

NOTICE OF MEETING

Meeting	Buildings, Land and Procurement Panel
Date and Time	Wednesday, 20th June, 2018 at 10.00 am
Place	Chute Room, Ell Court, The Castle, Winchester
Enquiries to	members.services@hants.gov.uk

John Coughlan CBE
Chief Executive
The Castle, Winchester SO23 8UJ

FILMING AND BROADCAST NOTIFICATION

This meeting may be recorded and broadcast live on the County Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Filming Protocol available on the County Council's website.

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

All Members who believe they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Part 3 Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore all Members with a Non-Pecuniary interest in a matter being considered at the meeting should consider whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, consider whether it is appropriate to leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with the Code.

3. MINUTES OF PREVIOUS MEETING (Pages 3 - 8)

To confirm the minutes of the previous meeting

4. DEPUTATIONS

To receive any deputations notified under Standing Order 12.

5. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

6. PROPERTY SERVICES: MAJOR PROGRAMMES UPDATE (Pages 9 - 18)

To consider a report of the Director of Culture, Communities and Business Services providing an update on the major programmes, projects and issues currently being progressed within the department.

7. PROPERTY SERVICES BUSINESS REVIEW 2017/18 (Pages 19 - 28)

To consider a report of the Director of Culture, Communities and Business Services giving an overview of Property Services' performance and financial outturn position for 2017/18 and the business strategy priorities for 2018/19 and beyond.

8. BUSINESS SERVICES GROUP - 2017/18 ANNUAL REPORT AND ACCOUNTS (Pages 29 - 42)

To consider a report of the Director of Culture, Communities and Business Services summarising the financial and business performance of the three self-funding business units within the department for the 2017/28 financial year.

ABOUT THIS AGENDA:

On request, this agenda can be provided in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact members.services@hants.gov.uk for assistance.

County Councillors attending as appointed members of this Committee or by virtue of Standing Order 18.5; or with the concurrence of the Chairman in connection with their duties as members of the Council or as a local County Councillor qualify for travelling expenses.

Public Document Pack Agenda Item 3

AT A MEETING of the Buildings, Land and Procurement Panel of HAMPSHIRE COUNTY COUNCIL held at the castle, Winchester on Thursday, 29th March, 2018

Chairman:

* Councillor Mel Kendal

Councillor Peter Edgar
* Councillor Adrian Collett
* Councillor Keith House
* Councillor Rhydian Vaughan

* Councillor Bill Withers Lt Col (Retd)
* Councillor Andrew Joy
Councillor Jackie Porter

*Present

30. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Peter Edgar. Councillor Andrew Joy was in attendance as the Conservative substitute member .

31. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

32. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 3 January 2018 were agreed as a correct record and signed by the Chairman.

33. DEPUTATIONS

There were no deputations.

34. CHAIRMAN'S ANNOUNCEMENTS

The Chairman made the following announcements:

- Museums and Heritage Awards 2018 – The Royal Victoria Chapel refurbishment project had been shortlisted for an Award in the 'Fundraising Initiative of the Year' category for the 'Raise the Roof'

campaign. To date, this had successfully raised almost £7,000 towards the project.

- Electric Vehicle Charging Framework – The County Council was leading the way in getting more Electric Vehicle (EV) charging points installed across the county and beyond. A new public sector framework had recently been procured and let. By promoting plans for public sector organisations to install charging points at briefings earlier this month, the Council aimed to help both drivers of electric vehicles access this technology and, at the same time, improve air quality for all Hampshire residents. The County Council was working with public sector organisations from across the south of England on plans to access grant funding and private sector investment to install charging points for general public use as well as public sector vehicles. The plans build on work to explore how best to grow the electric vehicle network. Earlier this year the County Council began an electric vehicles pilot which would reduce energy costs by 97% compared to equivalent diesel vehicles.
- Energy Performance Programmes – Around £750,000 of works were completed in 2017/18 and a further £1.2m is planned in the next financial year. As part of this, the replacement of lights with LED fittings in the Elizabeth II South building would be undertaken. This would reduce electricity consumption on lighting by over 70% and save around £33,000 in energy costs each year. This was another successful contribution to a major programme of LED lighting that will save £240,000 every year.

35. **STRATEGIC PROCUREMENT AND COUNTY SUPPLIES CONTRACTING ACTIVITY AND APPROVALS FOR 2017/18**

The Panel considered the report of the Director of Transformation and Governance (Item 6 in the Minute Book) regarding procurement, amendments and extensions to contracts over £1million.

The Director highlighted the appendix attached to the report which detailed the three projects seeking support from the Panel namely, the Water and Waste Supply Agreement, the Provision of supply teachers and staff into Schools and Educational Establishments and the Employee Assistance Programme.

RESOLVED:

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

- a) That Procurement and spend approvals, as appropriate, be given for the contracts as detailed in Appendix 1.

36. **PROPERTY SERVICES: MAJOR PROGRAMMES UPDATE**

The Panel considered a report of the Director of Culture, Communities and Business Services (Item 7 in the Minute Book) on major programmes being progressed through the department.

The Director highlighted the major programmes/projects within the New Schools Delivery Programme, Adult Services Programme, Construction Framework and Carbon and Energy Programmes and answered a number of detailed questions.

Members were advised that there were currently a further eight new schools identified to be delivered in the next four years. The County Council's Property Services was working closely with the Department for Education and the Education and Skills Funding Agency for the delivery of a number of new Free Schools for which a contribution of around £20m from those bodies had been confirmed.

The Director also gave an update on each of the existing and emerging Transformation programmes within Adults Services, being delivered by Property Services, particularly Learning Disability Residential provision, Adults with a Disability Housing and Older Persons Extracare Programmes.

Members attention was also drawn to the positive progress being made within the Carbon and Energy Programme since the targets had increased to a target reduction of 50% by 2025.

RESOLVED:

That progress of each of the Programmes be noted.

37. **STRATEGIC ASSET MANAGEMENT - RISK MANAGEMENT 2017/18**

The Panel considered a report of the Director of Culture, Communities and Business Services (Item in the Minutes Book) giving an update on the current risk management performance and actions in relation to the built estate.

Members were advised on the key issues that were being addressed and the key actions being taken by Property Services.

The Panel noted the level of risk for both the management of asbestos and Legionella within the County Council's built estate, both of which had seen improved controls being put in place to manage these risks.

RESOLVED:

That the current risk management performance and actions in relation to the County Council's built estate be noted.

38. **MANAGING HAMPSHIRE'S BUILT ESTATE**

The Panel considered a report of the Director of Culture, Communities and Business Services (Item 9 in the Minute Book)

Members heard that the County Council's total planned capital and revenue investment for projects and programmes within schools and corporate buildings in Hampshire totalled £43m, which was being funded through a combination of local resources, school contributions and government grant.

During discussion, the Director advised that the County Council had received confirmation of its £17.3m Schools Condition Allocation, as a grant from the Department of Education, which would enable the planned programme to be committed early in the financial year. He also answered a number of detailed questions around the schools maintenance programme.

RESOLVED:

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

- a) Approves the proposal to carry forward the balance of the Landlord Repairs and School Condition Allocation budgets 2017/18 that are not expended by year-end to 2018/19 to meet the commitments made against these budgets.
- b) Approves the Landlord's Corporate Estate repair and maintenance programme for 2018/19 as set out in Appendix E.
- c) Approves the planned Schools revenue and Schools Condition Allocation (SCA) programmes for 2018/19 as set out in Appendix F.
- d) Notes the progress made to reduce the maintenance liability in the Corporate Estate in the context of the available budgets.
- e) Notes the progress in addressing the condition liabilities in the School Estate and the continuing pressures of the maintenance legacy of the huge growth in school places created in the 1960s and 1970s.
- f) Notes the projected 2017/18 budget outturn position for reactive and planned repairs budgets.
- g) Notes the contribution of the Landlord's repairs and maintenance programmes towards reducing carbon emissions.

39. **EXCLUSION OF THE PRESS AND PUBLIC**

The public were excluded from the meeting during the following item of business, as it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would have been disclosure to them of exempt

information within Paragraph 3 of Part I Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, for the reasons set out in the report.

40. **BUSINESS SERVICES GROUP - BUSINESS PLANS 2018/19**

The Panel considered the exempt report of the Director of Culture, Communities and Business Services (Item 11 in the Minute Book) regarding the 2018/19 Business Plans for the Business Services Group.

The Director updated Members on plans of each of the business units within the Business Services Group and key points were highlighted.

RESOLVED:

That the Buildings, Land and Procurement Panel made the following recommendations to the Executive Member Economic Development:

- a) That the 2018/19 business plans for the Business Services Group be approved.
- b) That the planned application of funds in the accumulated surpluses of the Business Services Group as set out in paragraphs 4.7 and 4.8 of the report be noted.
- c) That the provision of up to £3 million annually for the purchase of new and replacement vehicles by Hampshire Transport Management, as set aside in the County Council's Capital Programme, be noted.

Chairman,

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Committee/ Panel:	Buildings, Land and Procurement Panel
Date of Decision:	20 June 2018
Decision Title:	Property Services: Major Programmes Update
Report From:	Director of Culture, Communities and Business Services

Contact names: Steve Clow

Tel: 01962 847858

Email: steve.clow@hants.gov.uk

1. Recommendations

- 1.1 That the Building, Land and Procurement Panel notes the progress of each of the programmes.
- 1.2 That the Project Appraisal for improvement works to Three Minsters House is supported and recommended to the Executive Member Policy and Resources for approval at an estimated total cost of up to £975,000 inclusive of fees.

2. Summary

- 2.1 The purpose of this report is to provide an update on the major programmes, projects and issues currently being progressed relating to:

- Energy Programme Update
- New School Places Delivery Programme
- Construction Frameworks Update
- Traded Services Update
- Office Accommodation

3. Energy Programme Update

Current Energy Programmes

- 3.1 Work to deliver the new carbon reduction target of 50% by 2025 is continuing to show positive results. Despite the colder than average winter, initial data from the utility companies indicates that our energy use for 17/18 – and therefore carbon emissions – continues to fall.
- 3.2 It must be noted that the data is provisional and that the reduction is small but considering the effect of the winter weather the direction of

travel continues to be downwards.

- 3.3 The Director of Culture Community and Business Services (CCBS), supported by the panel, is progressing a number of programmes to further reduce the county's carbon emissions including the following:

LED Lighting

- 3.4 The major programme of LED lighting replacement in the corporate estate is now underway with the first phases in Ell Court South and at the Calshot Activities Centre now complete.
- 3.5 Design work has commenced on the next phases of Ell Court and sites including the Hampshire Record office, Stubbington Study centre and Swanwick Lodge Children's Home. The Director of CCBS and Head of the Library Service are putting together the next phase of feasibility project for the library portfolio.
- 3.6 Where LED installations have been completed feedback from building users has been very positive. The lighting is modern, higher quality, uses less energy and has lower maintenance cycles costs.
- 3.7 When completed in 2019/20, the LED programme of work will see approximately £1.6m invested resulting in 1.4m KWh of energy saved with a consequent reduction in carbon emissions of 750 tonnes and an energy revenue saving of £240,000 per annum.

Energy Supply Contracts and Management

- 3.8 The revised arrangements put in place following an audit of the administrative processes by the Property Services Energy Procurement and Supply specialist have already resulted in a reduction in the time taken each month to process invoices from the utility companies. A complete process review has been undertaken leading to saving in time and resource benefitting services beyond Property.
- 3.9 Our major energy contracts typically run for a 5 year term and at the end of each contract Property Services, together with the suppliers, undertake reconciliation for all sites. This exercise takes into account billing errors, corrected estimated readings. The size, scale and complexity of this task means it can take many months to complete.
- 3.10 The Director of CCBS has recently completed the reconciliation of the previous contracts which has resulted in £220,000 being returned to the County Council from the utility suppliers and almost £400,000 to the schools who purchase energy through our contracts.
- 3.11 The current energy supply contract, meter operation and data collection contracts expire in October 2019 and the Director CCBS is currently undertaking a market analysis exercise to inform how the next set of energy contracts should be structured and procured. Recommendations will be shared with the Panel in due course in good time for the

procurement of the contracts.

Battery Storage

- 3.12 A report on the progress of this opportunity will be brought to a future Panel when the workstream has progressed, however the Director of CCBS is currently exploring with the industry a number of alternative battery technologies and applications which may be appropriate for deployment.

Electric Vehicle (EV) charging

- 3.13 In March, the Director CCBS launched the new electric vehicle charge point framework. Over 40 people from 25 public sector bodies attended the launch event hosted by Property Services.
- 3.14 An additional five electric vehicles have now been delivered to add to the Hampshire fleet, charge points have been installed at Bar End supplies depot in Winchester and further points are currently being fitted at the Bishops Waltham Highways depot. Departments and services are being proactive in supporting the initiative by leasing and piloting electric vehicles.
- 3.15 Initial viability studies have identified around 70 sites where charging points could be installed and this will be further refined with more detailed studies.
- 3.16 Initially over 30 vehicles in the County Council fleet have been identified as being suitable for 'conversion' to EV as early adopters.
- 3.17 Interest from other public sector bodies in the charging framework continues to be strong and the Director of CCBS is working with a number of them to define their requirement. The framework provides an easy route to market for the public sector, facilitates the installation of more charging points and will bring an income into the County Council to cover the cost of management – a “cost neutral” solution.

Street Lighting

- 3.18 The Directors of ETE and CCBS have commenced work to review the potential for a large scale LED replacement programme.
- 3.19 Initial figures show a £6.7m investment in replacing fluorescent lamps with LED in residential areas would result in energy savings of £1.15m per annum giving a simple payback of approximately 6 years.
- 3.20 Work is ongoing with Salix to establish if a recycling fund could be established to finance this programme. Salix have advised that bids will open later in 2018.

Working with schools

- 3.21 The Director of CCBS has developed a programme with schools to deliver energy saving measures which would be funded by Salix loans paid back through energy savings.
- 3.22 There are currently around 30 schools engaged at various stages of the process, 2 schemes were completed in Easter holidays, a further 10 have had viability and energy surveys carried out or planned, 6 are to have initial visits by the energy team to discuss process and consider at viability and 12 more have expressed an interest and have been sent the information pack.

4. New School Places Delivery Programme

Property Services are continuing to work with Children's Services on the design and delivery of a significant number of new schools (including a special school), extensions to existing school, new modular classrooms and work to improve existing settings. There are several primary school extensions and two new primary schools to be completed this summer to provide additional primary school places across Hampshire. There is more regular contact and work with the Education Skills Funding Agency and academy sponsors. Wildern Academy Trust, University of Winchester, University of Chichester, and Catch 22 (Academy Sponsor) on developing proposals for new academies. The most advanced proposals are those to relocate Mill Chase Academy for which there is a significant one-off capital investment of £10m by the County Council, this has started on site and steelwork is being erected. Feasibility work continues to plan the provision of additional new school places for the projected primary and secondary pupil numbers and to maintain design quality at lower costs in response to continued reductions in public spending. There is ongoing dialogue with District and Borough Councils and negotiations with developers in planning new school provision in relation to new housing developments across Hampshire.

5. Construction Frameworks Update

- 5.1 As reported to the meeting in March 2018, the new Southern Construction Framework (SCF) is currently being tendered in partnership with Devon County Council, and will be in place for April 2019. Work has commenced to define and procure a new intermediate value framework for projects ranging up to £5m to replace the existing which expires in June 2019. The new framework, based largely on the existing model, will be available to neighbouring authorities within the local geography and cater for new schools, extensions and other projects for the County Council and external client users. All of the HCC frameworks will include a rebate tariff as a source of income as part of our strategy to generate additional revenue streams to support our wider business and as a net return to the County Council by making contributions to overheads in the Service.

5.2 Once the Property Futures review and restructure of the Service has been completed there will be further proposals to supplement the new arrangements for the organisation as a way of modernising our business. Future reports to this panel will provide further details of these proposals.

6. **Traded Services Update**

6.1 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 2017/18 a total of £9.35m of fee income was earned from clients outside the County Council, including maintained schools, academies, Police, Fire, Reading Borough Council, Isle of Wight Council and West Sussex County Council. Within this income there is a contribution to overhead costs of approximately £1.6million.

6.2 The management of the regional construction and modular building frameworks generate income of around £1.5million in 2017/18 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 and providing support to ongoing discussions with the Education and Skills Funding Agency (ESFA) regarding new school places.

6.3 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.

6.4 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.

6.5 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.

- 6.6 Property Services continues to seek new business opportunities that fit with our forward business plan and capacity. Over recent months, we have been in discussion with West Sussex County Council regarding professional property support to a variety of programmes of work including Adult Services, Children's Services and upgrades to Fire Services assets.
- 6.7 We have also recently agreed to provide professional services support to Surrey County Council and Southampton City Council.

7. **Office Accommodation**

- 7.1 Work is continuing on the implementation of the Office Accommodation Strategy reported to the Panel in January 2018. The strategy seeks to build on the previous successful Workstyle programme to deliver a £1.3m saving from more efficient utilisation of the corporate office portfolio. The approach is based on consolidation of HCC staff in order to release space for leasing to third party organisations. This approach fits within the wider organisational change to introduce new ways of working and increase productivity through the introduction of new digital and mobile technology.
- 7.2 Opportunities are being explored and developed across a number of key corporate office buildings in consultation with HCC departments, to ensure that the approach takes account of emerging operational strategies for Transformation to 2019 and beyond, including a move to increased partnership working. Discussions are also ongoing with a number of current and potential partner organisations, particularly within the health sector, who may be seeking alternative office accommodation and where co-location with HCC may provide operational benefits.
- 7.3 Confirmation of specific proposals and timing of implementation continues to be challenging due to uncertainty around the impact of operational strategies and increased flexible and mobile working on the location and number of staff who occupy our corporate offices. Due to the long lead in times and interdependent nature of office moves, it is expected that the full delivery of savings will go beyond April 2019.

8. **Three Minsters Hose improvement works – project appraisal**

- 8.1 The Panel will be aware of the fire that occurred in the roof of Three Minster House in September 2017. Work to reinstate the damage caused by the fire is now complete and clearance of the site and contractor's compound is under way.
- 8.2 A review of all corporate office accommodation in Winchester was undertaken during 2017 as part of the development of the Office Accommodation Strategy reported to the Panel in January 2018 and referred to in section 7 of this report. This review confirmed Three Minsters House as a key building for retention and ongoing occupation

by the County Council.

- 8.3 To support this strategy, it is now proposed to undertake a programme of internal improvement work that will modernise the infrastructure of the building and increase the efficiency and flexibility of the internal space to maximise its utilisation.
- 8.4 The proposed improvement works include:
- upgrades to power and data to provide modern services infrastructure and support the roll out of new IT technology as part of the corporate Enabling Productivity programme, including upgrade of the corporate WiFi in line with other buildings in the Winchester HQ;
 - installation of LED lighting as part of the energy efficiency programme outlined in section 3 of this report;
 - a new fire alarm system and additional physical fire precautions to support the increased utilisation of the building;
 - minor internal alterations to maximise the flexibility and efficiency of the internal spaces and support new ways of working.
- 8.5 The estimated value of the works is £975,000 including professional fees at 16.5%.
- 8.6 The contract works will be funded from the Policy and Resources Landlord Repair and Maintenance budget as set out in the 'Managing Hampshire's Built Estate' report to the Panel in March 2018, with a contribution from the Energy Performance Programme budget for LED lighting.
- 8.7 It is proposed to procure the contract through the Minor Works Framework, with works commencing in Autumn 2018. It is anticipated that the building will be fully reoccupied by Spring 2019.

CORPORATE OR LEGAL INFORMATION**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</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:

- 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:

An equalities impact assessment has /has not been considered in the development of this report as access requirements are always considered during the design stages of building maintenance projects and are often improved.

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 This is an update report which has no impact upon climate change.

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Buildings, Land and Procurement Panel
Date:	20 June 2018
Title:	Property Services Business Review 2017/18
Report From:	Director of Culture, Communities and Business Services

Contact name: Steve Clow

Tel: 01962 847858

Email: steve.clow@hants.gov.uk

1. Recommendations

- 1.1. That the Panel notes the successful outturn for Property Services in 2017/18. In particular, the continuing strong performance of the service to generate external income to maintain capacity and skills as well as making a substantial contribution to overheads.

2. Executive Summary

- 2.1. The purpose of this paper is to provide an overview of Property Services' performance and financial outturn position for 2017/18 and reflect on business strategy priorities for 2018/19 and beyond.

3. Contextual information

- 3.1. The 'Business Review 2016/17' report presented to the Panel in June 2017 set out Property Services' financial outturn position for 2016/17 and identified that Property Services had continued in a period of consolidation following the significant growth in workload and services between 2011/12 and 2014/15.
- 3.2. 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 recognised that there was considerable uncertainty about workload, particularly beyond 2018.
- 3.3. 2017/18 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 working with Children's Services and the ESFA to secure funding and delivery routes for new free schools.
 - Delivery of significant maintenance programmes for both schools and corporate buildings, including design and procurement of 4 schemes

funded through phase 2 of the government's Priority Building Schools Programme (PSPB2);

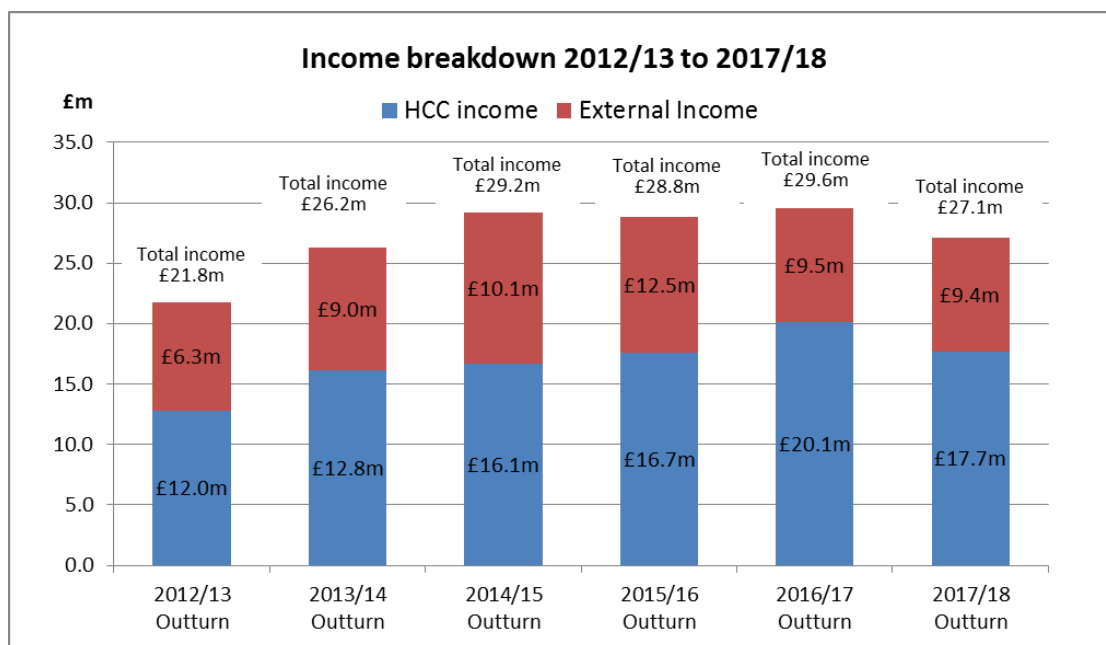
- Delivery of the first phase of a programme of new accommodation for adults with learning disabilities as part of the Adult Services transformation strategy and engagement with Adult Health and Care on their priorities for 2019 and beyond;
- Significant progress on the Strategic Land programme to promote the County Council's strategic landholdings for housing development. This includes procurement of a private sector partner to work with HCC and Basingstoke and Deane Borough Council on the Manydown development and the submission of an outline planning application for the site.
- The launch of the procurement for the replacement to the current Southern Construction Framework which will enable major construction projects for public sector bodies across the south of England, working in partnership with Devon County Council.
- A number of national and regional awards and commendations.

3.4 In addition, Property Services embarked on a significant review and redesign of its operating model in response to the identification of a number of key internal and external drivers that were expected to have significant impact on the scope and scale of services we deliver.

4. Income

4.1. 2017/18 showed a slight decrease in total income for Property Services compared with the previous three years. Total income on a like for like basis to figures presented in previous years (which exclude the Workstyle and facilities Management functions) was £27.1 million compared with £29.6m in 2016/17 and £28.8m in 2015/16.

4.2. Income from internal clients and programmes of work accounted for £17.7m of income, with a further £9.4m income secured from external clients including SLA and joint working arrangements with maintained schools, academies, Police and Fire.



4.3. The income from HCC clients and programmes of work was lower than the income in 2016/17 which included a significant peak in the Children’s Services capital programme. Internal income was still higher than in 2015/16 due to the ongoing scale of investment and transformation across the HCC’s estate. However, 2017/18 saw a slow down in the scope and pace of the Children’s Services capital programme following a review by Children’s Services of requirements for new school places across the County and the change in delivery routes required for new free schools, in line with the Government’s policy.

4.4. There was further growth in the value of the Adult Health and Care programme reflecting the ongoing support to the shaping and delivery of transformation programmes. There was also growth in the value of the strategic land programme reflecting continued progress with the planning and development strategy for the County Council’s strategic land holdings.

4.5. Income from external clients was similar to 2016/17 but lower than in the two previous years, following the completion of major schools capital programmes for both Surrey County Council and Reading Borough Council. The service level agreement (SLA) arrangement with schools continues to be a key area of business for Property Services along with delivery of a range of professional property services to the Office of the Police and Crime Commissioner and Hampshire Fire and Rescue Service through the joint working arrangements.

4.6. During 2017/18 Property Services continued to work closely with the Education and Skills Funding Agency (ESFA) on schemes in both Hampshire and the Isle of Wight. These include a number of schemes under the government’s Priority Schools Building Programme (PSPB2) as well as the development of proposals for new free schools in Hampshire to meet the demand for school places.

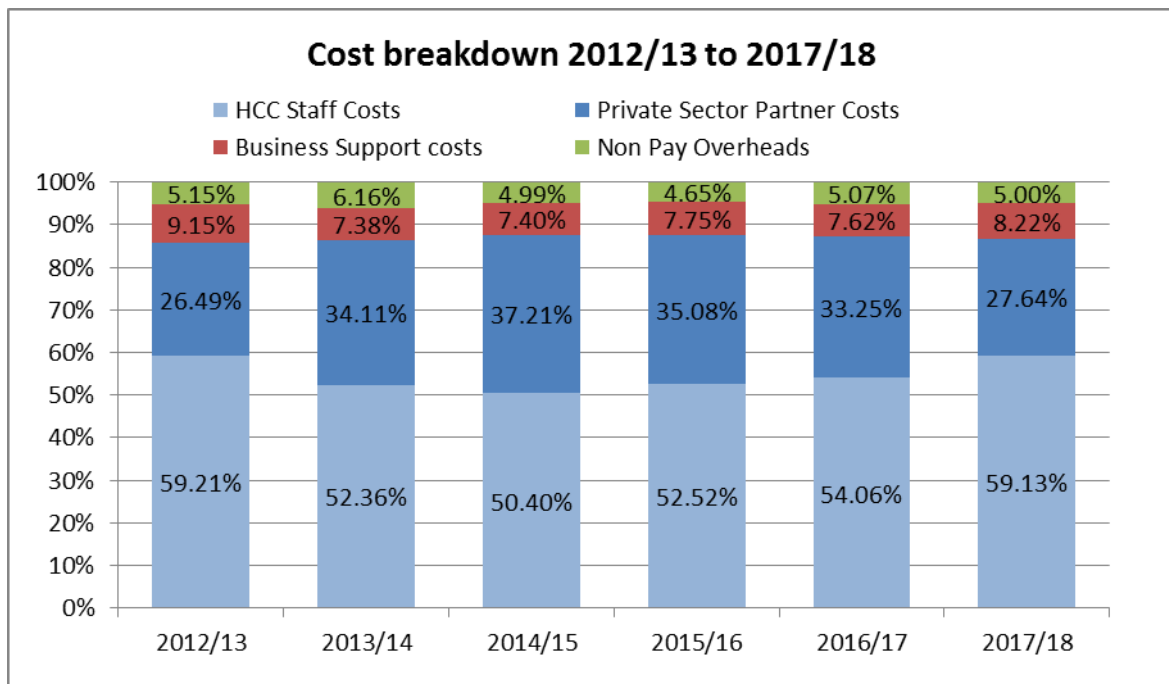
4.7. Developing and managing a range of local and regional construction frameworks continues to provide a steady income stream through levy

arrangements as well as ensuring delivery capacity for the County Council and other public sector organisations across the south of England, generating income through levy arrangements. 2017/18 saw the launch of the re-procurement of the Southern Construction Framework which is developed and managed in partnership with Devon County Council. Together, the regional framework arrangements generated in excess of £1.4m of income and made a significant contribution to Property Services' overheads.

- 4.8. The reduction in work undertaken for external clients since 2015/16 was part of the traded services strategy set out in 2014 to allow resources to be focused to meet the demands of the County Council's programme of capital and asset transformation projects. Positively, during 2017/18 new traded services opportunities emerged with a number of neighbouring authorities as officers have been proactive in seeking additional income. These are now being developed into new business for 2018/19 and beyond.
- 4.9. In line with our 2015-2020 business plan Property Services remains committed to maintaining external business in order to retain skills and capacity, deliver value in the wider public sector and make a financial contribution to overheads for the Council.

5. Costs

- 5.1. Property Services continued to exercise strong financial management throughout 2017/18 to ensure that costs were in line with income.
- 5.2. Resource costs account for around 86% of total costs, with a continuation of the last two years' trend of an increase in the proportion of directly employed resource and a reduction in the level of private sector partner support.



- 5.3. Actual costs for directly employed staff was close to those for 2016/17 due to a reduction in recruitment activity following commencement of the Property Futures review outlined below and a need to adjust resource levels in line

with a reduction in internal workload and revenue savings required as part of the Transformation to 2019 programme.

- 5.4. Non pay overheads and business support costs continued to be tightly managed to ensure these remain at an appropriate level for the overall scale of the service while allowing capacity for ongoing investment in new processes and technology in line with the corporate digital transformation programme.

6. Property Futures

- 6.1. Early in 2017 a review of the challenges and opportunities for Property Services identified the convergence of a number of key internal and external drivers that would, or had the potential to, impact on the scope and scale of services we deliver. These included:
- The integration of the office accommodation (previously Workstyle) and Facilities Management (FM) functions with Property Services as part of the T17 savings;
 - The further revenue savings to be achieved by 2019 across all these functions;
 - The reduction in the Childrens Services Capital programme as the forecast increase in pupil places at Primary School level levels off and the construction of new housing developments in the County is slower than originally forecast;
 - The impact of the Government's free school strategy and the ESFA's lower cost school model on the current delivery model for new school places;
 - The pressure in schools' revenue budgets;
 - Changes in our client base and workload with an increased focus on joint and partnership working and enabling service transformation and revenue savings through innovative asset solutions;
 - Capacity, performance and cost challenges in the wider construction industry
- 6.2. From this review, it was apparent that we needed to adapt Property Services' operating model to ensure that we were in a strong position to continue to respond to challenges and capitalise on new opportunities that align with the County Council's strategic priorities. We therefore embarked on a full review of our operating model referred to as 'Property Futures'.
- 6.3. By designing and implementing a new operating model for Property Futures, we aim to:
- Gain agility and flexibility to prepare for the future and enhance our resilience;
 - Use our strong reputation and capability to enable and deliver change that meets the County Council's strategic priorities;
 - Fully integrate the additional services recently added to the portfolio;

- Maximise on opportunities for income generation and efficiency to contribute to T19 savings;
 - Gain financial security for the future;
 - Provide challenging and rewarding careers in order to recruit and retain staff.
- 6.4. Following a period of review and analysis, a new operating model was developed during 2017/18 that brings together all the functions of Property Services into a single integrated service built around the asset life cycle.
- 6.5. Income forecasts for 2019/20 and beyond, which account for the T19 revenue savings and a further reduction in the Children's Services capital programme, indicate a requirement to reduce resource levels by between 25 and 35 FTEs.
- 6.6. Following completion of the high level organisational design in late 2017, a staff consultation was launched in March 2018 for the first phase of restructuring to establish a new management structure. A second phase of consultation and restructure will take place during 2018 alongside the development and implementation of new governance, systems and processes that support the new operating model.
- 6.7. Throughout the Property Futures programme we have given particular focus to the culture and values of the service to ensure that these reflect the approach required to support the continued retention and development of our staff and achieve the right outcomes for our internal and external customers.
- 6.8. In parallel with the implementation phase of the Property Futures project, Property Services will continue to work closely with County Council colleagues, joint working partners and other public sector organisations to ensure the most effective use of the County Council's built estate. We continue to aim to shape and deliver innovative, financially advantageous and sustainable property and asset solutions.
- 6.9. We will continue to build on and seek new business opportunities with external clients where these support the delivery of public value within the Hampshire geographic area or generate additional income that is beneficial to the County Council. 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 the cost of managing its built estate.

7. Conclusion

- 7.1. 2017/18 was a challenging but ultimately successful year for Property Services. Once again, a balanced budget was achieved through robust income forecasting and strong financial management. Income from external sources remains at significant levels and there are positive indications of maintaining this through proactive business development. Alongside the substantial professional services we provide to shape, enable and deliver the County Council's key programmes of work we also continued to generate external income through joint working arrangements with a variety of partners and development and management of local and regional construction frameworks.

7.2. Having identified the convergence of a number of key factors with the potential for a significant impact on our business, we embarked on a significant and wide ranging review of our operating model to ensure that it has the agility and flexibility to respond to future challenges and opportunities. As we complete the implementation of the new model in 2018/19 we will ensure that we maintain robust financial management that drives efficiency and delivers revenue savings in line with the Transformation to 2019 targets.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</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.)

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:

An equalities impact assessment has /has not been considered in the development of this report as access requirements are always considered during the design stages of building maintenance projects and are often improved.

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 This is an update report which has no impact upon climate change.

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Buildings, Land and Procurement Panel
Date:	20 June 2018
Title:	Business Services Group – 2017/18 Annual Report and Accounts
Report From:	Director of Culture, Communities and Business Services

Contact name: Shaun Le Picq

Tel: 01962 846216

Email: shaun.lepicq@hants.gov.uk

1. Recommendation

That the Panel make the following recommendation to the Executive Member for Economic Development that:

- 1.1. The 2017/18 annual report and accounts for the Business Services Group be approved.

2. Executive Summary

- 2.1. The purpose of this paper is to provide Members with a summary of the financial and business performance of the three self-funding business units within the Culture, Communities and Business Services (CCBS) Department for the 2017/18 financial year. The report also includes an overview of the aggregated accumulated surpluses of these businesses.
- 2.2. The business units operate in a highly competitive environment and their continued strong trading performance is dependent on the success of their business development plans in retaining existing customer loyalty and winning new business.
- 2.3. The annual net trading surplus for the Business Services Group as a whole was £507,000 in 2017/18 compared to an original forecast of £563,000 and a revised forecast of £608,000. The reduced surplus was primarily as a result of a loss of school meals income due to unplanned school closures caused by adverse weather.
- 2.4. Overall, this is a very solid performance in difficult market conditions, which is evidenced by increasing inflationary pressures and funding constraints experienced by our public sector customers.

3. Contextual information

- 3.1. The self-funding business units which form part of the Business Services Group (BSG) in CCBS are:
- Hampshire County Council Catering Services (HC3S)
 - Hampshire Transport Management (HTM)
 - County Supplies (CS).
- 3.2. The 2017/18 Business Plans for these business units, which set out the financial targets and service objectives, were reported to the Panel at its meeting on 27 June 2017. This report outlines the actual performance against these plans during the last financial year.
- 3.3. The main aims of the business units are to provide good quality, value-for-money services to a wide range of internal and external customers, to be fully self-funding and to make a significant contribution to the County Council's corporate agenda.
- 3.4. BSG's primary trading focus is with the education sector which accounts for just over 80% of turnover. Whilst trading is mainly with customers in Hampshire, Portsmouth and Southampton, the customer base does extend into Berkshire, Dorset (including Bournemouth and Poole), the Isle of Wight, West Sussex and Wiltshire.

4. Finance

- 4.1. The 2017/18 final accounts for each business are shown in Appendix 1 together with a summary for BSG as a whole. Total business turnover (income) in 2017/18 was £53.9 million, which is an increase on the previous year of £791,000 (1.5%). Although income was £392,000 (0.7%) below the target of £54.3 million, the Group delivered a net trading surplus of £507,000 (0.9% of turnover). As self-funding business units, BSG covers all of its operating costs, which includes a contribution of just under £800,000 (1.5% of turnover) in 2017/18 for relevant corporate and departmental overheads.
- 4.2. The most significant variations against the revised trading forecasts relate to a loss of primary school meals income of £560,000 due to unplanned school closures caused by snow (which accounted for a loss in net contribution of approximately £100,000) and a reduction in primary school meals take-up, which was partly off-set by a managed reduction in costs of £326,000.
- 4.3. Table 1 below shows the annual surpluses generated by the business units over the last five years.

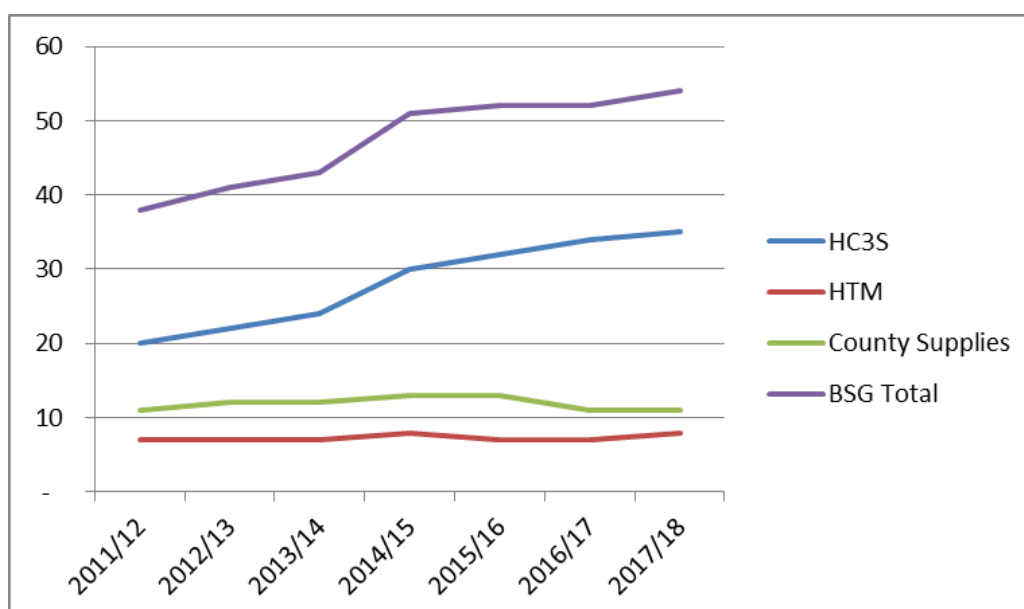
Table 1 – Annual Trading Surplus / (Deficit) 2013/14 to 2017/18

Business Unit	Actual 2013/14 (£000s)	Actual 2014/15 (£000s)	Actual 2015/16 (£000s)	Actual 2016/17 (£000s)	Actual 2017/18 (£000s)
HC3S	70	789	591	55	7
HTM	35	1	321	266	183 ¹
County Supplies	291	331	342	516 ²	317
Total Surplus	396	1,121	1,254	837	507
% of income	0.9%	2.2%	2.4%	1.6%	0.9%

4.4. The lower surplus for HC3S that was experienced in 2013/14 was due to higher than planned food and wage costs and investment in the catering facilities at Countryside and other non-educational sites. The higher surpluses in 2014/15 and 2015/16 were due to higher overall turnover primarily from the Government’s Universal Infant Free Schools Meals (UIFSM) funding programme. The lower surplus for HC3S in 2016/17 was due to the increased wage costs relating to the National Living Wage and a higher than average national pay award for Grade A staff (catering assistants). HTM’s higher than average surpluses from 2015/16 onwards are due to an increase in business from external customers.

4.5. The graph below shows the increase in turnover for the three business units (and BSG as a whole) over the last five years, rising by 42% in that period. This demonstrates a steady increase in turnover year on year. The slight reduction in County Supplies’ turnover from 2015/16 relates to the Corporate Procurement service moving from County Supplies in CCBS to the Strategic Procurement Team in Corporate Services.

Annual Turnover (£m) for the Business Units 2011/12 to 2017/18



¹ Net of a transfer to Accumulated Surpluses of £340,000 to cover final year capital charges.

² The surplus includes a one-off stock accounting adjustment of +£144,000.

4.6. The accumulated surpluses of the businesses provide a strategic reserve that help protect the County Council from financial risk in the event of adverse trading conditions or unforeseen events and makes it possible for the businesses to invest in new activities and improving services. BSG's accumulated surpluses form part of the County Council's overall reserves. The 2017/18 movements on the accumulated surpluses for the businesses are shown in table 2 below:

Table 2 – Accumulated Surpluses (£000s)

Surplus as at 01/04/17	5,346
Business unit results 2017/18	507
HTM surplus for 2017/18 relating to final year capital charges	340
Depreciation, interest and finance	150
Spending from surpluses	(214)
Closing balance as at 31/03/18	6,129

4.7. The accumulated surpluses increased by £783,000 (15%) during 2017/18 to £6.13 million. £340,000 of this increase related to income for new contract hire vehicles which needs to be set aside in the accumulated surplus to cover capital charges which will be incurred by HTM in the year after the contracts have ended, when no income will be received. Of the £214,000 drawn down from the accumulated surpluses in 2017/18, £19,000 was contributed to the Community Hubs Transformation Programme (which is the County Council's cross-cutting programme led by CCBS) and £195,000 related to HC3S's investment in four secondary school catering contracts.

4.8. Appendix 2 shows the details of the forecast balance on the accumulated surpluses by March 2019, which is estimated to reduce by £114,000 to just over £6 million. This is due to the required investments set out in the 2018/19 business plans to ensure the continued success of the business units as noted by Panel at its meeting on 29 March 2018. Taking account of future potential commitments and earmarks totalling £2.7 million, there is currently an unallocated balance in the accumulated surpluses of just under £3.3 million.

4.9. HC3S manages delegated catering budgets on behalf of schools through buy-back arrangements and a Service Level Agreement (SLA) which had an annual value of £2.1m in 2017/18. The SLA provides a commitment that surpluses on these budgets will be used for the benefit of the school catering service in the form of improvement projects and investment in new and replacement equipment. The balance of these funds does not form part of BSG's accumulated surpluses. The opening balance of these funds for 2017/18 was £147,221. HC3S used £52,284 from this reserve to improve services at Shamblehurst Primary, Grayshott CE Primary, Bentley CE

Primary, Four Marks CE Primary and Kempshott Junior Schools. In addition to these projects, HC3S invested £16,087 from its 2017/18 trading account in kitchen and equipment improvements at Woodcot Primary and Calmore Infant Schools.

5. Performance

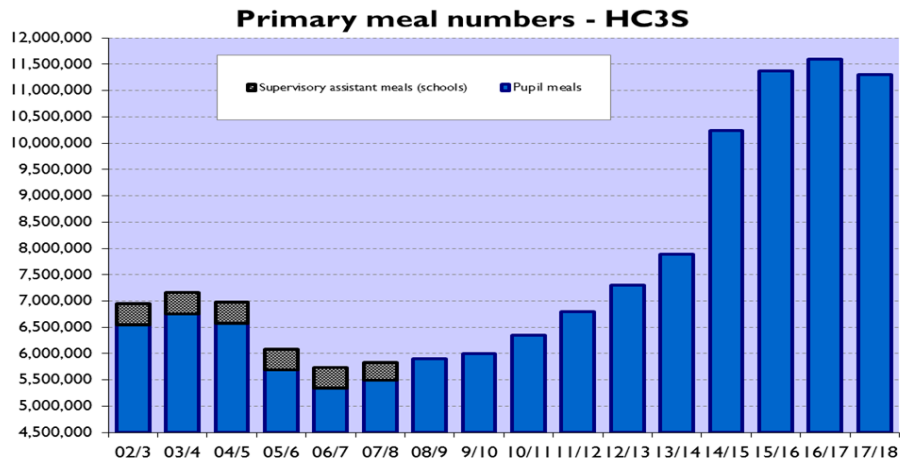
5.1. BSG's actual performance against the main target key performance indicators for 2017/18 is shown in table 3 below.

Table 3 – Key Performance Indicators 2017/18

Key Performance Indicators - Targets and Actuals for 2017/18			
	Targets	Actuals	Variance
	2017/18	2017/18	
<u>HC3S</u>			
Primary school pupil meals take-up	59.4%	57.8%	-1.6%
Primary school food cost per meal	£0.90	£0.90	0
Unit labour cost as % of income	44.4%	45.9%	+1.5%
<u>HTM</u>			
Pool car utilisation	90%	89.1%	-0.9%
Fleet downtime	1%	0.5%	-0.5%
Fleet size (schools and external customers)	130	294	+164
Contract hire conversion rate (quotes to orders)	60%	49.1%	-10.9%
<u>County Supplies</u>			
Stores turnover	£9.9m	£9.7m	-£0.2m
Stores purchase price inflation	0.65%	1.47%	+0.82%
Service levels - Top 400 lines	98%	99.2%	+1.2%
Deliveries on due day	98.5%	99.5%	+1.0%

5.2. HC3S successfully achieved the target for primary school cost per meal of 90 pence. The unit labour cost was 1.5% above target due to higher than budgeted employer's pension contribution costs and reduced income. The percentage meal take-up and the total number of meals provided in primary schools fell below target. This reduction was caused by the unplanned school closures due to adverse weather and also a pressure on household incomes.

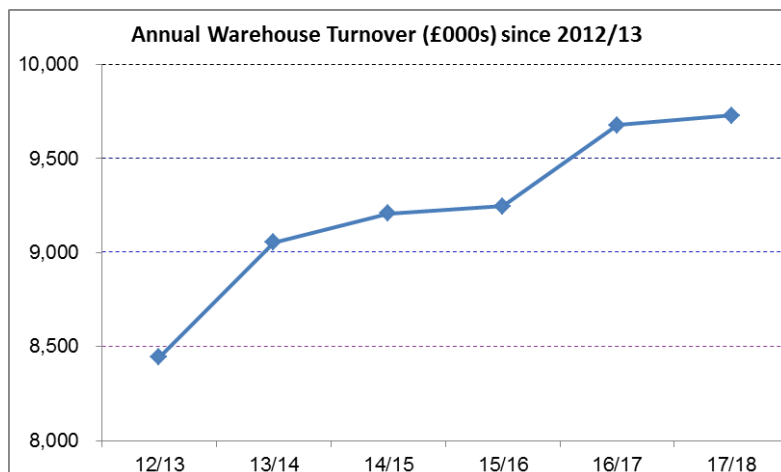
5.3. 11.29 million primary school meals were provided in 2017/18 compared to 11.59 million in the previous financial year and 11.37 million in 2016/17. 2017/18 has therefore seen a reversal of the upward trend in meal numbers since 2006/07 as illustrated in the graph below.



5.4. In light of this reduction in meal numbers, HC3S will focus on encouraging meal take-up through targeted publicity and marketing, especially through social media, which emphasises HC3S’s aims of providing high quality and nutritious meals, locally sources food and competitive pricing.

5.5. The size of the HTM fleet was much higher than originally planned due to the new business for the supply of vehicles (and associated equipment) to the Hampshire Highways Services Contract and HTM’s success in winning new business with a number of other new external customers and schools. Despite this significant increase in the number of vehicles supplied, the contract hire conversion rate (49.1%) was lower than the target of 60%. This was a new KPI for 2017/18 and HTM will carry out some further research in 2018/19 into both the reasons for the unsuccessful quotes and whether the target is in line with the industry norm.

5.6. County Supplies continued to perform above target for deliveries on due day and service levels. Inflation on purchase prices increased higher than target though this inflationary increase was considerably lower than RPI, due to proactive management of, and negotiation on, any price increases within the supply chain. Warehouse turnover was slightly (2%) below target, which reflects the public sector funding pressures experienced by customers. However, the turnover for 2017/18 was £53,000 higher than the previous year and continued the upward trend since 2012/13 as shown in the graph below.



6. Other Key Issues

Hampshire County Council Catering Services (HC3S)

6.1. In addition to generating £24.4 million of income in Hampshire primary schools, HC3S maintained a portfolio of customers in other sectors and achieved income from:

- secondary schools of £3.9 million
- schools outside Hampshire of £1.7 million
- non-school sites of £4.2 million.

6.2. As shown in table 4 below, in 2017/18 HC3S also returned just over £139,000 to secondary schools and the financial payback to other County Council services from HC3S's catering operations in non-schools sites amounted to £222,066.

Table 4 – Financial Payback to Services from HC3S in 2017/18

Site / Service	Catering Payback 2017/18
Countryside Service	£107,000
Sir Harold Hillier Gardens	£92,853
Calshot Activity Centre	£12,213
Library Service	£10,000
Total for Hampshire County Council Services	£222,066
Secondary Schools	£139,211
Total payback to customers	£361,277

6.3. The number of catering contracts and service level agreements remained relatively static during 2017/18. HC3S started one new contract and three others were renewed in the secondary school sector, 22 contracts with Wiltshire primary schools were extended and three contracts with Hampshire schools ceased. A new cafe was opened in Fareham Library in May 2017 and the loss-making café servery in Basingstoke Discovery Centre was closed in March 2018.

6.4. HC3S recently achieved the Soil Association's *Food for Life Served Here* Bronze award for all primary schools. HC3S was also re-accredited by the Hyperactive Children's Support Group (HACSG). This accreditation is reviewed annually and confirms the removal of specific additives from primary school meals (HC3S was first accredited by HACSG in 2005). A Gold *Eat Out, Eat Well* award was gained for the café at Titchfield Haven National Nature Reserve and Allergy UK accredited the EII Restaurant and Coffee Shop and the catering facilities at Sir Harold Hillier Gardens under its *Allergy Aware* scheme. HC3S staff achieved success at the Lead Association for

Catering in Education's national *Finishing Touches* competition, winning 'Best in Show' and eleven other awards across three classes.

- 6.5. HC3S provided apprenticeship training opportunities for 54 catering staff in 2017/18, accessing £106,000 of apprenticeship levy funding to undertake the following staff development programmes:
- Level 2 Food Production and Cookery
 - Level 2 Team Leading
 - Level 3 Hospitality Supervision and Management.

Hampshire Transport Management (HTM)

- 6.6. HTM exceeded its income targets for all the services provided during 2017/18, primarily due to gaining new and additional business with external customers and schools. Despite the inflationary pressures experienced within the fleet industry during 2017/18, HTM held contract hire prices for the existing fleet for the seventh consecutive year and reduced short term hire costs as a result of internal efficiency savings.
- 6.7. HTM employed six apprentices across the business and, in addition, provided four traineeship placements and three work experience placements in its workshops during 2017/18. HTM continues to work closely with County Council colleagues and schools on the Home to School Transport 'spend to save' initiative. Through the successful provision of an additional three vehicles in 2017/18, the Home to School Transport budget will make estimated recurring savings of £125,000 a year.

County Supplies (CS)

- 6.8. CS achieved its highest ever warehouse turnover in 2017/18 of £9.73 million and also generated income from rebates on direct delivery framework agreements and contracts of £1.178 million, which was £48,000 (4%) above target. Although warehouse turnover was slightly below target, CS continued to perform well in the market compared to its competitors. Whilst CS increased its total turnover by 0.6% in 2017/18 compared to the previous financial year, Hampshire schools spend with CS's key competitors reduced by 17.5% in the same period.
- 6.9. During 2017/18, CS successfully expanded its portfolio of direct delivery framework agreements for schools to include education catering (school meals), which was awarded to 13 suppliers (including HC3S). This framework is for use by schools which choose not to sign up to the school meals service level agreement with HC3S and wish to go out to competition in the market. It is also open for use by all Academies and Colleges in Hampshire. This service generated £28,800 of new and additional income for the business unit in 2017/18 and it is planned to grow this income further in future years.

7. Future direction

- 7.1. The performance of all three business units in 2017/18 continues to remain strong in spite of ever growing trading pressures in the market from a combination of increasing cost pressures and reducing customer spend as a

result of both public sector financial constraints and a squeeze on household incomes.

- 7.2. As previously reported to Members, BSG's business development plans, which focus on customer retention, winning new business and expanding into new customer sectors are critical to its on-going success in what is a highly competitive marketplace.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision to enable the business units to demonstrate appropriate reporting mechanisms and operate on a self-funding basis within the County Council's financial regulations.

Other Significant Links**Links to previous Member decisions:**

<u>Title</u>	<u>Date</u>
Business Services Group – 2016/17 Annual Report and Accounts	27 June 2017
Business Services Group – Business Plans 2017/18	27 June 2017
Business Services Group – Business Plans 2018/19	29 March 2018

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:

- 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 outlines the financial position of the Business Services Group for 2017/18 and therefore an Equalities Impact Assessment has not been considered necessary in the development of this report as it is not proposing any changes to current service provision and therefore will have no impact on groups with protected characteristics

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 Business Services Group for 2017/18.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

There is no impact.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The proposals in this report do not need to adapt to climate change.

CCBS Business Services Group
Final Accounts 2017/18

Business Services Group			
	Target	Actual	Difference
2017/18 Final Accounts	£'000	£'000	£'000
Income	54,267	53,875	(392)
Direct Costs	49,099	49,176	77
Contribution	5,168	4,699	(469)
Overheads	4,605	4,192	(413)
Surplus/(Deficit)	563	507	(56)

Trading surplus as a % of income: 0.9% (1.6% in 2016/17)

Hampshire County Council Catering Services (HC3S)			
2017/18 Final Accounts	Target	Actual	Difference
	£'000	£'000	£'000
Income			
Sale of meals	34,951	34,520	(431)
Other	301	142	(159)
Total Income	35,252	34,662	(590)
Direct Costs	33,098	33,158	60
Contribution to overheads	2,154	1,504	(650)
Overheads	1,896	1,497	(399)
Surplus/(Deficit)	258	7	(251)

Trading surplus as a % of income: 0.02% (0.2% in 2016/17)

Hampshire Transport Management (HTM)			
2017/18 Final Accounts	Target	Actual	Difference
	£'000	£'000	£'000
Income			
Contract Hire	3,520	3,716	196
Other	4,045	4,137	92
Total Income	7,565	7,853	288
Direct Costs	6,404	6,510	106
Contribution to overheads	1,161	1,343	182
Overheads	1,151	1,160	9
Trading Surplus/(Deficit)	10	183	173
Surplus/(deficit)	10	183	173

Trading surplus as a % of income: 2.2% (3.6% in 2016/17)

County Supplies			
2017/18 Final Accounts	Target	Actual	Difference
	£'000	£'000	£'000
Income			
Stores turnover	9,850	9,730	(120)
Retrospective rebates	1,130	1,178	48
Other	470	452	(18)
Total Income	11,450	11,360	(90)
Direct Costs	9,597	9,508	(89)
Contribution to overheads	1,853	1,852	(1)
Overheads	1,558	1,535	(23)
Trading Surplus/(Deficit)	295	317	22

Trading surplus as a % of income: 2.8% (4.6% in 2016/17)

**Business Services Group (HC3S, HTM, County Supplies)
Estimated Accumulated Surpluses (Reserves)**

Balance at 1 April 2017	5,346
2017/18 Actuals	
BSG trading surplus 2017/18	507
HTM surplus for 2017/18 relating to final year capital charges	340
BSG depreciation & capital charges	150
HC3S kitchen and servery improvements / investments	(195)
Community hubs / locality working	(19)
	<hr/>
Balance at 31 March 2018	6,129
Earmarks and Commitments 2018/19	
Forecast BSG trading surplus 2018/19	559
BSG depreciation & capital charges	141
County Supplies warehouse scanning software	(200)
HC3S mobile electronic catering administration system	(230)
HC3S kitchen and servery improvements / investments	(360)
Balance of community hubs / locality working	(24)
	<hr/>
Forecast Balance at 31 March 2019	6,015
Further Earmarks and Commitments	
- BSG contingency (1.25% of income)	(717)
- HTM Petersfield workshop refurbishment	(800)
- HTM provision for final year capital charges	(340)
- Bar End site roof replacement	(200)
- HC3S equipment replacement (Countryside and HQ)	(50)
- HC3S mobile electronic catering - devices refresh	(175)
- CRM system - full implementation	(234)
- CCBS investment projects	(222)
	<hr/>
Unallocated Balance	3,277