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NOTICE OF MEETING

Meeting	Buildings, Land and Procurement Panel
Date and Time	Tuesday, 8th October, 2019 at 10.00 am
Place	Mountbatten Room, EII 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 5 - 10)

To confirm the minutes of the last meeting held on 26 March 2019.

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 BUSINESS REVIEW (Pages 11 - 44)

To receive a report and presentation from the Director of Culture, Communities and Business Services on Property Services' performance and financial outturn for 2018/19 and priorities for 2019/20 and beyond.

7. MANAGING HAMPSHIRE'S BUILT ESTATE (Pages 45 - 56)

To consider a report of the Director of Culture, Communities and Business Services giving an update on progress made in 2019 towards managing Hampshire's Built Estate.

8. PROPERTY SERVICES: MAJOR PROGRAMMES UPDATE (Pages 57 - 66)

To consider a report of the Director of Culture, Communities and Business Services giving an update on a number of key programmes of work being undertaken by Property Services.

9. ENERGY AND CARBON MANAGEMENT ACTIVITIES UPDATE (Pages 67 - 76)

To consider a report of the Director of Culture, Communities and Business Services giving an update on progress made in reducing the County Council's carbon emissions and the ongoing programmes of work to achieve this.

10. BUSINESS SERVICES GROUP - 2018/19 ANNUAL REPORT AND ACCOUNTS (Pages 77 - 94)

To consider a report of the Director of Culture, Communities and Business Services providing a summary of the financial and business performance of the Business Services Group.

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.

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Agenda Item 3

AT A MEETING of the Buildings, Land and Procurement Panel of HAMPSHIRE COUNTY COUNCIL held at The Castle, Winchester on Tuesday, 26th March, 2019

Chairman:

* Councillor Mel Kendal

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|---|----------------------------------|
| * Councillor Bill Withers Lt Col (Retd) | * Councillor Rhydian Vaughan MBE |
| Councillor Adrian Collett | * Councillor Jackie Porter |
| Councillor Andrew Gibson | |
| * Councillor Keith House | |

*Present

60. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Adrian Collett. Councillor Jackie Porter attended in his place as the Liberal Democrat substitute.

61. 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.

62. MINUTES OF PREVIOUS MEETING

The minutes of the last meeting were agreed, subject to the removal of those substitute members (Councillors Cooper, Joy and Porter) who were not required to attend on this occasion, and were subsequently signed by the Chairman.

63. DEPUTATIONS

There were no deputations on this occasion.

64. CHAIRMAN'S ANNOUNCEMENTS

The Chairman announced that the following projects have been shortlisted for a number of accolades in local, regional and national awards:

- The Royal Institute of British Architects (RIBA) annual awards have selected The Lookout at Lepe and Whitchurch Silk Mill for shortlisting. Results will be announced in June 2019

- Reading Abbey, The Lookout, Lepe and Whitchurch Silk Mill have been selected for the Royal Institute of Chartered Surveyors South East awards to be announced in May this year
- The Lookout has also been shortlisted for a New Forest National Park Design Award to be announced on the 28 March
- The D-Day Museum for Portsmouth City Council has been nominated for two awards – the Museum and Heritage award and the European Museum of the Year awards. The outcome of both will be announced in May 2019

Members will be pleased to note that many of these projects are for external clients demonstrating our Property Services experience in securing and delivering successful projects for other public sector organisations.

65. THE WORK OF PROPERTY SERVICES

The Panel received and noted a presentation on the work of Hampshire County Council's Property Services (a copy of the presentation is included in the Minute Book as Item 6).

The Director gave an overview of the work of the County Council's Property Services which looks after, amongst other things, 10,000 buildings on some 1,000 sites and 2,000 hectares of farms.

Members were shown designs undertaken by Property Services of developments at various stages of completion including:

- East Anton South Primary School
- The Butts Primary School
- North Baddesley Infant School
- Park Community School
- Reading Abbey Ruins
- Royal Victoria Country Park Chapel
- Whitchurch Silk Mill

66. DELIVERING FREE SCHOOLS IN HAMPSHIRE

The Panel received and noted a presentation on the County Council's delivery of free schools in Hampshire (a copy of the presentation is included in the Minute Book as Item 7).

The Director explained the different processes gone through to building free schools with funding direct from the Department of Education. So far, the County Council had been commissioned to deliver 3 new free schools in Hampshire.

The presentation included showing designs and locations of several free schools including the secondary school being established in Botley to be known as Deer Park.

67. PROPERTY SERVICES: MAJOR PROGRAMMES UPDATE

The Panel considered a report of the Director of Culture, Communities and Business Services giving an update on major programmes being progressed within Property Services (Item 8 in the Minute Book).

The Director highlighted the main points of the report including giving an update on progress made with the Three Minsters House building following the fire. Members were made aware that it was anticipated that the building would be ready for reoccupation in the Summer.

RESOLVED:

1. That the Panel notes the progress of each of the programmes.
2. That the Panel recommends to the Executive Member for Policy and Resources that the project appraisal for the Elizabeth II Court South Heating Improvement Works project, to be funded from the Policy and Resources Energy Performance Programme budget be approved at an estimated value of £355,000.

68. MANAGING HAMPSHIRE'S BUILT ESTATE

The Panel considered a report of the Director of Culture, Communities and Business Services on proposals for the County Council's repair and maintenance programmes and budget allocations for 2019/20 (Item 9 in the Minute Book).

During discussion, Members heard that the projects and programmes of work shown in the report total around £43 million of capital and revenue investment in the repair and maintenance of schools and corporate buildings in Hampshire. This was funded through a combination of local resources, school contributions and government grant.

The Chairman asked who held the responsibility for the management of legionella in Academy Schools. It was reported that the Director of Children's Services had written to the Department for Education for clarification but no response had been received as yet.

RESOLVED:

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

1. Approve the proposal to carry forward the balance of the landlord repairs and School Condition Allocation budgets 2018/19 that are not expended by year end to 2019/20 to meet the commitments made against these budgets.

2. Approve the Landlord's corporate estate repair and maintenance programme for 2019/20 as set out in Appendix E.
3. Approve the planned schools revenue and Schools Condition Allocation (SCA) programmes for 2019/20 as set out in Appendix F.
4. Note the progress made to reduce health and safety risks and the maintenance liability in the corporate estate in the context of the available budgets.
5. Note the progress in addressing the health and safety risks and condition liabilities in the school estate and the continuing maintenance pressures arising from the system buildings of the 1960s and 1970s.
6. Note the projected 2018/19 budget outturn position for reactive and planned repairs budgets.

69. HAMPSHIRE COUNTY COUNCIL ENERGY SUPPLY CONTRACTS

The Panel considered a report of the Director of Culture, Communities and Business Services on energy supply contracts for the County Council (Item 10 in the Minute Book).

Members noted that the current framework, with Laser, for the supply of electricity and gas used by the Council and its partners, including schools, Fire, Police and a number of other Local Authorities since 2016 was due to expire in September 2020.

The new framework would allow the Property Services energy team to continue developing strategic relationships with the selected suppliers and to investigate innovative ways of reducing carbon emissions and energy consumption.

RESOLVED:

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

that a contract is let with Laser (a public sector energy buying organisation) for the supply of electricity and gas using the new enhanced supply framework for the period 2020-2024. The annual spend is estimated to be in the order of £20 million for Hampshire County Council and its partners.

70. STRATEGIC PROCUREMENT AND COUNTY SUPPLIES CONTRACTING ACTIVITY AND APPROVALS FOR 2019/20

The Panel considered a report of the Director of Transformation and Governance – Corporate Services on various procurement contracts for the County Council (Item 11 in the Minute Book).

The Director gave details on each of the procurement contracts requiring approval which were:

- Fuel Cards and Ancillary Services for Hampshire Transport Management
- Provision of Insurance Services
- Membership, Booking and Electronic Point of Sale
- Provision of Cleaning Services for Non-Educational Establishments

In relation to the Cleaning Services, Members were made aware of further details being provided in the exempt appendix later on the agenda.

RESOLVED:

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

That spend approval, as appropriate, be given for the contracts as detailed in Appendix 1 of the report.

71. EXCLUSION OF THE PRESS AND PUBLIC

The public were excluded from the meeting during the following items 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 reports.

72. STRATEGIC PROCUREMENT AND COUNTY SUPPLIES CONTRACTING ACTIVITY AND APPROVALS FOR 2019/20 (EXEMPT APPENDIX)

The Panel considered and noted the exempt appendix in relation to Item 11 on the agenda (Item 13 in the Minute Book).

73. BUSINESS SERVICES GROUP - BUSINESS PLANS 2019/20

The Panel considered an exempt report of the Director of Culture, Communities and Business Services regarding the 2019/20 Business Plans for the Business Services Group (Item 14 in the Minute Book).

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 recommendations to the Executive Member for Economic Development:

- 1) That the 2019/20 business plans for the Business Services Group be approved.

- 2) That the planned application of funds in the accumulated surpluses of the Business Services Group as set out in paragraphs 4.6 and 4.7 and Appendix 1 be noted.
- 3) 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,

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Buildings, Land and Procurement Panel
Date:	08 October 2019
Title:	Property Services Business Review 2018/19
Report From:	Director of Culture, Communities and Business Services

Contact name: Steve Clow

Tel: 01962 847858

Email: steve.clow@hants.gov.uk

Purpose of this Report

1. The purpose of this paper is to provide an overview of Property Services' performance and financial outturn position for 2018/19, update on the implementation of Property Services new operating model and reflect on business strategy priorities for 2019/20 and beyond.

Recommendations

2. That the Panel notes the successful outturn for Property Services in 2018/19 and the implementation of its new operating model as part of the Property Futures transformation programme. This ensures that the service continues its strong performance and has the ability to:
 - respond to ongoing and emerging County Council priorities;
 - deliver effective services to schools, Police and Fire under the respective shared services arrangements;
 - generate external income to maintain capacity and skills and make a substantial contribution to overheads.

Executive Summary

3. Property Services had another successful year in 2018/19 achieving a balanced budget position across more than £40m of expenditure within the Property and Facilities function. The Service also delivered in excess of £50m of repairs and maintenance expenditure across schools and the HCC corporate estate through funding held within the Policy & Resources capital and revenue budgets. Significant progress was also made on the County Council's strategic land programme.
4. In addition, Property Services delivered key programmes of work on behalf of other HCC departments, including Children's Services and Adult Health and Care, and provided professional services to a range of external clients including schools, Police, Fire and other local authorities generating additional fee income and making a significant contribution to overheads.

5. The restructure of Property Service's teams was completed at the end of the 2018/19 financial year, fully integrating previously separate services into a new operating model, reducing resource levels in line with future income forecasts and funding levels and ensuring that the service is in a strong position to continue to respond to challenges and capitalise on new opportunities that align with the County Council's strategic priorities.

Contextual information

4. The 'Business Review 2017/18' report presented to the Panel in June 2018 set out Property Services' financial outturn position for 2017/18 and identified a slight reduction in workload following the significant growth in workload and services between 2011/12 and 2014/15. This was driven primarily by the need to provide additional school places both within Hampshire and across neighbouring authorities.
5. In January 2016 the Panel was provided with an overview of the Property Services' Business Plan 2015 to 2020 which includes financial forecasts for the 5 year period from 2015 to 2020. The Business Plan recognised that there was considerable uncertainty about workload, particularly beyond 2018 with an anticipated reduction in the County Council's capital programme driven mostly by a slower pace of demand for new school places.
6. Subsequent reviews of the forward capital programme confirmed a reduction in the Children's Services capital programme. This, coupled with the further revenue reductions required under the County Council's Transformation programmes, informed the objectives and scope of the Property Futures review and transformation programme. There are clearly risks in responding to the fluctuations of workload. The service sets targets for future income based on the knowledge of the Councils and external clients published capital programmes, intelligence directly from service departments and involvement in the early feasibility of new work programmes. Resources can also be tailored to meet future demand by varying the input from the private sector partners. The service has balanced income and costs over many years which gives confidence of future business management.

Key achievements 2018/19

7. In 2018/19 Property Services continued to deliver significant programmes of work and professional services to both internal and external customers and clients. Key achievements include:
 - Significant progress on the strategic land programme, bringing forward County Council land for development in a range of key locations across the County. These include Botley, Whitehill & Bordon, Eastleigh and, most significantly, Manydown in Basingstoke, where the procurement of a private sector partner to work with HCC and Basingstoke and Deane Borough Council was undertaken during 2018/19 alongside the submission of an outline planning application for the development.
 - Delivery of major programmes of capital investment for the County Council. These include new housing for adults with disabilities in support of the ongoing Adult Health and Care transformation strategy, provision of

additional school places through new and expanded schools and new and major building projects at Lepe and Royal Victoria Country Parks in support of the Country Parks transformation programme.

- Engagement with and support to Adult Health and Care on their priorities for 2019 and beyond.
 - Delivery of significant facilities management and maintenance programmes for schools, HCC corporate buildings, The Office of the Police and Crime Commissioner (OPCC) and Hampshire Fire and Rescue Service (HFRS).
 - Continued improvements to the management of fire and legionella risks within both the schools and corporate built estates.
 - Management and delivery of an ongoing programme of change within the corporate office portfolio to increase utilisation, deliver savings and accommodate growth and operational changes within service areas. This includes delivery of reinstatement and improvement works following the 2017 fire in Three Minsters House.
 - Continued delivery of a programme of carbon reduction and energy saving measures across the estate including investment in electric vehicle charging infrastructure and major programmes of LED lighting replacement.
 - Continued custodianship of the corporate estate, ensuring the effective management and delivery of key services such as County Farms and Gypsy and Traveller Service.
 - Ensuring compliant occupation of buildings by HCC and its tenants supported by the acquisition, re-use and disposal of assets in line with operational service needs and good financial management.
 - The ongoing management and re-procurement of key supplier arrangements, including the Southern Construction Framework for major construction projects for public sector bodies across the south of England working in partnership with Devon County Council. Also contract management of significant corporate and partner contract arrangements such as waste collection services.
 - A number of national and regional awards and commendations including awards for the Lookout at Lepe Country Park and Whitchurch Silk Mill.
8. In addition, Property Services undertook a major restructure of its teams following a significant review and redesign of its operating model under the Property Futures transformation programme initiated in 2017 as detailed below.

Property Futures Transformation

9. Property and Facilities Services now comprises in excess of 450 staff covering a broad range of property and construction related professions including architecture, building surveying, cost management, engineering, estates surveying, planning and urban design, development, interior design, landscape architecture and facilities management and programme and project management. This broad skill base is complemented by staff with key business skills that ensure that we can manage the business effectively and work closely with the central corporate teams on issues such as finance and budget management, IT and systems, transformation and procurement.

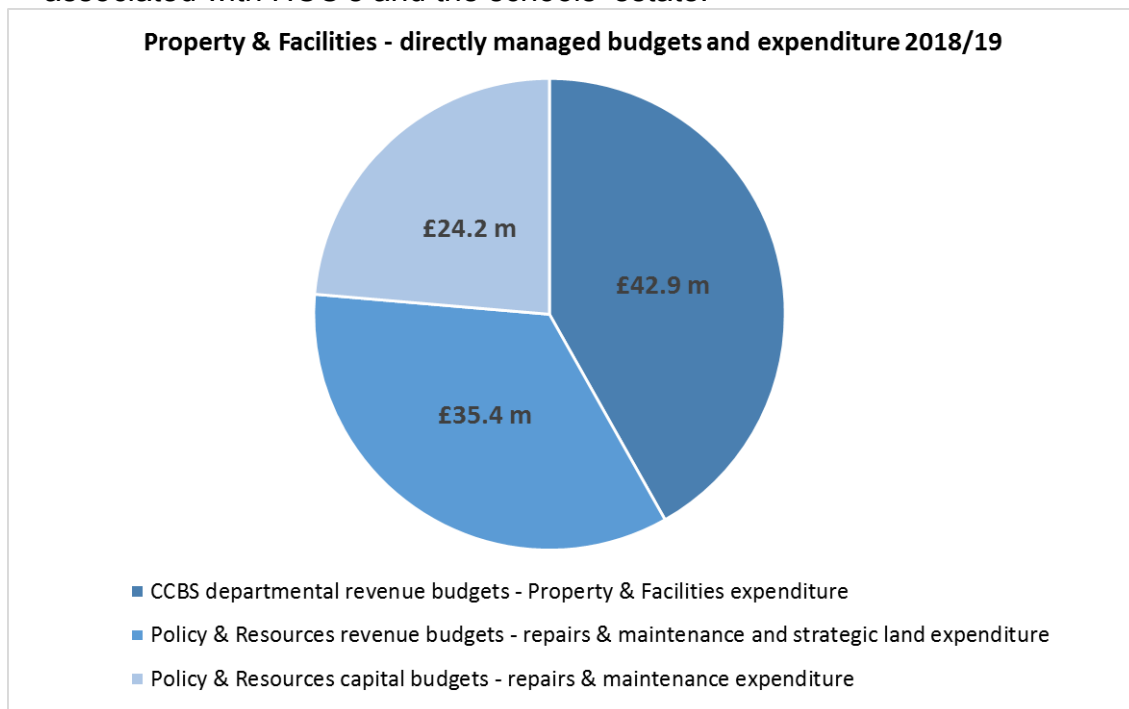
10. Early in 2017 a review of the challenges and opportunities for Property Services identified the convergence of a number of key internal and external drivers that would, or had the potential to, impact on the scope and scale of services we deliver. These included:
 - The integration of the office accommodation (previously Workstyle) and Facilities Management (FM) functions with Property Services as part of the Transformation to 2017 programme;
 - A forecast reduction in both capital fee income and revenue funding levels beyond 2019 due to a reduction in the Children's Services' capital programme and the revenue savings for 2019 and beyond;
 - The impact of the Government's academy and free school policy approach and the DfE'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.
11. From this review, a new operating model was designed for Property Services' under the Property Futures transformation programme. The aim was 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. The restructure of the teams was completed in Spring 2019 to bring together all the functions of Property Services into a single integrated service built around the asset life cycle.
12. By designing and implementing a new operating model for Property Futures, we have sought 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 added to the portfolio;
 - Maximise on opportunities for income generation and efficiency to contribute to transformation savings for 2019 and beyond;
 - Gain financial security for the future;
 - Provide challenging and rewarding careers in order to recruit and retain staff.
13. Throughout the Property Futures programme we have given particular focus to the culture and values of the service. This reflects the approach required to support the continued retention and development of our staff and achieve the right outcomes for our internal and external customers and partners.
14. In parallel with the implementation phase of the Property Futures project, Property Services has continued 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.

15. We have also continued to 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 ensures that we maintain the breadth and depth of skills and capacity within the service and continue to make a significant contribution to overheads. This reduces the overall cost of the service to the County Council and the cost of managing its built estate.

Financial Analysis – Property & Facilities

16. Property Services is directly responsible for the management of a number of budgets within the CCBS departmental revenue budget and the Policy & Resources revenue and capital budgets totalling in excess of £100m of expenditure in 2018/19. Some of these budgets fund resources within Property Services while others fund works, services and asset management costs associated with HCC's and the schools' estate.



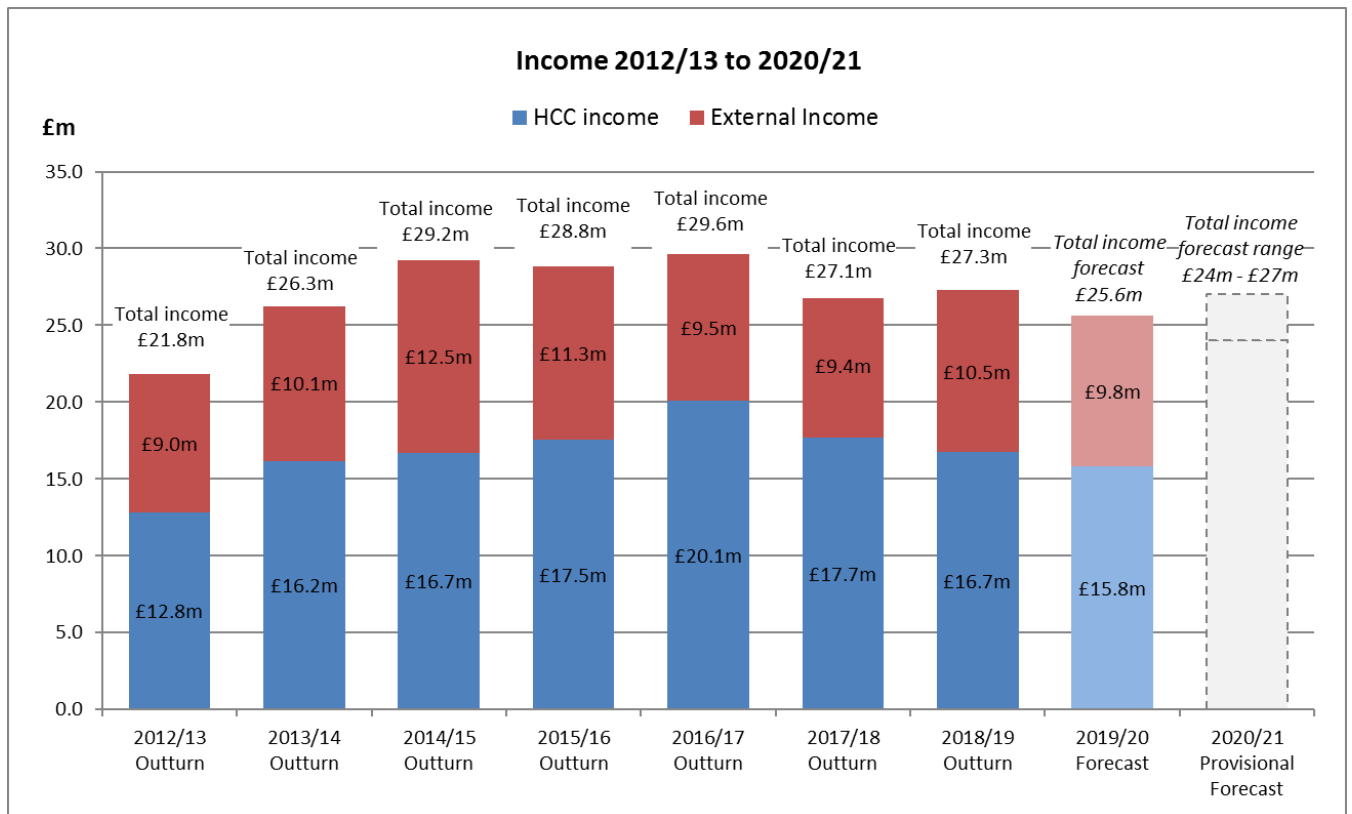
17. Within the Property and Facilities branch of the CCBS departmental budget, total expenditure in 2018/19 was £42.9m. Just under £11.5m (26.8%) was met through direct revenue funding for the service with the remaining £31.4m (73.2%) met from income associated with the delivery of HCC's capital and revenue programmes and income for professional services delivered to partners and external clients including schools, academies and Police and Fire.
18. £28m of this expenditure related to resource costs, which includes both HCC staff and private sector partner resources. This includes staff and resource within the previously separate services such as FM and Workstyle and teams that operated as standalone business units, such as Print & Document Service and Caretaking Support Service.

19. A further £8.7m of expenditure within the CCBS departmental budget relates to rent, rates and utilities costs for assets managed within the corporate office and 'direct services' budgets, which includes the County Farms, Development Account (including Segensworth industrial estate) and Gypsy and Traveller Service asset portfolios. Significant income is generated from lease arrangements across these portfolios to cover costs and provide a net income back to the County Council in excess of £1million per annum.
20. Within the wider Policy & Resources budgets, Property Services was responsible for the management, prioritisation and delivery of £35.4m of revenue expenditure. This included £29.4m of revenue repairs and maintenance across maintained schools, academies and HCC's non schools estate. £16m of this was funded through schools' revenue contributions to the pooled resources arrangement and academies' joint working agreement. A further £6m of expenditure relates to the delivery of the County Council's strategic land programme, securing of capital receipts and completion of feasibility work associated with the wider capital programme.
21. A further £24.2m of Policy & Resources capital funding, including £22.2m of Schools Condition Allocation (SCA) grant funding, was spent on delivery of capital repairs and maintenance work and energy saving programmes.

Property Services main budget

Income

22. Total income within the main Property Services budget was £27.3 million in 2018/19. This is similar to 2017/18 on a like for like basis to figures presented in previous years (which exclude the Workstyle and Facilities Management functions). This is lower than the previous 3 years, 2014/15 to 2016/17, when income peaked due to the increased level of the schools' capital programme delivered on behalf of both HCC and a number of external clients.
23. Income from internal clients and programmes of work accounted for £16.7m of income, £1million less than in 2017/18. A further £10.5m of income was secured from external clients including SLA and joint working arrangements with maintained schools, academies, Police, Fire and Reading BC. This is a higher level of external income than in 2017/18.

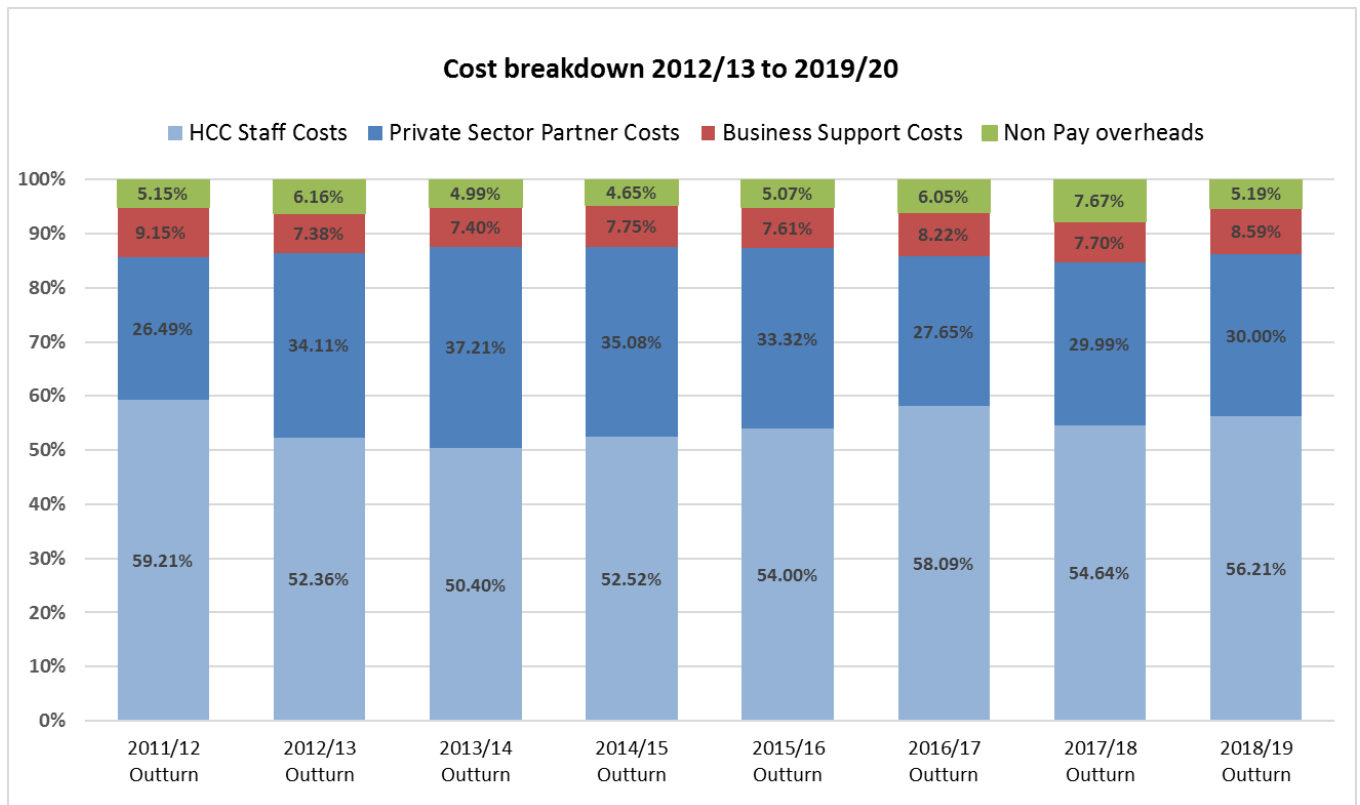


24. The income from HCC clients and programmes of work was lower than the income in 2017/18. This was due to a continued reduction in the Children's Services capital programme, following an increased programme during the three years from 2014/15 to 2016/17, and a reduction in the income from delivery of capital projects for Adult Health and Care following completion of Phase 1 of the new housing for adults with disabilities in 2017/18.
25. There was further growth in the strategic land programme. This was primarily due to the level of activity associated with the Manydown development but also linked to key development sites at Botley, Whitehill and Bordon, Ringwood and Eastleigh.
26. Income from external clients increased by £1m compared with 2017/18. This reflects the increased fee income from the PSPB2 programme on the Isle of Wight, strategic advice and support provided to West Sussex County Council and a slight increase in income from the OPCC relating to the implementation of their Estates Change Programme. The shared service arrangements with the OPCC and HFRS continue to be a key area of business for Property Services along with the Service Level Agreement (SLA) arrangement with schools. Property Services maintains a number of formal partnership and joint working arrangements with local authorities which give confidence about the future flow of work. Any external business has an element of risk if there is a downturn in workload but visibility of programmes of work in external clients is strong and future variations are factored into forward projections. The chart in paragraph 23 indicates the level of expected income for 2019/20 and a range for 2020/21.
27. During 2017/18 Property Services continued to work closely with the Department for Education (DfE) on the development of proposals for new free schools in Hampshire to meet the demand for school places and on the PSPB2 schemes on the Isle of Wight.

28. 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. Re-procurement of the Southern Construction Framework, which is developed and managed in partnership with Devon County Council, was completed during 2018/19. Together, the regional framework arrangements generated in excess of £1.2m of income and made a significant contribution to Property Services' overheads.
29. Property Services continues to seek new traded services opportunities where these fit with the skills and capacity available within the service. This includes working closely to support existing clients such as Reading Borough Council and developing new opportunities such as providing strategic advice to West Sussex County Council. A Joint Working Agreement is being concluded with Southampton City Council and senior officers are meeting to explore ways of collaboration and resource sharing.
30. 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. Our key customers are Reading Borough Council, Isle of White Council, Hampshire Fire Services, Police and Crime Commissioner, Hampshire Schools and Academies including Diocesan Schools, West Sussex County Council, Poole Borough Council and a number of smaller commissions.

Costs

31. Property Services continued to exercise strong financial management throughout 2018/19. This ensured that costs were in line with income while we completed the re-structure of the service to align with a reduction in the forecast income and to achieve the T19 savings.
32. Resource costs account for around 83% of total expenditure within the main Property Services budget. Costs for directly employed staff were lower than in 2017/18 due to vacancies held during the Property Futures restructure which had a target reduction between 25 and 35 FTEs in line with reducing income forecasts and T19 savings.



33. Property Services operates strategic partner arrangements with two private sector organisations under long term arrangements. Staff are co-located in our offices to work as integrated members of Property Services' teams as well as undertaking selected work on a commissioned basis. Property Services also employs agency and temporary staff where required to meet peaks in demand, provide short term cover for roles during recruitment and where specialist skills are required that are not covered under the strategic partner arrangement.
34. Partner and agency costs accounted for approximately 35% of the total spend on staffing within the main Property Services budget during 2018/19. This included an increased expenditure on partner resource compared with 2017/18 principally due to an increase in support provided by ETE's engineering consultancy team in support of the strategic land programme.
35. 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. There was ongoing investment in new processes and technology in line with the corporate digital transformation programme and ongoing modernisation of the service.

Priorities for 2019/20 and beyond

36. During 2019/20 and beyond, Property Services will continue to focus on delivering services and programmes of work in support of the County Council's priorities alongside a continued portfolio of shared service and external business opportunities. These include:
 - Continuing to support the operational requirements of HCC through asset transformation and enhancement. This includes developing and implementing asset strategies to support service transformation for the Adult

Health and Care bed-based programme, new school places and school improvements, Country Parks and the Library Service.

- Effective management and transformation of the corporate office portfolio to meet evolving operational strategies and new working practices. Continuing to seek opportunities to achieve revenue savings through consolidation and leasing of surplus accommodation.
- Continued delivery of the carbon reduction and energy saving programmes in support of the County Council's climate change and sustainability agendas.
- Effective custodianship and proactive management of the corporate estate, with a focus on asset optimisation, the management of risks and liabilities and a review of key asset portfolios including County Farms.
- Further improvements in the health and safety risks management processes for the built estate.
- Bringing forward County Council landholdings for development through the strategic land programme to secure capital receipts and additional revenue streams.
- A continued focus on the shared service arrangements with Police and Fire and the service level agreement with schools with further integration of hard and soft FM services.
- Modernising service delivery through the planned replacement of the asset management system and exploitation of new digital tools.
- The procurement and management of a range of regional and national construction and consultancy frameworks. These provide streamlined procurement arrangements to meet the County Council's needs and secure a contribution to overheads through framework levies.

Conclusion

37. 2018/19 was a significant year for Property Services with the completion of the restructure and integration of a range of property and facilities functions into a new operating model under the Property Futures transformation programme. This ensures that the whole service is "fit for the future" and that costs are aligned to future income forecasts and funding levels.
38. A balanced budget position was achieved under the CCBS departmental revenue budget through a combination of robust income forecasting and proactive resource management. The service made effective use of the flexibility afforded through the strategic partner arrangement. There was a further decrease in the value of services provided on HCC programmes of work, but income from external sources increased and there are positive indications of maintaining this through proactive business development. It is recognised that that the climate of budget pressures in the public sector together with some volatility in Local Authority leadership that the services has to stay responsive and agile for the foreseeable future. Evidence from past strong management and customer relationships gives confidence that the services can respond to change and continue to do well. Risks cannot be eliminated but robust financial and business management together with a commercial approach has placed Property in a position of strength and stability to continue to support the County Councils strategic aims.

39. Major programmes of work were delivered on behalf of other HCC departments and in excess of £50m of repairs and maintenance work was delivered across the schools and corporate estate. This addressed health and safety and condition priorities and enhanced the quality of the environment for building occupants.
40. Significant progress was also made on the County Council's strategic land programme with the procurement of a private sector partner for the Manydown development and progress with the promotion of additional sites for development.

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 is not considered necessary for the content of this report.

2. Impact on Crime and Disorder:

2.1 The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all decisions it makes on the prevention of crime. The proposals in this report have no impact on the prevention of crime.

3. Climate Change:

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

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Buildings, Land and Procurement Panel

Property Services Business Review 2018/19

8 October 2019

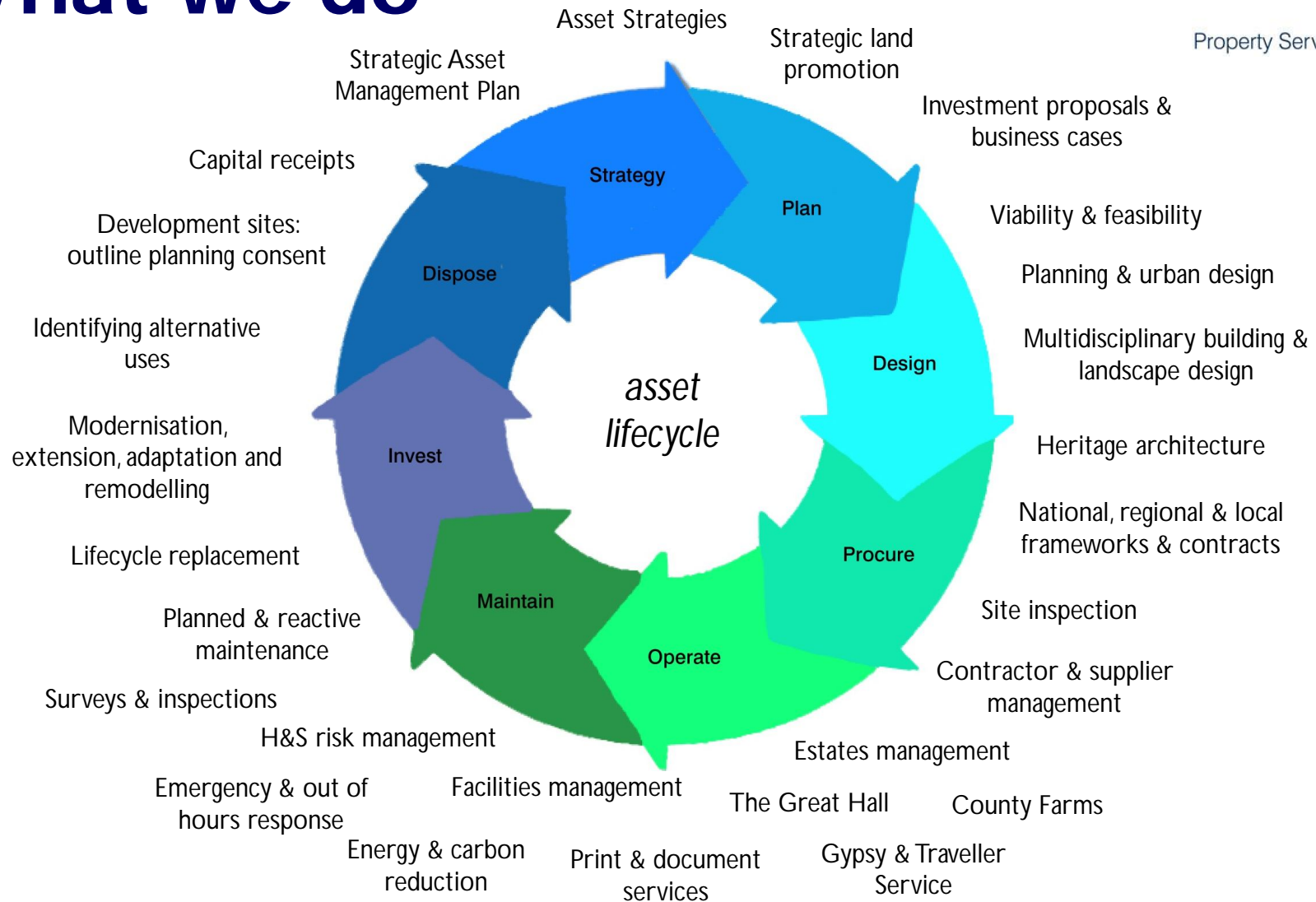
Rebecca Thompson

Strategic Manager – Property Services

Introduction

- What we do
- Key achievements 2018/19
- How we are organised (operating model)
- Finance
- Priorities for 2019/20 and beyond

What we do



Page 27

Key achievements 2019/20

- Strategic Land promotion including Botley, Whitehill & Bordon, Eastleigh and Manydown;
- Major capital programmes: housing for adults with disabilities, Country Parks transformation, new school places;
- Facilities management services & maintenance programmes for HCC, schools, Police and Fire;
- Improvements to management of fire and legionella risks for schools and corporate estate;

Key achievements 2019/20

- Delivery of carbon reduction and energy savings programmes including electric vehicle charging infrastructure and LED lighting replacement;
- Office accommodation changes to meet operational need and generate income through lease arrangements
- Service management including: County Farms, Gypsy & Traveller Service and Great Hall;
- Re-procurement of the Southern Construction Framework
- Property Futures transformation

Adults with Disabilities housing programme

6 projects in 2 phases, 3 now complete; £26m investment



Country Parks Transformation Programme

Investment of £15m across five parks with contributions from the HLF, Enterprise M3 LEP and the Army Covenant



The Lookout at Lepe Country Park

Strategic Land Programme - Manydown

3,520 new homes, 6,000m² of commercial space
community facilities including three new schools
a range of green spaces from allotments and urban squares to a new 250 acre country park



Strategic Land Programme – Uplands Farm Estate

Up to 980 new homes including 35% affordable housing, playing fields and areas of open space, a local centre, additional allotments and a new 7 form entry (7FE) secondary school.



Woodhouse Lane site



Winchester Street site

Energy & Carbon Reduction Programme

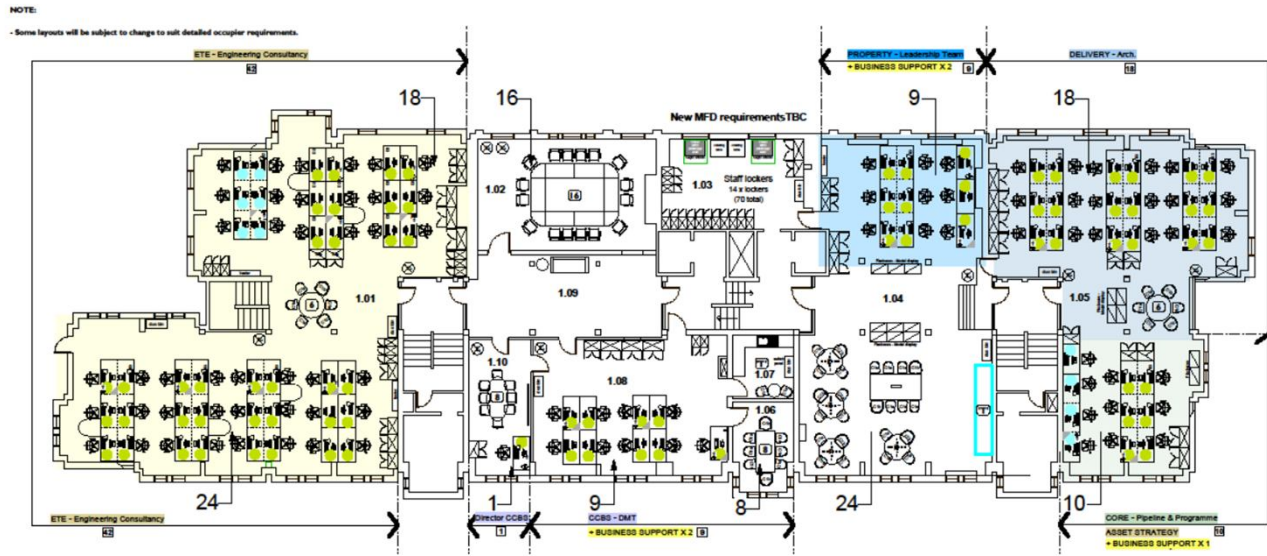
Reducing carbon consumption and energy costs through a range of initiatives including LED lighting and photovoltaic panels.

Electric Vehicle Charging Framework delivering 80 new electric car charging points across Hampshire by the end of the year



Corporate Office Accommodation

Increasing utilisation, reducing costs, evolving the workspace, enabling operational change and supporting shared services and the extended organisation



Three Minsters House

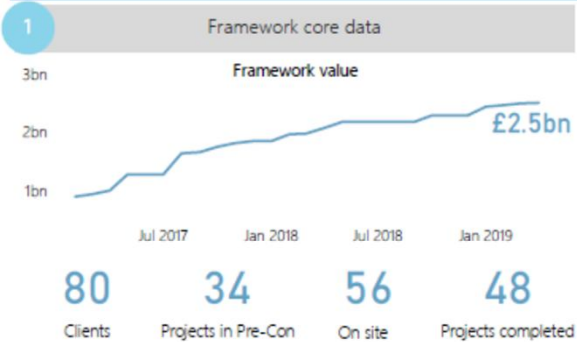


Southern Construction Framework

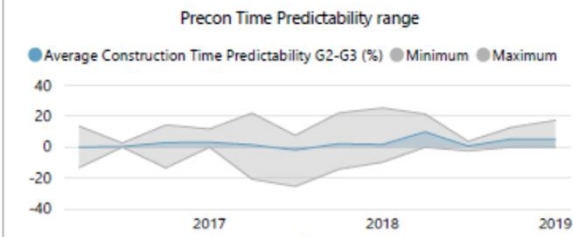
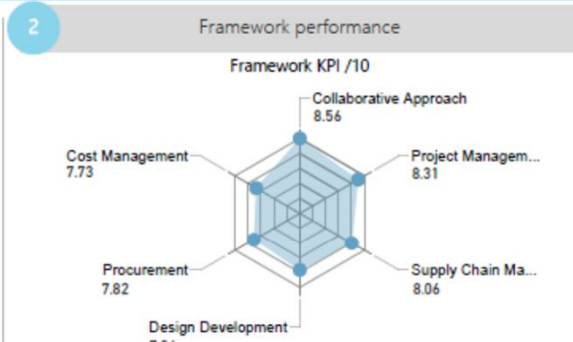
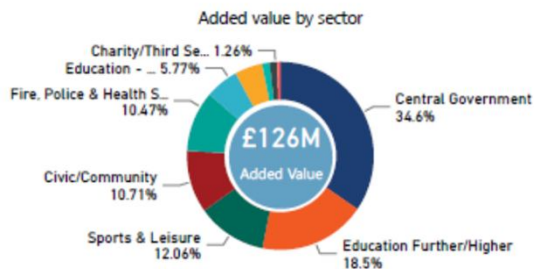
Joint venture between HCC and Devon County Council
 £2.5bn construction work through previous framework
 Provides surplus income to support revenue savings



SCF Update - May 2019

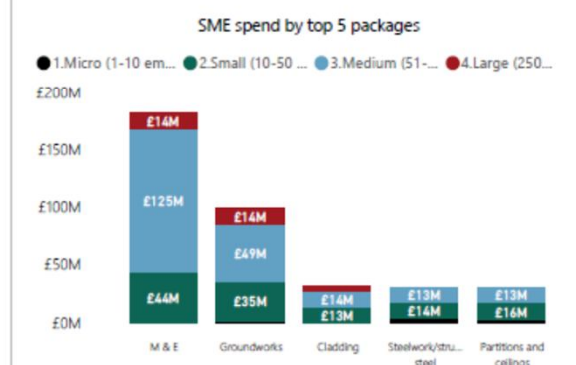


Sector	Value of work
Civic/Community	£565M
Central Government	£449M
Education Further/Higher	£443M
Sports & Leisure	£340M
Fire, Police & Health Services	£217M
Education - Primary	£208M
Education - Secondary	£191M
Housing/Supported Housing	£94M
Charity/Third Sector	



3 Framework social value

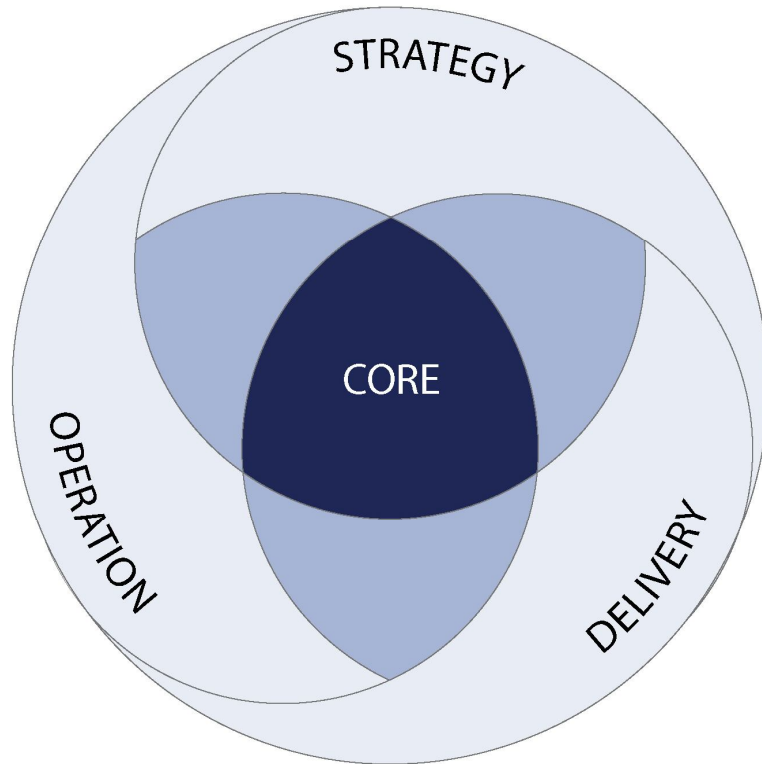
Since 2015, SCF has provided over **220** years of apprentice training through our Employment and Skills strategy.



Commentary

- 1 SCF has delivered over **£2.5bn** of Public Sector works. Through the integrated team approach, clients have received **£112m** of added value, at around **10%** per project.
- 2 During preconstruction, costs have been reduced by on average **1%**. The integrated team approach to preconstruction has added over **£13** of value benefits for every **£1** spent in preconstruction.
- 3 SCF are committed to driving social value through training and SMEs. We have over **200** apprentices receiving training on SCF projects. To date over **90%** of supply chain spend is with SMEs.

How we are organised



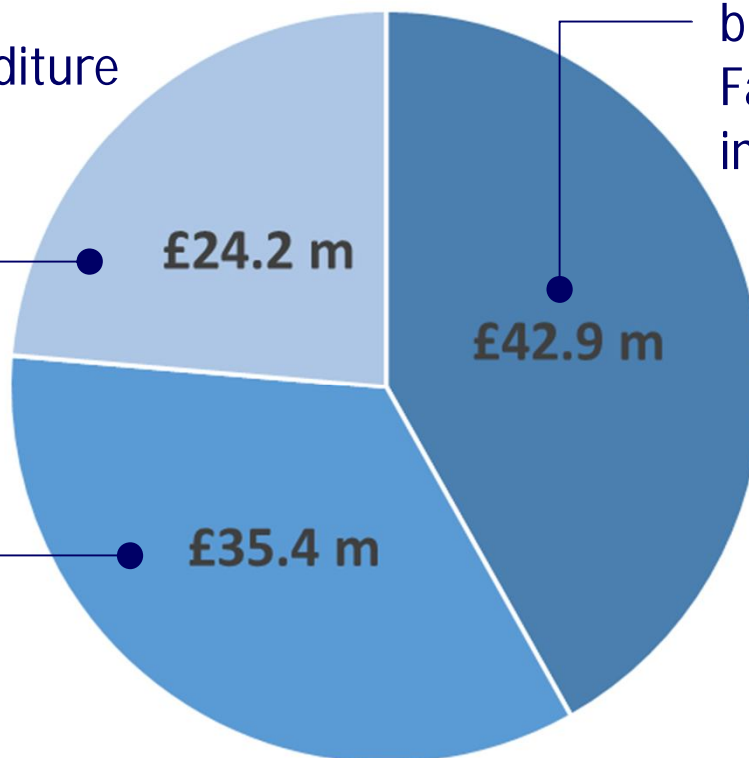
Delivering great public value outcomes, through one integrated Property team, valuing our customers and staff

- Full integration of services
- Approx. 450 directly employed staff
- Supported by private sector partners
- Professions, skills & knowledge across the whole asset lifecycle
- 'One team' approach to add value to HCC and customers
- Agility and flexibility to respond to fluctuating workload and new opportunities
- Fit for the future

Directly managed budgets

Property Services

Policy & Resources capital budget - repairs & maintenance expenditure



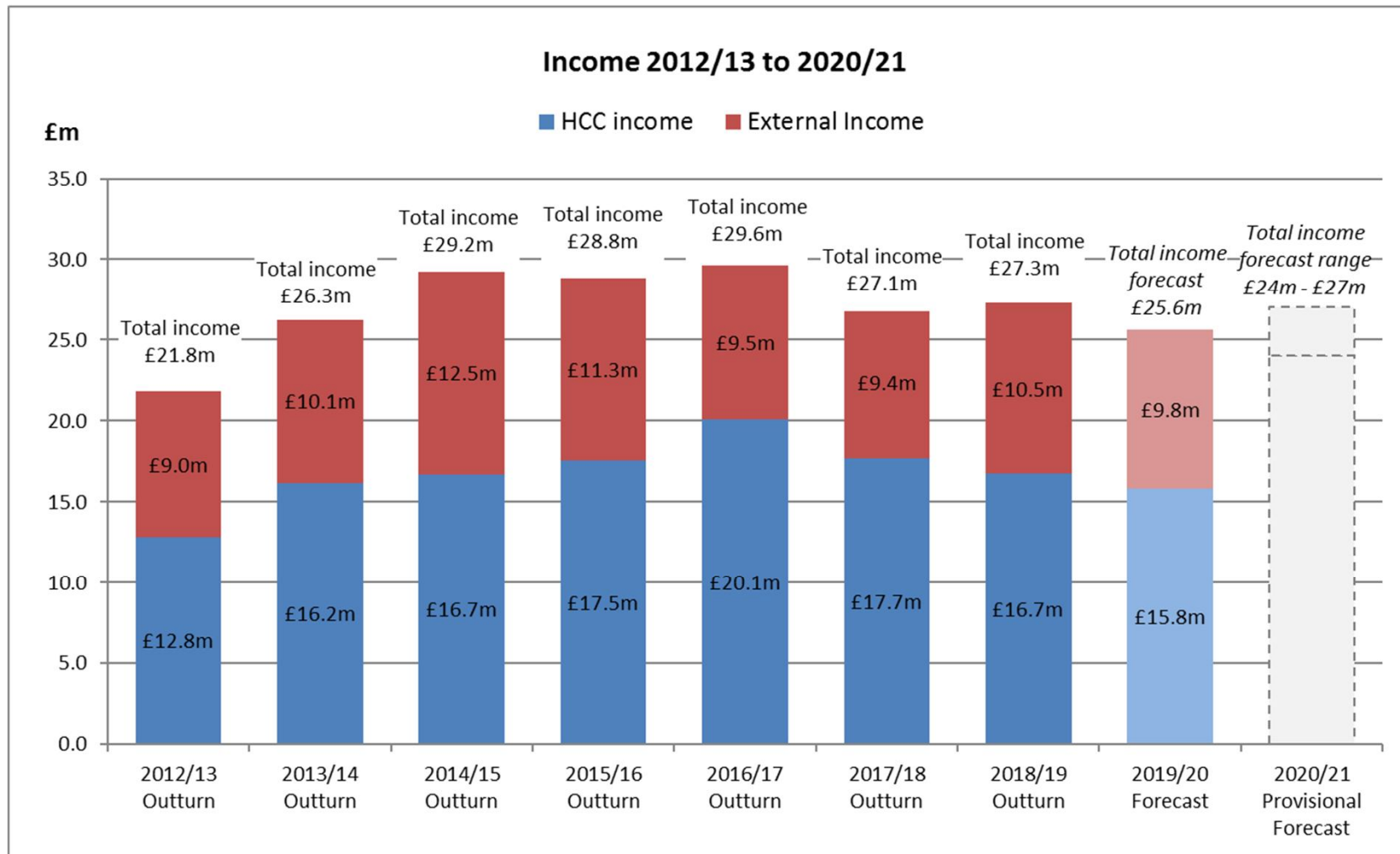
CCBS departmental revenue budget – Property & Facilities expenditure including:

- Property Services main budget
- Facilities management
- Print & document service
- Corporate office accommodation
- Direct services incl. County Farms & Gypsy & Traveller Service

Policy & Resources revenue budget repairs & maintenance and strategic land expenditure

£11.5m (26.8%) direct funding
£31.4m (73.2%) income

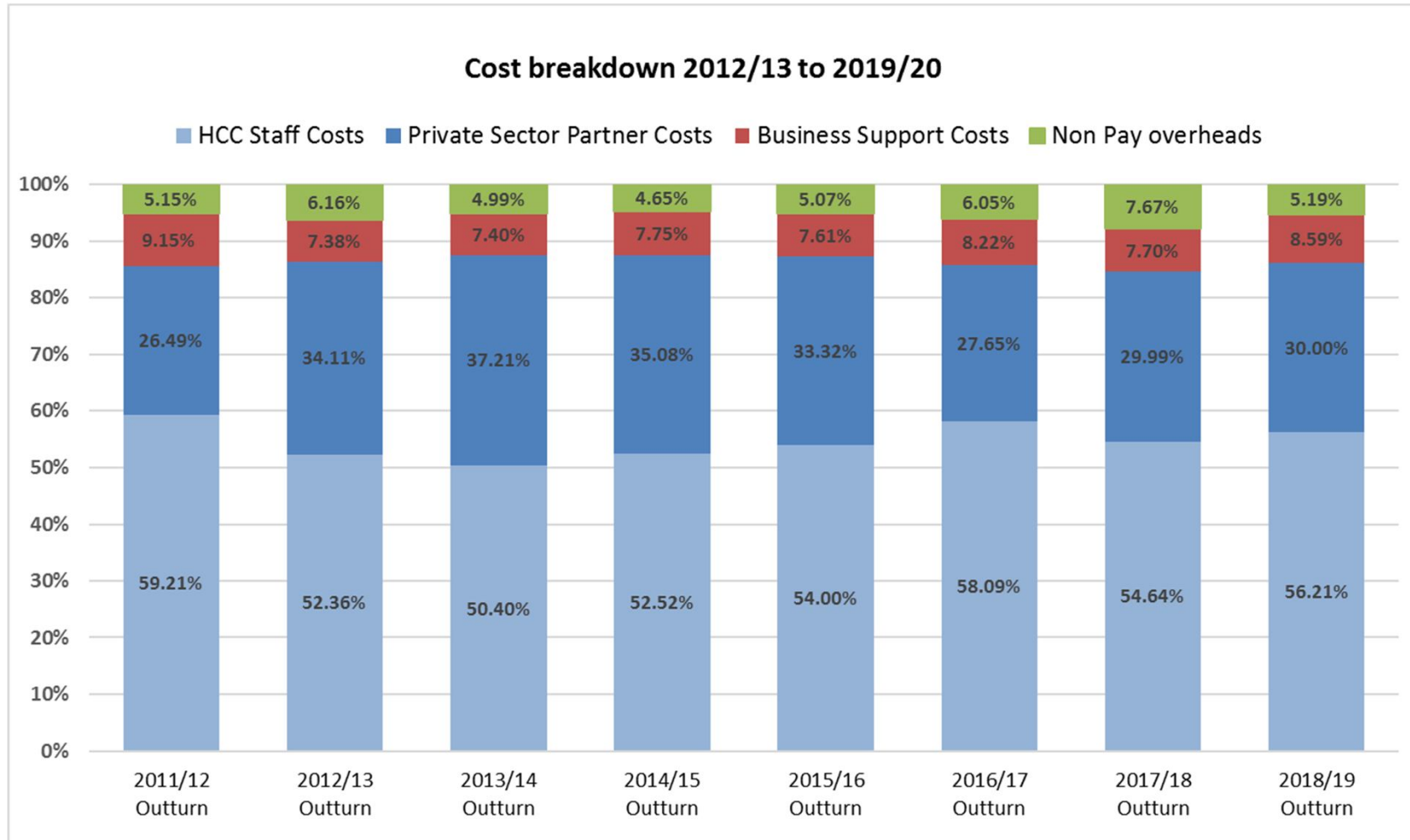
Property Services - income



Property Services - costs



Property Services



Page 40

Priorities: 2019/20 and beyond



- Service & asset transformation: Adult Health & Care, Country Parks, Library Service, office accommodation;
- Energy and carbon reduction programmes and initiatives;
- Strategic land development: Manydown, Botley;
- Effective custodianship of the HCC estate: asset optimisation, health, safety & risk management, County Farms review;

Priorities: 2019/20 and beyond



- T21 savings
- Shared service delivery: Police, Fire & Schools; Reading Borough Council
- National, regional and local procurement arrangements;
- New business opportunities;
- Modernising service delivery through digital tools.

Conclusions

- An effective service delivering key programmes aligned to corporate priorities;
- Achievement of balanced budget position in 2018/19;
- Robust financial management and strong customer relationships provide continued strength and stability;
- Private sector partner arrangement ensures flexibility and agility to respond to future pressures and workload;
- Commercial approach to developing new and emerging business opportunities.

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HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Buildings, Land and Procurement Panel
Date:	8 October 2019
Title:	Managing Hampshire's Built Estate
Report From:	Director of Culture, Communities and Business Services

Contact name: Steve Clow

Tel: 01962 847858

Email: steve.clow@hants.gov.uk

Purpose of this Report

- 1 The purpose of this report is to update the Buildings, Land and Procurement Panel on progress made in 2019 towards managing Hampshire's Built Estate in terms of delivering a planned programme of repair and maintenance and managing the property related health and safety risks.

Recommendations

- 2 That the Buildings, Land and Procurement Panel:
 - Notes progress made against the 2019/20 Planned and Revenue Repairs programme across the corporate and maintained schools estates.
 - Notes the additional schemes to be added to the 2019/20 programme for the corporate estate.
 - Notes the progress made to reduce health and safety risks and the maintenance liability in the corporate estate in the context of the available budgets.
 - Notes the progress in addressing the health and safety risks and condition liabilities in the school estate and the continuing maintenance pressures arising from system buildings of the 1960s and 1970s.

Executive Summary

- 3 The report provides an updated position for planned and reactive repairs budgets for the current financial year (2019/20).
- 4 It outlines how Property Services is managing the County Council's estate to ensure statutory compliance and the steps it is taking to address the high-level priorities of health, safety and risk management.

Managing the County Council's Built Estate

- 5 The projects and programmes of work identified in the Managing Hampshire's Built Estate report to the Panel in March 2019, totalled around £43 million of capital and revenue investment in the repair and maintenance of schools and HCC corporate buildings in Hampshire. The programme is being delivered and managed by Property Services through a series of effective and efficient mechanisms. This expenditure continues to support the local construction economy and ensure our estate is safe and well managed for building users, customers and visitors. This continues to be one of the largest local authority led building maintenance programmes nationally.
- 6 Funding for the Corporate estate (offices, adult and children's residential homes, libraries etc.) is provided within the County Council's revenue budgets. In the case of schools, funding comes from the following sources:
 - Government grant for school condition improvement;
 - Schools' revenue funding contributions to Property Services Service Level Agreement (SLA) arrangements. The County Council has not yet received its confirmed allocation for 2020/21. Planning has already started on a programme for next year in advance of the funding announcement assuming that the level will be similar to this year. Officers continue to lobby the DfE for longer term settlements and the support of Members would be very welcome.
 - County Council funding to support key landlord responsibilities for health and safety priorities, which includes retained funding from the dedicated schools grant (DSG) in consultation with the schools forum to support the County Council's statutory responsibilities for schools.

Management of Health and Safety

- 7 As set out in the Managing Hampshire's Built Estate report to the Panel in March 2019 and in line with the HCC Corporate Health and Safety policy and procedures, Property Services is responsible for the management of a number of key health and safety risks across the corporate and maintained schools' built estate. Updates on these risk areas are provided below.
- 8 Property Services are undertaking an extensive review of the management of contractors and delivery of works across the HCC built estate to ensure that improvement works and planned maintenance undertaken does not compromise the existing health and safety of the built estate. This is linked with the approach that a strong health and safety culture is embedded across all activities.
- 9 Extensive works relating to Fire and Legionella risks (as detailed below) have been undertaken across our highest risk properties, and this continues to be a particular area of focus.

Statutory Compliance

- 10 The inspection programmes for testing fixed electrical systems and structural integrity in buildings are now mature and continue to provide assurance that these risks are being appropriately managed.
11. Property Services continue to manage the risk associated with Lifts and Pressure Systems through a Competent Person Inspection contract with a specialist independent contractor to ensure compliance with Lifting Operations and Lifting Equipment Regulations (LOLER) and Pressure Safety Systems Regulations (PSSR)
- 12 Property Services also liaise closely with the Environment Agency to manage the risk of pollution arising from oil spills and discharges from septic tanks and treatment plants. Property Services have a programme of improvement works to help mitigate the risk of pollution based on the profile of the installations.

Management of Fire and Arson

- 13 The fire inspection and survey programme is continuing based on those services and properties highlighted as the highest priority.
- 14 The inspections are currently focussed on a review of all sleeping risk buildings across the Adults, Children's and Corporate estate, with outcomes being closely shared with local building managers and the corporate health and safety team to provide a joined-up approach to building management and physical condition. The resulting fire repair instructions are being delivered as a rolling programme of improvements.
- 15 The survey and inspection programme is being increased to include sampling across the built estate to record a broad picture of the risk profile. Funding has been allocated to support this approach within the 2019/20 period. It will enable the improvement works to continue to target those buildings identified as the highest risk while also informing the understanding of work that may be required elsewhere in the estate.

Management of Legionella

- 16 Following a programme of infrastructure improvements completed in 2018, a project to install a comprehensive system of water temperature monitoring points through the County Council's corporate and community schools' estate has recently been completed.
- 17 Alongside this, Property Services, working closely with the corporate Health and Safety team, has set up an online Legionella data recording and reporting system to assist with the management of the information collected as part of the day to day management activities on site. These improvements will support a reduction in the risk of exposure by improving

the accuracy of water temperature measurements and providing early warning of any issues so that these can be appropriately investigated and addressed. It also enables areas of risk to be identified early targeted interventions to be made.

- 18 This is part of an on-going strategy to take advantage of technology to increase the efficiency and effectiveness of the management of the built estate. Additional corporate revenue funding of £320,000 was approved at full Council in February 2019 and is included in the budgets for 2019/20 to support the continued proactive management and mitigation of any Legionella risks.

Management of Asbestos

- 19 Property Services works closely with the County Council's in house Asbestos Management Team to address risks associated with asbestos containing materials within the built estate. Allowance is made in the 2019/20 budgets for the continued funding of statutory surveys and reinspection programmes together with the remedial works arising from these. Where appropriate, allowance is made within the scope of maintenance and refurbishment projects for the permanent removal of asbestos containing materials in order to continue to reduce the risk from asbestos across the estate.

Management of Trees

- 20 Property Services is responsible for the surveying and management of trees on the corporate and maintained school's estate, with the exception of trees on highways land and the countryside estate which are managed by those services. Periodic surveys are undertaken for all trees on a risk assessed basis, this data being held on an on-line database.
- 21 The funding allocated for tree surveys and arboriculture works has been increased for 2019/20 to reflect the increased risk arising from ash dieback disease. A significant programme of works will be required and it is anticipated that additional funding will need to be identified in future financial years. Property Services continues to work with colleagues in the Countryside and Highways services to agree an appropriate strategy for the management of this risk and Property Services will implement the agreed approach across the schools and corporate estate. There is also a need to consider the subject of tree planting in relation to the declaration of a Climate Change Emergency by the County Council this year. Officers will ensure that there is a coordinated approach with the emerging action plan arising from the Council's consideration of this and the response to the 2050 Commission.

Management of Building Condition

- 22 Property Services is continuing with the review of the risk profiling of the built estate and working with the Corporate Health and Safety team to identify and address the most significant health and safety risks. This informs priorities for future investment and funding levels, supports local building management arrangements and the asset management work undertaken by Property Services.
- 23 Over the summer period, there were around 100 planned projects on site at Hampshire buildings managed by Property Services with a wide variety of maintenance works being undertaken including:
- External Redecoration
 - Fire Precaution Improvements
 - Internal alteration and refurbishment
 - Recladding
 - Window Replacement
 - Re-roofing
 - Toilet Refurbishment
 - Kitchen Ventilation upgrades
 - Playground resurfacing
- 24 The works were predominantly delivered by local contractors with a total value in excess of £5 million

External Decorations

- 25 The external decorations programme, particularly in Primary Schools, is currently running behind the target schedule. Delay was caused by an increased programme of work, difficult tendering conditions (linked to contractor availability and capacity) and hindered by poor weather for external decorating in early Summer. The remaining works are being phased with proposals to catch up any remaining backlog to be brought to the March 2020 Panel.

Corporate Estate – Update on Key Projects

- 26 An update on key projects within the Corporate Estate is below. Notable is the reoccupation of Three Minsters House Offices after the fire two years ago. The opportunity has been taken to refurbish the building internally to maximise the occupation and upgrade services in including lighting, power and data. More detail is contained in the Major Programmes report later on this agenda.

Scheme	Approximate Value	Progress
Three Minsters House: Internal Alterations and refurbishment	£975k	Refurbishment works complete, fit out on site with re-occupation from October 2019
Castle Avenue: Fire Precautions Upgrades to increase capacity	£230k	Work on site
E2 Court South: Fire Precautions Upgrades to increase capacity	£590k	In design

Additional Schemes

- 27 It is proposed to add the following schemes into the Corporate Estate programme of works, to be funded from savings and contingencies within the original 2019/20 programme.

Scheme	Value range	Scope of Works
EII South entrance and Three Minsters House environs	£0 to £50k	Landscape Improvements
Hamble Harbour Master's office	£100k to £150k	Decorations, lighting and remedial works. Sea wall repairs
Allen Gallery, Alton	Up to £50k	Damp remedial works
Titchfield Haven	Up to £50k	External stair replacement
Castle Yard, Winchester	Up to £50k	Improved access to ruins
Willis Museum, Basingstoke	Up to £50k	Rooflight remedial works
Staunton Country Park	Up to £50k	Cart shed roof remedial works

- 28 These projects are currently in design and once the scope of works and costs are confirmed an Officer Decision Record will be completed as they are within officer delegated limits.

Schools Estate – Update on Key Projects

- 29 An update on key projects within the Schools Estate is as follows:

Scheme	Approximate Value	Progress
Whitchurch Primary School Scola Recladding	£1.2m	On site, completion due April 2020
Applemore College Scola Recladding	£1.2m	Complete August 2019
Stoke Park Infant School Re-roofing	£900k	In design

Scheme	Approximate Value	Progress
Bishops Waltham Junior Scola Recladding	£1.3m	In design
Testbourne School Scola Recladding and internal Alterations	£2m	In design, planning submitted
St Michaels Junior School Re-roofing	£250k	In design
Various Schools Pupil Toilet refurbishment	£400k	On site Completion March 2020
Various Schools Kitchen Ventilation Improvements	£300k	On site Completion March 2020
Various Schools Hard Landscaping works	£300k	On site Completion March 2020

Timber Frame Buildings

- 30 As reported previously, a funding strategy has been agreed to replace the remaining two storey timber frame buildings at Grange Junior (Gosport) and Fryern Junior (Chandler's Ford) schools, which are the highest condition priorities within the maintained schools' estate. The total project funding is £15.57m split £7.93m (Grange) and £7.64m (Fryern).
- 31 Design proposals for both sites are currently being developed and are due to be submitted for planning approval in the Autumn. The proposals are to be procured through the Hampshire Modular Framework, using off site modern methods of construction. A start on site is anticipated in summer 2020 with completion including demolition and external works in summer 2021.

Academy Joint Working Agreement (JWA)

- 32 In July 2019, 6 of the 7 Academies that had been anticipated to withdraw from the Joint Working Agreement confirmed their intention to do so. These Academies no longer wish to be part of the pooled funding arrangement and propose to commission services directly from the private sector. Options for those that remain have been produced, and a meeting is due to be held with

the 12 remaining Academies the Autumn where a decision will be made by majority agreement.

Property Services' Delivery Model

- 33 In May 2019, Property Services implemented a new operating model that supports increased integration of the functions and teams responsible for all aspects of operational asset management. In addition, Property Services is seeking to make best use of the digital tools provided through the corporate Enabling Productivity Programme and wider digital strategy to allow the adoption of new ways of working that make efficient use of resources.
- 34 A new post of Senior Manager Asset Strategy has been appointed to work closely with HCC departments in delivery of asset optimisation and ensure that maintenance investment is aligned with operational strategies and priorities wherever possible.
- 35 A project team has been established to replace the current Property Asset Management System (PAMS) by April 2021. The project aims to deliver a “digital by default” solution to gather and manage asset intelligence that will facilitate better planning and delivery of maintenance services across the estate. It is also intended that schools will benefit from an improved online interface with Property Services through development of a new digital Schools Portal. This will contribute to efficiencies and savings for the Service’s contribution to Transformation to 2021.

Service Delivery Update

- 36 Maintenance work continues to be delivered via Term Maintenance Contracts (TMCs) and the Minor Works Framework. Work is ongoing with the TMCs (within the constraints of the existing digital systems) to improve the quality, accuracy and timeliness of reporting of both performance data and invoicing to both HCC and its partners.
- 37 The previous contractor framework for decorations ended on 31st March 2019. A new framework arrangement is currently being procured and is expected to be in place for delivery of the 2020/21 programme of decorations works.

Conclusions

- 38 Property Services is continuing to manage the County Council’s Estate to ensure statutory compliance and manage health and safety risks.
- 39 Good progress has been made over recent months with the delivery of the planned programme of work for 2019/20 presented to the Panel in March 2019.

- 40 During the remainder of the current financial year, Property Services will continue deliver the identified programmes of work to address maintenance requirements and ensure HCC's buildings continue to support the operational needs of the departments, services and building users.

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:	
	Date

Section 100 D - Local Government Act 1972 - background documents	
<p>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.)</p>	
<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;
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Due regard in this context involves having due regard in particular to:

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- 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.

2. Equalities Impact Assessment:

2.1 The programmes represent an expenditure of £43M on the estate (£32M Schools and £11M Corporate) which will address the highest priority condition and maintenance issues. This expenditure will lead to enhanced environments for a range of ages in Hampshire Including Schools and Elderly Persons. For the full EIA assessment see the following link.

2.2 [Equalities Impact Assessment](#)

3. Impact on Crime and Disorder:

3.1 The programmes of work include replacement of major building components such windows, doors and cladding. These improvements have a beneficial impact on the security of the County Councils Estate.

4. Climate Change:

4.1 There will be a positive impact on climate change from the works undertaken to improve thermal performance through recladding, double glazing and roof insulation improvements. Additionally, schemes to renew boilers and boiler controls will incorporate more efficient systems.

0
HAMPSHIRE COUNTY COUNCIL

Decision Report

Committee/ Panel:	Buildings, Land and Procurement Panel		
Date of Decision:	8 October 2019		
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

Purpose of this Report

1. The purpose of this report is to update the Buildings, Land and Procurement Panel on a number of key programmes of work being undertaken by Property Services.

Recommendations

2. That the Buildings, Land and Procurement Panel notes the progress of each of the programmes of work.

Executive Summary

3. The purpose of this report is to provide an update on the major programmes, project and issues currently being progressed relating to:
 - Construction Framework and Category Management
 - Corporate Office Accommodation
 - Adult Health and Care
 - Children's Services Capital Programme
 - Isle of Wight Priority Schools Building Programme (PSPB2)

Construction Framework and Category Management

4. The new Southern Construction Framework (SCF) has been tendered in partnership with Devon County Council and was launched at the end of April 2019. A replacement intermediate value framework for projects ranging up to £4m (The Hampshire Framework) has also been launched for County Council projects and also for authorities within the local geography. All of the HCC frameworks 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. In the current financial year, SCF is forecast to return a surplus of over £400,000 in the financial year after costs and expenses. This is a key strand to Property Services contributions to the County Councils transformation programmes T19

and T21. Reductions in revenue budget are being achieved by a combination of savings, efficiencies and additional income.

5. A new supply chain portal aimed at encouraging local contractors and the wider supply chain to participate in local government construction is to be procured this financial year. The cost will be covered by SCF rebate tariff, and future efficiency gains and cost advantages are anticipated.
6. A Joint Working Agreement has been signed between Hampshire County Council, Devon County Council and Manchester City Council to procure a new Professional Services Framework, covering the North West, West Midlands, Wales, the South West, South East and London. The framework will be in three "Lots", each managed by one of the partners. Hampshire County Council will operate and manage the South East and London lot, and collect the rebate tariff which will contribute to the T21 transformation target. The framework will provide all property and asset consultancy services for the public sector, and is aimed to be tendered in Autumn 2019, for a launch in May 2020, and will aim to increase the influence of the Council in the Region. It will also replace, over time, the current private sector partner contracts which will come to a conclusion by April 2022
7. Other activity included:
 - A new Grounds Maintenance Contract for The Council/Isle of Wight and its partners including schools, Fire and Police services. The new arrangement aims to drive performance using better processes and technology to increase service levels to customers while reducing management burden.
 - A new cleaning contract for the non-education estate. A single supplier is to be appointed from a Dynamic Purchasing System. As with Grounds Maintenance, the emphasis is to be on an efficient contract with good performance and asset data.
 - Consultation has started on a replacement for the regional modular framework which expires in 2020.
 - A new Meter Operations contract will be called-off from the Laser Framework using Npower as a replacement for SSE. This will simplify the supply chain by reducing the management time and streamlining transactional activities. The new contract will start on 1 October 2019.

Office Accommodation

8. The Major Programmes report to the Panel in March 2019 provided an update on the implementation of the corporate office accommodation strategy agreed in November 2017 and linked to the delivery of T19 savings. The strategy seeks to consolidate HCC occupation of its corporate office buildings through increased utilisation supported by the roll out of new mobile IT equipment under the Enabling Productivity Programme (EPP). Surplus office space is either released or leased to third party organisations with a particular focus on partners that support partnership working as part of operational service delivery models.
9. Total annual revenue savings of £348k have been achieved through initiatives implemented under the agreed strategy. In addition, growth in a number of departments and services, linked to operational strategies, has been

accommodated within the current corporate offices, ensuring that the portfolio continues to meet the evolving needs of the wider organisation, but limiting the opportunity to realise additional savings through consolidation. As reported to the Panel in March, it was agreed with Corporate Directors and the Chief Executive that no further buildings would be released from the portfolio until a further review of future requirements had been undertaken through a newly formed corporate group.

10. The Corporate Office Accommodation Board was established in April 2019 and meets on a monthly basis. The Board is chaired by the CCBS Assistant Director for Transformation and comprises a senior representative from each department, including the Head of Finance, and representatives from Property Services' office accommodation team.
11. The purpose of the Board is to review and determine the office accommodation strategy; review demand; provide challenge and support for departmental change proposals and ensure investment and change decisions are coordinated across the authority and align with business priorities. A formal process for managing office accommodation change requests has been put in place and these are presented to the Board for consideration and approval.
12. Around 20 change requests for mainly minor office changes have been received since the implementation of the formal process in April. In addition, the Board has considered office accommodation requirements for all departments, linked to future operational strategies. There has been particular focus on the key areas identified below. Progress with these and any further strategic initiatives will be reported to future Panel meetings.
13. Adult Health and Care (AHC) and the Clinical Commissioning Groups (CCGs) are committed to a new Integrated Intermediate Care single service model commencing from the 1st April 2020. This involves the creation of 'Local Access Points' (LAPs) which are operational hubs for an integrated service team comprising staff from HCC and Southern Health Foundation Trust (SHFT). A number of potential sites, predominantly HCC buildings, have been identified and work is ongoing to confirm suitability and planning for any reconfiguration and potential service moves to create the necessary space.
14. The Library Service is reviewing its long term strategy. A significant part of that is the future use of the library buildings themselves, a number of which have already gone through significant transformation (eg Gosport Discovery Centre). There is significant potential crossover with Office Accommodation and interest from other services in using Libraries to improve support and access to user groups and these opportunities are currently being explored.
15. Alongside the work with the Board, Property Services has continued to deliver improvements and change projects across the office estate. Key projects recently completed or currently underway include:
 - Three Minsters House: The improvement works following the fire at Three Minsters House are now complete and teams from CCBS and ETE will be reoccupying the building from late September.
 - Castle Avenue: Fire precautions improvements to support the increased utilisation of the building are currently in progress. Following the relocation of

a number of CCBS teams back to Three Minsters House in late September, the ground floor of Castle Avenue will be let to the Clinical Commission Group, supporting the ongoing strategic partnership between the organisations and providing additional income from the office portfolio.

- Hampshire House: The relocation of staff from Enterprise House to Hampshire House was completed in March 2019 facilitating the release of Enterprise House to secure a rent saving within the office accommodation portfolio.
- Dame Mary Fagan House: Works to accommodate the new Connect to Hampshire joint venture partnership within the building were completed in March 2019, delivering an additional revenue income to the office accommodation portfolio.
- Building improvements: a range of building improvements have been undertaken across the portfolio, with further work currently in progress and planning, to support increased utilisation and ensure the comfort and well being of building occupants. This includes fire precaution improvements in Castle Avenue and Ell South, carpet and lighting replacement at Fareham Parkway, heating improvements at Fareham Reach and acoustic improvements in the Ell Court café and restaurant area.

Adult Health and Care Programme (including Adults with Disabilities and Extra Care)

16. Property Services continues to support the County Council's Adult Health and Care Department (AH&C) to deliver property outcomes for a number of existing and emerging transformation programmes. An update on each of these programmes is provided below:

Adults Health & Care Strategic Bed Based Programme

17. Following the completion of an initial study of the AH&C estate, Property Services continue to support AH&C in a review of the Bed Based Provision including the development of design principles for each service type and completion of feasibility work to identify the required solutions to meet condition issues, suitability, modernisation and any growth requirements of the AH&C estate.

Adults with a Disability Housing Programme

18. In April 2016, the Executive Member for Policy and Resources approved the Strategic Business Case for the Adults with Disability Housing Strategy. A decision was taken to support around 600 services users with a learning and/or physical disability to transition from a traditional care home setting into either a shared house or groups of individual flats to achieve independent living with 24/7 care and support available and commissioned by the County Council subject to the needs of each resident.
19. Property Services has led on the design and delivery of the new build element of the strategy which will deliver around 95 extra care units on County Council owned sites. The units are being delivered through a phased programme, Phase 1 comprised of five projects (including one refurbishment project) and a

further two projects are being delivered in Phase 2.

20. All schemes in Phase 1 of the new build programme (Jellicoe Court, Fernhill Court, Mulberry Lodge and Apex Court), have been handed over to AH&C and are now operational under the management of the landlord and the care provider.
21. In Phase 2, Sonnet Court in Eastleigh (on the former John Darling Mall site), completed in the summer of 2019. The Fareham project (on the former Croft House site) is scheduled to start on site in Autumn 2019 with the demolition of the existing building. This project has been rescheduled due to ecology issues and finalisation of the contract.
22. Property Services have been commissioned to complete a third phase of the programme. This comprises the design and delivery a number of one bed bungalows which cater for people with physical disabilities on the remaining land at the former John Darling Mall site. The planned delivery timescale for this scheme is the end of 2020 subject to securing planning permission for the scheme.

Older Persons' Extra Care programme

23. The updated Strategic Business case for the Older Persons' Extra Care programme approved in January 2017 identified an amended and more flexible approach to the delivery of extra care units on County Council owned sites through the grants programme.
24. Contracts for the development of the new Extra Care scheme in Romsey (former Nightingale Lodge Care Home) have now completed and the construction of this scheme will now be progressed.
25. Following the selection of development partners for the Extra Care schemes in Gosport (former Addenbrooke Care Home), New Milton (former Fernmount Centre), Petersfield (former Bulmer House Care Home), and Havant (the Havant Health & Wellbeing Campus, formerly Oak Park), contract negotiations are underway and development proposals are being progressed. A planning application for the scheme in Gosport has been submitted and is awaiting determination.

Learning Disability Transformation Programme

26. Work Continues on the objectives set out in the latest updated business case for this programme dated 7 March 2017. The scheme to construct a new respite service in Locks Heath is now complete and is now occupied and the respite services is being delivered.
27. Fareham Community Link is currently being refurbished with the service to move back into the building September 2019
28. AH&C identified the need for a Keystone Service needed in Totton however to date no suitable opportunity has been identified. Property Services continue to work with AH&C to explore options to deliver this requirement.

Children's Services Capital Programme

29. Property Services are progressing the design and delivery of new schools, school extensions, new modular classrooms and work to improve existing school buildings and their settings. There are a significant number of projects which will provide additional school places across Hampshire. There are two new primary schools progressing on site, at Kings Barton Winchester and Chestnut Avenue, Eastleigh. There is also one new primary school coming to completion on site at Boorley Green, Hedge End. The new school for Cornerstone CE (Aided) Primary School, North Whiteley is at the end of tender stage and due for a start on site early in 2020. In addition, school extensions to add further capacity have recently been completed at Castle Hill Primary School, Petersgate Infant School, Church Crookham Junior School and Rownhams St John's Church of England Primary School. These projects represent a total capital investment of £42m in additional school places.
30. There has been ongoing work and good progress to secure funding and develop proposals for new schools with the Department for Education and academy sponsors. Planning approval has been obtained for the new special school Austen Academy at Chineham, Basingstoke and proposals are progressing for Deer Park School to provide additional secondary school capacity in the Botley area. The planning conditions have been discharged which will enable proceeding to letting a construction contract for the school. The works to relocate Mill Chase Academy to a new school building and site as part of the investment in Whitehill and Bordon regeneration plan, for which there is a significant one-off capital investment of £10m by the County Council, are coming to completion and the school is due move and open at the new site after the autumn half-term. These projects provide a further £62 m investment into improving school facilities and providing additional school places.
31. Feasibility work continues on plans to provide future new schools places to accommodate the longer term primary and secondary pupil numbers projected across Hampshire. The design of these schools will seek to maintain appropriate standards and quality at lower cost in response to continued reductions in public spending. There is ongoing dialogue with District and Borough Councils and negotiations with developers to agree suitable sites and funding contributions for these schools in relation to planned new housing developments across Hampshire. These include significant development proposals for Manydown in Basingstoke, Welborne in Fareham, and Hartland Park and Shapley Heath Garden Village near to Fleet.
32. There has also been good progress on works to improve facilities and capacity for SEND (special educational needs and disability) provision across Hampshire. The projects at Prospect School, Havant and Norman Gate School, Andover have been completed on site. Planning approval has been obtained for the improvement works to St Francis School, Fareham and this project is now progressing to tender stage. There are early stage design proposals being drawn up for extension works to Shepherds Down School, Winchester.
33. Design work and contractor procurement are underway for the replacement of the existing school buildings at Fryern Junior School, Chandler's Ford and Grange Junior School, Gosport. The total cost estimate for full replacement of these two schools is in the order of £15m. Value for money will be achieved through the

economies of scale in adopting a common approach to the design and delivery of the two school projects in one procurement arrangement.

34. There are also significant remodelling and improvement works nearing completion on site for Swanwick Lodge, a secure facility that provides a safe and child centred environment for children and young people.

Children’s Services Suitability and Sufficiency Funding Allocations

35. Children’s Services has identified funding of £5m over three years (2019/20-2021/22) to address the suitability and sufficiency of school learning environments. Key workstreams have been identified and are to be prioritised within the provisional funding allocations noted below:

Teaching spaces – to resolve undersized rooms, acoustics and air quality issues in both Primary and Secondary Schools	£1.2m
Lighting – Energy efficiency and standards	£1.0m
Pupil toilet provision – refurbishment in addition to the existing programme of works	£0.8m
Food technology classrooms – refurbishment and compliance with current standards for mechanical systems in Secondary Schools	£0.5m
Science Laboratories – refurbishment and compliance with current standards for mechanical systems in Secondary Schools	£1.0m
Other / contingency	£0.5m

36. A list of priority schools is being developed with Children’s Services for each workstream, with £1m committed during the 2019/20 financial year and £2m per year to follow. Details will be reported to a future Executive Member for Children’s Services Decision day.

Isle of Wight Priority Schools Building Programme 2 (PSBP2)

37. As previously reported to the Panel, Property Services has been appointed as the local delivery partner by the DfE for the PSBP2 projects on the Isle of Wight. This appointment reflects the knowledge and expertise of Property Services in this type of work.
38. The programme is an investment of £18.5m to re-cladding, re-roofing and refurbishing buildings across 8 school sites. The projects are progressing well the first is currently on site, due for completion in Jan 2020. The remaining projects will commence on site during 2020 with staged completions through to the end of 2021.

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 is not considered relevant in relation to the contents of this report.

2. Impact on Crime and Disorder:

2.1 The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all decisions it makes on the prevention of crime. The proposals in this report have no impact on the prevention of crime.

3. Climate Change:

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

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HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Buildings, Land and Procurement Panel		
Date:	8 October 2019		
Title:	Energy and Carbon Management Activities Update		
Report From:	Director of Culture, Communities and Business Services		
Contact name:	Steve Clow		
Tel:	01962 847858	Email:	Steve.clow@hants.gov.uk

Purpose of this Report

1. This report updates the panel on further good progress on the reduction of the County Council's carbon emissions and details the ongoing programmes of work to achieve this. It also makes a recommendation for further investment in energy saving programmes from the existing capital budget.

Recommendation

It is recommended that:

2. The positive achievements of the Carbon Management Strategy Phase 2 reduction of 3.1% year on year, with an overall reduction of 43.3% against the 2025 target of 50% are noted.
3. The further £230,000 of carbon tax reductions in Phase 2 is noted.
4. A further saving of £300,000 in energy costs over the past year is noted
5. The good progress in Energy Performance Programmes Phases 4 and 5 is noted.
6. The positive engagement with schools is noted
7. The Panel recommends to the Executive Member for Policy and Resources that projects totalling £610,000 are added to the capital programme funded from the remaining £1.11 million of the previously identified £7m capital funding identified for green energy and energy saving initiatives. The projects will support the further expansion and development of the electric vehicle infrastructure, further Solar PV and battery storage in support of the carbon reduction and energy saving targets for HCC's corporate estate.
8. The Panel recommends to the Executive Member for Policy and Resources that approval is sought from Cabinet to use the remaining £0.5 million of this investment to create a £1million De-Carbonisation Clean

Growth energy recycling fund with 50:50 match funding basis through Salix Finance.

9. The Panel endorses the commitment made to sign up to the Department of Business, Energy and Industrial Strategy's (BEIS) Emissions Reduction Pledge 2020.

Executive Summary

10. The County Council at its meeting in July 2019 formally declared a Climate Change Emergency. This will now provide the overall context for the current phase of the Carbon Management Strategy; The Council was appraised of the excellent progress made to date and the contribution programmes have already made to a reduction in emissions. Any future recommendations for investment and the delivery of future programmes of work will dovetail with the proposed action plan for Climate Change which will be considered by Council at a future date.
11. In October 2015, the Director of Culture, Communities and Business Services (CCBS) reported that the first phase of the Carbon Management Strategy had been successful in achieving a 22.8% carbon emissions reduction over the first five years against a 20% target.
12. In June 2016 the Panel supported the proposal from the Director of CCBS to focus Phase 2 of the carbon management strategy on carbon emissions reductions from the corporate estate, street lighting and officer travel.
13. In October 2017 the Director of CCBS reported that excellent progress was being made on Phase 2 of the Strategy. A 38.1% reduction had already been achieved against the 40% target to 2025 approved by Cabinet in 2010.
14. Recognising the progress made, in January 2018 the Director of CCBS recommended to the Panel that the target be revised upward to 50% by 2025. The new target of 50% was duly adopted and approved by the Executive Member.
15. The Executive Member for Policy and Resources (EMPR) approved further investment in energy programmes in July 2017 allocating £2.72m from available funds. This annual report now updates Members on progress against those initiatives.
16. Members are reminded that since 2010 the cumulative energy cost savings have been in the order of around £30m (including schools in Phase 1). In addition, Carbon Tax Charges have been reduced by £385,000 since the start of the programme.
17. A further saving in of £300,000 in cost has been made this year as a result of the reduction in energy consumption

National reporting on Carbon Consumption

- 18.** 2018/19 is the final year of the Carbon Reduction Commitment (CRC) scheme which will be replaced by an enhanced Climate Change Levy (CCL). CCL is already a component of our utility bills and is designed to incentivise organisations to reduce their energy consumption.
- 19.** CCL will be charged on all energy used by all consumers, unlike CRC which applied only to large consumers of energy in the public and private sectors like the County Council.
- 20.** By reducing our emissions and by forward purchasing lower cost carbon credits, in the first four years of phase 2 of the strategy we have realised a total of £230,000 of savings as the price of carbon credits has risen over the life of the scheme.
- 21.** The Director of CCBS has recently signed up to the Department of Business, Energy and Industrial Strategy's (BEIS) Emissions Reduction Pledge 2020. This initiative is linked to the Clean Growth Strategy in which the government introduced a voluntary target for carbon reduction across the wider public and higher education sectors in England. This target would aim to reduce greenhouse gas emissions across these sectors by 30% by 2020/21, compared to a 2009/10 baseline.
- 22.** Whilst the 30% has been set across the sectors as a common target, the government recognises some organisations like the County Council have already exceeded this and will accommodate this within their reporting structure.
- 23.** As the County Council already reports its emissions through the CRC and greenhouse gas emissions schemes, there will be no additional burden placed on officers to collate the information required as part of the BEIS Pledge.

Carbon Management Strategy Phase 2

- 24.** The carbon management strategy, phase 2, concentrates on reducing carbon emissions from street lighting, buildings in the corporate estate and business travel by officers and is currently on track to achieve the objective of a 50% reduction from 2010 levels by 2025.
- 25.** The table below shows very positive progress in phase 2 emissions reduction since the programme commenced in 2015.

Table of Carbon Emissions from 2010

Sector	2010 Emissions Tonnes	2015 Emissions Tonnes	2016 Emissions Tonnes	2017 Emissions Tonnes	2018 Emissions Tonnes	2019 Emissions Tonnes	2025 Target Emissions
Corporate Buildings	21,000	19,060	16,829	16,830	16,425	14,924	-
Street Lighting	26,600	17,558	13,450	12,119	11,560	11,233	-
Officer Travel	6,600	4,889	4,534	4,605	4,420	4556	-
Total	54,200	41,507	34,813	33,544	32,405	30,717	27,100
% Reduction	-	-23.4%	-35.8%	-38.1%	-40.2%	-43.3%	-50%

26. Comparing current emissions to those reported last year shows there has been a reduction from corporate buildings of 9%, further analysis of the data shows that;

- Electricity emissions have reduced by 6.9% over the year, the reduction achieved through a combination of the energy performance programmes (in particular LED lighting replacement) and greater staff awareness and engagement.
- Gas emissions fell by 14% over the same period noting that the winter of 18/19 was relatively mild compared to the average.

27. Street lighting emissions have continued to decrease over the course of the last 12 months as a number of initiatives mature, including the dimming and the switching off of some street lighting for specific periods overnight. The Director of Environment, Transport and Economy recently undertook feasibility study into the replacement of lamps with LED. The cost and lengthy payback estimated in the business case means that this is not currently economic to pursue. When the payback (around 5 years) and costs reduce to an acceptable level a programme of lamp replacement will become viable. This will be kept under review as the cost of installation is expected to reduce in the future.

28. There has been a slight increase in officer miles travelled this year, and whilst the overall emissions have reduced over the phase 2 period they have stayed static over the last couple of years. The greater deployment of electric vehicles through the fleet and the planned conversion of the pool cars to electric vehicles (EV) is expected to see emissions reduce further in subsequent years. The ongoing implementation of modern meeting room technology is also expected to reduce travel demands as officers can 'meet' and connect remotely. This will take time to come to fruition as the digital technology roll out is still ongoing and staff become familiar with its use. This will drive behaviour change which is expected to contribute positively to emission reduction.

- 29.** In June 2017 the Panel supported the proposal from the Director of CCBS to undertake two further phases of the Energy Performance Programme (EPP4 and EPP5). This was approved by the Executive Member Policy and Resources (EMPR) in July 2017. Additional resources of £2.72m were approved as a total investment for the future planned phases. This included funding a major programme of LED lighting replacement, commencement of an electric vehicle replacement programme and investment in new battery technology.

Energy Performance Programme Phase 4

- 30.** The first year of the LED lighting programme is now complete. 27 projects were completed for a range of buildings across the Council. These projects amounted to energy savings of £150,000 and 470 tonnes of carbon a year. The overall average payback of the projects completed in this first phase is within 7 years.
- 31.** Scoping of projects for this year has been undertaken and the remainder of the budget will be spent within the current the financial year.
- 32.** The early projects have shown a good return on investment and feedback from building users has been positive. For example, the lighting replaced at Dame Mary Fagan House will save in the region of £18k per annum with a payback of 5.95 years and improved the working environment.
- 33.** The second initiative in EPP 4 was the development of an Electric Vehicle (EV) charging point procurement framework for the public sector.
- 34.** The Central South Regional Framework for Electric Vehicle Charging Points has been in existence for just over one year. This is a route to market for public sector organisations which ensures procurement is simple and efficient. It is, in effect, a pre-negotiated bulk buy arrangement. To date 35 organisations including Winchester City Council, Southampton City Council, Oxford City Council, Test Valley Borough Council and Hampshire Police have framework access with a potential for around £900,000 of investment in the Hampshire area through this framework. The County Council takes a small levy on the transaction with the supplier to cover costs of administration. The arrangement is self funding and supports Property Services commercial approach to income and charges.
- 35.** The Director of CCBS is also delivering a programme of Electric Vehicle (EV) charging point installations to support the roll out of the County Council's EV fleet. Charging points have been provided at Highways depots, and at the Scientific Services offices and other HCC sites. Further points are planned to include a number in specific strategic locations across the HCC estate to support the use of EVs by the Council's staff and services.
- 36.** By the end of this year, 10 Electric Vehicle Charging points will have been installed at 5 Country Parks and Calshot Activities Centre.

- 37.** A second phase is being delivered this financial year for further public facing assets to ensure they are accessible to EV drivers.
- 38.** On-street charge points are being explored by Property Services' Energy Team in conjunction with ETE in response to interest from residents and pressure from other Councils. A guidance document has been produced by ETE for Hampshire residents for "on street" parking outlining the interim action that can be taken and the associated responsibilities. The Council is also promoting the provision of EV Charging points on its own land for development.

Energy Performance Programme - Phase 5

- 39.** EPP5 continues to focus on the deployment of electric vehicles for the HCC managed fleet and exploring the potential of battery storage technology for the built estate.
- 40.** By the end of the financial year a total of 106 EV Charge Points (EVCP) will have been installed across the estate.
- 41.** 15 charging points have been installed in the EII basement car park and have formed part of a free trial pilot to test the system and encourage staff and members to use EVs and plug in hybrids.
- 42.** By September, 36 electric vehicles will be in use as fleet cars. 19 are on contract hire for the following services:
- CCBS – 14
 - ETE – 1
 - Adult Services – 3
 - Corporate Health and Safety – 1

A further 17 vehicles are currently on order for ETE Highways.

- 43.** Battery Storage – feasibility studies for Dame Mary Fagan House and EII Court are nearly complete. The recommendations will be developed into a business case where they could be combined with further sustainable technology to improve viability and return on investment such as including more solar PV and combined heat and power units (CHP).

Commitment of Remaining Funding in the Policy and Resources Energy Budget

- 44.** £1.11 million of funding remains from an original sum of £7 million identified for energy saving initiatives. Drawing on the experience gained from phases 4 and 5 of the energy programme to date and the successful outcomes achieved thus far, it is now proposed that this remaining funding is allocated to a range of initiatives as set out below:

Solar PV, building fabric and heating improvements to the corporate estate	£500,000
further expansion of the Electric Vehicle infrastructure	£410,000

battery storage for buildings with Photo Voltaic (PV) installations, bulk storage of grid electricity	£200,000
Total	£1,100,000

45. In addition, there is an opportunity to enhance the value of the County Council's investment with a Salix loan contribution.
46. Salix funding has been used successfully to augment our energy programmes to fund (or part fund) investments in energy saving technologies. Salix are the delivery body for the Department of Business, Energy & Industrial Strategy (BEIS), providing interest free loans for public sector energy projects. The Director of CCBS is in regular contact with Salix and the County Council is regarded as a leader in public innovation and investment in energy saving initiatives.
47. Council officers continue to have regular dialogue with Salix who are about to launch a revised De-Carbonisation Clean Growth Recycling Fund where authorities match fund the Salix loan contribution which is used to deliver energy saving works. The revenue cost of energy and carbon saved is returned to the Councils fund and is re-used to invest in further energy saving opportunities.
48. It is proposed to establish a Salix Decarbonisation Fund of £1m with the £500,000 allocation in the table above and match funding of £0.5m from Salix. This fund will be used to respond to changes in the corporate estate that provide new opportunities for investment in technologies such as Solar PV, building fabric and heating improvements. Although the PV programme was undertaken, further opportunities for PV installations arise due to roof condition improvements and certainty of the retention of specific buildings for the longer term. The costs of PV purchase in the market also has come down over time and schemes can become viable which in the past would not have been. This is kept under review on a regular basis. This fund allows for a longer payback period (up to 10 years) to enable the energy team to focus on projects that would previously not have qualified for loan funding.
49. Property Services' Energy team continues to support schools with energy and carbon reduction programmes such as LED lighting and energy performance improvements through the Schools Energy Performance Programme.
50. Over the last year the Schools programme has successfully delivered 23 school projects with energy cost savings of around £100,000 and 360 tonnes of carbon per annum. A further 23 schools have been surveyed or programmed for viability activity.
51. In addition to these programmes, schools continue to request opportunities to install Solar PV systems. The energy team are developing a proposal and business case for Schools Solar PV and energy performance to enable the County Council to offer a Solar PV programme for schools in Hampshire. A business case is being developed and the Director of CCBS is in consultation with the Head of Finance. This will

also be considered as part of the wider Climate Change action plan and further reported to the Panel. The Council will also install PV on new schools and extensions where it is technically feasible to do so.

Energy Supply Contracts

52. The development of future energy supply contracts for the County Council and its partners is progressing well, focussing on efficiencies from the remaining 2 years of existing contracts, and benefits of future supply contracts for the Council. Smart meters were fitted across the whole estate at the start of the Carbon Reduction Programme and give immediate access to consumption information centrally and locally for schools. Efficiencies and improvements in the administration and billing processes including the following;

- Bill processing optimisation with the IBC saving the equivalent of 7 FTE days per month.
- The Electricity metering contract will now be aligned with new energy supply contracts in October 2019.
- Aged credit recovery held by Utilities companies has resulted in over £100,000 being returned to HCC.
- The energy “fixed prices” has been changed meaning that HCC will no longer be charged “risk premiums” for non-energy costs (taxes, levies). Saving of over £50k each year should be realised.
- External customers, schools and internal customers were engaged in June 2019 to sign up to the new energy supply Framework which is showing a good level of take up.

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

Section 100 D - Local Government Act 1972 - background documents

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DocumentLocation

None

IMPACT ASSESSMENTS:

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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:

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- 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 not been considered in the development of this report as access requirements are always considered during the design stages of building 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. The Energy Strategy and Carbon Management Plan will have significant positive effect on the carbon emissions of the County Council. Climate change impacts are a driver in implementing reduction programmes.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Committee/Panel	Buildings, Land and Procurement Panel
Date:	8 October 2019
Title:	Business Services Group – 2018/19 Annual Report and Accounts
Report From:	Director of Culture, Communities and Business Services

Contact name: Shaun Le Picq

Tel: 01962 846216

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Purpose of this Report

1. The purpose of this report 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 2018/19 financial year. The report also includes an overview of the aggregated accumulated surpluses of these businesses.

Recommendation(s)

2. That the Panel make the following recommendation to the Executive Member for Commercial Strategy, Human Resources and Performance that:
3. The 2018/19 annual report and accounts for the Business Services Group be approved.

Executive Summary

4. This report provides Members with a summary of the financial and business performance of the three self-funding business units, known collectively as the Business Services Group (BSG) in the Culture, Communities and Business Services Department (CCBS) for the 2018/19 financial year. The three business units within BSG are:
 - Hampshire County Council Catering Services (HC3S)
 - Hampshire Transport Management (HTM)
 - County Supplies (CS).

5. The business units operate in a highly competitive environment and their continued trading performance is dependent on the success of their business development plans in retaining existing customer loyalty and winning new business.
6. The annual net trading surplus for 2018/19 was £43,000, compared to an original business plan target of £559,000 and a revised outturn forecast of £222,000. The significantly reduced surplus was primarily due to school meal take-up being lower than target, food costs being higher than forecast and lower turnover than planned in the County Supplies warehouse.
7. This financial result reflects the significant pressures in the market in which the businesses operate. These pressures include increases in overall staffing costs due to the local government pay award being higher than the National Living Wage, increases in employer pension contributions, general inflationary pressures across food and other commodities, reduced spend by customers due to the financial constraints within the public sector and an overall squeeze on household disposable incomes.
8. Despite these trading pressures, the business units continue to perform well against their competitors in the local area, with HC3S receiving several accreditations and awards for the quality and sustainable sourcing of its meals and achieving a net gain of four schools at which it provides catering services during the year. County Supplies has retained business with 100% of all schools (including academies) in Hampshire, Southampton and Portsmouth and attracted 61 new customers in areas bordering the county. HTM has continued to be successful in winning new business from new external customers, supplying them with a total of 225 vehicles, which exceeded the business plan target by 40 vehicles (22%).
9. The business units have also supported the delivery of the County Council's objectives including working in partnership with departments to achieve savings of over £250,000 a year on home to school transport, replacing 13 existing diesel vehicles with fully electric vehicles, providing and promoting healthy and nutritious meals for school children, working in partnership with Public Health and using local suppliers within their supply chains.
10. The businesses are continuing their work, in line with their business plans and T19 and T21 programmes, to generate efficiencies, focus on customer retention, exploit digital technologies and win new business. The investment required for these business development programmes is fully funded by the accumulated surpluses generated by the business units and this ensures that no financial support is provided by the County Council. The overall objective of the Business Services Group is to ensure that it continues to provide effective and efficient services at the right price and right quality for customers, whilst also delivering its financial sustainability for the long term.

Contextual information

11. The three self-funding business units (HC3S, HTM and County Supplies) in CCBS are required to be financially self-sufficient by generating income through trading with the County Council, schools, other educational establishments and the wider public and third sectors in and around Hampshire. The income covers all costs, including relevant and appropriate departmental and corporate overheads, and generates a reasonable surplus to enable the business units to re-invest in new initiatives and technology to maintain competitiveness and business success.
12. The 2018/19 business plans for the three business units, which set out the financial and performance targets and service delivery objectives, were reported to the Buildings, Land and Procurement Panel and approved by the Executive Member for Economic Development on 29 March 2018. This report outlines the actual performance against these plans during the last financial year.
13. 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. The businesses are required to make a surplus each year, so that they can invest in business development initiatives, without having to receive any financial support from the County Council. However, they do not seek to make excessive surpluses because one of their key objectives is to deliver best value for their public sector customers. This surplus strategy also recognises that customers are facing continued financial pressures and funding constraints.
14. 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 parts of Berkshire, Dorset (including Bournemouth, Christchurch and Poole), the Isle of Wight, Surrey, West Sussex and Wiltshire.

Finance

15. The 2018/19 final accounts for BSG and each of the three business units are shown in Appendix A. Total business turnover (income) in 2018/19 was £56.7 million, which is an increase on the previous year of £2.8 million (5.2%). Total income was £728,000 (1.3%) below the original business plan target of £57.4 million. BSG generated an overall surplus for the year of £43,000 (0.1% of turnover) and this was £516,000 lower than the original target.
16. The most significant variations relate to a 3% reduction in primary school meal income of £862,000 due to take-up being 1.7% below target, food costs

were higher than target by £183,000 (2%) and turnover through the County Supplies warehouse was £482,000 (4.7%) below target. These pressures were partly offset by management action to reduce indirect and overhead costs by £254,000 (5.4%) across BSG.

17. As self-funding business units, BSG also covers the cost of relevant departmental and corporate support services. In 2018/19, BSG contributed £879,000 (1.6% of turnover) towards the cost of corporate and departmental overheads. In addition, BSG funds the cost of the past pension deficit for its staff, which cost £693,000 in 2018/19 and this cost has been increasing by 8.8% a year since 2015/16.
18. These cost and income pressures created a particularly difficult trading year for HC3S and the business unit made a deficit in 2018/19 of £280,000, despite taking action to reduce costs where possible. HC3S had already identified that cost and income pressures would increase further in the short to medium term, which is why HC3S's business plan focuses on initiatives to increase meal take-up and reduce costs, in order to deliver improved financial results over the next few years.
19. Table 1 below shows the annual surpluses generated by the business units over the last five years.

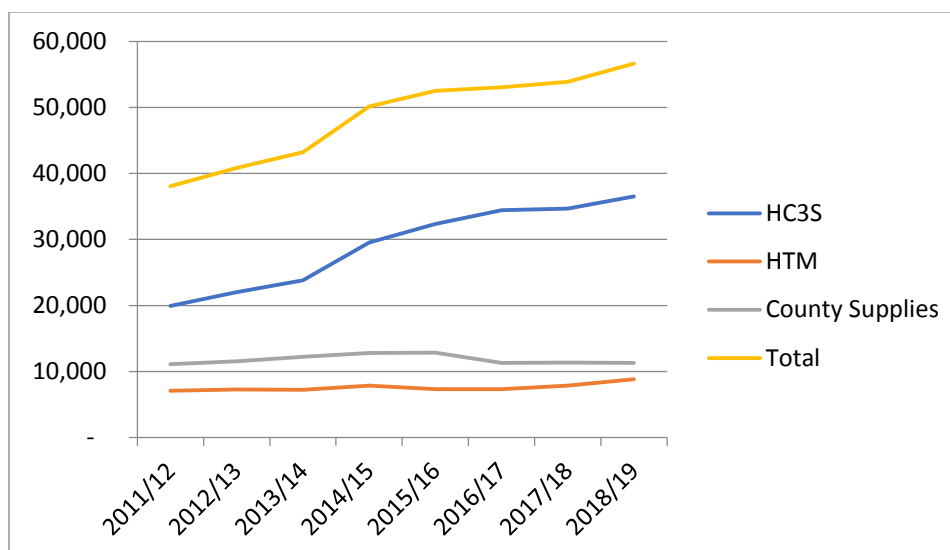
Table 1 – Annual Trading Surplus / (Deficit) 2014/15 to 2018/19

	Actual	Actual	Actual	Actual	Actual
	2014/15	2015/16	2016/17	2017/18	2018/19
Business Unit	(£000s)	(£000s)	(£000s)	(£000s)	(£000s)
HC3S	789	591	55	7	(280)
HTM	1	321	266	183	98
County Supplies	331	342	516	317	225
Total Surplus	1,121	1,254	837	507	43
% of income	2.2%	2.4%	1.6%	0.9%	0.1%

20. The reduction in HC3S's surplus over the last four years reflects the increase in staffing and food costs and a reduction in meal take-up. HTM's larger surpluses from 2015/16, compared to previous years, are due to an increase in business from external customers, though the trend is a reducing surplus year on year due to continuing cost increases for staffing and vehicle spares and consumables. County Supplies continues to achieve a steady surplus each year as it maintains its price competitiveness and successfully retains its customers.
21. The graph below shows the turnover for each business unit and BSG in total over the last eight years, rising by 49% in that period. This increase is primarily due to the introduction of Universal Infant Free School Meals

(UIFSM) in September 2014 and HC3S winning new business outside of Hampshire. The slight reduction in County Supplies turnover in 2015/16 relates to the transfer of the corporate procurement portfolio to the Strategic Procurement Team in Corporate Services.

Annual Turnover 2011/12 to 2018/19 (£000s)



22. In addition to generating £25.3 million of income from Hampshire primary school meals, HC3S continued to maintain a portfolio of customers in other sectors and outside of Hampshire achieving turnover (income) as follows:

- secondary schools: £3.8 million
- schools outside Hampshire: £1.9 million
- non-school sites: £5.2 million
- other income: £0.3 million.

23. As shown in table 2 below, in 2018/19 HC3S also returned surpluses of £122,298 to secondary schools and provided a financial payback of £239,747 to other County Council services from the catering operations at these services' sites.

Table 2 – Financial Payback to Services from HC3S in 2017/18

Site / Service	Catering Payback 2018/19
Countryside Service	£107,000
Sir Harold Hillier Gardens	£108,645
Calshot Activity Centre	£9,000
Library Service	£15,102
Total for Hampshire County Council	£239,747

Secondary Schools	£122,298
Total payback to customers	£362,045

24. HTM's total income was £8.8 million, which was £300,000 above target due to an increase in spot hire income and workshop income. The income for each of HTM's five core services is as follows:

- contract hire: £4.8 million
- fuel: £1.3 million
- courier service: £0.9 million¹
- spot hire: £0.9 million
- workshop income: £0.9 million.

25. HTM's costs were also just over £300,000 above target which directly reflects the increased business (income) from spot hire and workshop maintenance and some required investment in replacement equipment at the workshops.

26. County Supplies warehouse income, at £9.7 million was on a par with the previous financial year, though was below target by 4.7%. This reflects spending pressures for schools, particularly for curriculum supplies. Income from the County Supplies' portfolio of framework agreements continues to hold up well, despite the current public sector financial constraints, and generated £1.15 million of income, which was £20,000 (1.8%) above target. Proactive management of costs and delivery of efficiencies led to costs being £390,000 (3.4%) below budget, which enabled the business unit to generate a reasonable surplus of £225,000 (2% of turnover) in 2018/19.

27. 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. The surpluses also enable the businesses to invest in initiatives that retain customer loyalty and win new business, to replace assets and equipment, upgrade technology and improve services. BSG's accumulated surpluses form part of the County Council's overall reserves. The 2018/19 movements on the accumulated surpluses for the businesses are shown in Table 3 below.

¹ The courier service also includes the transport service for Adult Services clients at day services, transport of school meals, MIDAS driver training and library book movements.

Table 3 – Accumulated Surpluses – movements 2018/19

	(£000s)
Surplus as at 01/04/18	6,129
Business units' surplus 2018/19	43
Depreciation, interest and finance	148
Spending from surpluses	(651)
Closing balance as at 31/03/19	5,674

28. The accumulated surpluses reduced by £445,000 (7.4%) during 2018/19 to £5.7 million. The spending from the surpluses of £651,000 related to investments included in the Business Plans for 2018/19, as approved by the Executive Member, for kitchen and servery improvements, technology and equipment upgrades and replacements and other Transformation to 2019 (T19) projects which will deliver efficiencies, income and surpluses in future years. Further detail is shown in Appendix B.
29. The forecast balance on the accumulated surpluses by March 2020 is expected to be £5.7 million, which is similar to the opening balance. This assumes the business units achieve their surplus targets of £604,000 in 2019/20, which is obviously quite challenging considering the cost and income pressures that they have faced during 2018/19. Financial results from the first six months of trading in 2019/20 indicate that inflationary pressures are continuing and income will be below target, which will reduce the annual surplus that will be achieved in the current financial year.
30. Taking account of future potential commitments and earmarks, particularly arising from the Business Units' Transformation to 2021 (T21) programme and other T21 investment requirements across CCBS, there is currently an unallocated balance in the accumulated surpluses of only £52,000. This balance does not take account of future annual surpluses and payback that will be required to be delivered by these investments and therefore reflects the worst-case scenario. The forecast commitments will be reviewed on a continual basis against the actual level of reserves as impacted by the actual outturn each year.
31. HC3S also manages delegated catering budgets on behalf of schools through buy-back arrangements and a Service Level Agreement (SLA) which covers the costs of equipment maintenance and replacement in schools' kitchens and serveries. This SLA had an annual value of £2.2 million in 2018/19. These funds do not form part of BSG's turnover or accumulated surpluses and the balance of these funds for 2018/19 was £94,937 and this was used to improve catering facilities at several primary schools.

Performance

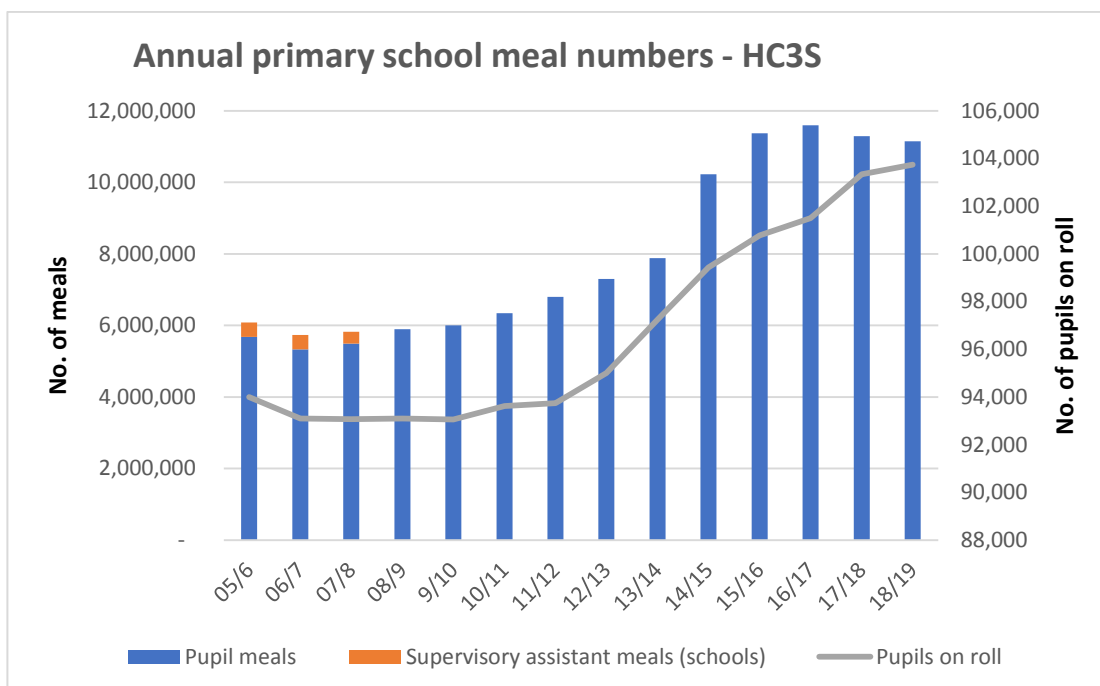
32. BSG's actual performance against the target key performance indicators for 2018/19 is shown in Table 4 below.

Table 4 – Key Performance Indicators: Targets and Actuals for 2018/19

KPI	Target	Actuals	Variance
	2018/19	2018/19	2018/19
<u>HC3S</u>			
- Primary school pupil meals take-up	60%	58.3%	-1.7%
- Primary school food cost per meal	£0.90	£0.92	+£0.02
- Unit labour cost as % of income	45%	47%	+2%
<u>HTM</u>			
- Pool car utilisation	91%	77.5%	-13.5%
- Fleet downtime	1%	0.3%	-0.7%
- Fleet size (external customers)	185	225	+40
- Contract hire conversion rate: quotes to orders	60%	78.4%	+28.4%
<u>County Supplies</u>			
- Stores turnover	£10.2m	£9.7m	-£0.5m
- Stores purchase price inflation	+1.2%	+2.1%	+0.9%
- Service levels – Top 400 lines	98%	99.2%	+1.2%
- Deliveries on due day	>98.5%	99.9%	+1.4%

33. As explained in paragraph 16 above, lower meal uptake and higher food costs have been the main causes of the financial deficit for HC3S in 2018/19. Unit labour costs were also 2% higher than target due to the national pay award being higher than expected for lower graded staff.

34. 11.15 million primary school meals were provided in the year, which equates to just over 57,700 primary school meals served on average each day by HC3S. This compares to 11.29 million meals in the previous year and 11.59 million meals in 2016/17, which was the highest number of meals ever provided by HC3S. There has been a downward trend in meal numbers and meal take-up since then. This reduction appears to be a national trend, though HC3S's business plan focuses on increasing take-up through increased marketing including effective use of social media and commissioning external specialist support to undertake social marketing research in the coming year. Social marketing focuses on how to influence behaviours which benefit individuals and communities and this approach fits well with the County Council's ethos for providing healthy and nutritious school meals and the potential positive impact that school meals have on educational attainment. The trend in primary school meal numbers and the number of pupils on roll over the last 14 years are shown in the graph below.



35. HC3S mobilised nine new contracts for the provision of catering services during the year. These were two in Hampshire, four in Dorset, and three in Wiltshire (including HC3S’s first 6th form college customer). HC3S also won a new contract to start providing meals to a primary school in Dorset from September 2019. However, HC3S lost business with five schools in Hampshire during the year, with three primary schools deciding to appoint alternative suppliers and two secondary schools taking their services in-house. As at March 2019, HC3S were providing catering services to customers at 497 schools and 12 non-school sites. This was an increase of four schools over the year.

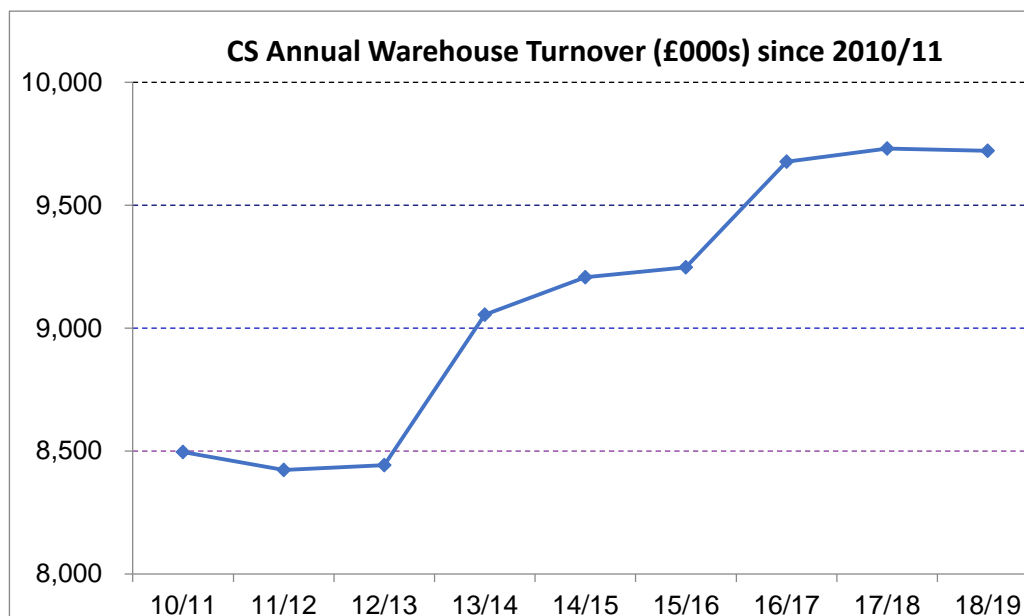
36. HC3S has been re-accredited with the Soil Association’s ‘Food for Life Served Here’ Bronze award for all primary schools. This accreditation is reviewed annually and confirms that at least 75% of food is cooked fresh, is good quality and sourced locally where possible. The HC3S service in primary schools has also achieved a Gold ‘Eat Out, Eat Well’ award, which recognises how HC3S makes it easier for pupils to make healthier choices and demonstrates how these healthier choices are actively promoted. HC3S staff achieved success in the Lead Association for Catering in Education (LACA) ‘Finishing Touches’ competition with a number of HC3S staff winning awards across several categories. HC3S were also finalists for two of LACA’s awards for ‘Marketing Excellence’ and ‘Secondary School Team of the Year’. HC3S’s Business Development team also won an ‘EDUCatering’ award for marketing excellence and were highly commended by ‘Love British Food’ organisers for their work with schools during British Food Fortnight. The team were also finalists in the marketing category at

- the National Fish and Chip Awards for Best Seafood Week campaign
- the ‘Cost Sector Catering’ Awards

- the 'Cateys Foodservice' Awards.

37. HTM's external customer fleet exceeded target by 40 vehicles taking the total number of external customer vehicles to 225. This demonstrates very good progress on HTM's business development objective of increasing the number of external customers. This success in winning new business is also reflected in the percentage contract hire conversion rate (quotes to orders) being 28% above target and is the best performance for this KPI ever recorded. Fleet downtime continues to be well below the minimum expected at 0.3% compared to a target of 1%, which reflects good performance at the vehicle workshops by keeping downtime as low as possible for customers.
38. The utilisation of the pool car scheme was particularly disappointing at 77.5%, which is 13.5% below the target of 91%. This was caused by poor utilisation of a small number of vehicles that were made available at the County Council's offices and hubs outside of Winchester, despite action being taken during the year to move vehicles to locations which had expressed an interest in using a pool car. The location of these vehicles will be continually monitored and reviewed during the coming year so that utilisation is maximised as much as possible. Utilisation of the main pool fleet in Winchester was very close to target at 90.4%.
39. Good progress has been made with replacing the current diesel fleet (where vehicles have reached the end of their useful life) with electric vehicles. During the year, the number of electric vehicles in operation increased from zero to thirteen, with another 22 electric vehicles on order as at end March 2019. Six of HTM's vehicle technicians also completed electric vehicle maintenance and inspection training during the year.
40. During the year, HTM was also involved in supporting the County Council's innovative 'spend to save' scheme, which provides schools with minibuses as part of ensuring that eligible children have a safe home to school transport service. The scheme won the Bronze Award in the 'Working Together' category of the Public Sector Transformation Awards, organised by the Improvement and Efficiency Social Enterprise (iESE). This is a collaborative programme between the passenger transport team, home to school transport team, HTM and schools/colleges. The scheme now operates in 26 schools and further education colleges, saving the County Council over £250,000 a year on home to school travel costs.
41. County Supplies continues to perform above target for deliveries on due day (99.9%) and service levels (99.2%), which is important for retaining customer loyalty. Inflation on purchase prices was 0.9% higher than forecast, which reduced the business unit's margins for the year. Warehouse turnover remained relatively static for the third consecutive year at £9.7 million. As shown in the graph below, this is the first time since 2012/13 that warehouse turnover has not increased for two years. In real terms, this is a reduction in

turnover of just over 3% between 2017/18 and 2018/19 and reflects difficult trading conditions with our public sector customers, particularly due to the financial pressures experienced by schools, which continue to be County Supplies' core customers.



42. During the year, 61 new customers registered with County Supplies, most of which were as a result of a business development campaign to attract new customers within the business unit's 'deliverable radius', including parts of Dorset, Surrey and Berkshire. This has increased the current number of registered customers to 2,407 as at March 2019. County Supplies has successfully retained 100% of all schools and academies in Hampshire, Portsmouth and Southampton as customers during 2018/19.
43. BSG continues to provide opportunities for apprenticeships within the businesses, supported by funding from the apprenticeship levy. During the year, County Supplies appointed an apprentice in its customer services team, who is undertaking the 15-month NVQ Level 2 Customer Service Practitioner apprenticeship. Additionally, the first County Supplies warehouse apprentice successfully completed a Level 2 NVQ in warehousing and distribution. This member of staff has now moved into a full-time position within the warehouse. HTM have five vehicle technician apprentices in the workshops and one business administration apprentice at HQ. HTM has engaged fully with the apprenticeship programme since 2006 and has enabled 20 apprentices to be trained and qualified during that time. During the year, HC3S registered 31 members of staff on a variety of level 2 and level 3 hospitality and catering apprenticeship programmes. In addition, HC3S has employed a Catering Operations Management Trainee, who has now finished her induction and will shortly be starting a Level 4 qualification in Hospitality Management, and one member of staff undertaking a Level 2 Team Leader VRQ (Vocational Related Qualification). 44 members of staff also completed their apprenticeship qualifications, which includes a student apprentice, who has now been

appointed to a permanent position in the Castle Restaurant. HC3S has also provided a Supported Traineeship placement for a student from Eastleigh College at Hamble Primary School.

Conclusions

44. The performance of all three businesses has been adversely affected by unplanned cost increases and a downturn in customer spend in 2018/19. This reflects the financial constraints that are affecting our public sector customers and has been highlighted in the business units' annual reports and business plans for the last few years. However, BSG still achieved a small surplus overall for the year and performed well against many of its key performance indicators.
45. The businesses have continued to win new customers and have contributed to a number of County Council initiatives and objectives during the year. These include working in partnership with departments to achieve savings of over £250,000 a year on home to school transport, replacing 13 existing diesel vehicles with fully electric vehicles, providing and promoting healthy and nutritious meals for school children and using local suppliers within their supply chains.
46. BSG's business development plans, which focus on on-going efficiencies, exploiting digital technologies, meeting customers' changing expectations, retaining customer loyalty and winning new business remain critical to achieving on-going success and long-term financial sustainability for the three business units in a highly competitive marketplace.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because it enables the business units to demonstrate appropriate reporting mechanisms and to 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 – Business Plans 2018/19	29 March 2018
Business Services Group – 2017/18 Annual Report and Accounts	19 June 2018
Business Services Group – Business Plans 2019/20	26 March 2019

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	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This report outlines the financial position of the Business Services Group for 2018/19 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.

CCBS Business Services Group

Final Accounts 2018/19

Business Services Group			
	Target	Actual	Difference
	£'000	£'000	£'000
Income	57,384	56,656	(728)
Direct Costs	52,139	52,181	42
Contribution	5,245	4,475	(770)
Overheads	4,686	4,432	(254)
Surplus/(Deficit)	559	43	(516)

Trading surplus as a % of income: 0.08% (0.9% in 2017/18)

Hampshire County Council Catering Services (HC3S)			
2018/19 Final Accounts	Target	Actual	Difference
	£'000	£'000	£'000
Income			
Sale of meals	36,805	36,155	(650)
Other	252	365	113
Total Income	37,057	36,520	(537)
Direct Costs	35,058	35,057	(1)
Contribution to overheads	1,999	1,463	(536)
Overheads	1,884	1,743	(141)
Surplus/(Deficit)	115	(280)	(395)

Trading deficit as a % of income: -0.8% (0.02% surplus in 2017/18)

Hampshire Transport Management (HTM)			
2018/19 Final Accounts	Target	Actual	Difference
	£'000	£'000	£'000
Income			
Contract Hire	4,882	4,833	(49)
Other	3,637	3,988	351
Total Income	8,519	8,821	302
Direct Costs	7,212	7,518	306
Contribution to overheads	1,307	1,303	(4)
Overheads	1,191	1,205	14
Surplus/(Deficit)	116	98	(18)

Trading surplus as a % of income: 1.1% (2.2% in 2017/18)

County Supplies			
2018/19 Final Accounts	Target	Actual	Difference
	£'000	£'000	£'000
Income			
Stores turnover	10,203	9,721	(482)
Retrospective rebates	1,130	1,150	20
Other	475	444	(31)
Total Income	11,808	11,315	(493)
Direct Costs	9,869	9,606	(263)
Contribution to overheads	1,939	1,709	(230)
Overheads	1,611	1,484	(127)
Surplus/(Deficit)	328	225	(103)

Trading surplus as a % of income: 2.0% (2.8% in 2017/18)

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

Balance at 31 March 2018	6,129
2018/19 Actuals	
BSG trading surplus 2018/19	43
BSG depreciation & capital charges	148
HC3S kitchen and servery improvements / investments	(268)
HC3S mobile electronic catering administration system	(65)
HC3S equipment replacement (Countryside)	(22)
HC3S contribution to HQ café refurbishment	(46)
County Supplies warehouse scanning system	(135)
HC3S - closure of Wiltshire central production unit	(115)
Balance at 31 March 2019	5,669
Earmarks and Commitments 2019/20	
Forecast BSG trading surplus 2019/20	604
BSG depreciation & capital charges	148
HC3S kitchen and servery improvements / investments	(400)
HC3S mobile electronic catering administration system	(239)
HC3S equipment replacement (Countryside)	(8)
County Supplies warehouse scanning system	(60)
HC3S staff recruitment and retention programme	(25)
Forecast Balance at 31 March 2020	5,689
T21 Programme Investment Requirements	
HC3S School Meal Income system replacement	(165)
HC3S online free school meals eligibility checkers	(35)
HC3S Crimson Tide Mpro system replacement	(60)
HC3S income generation (social marketing research)	(50)
HC3S digital efficiencies (allergen system and website)	(50)
County Supplies customer ordering system modernisation	(150)
HTM digital solution for recorded deliveries	(60)
HTM fleet management system re-procurement	(50)
HTM IT infrastructure upgrades at workshops	(165)
Further Earmarks and Commitments	
- BSG contingency (1.25% of income)	(736)
- HTM Petersfield workshop refurbishment	(950)
- HTM provision for final year capital charges	(340)
- Bar End site roof replacement	(200)
- HC3S mobile electronic catering - devices refresh	(176)
- CRM system and Services Portal - full implementation	(300)
- CCBS investment projects	(1,400)
- Potential Alternative Service Delivery Model implementation	(750)
Unallocated Balance	52

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