

HAMPSHIRE COUNTY COUNCIL

Report

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

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1. Recommendations

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

2. Executive Summary

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

3. Contextual information

- 3.1. The 'Business Review 2016/17' report presented to the Panel in June 2017 set out Property Services' financial outturn position for 2016/17 and identified that Property Services had continued in a period of consolidation following the significant growth in workload and services between 2011/12 and 2014/15.
- 3.2. In January 2016 the Panel was provided with an overview of the Property Services' Business Plan 2015 to 2020. The business plan provides financial forecasts for the 5 year period from 2015 to 2020, but recognised that there was considerable uncertainty about workload, particularly beyond 2018.
- 3.3. 2017/18 has seen Property Services continue to deliver significant programmes of work and professional services to both internal and external customers and clients. Key achievements include:
 - Ongoing delivery of the Children's Services capital programme of additional pupil places, including working with Children's Services and the ESFA to secure funding and delivery routes for new free schools.
 - Delivery of significant maintenance programmes for both schools and corporate buildings, including design and procurement of 4 schemes

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

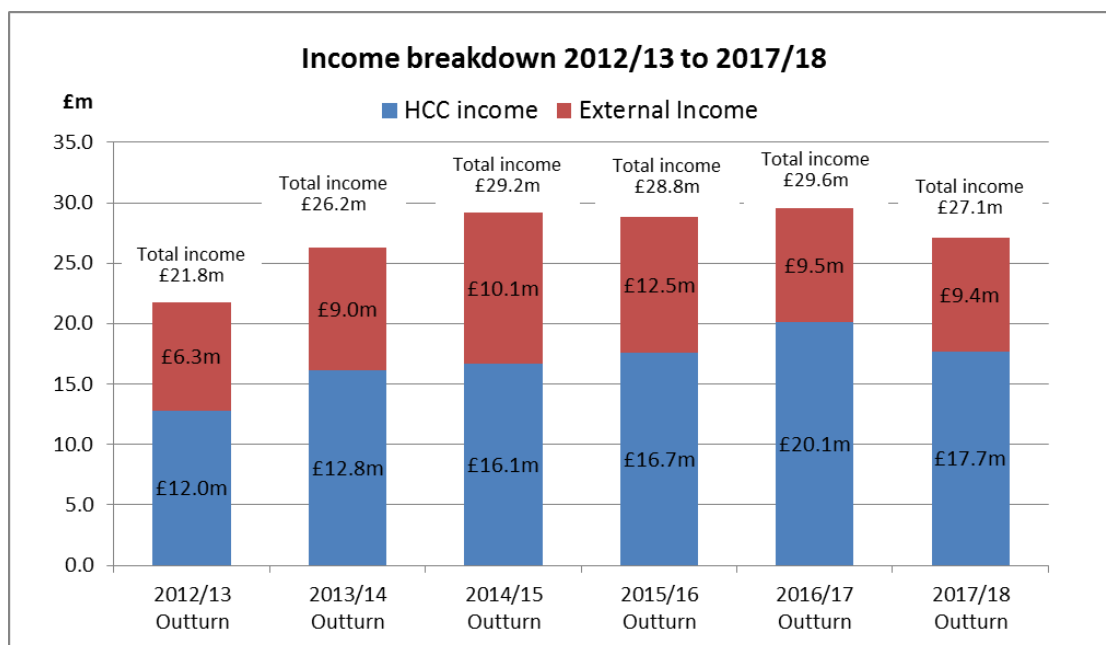
- Delivery of the first phase of a programme of new accommodation for adults with learning disabilities as part of the Adult Services transformation strategy and engagement with Adult Health and Care on their priorities for 2019 and beyond;
- Significant progress on the Strategic Land programme to promote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

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

4. Income

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

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



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

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

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

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

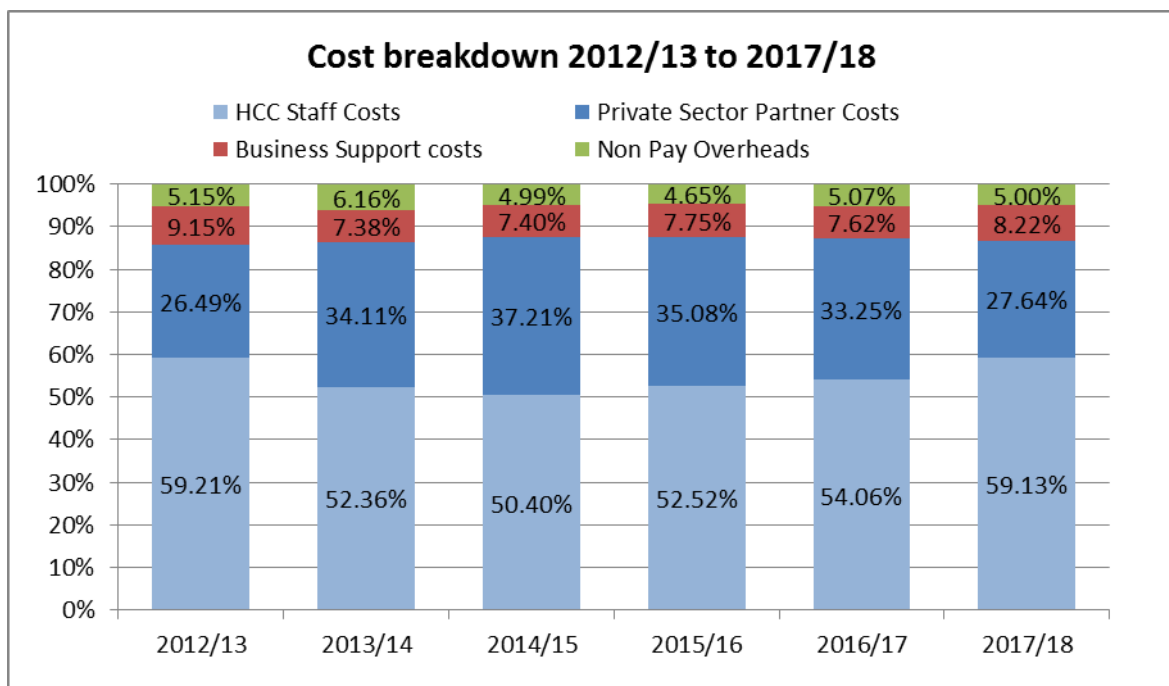
4.7. Developing and managing a range of local and regional construction frameworks continues to provide a steady income stream through levy

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

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

5. Costs

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



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

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

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

6. Property Futures

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

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

7. Conclusion

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

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

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

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

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents

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

DocumentLocation

None

IMPACT ASSESSMENTS:

1 Equality Duty

1.1 The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

1.2 Equalities Impact Assessment:

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

2. Impact on Crime and Disorder:

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

3. Climate Change:

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