

Agenda Item 1e

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Buildings, Land and Procurement Panel
Date:	27 June 2017
Title:	Major Programmes Update Report
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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:

- New Schools Delivery Programme – Free Schools
- Traded Services
- One Public Estate (OPE)
- Adult Services Programme
- Capital Receipts
- Construction Frameworks
- Construction Industry Appraisal

2. New Schools Delivery Programme

2.1 All new schools are now required to be established as Free Schools by the Department for Education (DfE). Free Schools are sponsored and operated by an Academy Trust. The Academy Trust will provide the education and will be responsible for the building running costs. The Local Authority will retain the freehold of the site and grant a long lease (usually 125 years) to the Trust.

There are two routes available to open a new Free School and construct the building:

- One option is for the Local Authority to seek a sponsor through a 'presumption' route, where the Authority is responsible for providing the site for the new school and meeting the associated capital and building establishment costs. A competitive process is undertaken and the preferred sponsor is recommended to the DfE for approval by the Secretary of State.
- The second option is through an 'approved' sponsor (pre-registered by the DfE) making a direct application to the DfE. The Local Authority can

support (but not lead) such an application and is consulted on the submission.

To date, HCC has successfully worked on Partnering with Academy sponsors making Free School applications to the DfE direct to provide additional school places.

- 2.2 The County Council's 350 strong Property Services team has a proven track record over many years of delivering new school buildings and it is proposed they continue to play a role in the process to ensure that good quality environments are constructed for the benefit of Hampshire children. The DfE now requires that all new schools are constructed to a benchmark funding envelope to maximise the number of places provided for the funding available nationally. This is in the context of reduced public spending and austerity and will be at a lower cost than schools previously delivered in Hampshire. The County Council is proposing to construct schools to acceptable standards at this lower cost target through a combination of careful planning and appropriate design.
- 2.3 There are currently seven new schools identified to be delivered in the next four years (2017-2021). These are listed below:
 - East Anton Primary School, Andover (Extension to existing School)
 - Boorley Green, Primary (Free School)
 - Horton Heath All Through School (Free School): to be delivered as two projects for Primary and Secondary places
 - Basingstoke Special Educational Needs (Free School)
 - Chestnut Avenue Primary, Eastleigh (Academy)
 - Cornerstones Primary, Whiteley (Church of England Aided School)
 - Whiteley Secondary (Governance TBC)
- 2.4 Capital funding for new school buildings is available through a combination of Government Grant (Basic Need and Free Schools) and Developer Contributions. The County Council has an excellent track record of securing significant Developers' Contributions which has secured £178m over eight years from 2012 – 2020 into the Children's Services Capital Programme. It is proposed to deliver all new schools within the envelope of available 'external' funding together with the potential of connected capital receipts, thereby avoiding a call on the County Council's own scarce resources.
- 2.5 The Council has been successful in working in partnership with academy sponsors to gain approval from the Department for Education (DfE) for a number of Free Schools. This is currently expected to realise a contribution from the DfE of around £21 million of capital funding over and above developers' contributions to the current programme of new schools.
- 2.6 The Council's Property Services has recently established a partnership with the DfE to undertake local delivery of Free Schools and a number of other centrally funded projects. This will allow the County Council to continue a

positive role in the design and delivery of schools and is a testament to its capacity, skills, and track record.

- 2.7 For the delivery of new schools via the Free Schools application process, the County Council is required to follow the DfE process and governance. This includes transferring design responsibility to the selected Contractor at an early stage in the process. The Contractor takes responsibility for the design and construction risk following conclusion of a two stage tender process. It is proposed that County Council's Property Services retain the role of delivery agent and technical advisor throughout the feasibility, design and construction phases. This will ensure the best outcome within the framework that the DfE sets.
- 2.8 New schools which are to be Free Schools, set up via the presumption route, will continue to be designed and delivered directly by the County Council but will now be to a lower cost and fee envelope to match the DfE's benchmark standards. These will, however, be delivered using County Council Construction Frameworks and will not be required to follow the onerous central governance and control mechanisms of the DfE.
- 2.9 The estimated value of the new schools over the period 2017-2021 is £89 million. It is proposed to maximise opportunities for efficient design and delivery to common templates and specification, aggregating procurement where possible. There is early stage design work being progressed on the Free School proposals for Boorley Green and Chestnut Avenue and more detailed design work on-going for the Cornerstones Primary School and for the proposed new secondary school at Whiteley.
- 2.10 There is more strategic work continuing to secure the necessary sites and infrastructure for the new schools within the proposed new residential developments, including those at Whiteley and Horton Heath. This includes working closely with the local planning authorities to ensure the school sites are appropriately sized and well located for access and travel distances within the communities they will serve and to ensure they are sensibly planned in relation to highways infrastructure, local centres and other community facilities. This provides a co-ordinated approach for the infrastructure requirements across the developments with close working between the County Council's Property Services, Children's Services, Planning and Highways teams.
- 2.11 There is feasibility work being undertaken on a number of the schools to assist in negotiations with developers and the local planning authorities to secure the necessary funding contributions for the school provision. This includes detailed feasibility work for the school at Horton Heath for which approval has recently been granted for a new 4-16 Free School to serve the Hedge End and Horton Heath areas.
- 2.12 There is also early stage strategic planning work being undertaken for further new schools proposed beyond 2021 in Hampshire at Welbourne (Fareham), Manydown (Basingstoke), Bordon, Basingstoke and Fleet – all relating to areas of new housing development emerging in Local Plans.

3. Traded Services Update

- 3.1. Alongside delivering significant programmes of work for the County Council, joint working partners, schools and academies, Property Services continues to provide professional services to a range of external clients, in line with the corporate traded services strategy. In 2016/17 a total of £9.5m of fee income was earned from clients outside the County Council, including schools, Police, Fire and Reading Borough Council.
- 3.2. The management of the regional construction and modular building frameworks generate income of around £1.1million in 2016/17 and the heritage architecture team continues to work with a variety of organisations to conserve important historic buildings and develop and deliver new and enhanced visitor attractions in the Hampshire region. Property Services continues to work with Reading Borough Council through the Reading Hampshire Property Partnership, currently delivering a programme of office rationalisation following the completion of a major primary school expansion programme in the last financial year.
- 3.3. Property Services, as reported to the Panel in January, are now progressing the detailed design work on four pilot local delivery projects for the Education and Skills Funding Agency (ESFA) Priority School Building Programme (PSBP2). These projects will see the complete recladding of four Hampshire system built schools. The current estimate for the four projects is £10.3m inclusive of fees.
- 3.4. Property Services are also working on the feasibility of a further project for a scheme on the Isle of Wight (IoW) currently estimated at £2m to refurbish the Downside Middle School in Newport. It is hoped the outline business case for this project will be signed off by the ESFA shortly allowing the detailed design work to be undertaken and tenders invited.
- 3.5. The ESFA have now also instigated a further commission for seven more refurbishment projects for the IOW under the PSBP2 programme. It is early days at the moment but these works are likely to be significant refurbishments or replacements of the seven schools involved and offer the opportunity of some interesting projects for Property Services. This new commission represents a significant growth in a developing relationship for Property Services delivering projects for the ESFA. It is good to see the ESFA recognising the skills and capacity within Property Services. It is anticipated that the total value of the works across the pilot sites and including the latest commission will exceed £30m.

4. One Public Estate: Maximising value and efficiency across public sector assets

- 4.1. One Public Estate (OPE) is an initiative to support Local Government working with Central government and other public sector partners on land and property initiatives to deliver against four core objectives:
 - Stimulation of economic growth, including new homes and jobs.
 - More integrated and customer-focused services.

- Generation of capital receipts.
 - Reduction of running costs and increased revenue generation.
- 4.2. Hampshire County Council (HCC) has been participating in the initiative since its inception in 2013. The most recent round of bidding in October 2016 has resulted in a further £160,000 being secured to take forward new projects and to bolster existing projects. The total funding secured from the Cabinet Office for OPE Phases 1-5, led and arranged as programmes by the County Council, is now £1.06m. Phase 6 bids are expected to be submitted in the Autumn. It is likely that this will be the last opportunity to secure funding as part of the current OPE programme.
- 4.3. The programme offers support to unlock barriers to progress, which has included facilitating discussions with Central Government departments such as the Ministry of Defence, Ministry of Justice and Department of Work and Pensions and an escalation route to a Ministerial 'Star Chamber'. Work is also continuing to establish a process for the 'priority purchaser' status for Local Authorities seeking to acquire surplus Central Government assets, as set out in the Housing and Planning Bill.
- 4.4. Governance for Hampshire's programme is now maturing with senior representatives of the 22 organisations meeting quarterly at the wider Hampshire OPE Land and Assets Board since December 2015 (chaired by HCC as the Lead Authority). The themed sub-groups have also developed and shared learning on flexible building design principles and the joint commissioning of feasibility work have been key outcomes. The Emergency Services sub-group has resulted in 5 additional projects being identified to take forward.
- 4.5. Funding secured as part of Phase 3 has also delivered:
- Studies to assess the potential homes and jobs that can be generated through the release of public sector assets in Fareham Town Centre;
 - Completion of strategic outline business cases for community hubs in Andover and New Milton;
 - Integration of OPE projects within the Health Strategic Transformation Plan for Hampshire, and pilot work on standardised Heads of Terms for shared use of Local Authority and Health buildings (including offices and commissioned health services within library premises/community hubs);
 - Identification of priorities and a work plan for emergency services co-location and collaboration projects
 - Identification of options for co-location and regeneration in Aldershot.
 - Identification of 3 libraries to take part in the Ministry of Justice Commuter Hubs pilot providing workspace for Civil Servants based in the Hampshire area
 - Plans developed to relocate Andover Job Centre to Test Valley Borough Council's Beechurst Offices and release the existing leased premises

- 4.6. Work on Phase 4 began in January 2017 and will deliver additional outputs for existing projects as well as co-location and redevelopment opportunities adjacent to the train stations in both Fareham and Eastleigh. This will include using the support of the Government Property Unit and Local Government Association to find routes to engagement at a more strategic level with Network Rail.
- 4.7. The Defence Infrastructure Organisation will be providing maps and data on surplus and retained sites. This will allow the partnership to collectively propose how best to bring forward the infrastructure required to unlock housing and employment on the surplus sites and also look at potential for co-location on the retained sites.
- 4.8. Southampton and Portsmouth have their own successful bids for OPE funding and it is understood the Isle of Wight have recently secured funding to join Phase 5.
- 4.9. Hampshire officers will continue to keep communication channels open and support other authorities with advice and guidance on this important cross-sector initiative. The fact that geographical boundaries are rarely co-terminus (Local Government, Police, Fire, Health for example) means that HCC can have a role beyond its physical boundaries in support of public sector asset transformation and innovation.

5. Adult Services Programme Update

- 5.1. Property Services continues to support Adult Social Care colleagues on a number of programmes of work, for both business as usual purposes and also related to Transformation to 2017 savings. It is also providing senior leadership to assist in the development of strategies to support the emerging Transformation to 2019 initiatives where there is a property context or outcome.
- 5.2. In relation to existing programmes of work the following updates can be provided:
- 5.3. Learning Disability Transformation:

Following the recently updated strategic business case approved at March 2017 EMPR, work is progressing to deliver further Community Link projects with a proposed provision as part of a wider public sector hub project being led by Test Valley Borough Council on the site of the former Andover Magistrates Court building. In addition, the feasibility and more detailed design stages to deliver a second (southern) respite facility has now been completed and a detailed planning application for this project is due to be submitted on a County Council owned site in Locks Heath, Fareham following a public engagement event planned in respect of a wider site of which the respite facility site forms part. It is hoped, subject to planning and continued progress, that the respite facility which will provide an 8 room respite accommodation will open Autumn 2018. There is a report recommending approval to the design and procurement elsewhere on this agenda.

5.4 Older Persons Extracare Housing:

Following the recent approval of a revised delivery strategy, which will see a change to the proposed extracare schemes in terms of balance of unit sizes and tenure mix (to include shared ownership and some outright purchase units), new procurements are being progressed on County Council owned sites in Romsey, Petersfield, Gosport and New Milton to select development partners for these sites. There are also other development opportunities within a number of third party development sites that may also come forward over the coming years. Following the successful completion of Surrey Court in Eastleigh, a further site in Winchester (Chesil Street) is due to open in Autumn 2017 which will provide 54 1 and 2 bedroom units and also a replacement County Council Older Persons day centre (currently located at Kingsworthy).

5.5 Learning Disability Housing Programme:

This programme looks to transition service users with a learning and/or physical disability from a traditional care home setting to assisted living accommodation where they are able to live independently but with the requisite levels of care and support to meet their needs. Following the approval of a strategic business case which secured up to £35m of borrowing, work has progressed on the new build element of this programme with five projects now either on site or shortly to be so to provide 63 one bedroom units with supporting communal spaces. The mainstay of the programme involves the development of schemes of 8 to 10 and 16 to 18 units – these are to be provided at Aldershot, and Basingstoke and New Milton respectively. More specialised schemes for service users with Prada de Willi syndrome and significant physical disability are also planned in Winchester and as two shared bungalows in Basingstoke.

6. Capital Receipts Update

- 6.1. The County Council continues to adopt a managed approach to the rationalisation of its estate realising valuable capital receipts for reinvestment into public service delivery. During 2016/17, capital receipts of £3.36m were achieved, which was lower than forecast at the beginning of the financial year due to a number of disposals experiencing delay in delivery, mainly due to the challenging planning environment resulting in rescheduled consents. Consequently, a significant number of disposals which had been anticipated to complete in 2016/17 have been re-programmed for delivery in 2017/18, creating a significant increase in the forecast for this year to approximately £20m.
- 6.2. As things currently stand, Strategic Land delivery still represents the biggest proportion of capital receipt income over the next few years, with other capital receipts (non-Strategic Land) continuing to represent relatively modest (sometimes ad hoc or 'windfall') opportunities. In 2017/18 alone, approximately £10m is anticipated to be delivered from the disposal of the first two phases of the County Councils' land at Chestnut Avenue, Stoneham in Eastleigh, which is currently held under Option by a developer.

- 6.3. Disposal strategy options are emerging on the remaining strategic land sites and these strategies will help to inform the 'long-range' receipt forecast to c.2030/31. Depending on corporate priorities, consideration of the potential delivery of a blend of revenue streams and traditional capital receipts will further influence the forecast.
- 6.4. The most significant strategic site in terms of scale is Manydown in Basingstoke where an ambitious implementation strategy is progressing with the procurement, jointly with Basingstoke and Deane Borough Council, to secure a private sector development partner. The joint venture (JV) approach being pursued represents a significant shift into a more 'commercial' arena and is intended to spread the risk and as well as deliver significant financial returns along with other agreed project objectives. A Detailed Business Case and Business Plan will be developed with the selected private sector partner from autumn 2017 which will provide greater detail of the anticipated returns or profits from the JV delivery 'vehicle' throughout the life of the project. In conjunction with the development of a detailed Business Plan, the Councils may choose to invest in assets at Manydown to ensure the pace of delivery, provide long-term stewardship and create revenue streams.

7. Construction Frameworks and Strategic Procurement Update

- 7.1. To meet the challenge of inflationary pressures and securing suitable capacity for construction the County Council continues to lead the way in the development of innovative frameworks.
- 7.2. Further to the previous report to this Panel, work is now well advanced in the design of the next generation Southern Construction Framework, which the County Council are developing in partnership with Devon County Council. The new framework is the Councils fourth generation regional framework and the aim will be to build on the success of the current model which is used by local authorities across the south and in London. The current framework will deliver approximately £4bn worth of construction work for over 60 independent user organisations. The new framework will be procured in 2018 and go live in 2019. Full details of the design and new features with this innovative procurement will be reported to a future meeting of the panel. With the exception of ESFA grant funded work, the new framework will cater for all of the Councils major construction work.
- 7.3. Over the course of this year we will also begin to utilise the ESFA's regional and national frameworks specifically for the delivery of new Free Schools which are also funded directly by them and who strongly advise the use of their frameworks when local delivery is agreed. The projects that will be procured through this arrangement are the new all through school at Horton Heath, the first stage is estimated to cost £18.5m for 1050 secondary age pupils planned to open in 2020. A second project for a new £7.3m 2FE Primary School at Boorley Green will also be procured through this arrangement. Further details are given in the separate Corporate Procurement report to this panel. The Southern Construction framework will

be used for the other major Secondary School at North Whiteley where the contractor appointment process will begin shortly.

- 7.4. Under the Intermediate Construction framework (ICF) which is for projects up to £4m, there are nine live projects to a value of £30m proceeding which contractors have appointed. The work that is being procured will deliver the bulk of the 2017/18 major projects within the Children's Services Capital Programme. These projects will benefit from the early contractor involvement including risk management and design development prior to works starting on site. The framework is currently complemented by some traditional tendering as appropriate and to boost capacity and counter availability pressure in the current market. Looking forward, a new building fabric and mechanical and electrical services minor works framework will soon be launched to cater for projects mainly up to £1m with a broad panel of suppliers appointed to complement the Intermediate Framework and significantly add to our framework capacity at this level of project. The County Council's Frameworks are the default means of procurement in line with the Standing Orders.
- 7.5. In addition to the above, new Term Contracts are about to be awarded for building fabric and mechanical/electrical maintenance work. The new contracts will cater for around £11.5m of spend annually and are split into two geographic areas (East and West Hampshire). The new contracts will cover the entire county council estate including schools and that of our Police and Fire partners. The term contracts will last five years with the option to extend by a further five years allowing the County Council to develop strong partnerships with the appointed organisations.
- 7.6. The areas have been rationalised from three to two to maximise efficiency of spend and management of costs while still maintaining flexibility should there be performance concerns.
- 7.7. The framework arrangements are seen as a key component of Property's Traded Services strategy and are an important source of additional revenue in support of the Property Services T19 transformation proposals contributing additional income to offset reductions in Cash Limited Budgets. The success of the new Southern Framework will be a key component of this strategy along side the Southern Modular Building framework and other local arrangements.

8. Construction Industry Appraisal

- 8.1. As reported to this Panel on previous occasions, inflationary pressures and market volatility remains a concern when procuring construction work.
- 8.2. The potential of the UK withdrawing from the single market and customs union when the UK leaves the EU is adding to the uncertainty in the economy and construction sector. The Royal Institution of Chartered Surveyors Building Costs Information Service (RICS BCIS) continues to model three scenarios based upon the likely impact of the Brexit outcome and other economic factors on the construction market. In the central scenario which RICS uses for forecast tender price inflation, it is envisaged

that the forecast growth will slow to 1% in 2017 before rising again in 2018 by 4.5% and then 5.6% in 2019.

- 8.3. Local market conditions as evidenced by the RICS BCIS shows that Hampshire construction costs are on average 12% more than national averages and that the gap continues to widen. This is similar to the position across the whole of the south east reflecting the strength of the market in the region and premium being paid to secure materials and labour capacity to deliver construction work.
- 8.4. A recent survey of major contractors by the RICS BCIS concludes that the majority of those responding expect to see tender prices continuing to rise over the next six months and none predicted a fall. Another recent survey by the National Association of Construction Frameworks found that there has been no noticeable immediate effect of the decision to leave the EU on the construction sector, but uncertainty and rising prices are expected to continue. The extent of the post Brexit impact is still to be realised but the impact on the cost of materials due to the fall in the value of Sterling against other currencies is now evident in our current tenders. This is also true of fuel prices which have been impacted likewise adding to cost pressures. These and other indicators point towards continuing market volatility in the medium term.
- 8.5. The County Council's Property Service leads a national cost benchmarking study of new schools. The study was funded by the Local Government Association and conducted in conjunction with the Education Building Officers Group and the Education and Skills Funding Agency who have also contributed a large sample of data. The study has now accumulated 5 years worth of data from 107 local authorities across England. The report is a valuable tool to assess national trends associated with the costs of new schools and enables all of the contributors to compare and contrast with each other. From a high level perspective, the data shows that in spite of inflation in the construction market there has been a steady reduction in costs in real terms of about 8% since 2012 although a recent return to rising prices has now occurred.
- 8.6. The County Council is using a range of such information and directly gathers market intelligence through the framework contractors, so it has the best information to make informed judgements on cost efficiencies and procurement of the projects within the Capital Programme.

9. Recommendations:

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

- a) 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.