

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Universal Services
Date:	20 May 2024
Title:	Spend Approval for Property Term Maintenance Contract
Report From:	Director of Universal Services

Contact name: Erica Jenner and Chris Topley

Email: Chris.topley@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to seek spend approval to address the shortfall in agreed funding for works undertaken through the current Property Services Term Maintenance Contracts (TMC) for building fabric and engineering.

Recommendations

2. That the Executive Lead Member for Universal Services gives approval to procure and spend up to £70million on building and fabric maintenance services for Hampshire County Council's built estate (including schools) through its Property Term Maintenance Contractors between 1 June 2024 and 31 July 2027, to be in addition to the existing spend approval through this contract of £130million, making a total of £200million to be funded from existing budgets.
3. Notes that planning for the procurement for the next generation of the Term Maintenance Contract is underway to better meet the needs of our evolving organisation and, in the context of the forecasted recurring funding gap beyond 2025/26, its strategy to move towards establishing a minimum service level.

Executive Summary

4. This paper sets out the background to the recommended uplift in anticipated spend for maintenance services delivered on Hampshire County Council's built estate, including its schools. The spend (currently around £18million per year) is delivered via existing Term Maintenance Contracts (TMC) for building fabric and engineering services.
5. The current procurement strategy of multiple supplier provision, delivered across two contracts was presented to the Buildings, Land and Procurement Panel (BLaPP) in March 2016 with spend approval given by the Executive Member for Policy and Resources on the 22 April of the same year.

6. The combined contract is now in the seventh year of a maximum ten year term and because of changes in the size of the estate, maintenance strategies and, significantly the impacts of construction industry inflation, the original estimated value noted to the Executive Member for Policy and Resources is no longer sufficient to complete the contract's potential 10 year term.
7. This report notes the spend on building maintenance as at March 2024, and realigns its anticipated spend to 2027. It seeks the associated spend approval of a further up to £70 million required, noting that actual spend is approved annually as part of the County Council's Revenue Budget, then drawn from existing repairs and maintenance budgets within Chief Officer Delegations

Contextual information

8. Hampshire County Council and its Partners (Police and Fire) currently share a Term Maintenance Contract (TMC) for building fabric and engineering services. It is managed by Hampshire County Council Property Services, via a Shared Service Agreement. The TMC serves the combined estates of all three partners and includes specified work on the circa 464 schools, nurseries and education centres that participate in Hampshire County Council's property maintenance Service Level Agreement (SLA).
9. The contracts carry out essential planned preventative maintenance, statutory servicing and inspection tasks, reactive repairs, and a critical out of hours emergency response. Operational delivery has been good, but there are opportunities to streamline arrangements and this will shortly be addressed through the specification of the next contract
10. The current procurement strategy was presented to the [Buildings, Land and Procurement Panel \(BLaPP\) in March 2016](#) with spend approval given by the Executive Member for Policy and Resources. That report noted the proposal to implement multiple supplier provision across two contracts (building fabric and engineering) for the Hampshire County Council estate which at the time was noted to include the County Council's Shared Services partners in the Police and Fire Services as well as the schools maintained under SLA. It also referenced that it could be used by other collaborate contracts within its overall estimated value and this has included (among others) Hampshire Academy schools and some schools on the Isle of Wight.
11. The contracts were formed in 2017 for a five-year period with a possible further five-year extension. In 2021 a decision was taken to extend into the second five-year term. However, with opportunities to streamline the delivery model, specification and contractual terms, the further 5-year arrangement was altered to enable full reprourement earlier than 2027.
12. An option was instead taken to extend on a two-year basis to 2024, with the ability to apply up to three further one-year extensions. These further one-year extensions are being drawn down, alongside other compliant routes to maintenance services, which is allowing construction industry inflation to stabilise and the consideration of future scope in the context of the

organisational strategy to move towards establishing a minimum service level. Subject to this decision, the existing maintenance contractors will continue to deliver services to HCC until the summer of 2026 where it is proposed a new long term contract would be implemented. An option remains to extend for one final year beyond that, but this TMC must conclude and be reprocured no later than 31st July 2027.

13. TMC spend to 31 March 2024, is noted at paragraph 30.

Background

14. When the [Corporate Procurement update report](#) was presented to the Buildings Land and Procurement Panel (BLaPP) in 2016, the County Council was in the early stages of forming a joint working arrangement with its “Blue Light” neighbours in Hampshire Constabulary via the Office of the Police and Crime Commissioner (OPCC) and the Hampshire Fire and Rescue Service (now HIWFRS). It was also scheduled to relaunch its maintenance Service Level Agreement (SLA) to the schools for which the County Council is the responsible body.
15. In total the decision allowed for a total spend of £200 million for all users, within which £130 million would be deployed against maintenance of across the combined Hampshire County Council and Partner estate.
16. Although overall spend is forecast to remain within the total £200 million noted, the proportion delivered on the combined Hampshire County Council and partner estates has been greater than anticipated, for the following reasons:

Size of estate

17. The size of the combined estate in 2024 is larger than when the contract was being scoped, with the introduction of the Isle of Wight Fire Stations, when the Combined Fire Authority formed in April 2021 and the ongoing success of the schools maintenance SLA.
18. The maintained estate will reduce by around 15%-25% from the summer of 2024 with the return (as noted in para 21) of around 200 sites to Police and Fire as well as through initial rationalisation of the County Council’s built estate as part of its Strategic Asset Management Plan (SAMP).

Estate management strategies

19. When drafted in 2015, it was the expectation of the Shared Service Agreement between Hampshire County Council, that a joint Head of Property would be appointed to manage all work of all three partners on its built combined estate via a consolidated budget.
20. For organisational reasons this strategy changed and three separate maintenance budgets have been managed individually based on organisational priorities. Consequently, spend across this combined estate has been higher than forecasted during specification.
21. In February 2023, linked to their individual estate strategies, both the OPCC and HIWFRS served notice to withdraw from the joint maintenance contract.

This will take effect from 1 August 2024 and consequently, spend for the remaining term will exclude the circa £3 million associated annually with the Police or Fire buildings.

Construction industry inflation

22. Although the factors influenced the volume of work delivered, it has been the unprecedented levels of inflation that the UK has experienced over the last five years that played the most significant part in the variance between actual spend and forecast.
23. As has been reported to the Building Land and Procurement Panel, and more recently through the Universal Services Capital Programme reports, the construction industry has been challenged by both resource and material shortfalls linked to the exit from the European Union, the Covid-19 pandemic and other world events including the war in Ukraine, the tensions in the middle east and China as wells the more recent cost of living crisis in the UK.
24. The BCIS (Building Cost Information Service) "Local Authority Maintenance Cost" indices noted inflation of 30.42%, between 2020 to 2024, delivering a compound effect of 48.44% overall increase since January 2017.

Proposal

25. It is necessary, for the reasons noted, to revise the anticipated Hampshire County Council spend on building fabric and engineering services from £130 million to £200 million to July 2027 (if applicable). The spend to date on the Term Maintenance Contract and projected future spend is noted at paragraph in the finance section of this report.
26. With the conclusion of the Shared Service arrangements with Police and Fire from 1st August 2024, and similar conclusion of the SLA for the Isle of Wight Schools, and other non-Hampshire County Council spend limited, there is no requirement to revisit the overall upper threshold of £200 million versus its original.
27. It is forecast that the maintenance spend on the Hampshire County Council estate for the 2024/25 financial year will be circa £18 million (including the maintained schools). An uplift of £70 million potential spend is requested which makes provision for further construction industry inflationary pressure over the remaining (maximum) 3 years and 2 months from June 2024 to end July 2027, and equates to an average of circa £22 million per year.
28. The Hampshire County Council annual maintenance budgets are set as part of the Revenue Budget Reports to Executive Lead Member for Universal Services in January and within annual budget setting at Full Council in February each year and spend is drawn down from existing repairs and maintenance budgets within Chief Officer Delegations.
29. It is to be noted that planning for the re-procurement for the next generation of the Term Maintenance Contract is already underway, with the aim being that it could be implemented by the summer of 2026 to better meet the needs of our evolving organisation.

30. Recognising the funding pressures and the forecasted recurring funding gap beyond 2025/26, it is essential that the new contract aligns fully with the organisational strategy to move towards establishing a minimum service level. Significant scoping and contractual specification is therefore required to enable compliance with future changes in statutory maintenance requirements and to deliver best value to the County Council.
31. With the pre-tender activity in train, it is anticipated a new contract will be in place by 1st August 2026, one year ahead of the maximum 10-year term of the existing TMC. A paper to facilitate its procurement and associated spend approval will be presented to the Executive Lead Member for Universal Services in the spring of 2025.

Finance

32. The Term Maintenance Contract spend from 1st August 2017 up to (and including) 31st March 2024 is as follows:

TMC spend at 31.03.2024	Spend against £130m allocation		Spend against £200m allocation	
Hampshire Corporate Estate	£51.90m	43%	£51.90m	37%
Hampshire 'SLA' Schools	£53.22m	44%	£53.22m	38%
Police & Fire Partners	£15.84m	13%	£15.84m	11%
Subtotal HCC & Partners	£120.96m	100%	£120.96m	86%
Academies (until 2020)	N/A	N/A	£2.77m	2%
Aided Schools	N/A	N/A	£2.6m	2%
Other contract users	N/A	N/A	£13.51m	10%
Grand Total	£120.96m	100%	£139.84m	100%

33. This paper is seeking spend approval for a further up to £70million until 31st July 2027, which will be funded from existing revenue budgets.
34. The proposed further spend provision until 31st July 2027 is as below. It reflects allowance for further inflation, the withdrawal of Police & Fire Partners from the contract after 2024/25, plus an element of contingency for prudence.

Proposed further Spend provision	2024/25* *10 Months	2025/26	2026/27	2027/28* *4 Months	Total
Hampshire Corporate Estate	£6.5m	£8.25m	£8.75m	£3.0m	£26.5m
Hampshire "SLA" Schools	£9.0m	£11.5m	£12.25m	£4.25m	£37.0m

Police & Fire Partners	£1.0m	Nil	Nil	Nil	£1.0m
Contingency	£1.25m	£1.75m	£1.85m	£0.65m	£5.5m
Total HCC & Partners	£17.75m	£21.5m	£22.85m	£7.9m	£70.0m

Other options considered and rejected

Implement new Term Maintenance Contract from 2024

35. There is insufficient time in 2024 to undertake the suitably robust re-procurement exercise required to meet the future challenges of the Council.
36. It is essential that the new contract (potentially a strategic 10-to-15-year term), aligns fully with the organisational strategy to move towards establishing a minimum service level. Significant scoping and contractual specification is required to enable compliance with future changes in statutory maintenance requirements and to deliver best value to the County Council.
37. Planning is underway to issue the invitation to tender in the summer of 2025, that would enable a new contract to be in place 1 year early in the summer of 2026.
38. Accelerating this timeline risks outcomes that do not deliver the long-term strategic objectives of the county council or value for money

Reduce levels of maintenance

39. Reducing the level of inspection and servicing activity would risk breaching statutory obligations and building safety regulations, particularly in relation to certified activities such as gas, electrical and lift safety.
40. Reducing other critical maintenance risks the County Council's delivery of its statutory obligation to maintain safe buildings for its employees and service users.
41. Reducing reactive repairs, risks property damage and increased costs associated with larger (often unplanned) remedial action such as to address roof or structural failure, or the consequences of ground water flooding.
42. Beyond the legal, safety, physical and moral implications of this action, the failure to maintain the estate could result in the unplanned closure of buildings and a failure to deliver statutory and other critical services to vulnerable social care users and other Hampshire residents. The reputational and financial impact of a failing in either respect would be significant.

Consultation and Equalities

43. An Equalities Impact Assessment (EIA) has found that the impacts of these proposals are neutral, as they will ensure the continuation of the existing maintenance service without any direct impacts on service users.

44. Service user engagement will remain ongoing throughout the remaining duration of the existing term maintenance contract.
45. As part of preparation for reprocurement, significant consultation has been carried out with internal County Council stakeholders through their directorate representatives for Facilities Management, as well as with the Hampshire schools through end user surveys and this feedback is helping to shape the outputs specified.
46. A market engagement event was held in the summer of 2023 with potential suppliers for the next generation of Term Maintenance Contract. This is enabling Hampshire County Council to take on board supply chain suggestions and ideas, and to test its future contract strategy.

Climate Change Impact Assessments

47. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
48. Although these tools are not relevant to this decision as it relates to an existing contract in delivery, technological advances and standard innovation in terms of maintenance methodology and components are delivering increasingly lower carbon outcomes. Examples include a transition to LED lighting, an increase in insulation and cleaner more efficient heating technologies including (where appropriate) heat pump technology or the conversion of oil to gas fuels where the reactive response by the TMC necessitates full replacement.
49. Recent contract workshops with a wider supply chain on 'social value' identified opportunities for more common reporting of carbon emissions which could in future lead to more accurate assessment of the County Council's own carbon emissions. This will be included in the tender when detailed specification of the next generation TMC commences.
50. There will be a requirement for the Term Maintenance Contractor(s) and contractors on other contracts to report on their carbon emissions, to enable the County Council to better understand the indirect carbon emissions of its suppliers and contractors.

Conclusions

51. The existing Maintenance contractors provide good operational delivery of Building Fabric and Engineering services across the Hampshire County Council built estate (including in schools). Subject to this decision, deploying maintenance via these contractors will continue until July 2026 as a minimum

to allow appropriate time for procurement of the next generation TMC, but must be replaced no later than 31 July 2027.

52. The original estimated values of the maximum ten-year term as noted by the Building, Land and Procurement Panel and approved by the Executive Member for Policy and Resources are now insufficient as a result of changes in the size of the combined estates, maintenance strategies and, most significantly, the impacts of construction industry inflation which has seen a compound increase of 48.44% since January 2017.
53. This paper has noted the need to adjust the anticipated value of Hampshire County Council (and its Partners) work on maintenance services from £130 million to £200 million and recommended as a Key Decision, an uplift in potential funding of up to £70 million. This will continue to be funded via County Council revenue budget and drawn down from existing repairs and maintenance budgets in line with Chief Officer delegations.

REQUIRED CORPORATE AND 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

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

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

2. Equalities Impact Assessment:

An Equalities Impact Assessment (EIA) has found that the impacts of these proposals are neutral, as they will ensure the continuation of the existing maintenance service without any direct impacts on service users.

Procurement of next generation contract is already being planned and significant consultation has been carried out with internal County Council stakeholders through their directorate representatives for Facilities Management, as well as with the Hampshire schools through end user surveys and this feedback is helping to shape the outputs specified.