities required changes in school kitchens to ensure the provision of free hot school meals for all pupils at Key Stage 1 from 1 Sept 2014. This programme of work affected around 330 properties of which 215 required changes. Grant funding of £3.055m enhanced from the Capital Maintenance Grant to create a total budget up to £6.2m (including fees). In spite of this central government directive being a significant challenge in the time available, with little apparent detailed allowance made for current kitchen capacity, the Director of CCBS focused and prioritised resources to achieve a successful outcome. HC3S have reported that the extra meals expected are being made available.

- 6.6. In parallel with this, Property Services led the same programme of work on the Isle of Wight with Childrens Services. This capacity was successfully made available by the deadline as well.
- 6.7. A small number of specific projects and interventions have been programmed for later this year where it would have been too disruptive to meal production to deliver long term solutions during the summer holidays 2014. In such cases interim solutions are in place and all long term solutions will be complete by the end of 2014/15.
- 6.8. The projects for both Hampshire and the Isle of Wight have been managed and delivered on time and on budget.

7. Construction Industry Growth and Inflation

- 7.1. As the country comes out of a long and deep recession, the construction industry is now experiencing significant growth and therefore pressure on resources and materials. The industry generally experiences peaks and troughs that are even greater than the economic cycle of the rest of the economy. Current evidence and published information from Government and professional bodies is pointing to the emergence of an overheated market.
- 7.2. The Director of CCBS is already starting to see emerging pressures on our own building projects with contractors reporting difficulties in securing sufficient labour and materials to make smooth progress. This is inevitably early days in what would appear to be a sustained period of growth and the Director of CCBS is working closely with the Director of Children's Services and other Local Authorities to mitigate the inevitable impact of this.
- 7.3. Pressure and sustained growth will start to feed through to tender inflation on construction projects. Our research confirms that inflation has been rising over the last 12 months as output has increased across all sectors of the industry. This is particularly so in the South East. The Royal Institute of Chartered Surveyors Building Cost Information Service (BICS) has reported that tender prices will have risen by 5% over the year, by the end of 2014. The BICS predicts that tender prices will continue to rise by between 5% and 6% per annum over the next three years. The current surge in demand being experienced particularly in the South East may mean that inflation levels could climb higher than these predictions. Given the scale of the County Council's current and future Capital Programme (particularly school places), this level of inflation will have a significant impact on the availability of financial resources to deliver everything that is planned.
- 7.4. The Director of CCBS (with the support of the Director of Children's Services) is actively pursuing a number of strategies and approaches to mitigate some of this inflation:
- Undertake thorough feasibility studies to identify the best value options and avoid unnecessary expenditure on higher cost options.
 - Continue looking closely at the net cost of our projects and build as efficiently and economically as possible.
 - Plan the pipeline of future work with Authorities in the South East to gain maximum economies of scale and buying power with contractors.
 - Investigate innovative procurement approaches including collective supply chain management with main contractors and the ordering of common materials and building components.
- 7.5. The inflation now emerging is very similar to that experienced in the late 1990s and early 2000s when 6% - 7% annual construction inflation occurred over a period of 4-5 years. The knowledge gained from that is also being used to inform the approaches in 7.4 above.
- 7.6. With further pressure from lower Developers' funding contributions, Government Capital Grant allocations and our own local resources, this will

continue to be a challenge and one which will be the subject of regular dialogue with decision makers in the Council.

- 7.7. The scale of the future programme (an opportunity) places us in an excellent position to plan for the future in a positive way and maximise the amount of building we can do for the money available.

8. Property Asset Management System (PAMS) Update

- 8.1. In January 2014, the Executive Member for Policy and Resources approved the reinvestment of accumulated trading surplus from the Caretaking and Cleaning Support Service (CCSS) (a business unit within Property Services), in development of the new Property Asset Management System (PAMS). PAMS is a modular system which, when fully implemented, will consolidate the current multiple sources of asset data, improving the accuracy, consistency and efficiency of data reporting, bringing benefits to the services provided by CCSS and the wider asset management of the Council's estate by Property Services. Having a comprehensive set of information in one system also supports the ambition of sharing of asset data with members and the public.
- 8.2. Phase 1 implementation, which will replace the current core asset data source, is due for completion this autumn. It is now proposed to implement further modules, including those which hold the detailed plant, servicing and condition data. Switching from existing systems to PAMS will increase the breadth of information available in one location and will ease sharing. In addition, the more flexible database will enable Property Services to respond more efficiently to the needs of other departments, partners and government.
- 8.3. It is recommended that a further £200,000 of the £356,210 accumulated CCSS surplus is used to progress the Phase 2 implementation of PAMS during 2014/15 and 2015/16. This is a sensible investment of this surplus which will bring wider benefits beyond the immediate service. It will also support the more comprehensive 'consultancy' services to existing partners and new clients.

9. Recommendations

That the Buildings, Land and Procurement Panel make the following recommendations to the Executive Member for Policy and Resources:

- 9.1. That progress on each of the projects is noted.
- 9.2. That the funding for the Phase 2 allocation of PAMS is approved as outlined in Section 8.3.

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

Hampshire safer and more secure for all:	No
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.)

DocumentLocation

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 contains routine updates on projects being progressed and therefore an Equalities Impact Assessment has not been considered necessary in the development of this report.

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 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. Positive impact on climate change will be considered at the time each of the projects is reported for approval. This report generally gives an update on progress and it is not appropriate to set out specific impacts on climate change.