

HAVANT BOROUGH COUNCIL

CABINET Report

Civil Engineering and Landscape Team (CELT) – Working for third Parties - Hampshire County Council

[FOR DECISION

Portfolio Holder: Cllr Tim Pike

Key Decision: Yes

Report number: HBC/099/2022

1. Purpose

- a. This paper is submitted to Cabinet:

The purpose of the report is to seek approval for Havant Borough Council's Civil Engineering and Landscape Team (CELT) to continue to work for Hampshire County Council (HCC) enabling income to be shared for mutual benefit and building an even more resilient Service, supporting HBC's Corporate objectives.

2. Recommendation

Members are requested to approve that:

- a. That the Civil Engineering & Landscape Team (CELT) continue to carry out their existing and future consultancy work with Hampshire County Council up to an income value of £600,000 (fee recharge) per financial year for a period of the next 5 years.
- b. Cabinet approval will be requested should income forecasts exceed the fee income threshold of £600,000 in any 12-month period.

3. Executive Summary

- a. The Council's recently updated Financial Procedure Rules contain the following provision:

Work for third parties

G.143 Contractual arrangements to undertake work for third parties, must be approved by Cabinet in situations where the Chief Finance Officer is of the view that such a contract may cause a significant risk of net cost to the Council, or where the total value of new work in one year will exceed £250,000.

- b. The Council's Civil Engineering and Landscape Team (CELT) have been working as a consultant for Hampshire County Council under the Capital Scheme Agency Agreement since 2nd November 2015. The agreement allows Havant Borough Council to recharge all operational expenditure incurred in the discharge of functions and the provision of services to carry out the works.
- c. As the team has grown and the quality of the team's work has improved in feasibility studies, design and site supervision, its income from Hampshire County Council has increased over the last 36 months: This table shows the sums received previously and forecast income over the next five years.

HCC Income	Sum Received	Year End Estimate	High Level Average Year End Estimate
2019/20	£167,316		
2020/21	£170,540		
2021/22	£275,000		
2022/23	£123,314	£420,000	
2022/23 to 2027			£475,000

- d. Salary costs, overhead and expenses are reimbursed by Hampshire County Council along with any 3rd party costs through the Agency Agreement.
- e. All costs incurred by CELT working on Hampshire County Council are reclaimed quarterly.
- f. The Agency Agreement is also supported by an annual purchase order from Hampshire County Council to a value of £1,000,000 (see appendix 2) to ensure timely and accurate fee reimbursement.

- g. This work has been and is continuously reviewed and approved by the Civil Engineering Manager and Executive Head of the Coastal Service.

4. Additional Budgetary Implications

- a. All staff and equipment costs will be fully recoverable up to an agreed ceiling of £1,000,000 therefore there will be no cost implications to HBC.
- b. The income generated via this work is beneficial as it supports the ongoing cost of the CELT Service keeping HBC CELT budgets minimal and contributes to the future investment in staff knowledge, skills and the purchase of equipment.
- c. Any additional insurance liability costs will be recovered through recharging for the cost of the Services provided.

5. Background and relationship to Corporate Strategy and supporting strategies and policies

These recommendations meet the corporate objectives as CELT's work internally and for external clients enhances the lives of our residents, businesses and visitors by meeting the themes of the corporate strategy; **a safe environment, healthier and more active** as the majority of CELT's work with Hampshire is to increase green transport measures within Havant **Borough revitalizing the borough's infrastructure that meets and influences our ambitions** and creating a sustainable transport network which **enables our local economy to thrive**.

6. Options considered

- a. CELT cease working for HCC.

CELT would lose an income to the Council of up to an approximate amount of £600,000 per annum. There would not be additional income generated to contribute in supporting the CELT Service, staff and equipment. All of which helps to minimise HBC's annual revenue and capital budgets.

This work would likely be outsourced to another provider. HBC would lose the ability to support HCC and build our relationship with them. HBC would also miss the opportunity to upskill, invest and develop staff to deliver future services and work for other public bodies by delivering forward-thinking innovative solutions; the lessons from which could be applied to our own HBC projects and infrastructure.

The skills lost to the organisation would have to be externally procured resulting in procurement costs and potential higher hourly rates with a reliance on 3rd parties' timetables and availability.

HBC would lose influence and credibility at officer level when working on HCC projects in the Borough.

b. CELT support HCC but do not recharge costs.

This would have significant cost implications for HBC and a loss of income at approx. £600,000 per annum increasing the cost of the service impacting directly on HBC budgets.

7. Resource implications

a. Financial implications

- i. The delivery of this work and continued relationship with HCC will result in the CELT Team, enabling income generation which will reduce fixed costs which further reduces overall costs to the Council.
- ii. There are no additional costs to Havant Borough Council as time spent supporting HCC would be recovered on a simple time charge basis. Any additional insurance liability costs will be recovered through recharging for the cost of the Services provided.

Section 151 Officer comments

Charging an appropriate overhead rate for work undertaken by CELT for Hampshire County Council will help to reduce the overall net fixed costs for Havant BC. Any additional variable costs incurred through undertaking such work will be fully recharged to HCC.

b. Human resources implications

- i. By having the opportunity to respond and support other public bodies such as HCC, increases the breadth and depth of work across the CELT team thereby improving recruitment and retention.
- ii. The work can be accommodated within the existing CELT programme of work as informed by the CELT Business Plan. Any additional resource over and above what is expected could be recruited, subject to the relevant approvals.

c. Information governance implications

- i. There are no information governance implications arising from the work undertaken for HCC.

d. Climate and environment implications

- i. All work is designed to ensure that the team responds sensitively to climate change and are focused on maintaining the natural environment.

e. Other resources implications

- i. Staff are allocated to deliver the HCC projects and, have the equipment and technology to deliver the required outcomes. Equipment maintenance is included in the overall cost as is travel and subsistence. Replacement equipment is funded directly by the HCC projects as needed.

8. Legal implications

- a. The proposed approval being sought will last for the next 5 years. It will operate using the agreement in place i.e. Hampshire County Council under the Design and Implementation Agreement 2015. The agreement is due to be refreshed this year by HCC.
- b. The legal team will be requested to assist with a review of the HCC agreement.
- c. Appropriate insurance will be provided by HBC insurers, and insurance arrangements will form part of the Contract. These and any additional insurance liability costs incurred over the term, will be recovered through recharging for the cost of the Services provided to HCC.

Monitoring Officer comments

This decision is required so that CELT's current arrangement with HCC complies with the constitutional requirement as contained within Finance Procedure Rule G143. This requires Cabinet to approve the working for third parties where contract values are above a certain amount (now revised to £250,000) per year.

9. Risks and mitigations

- a. HCC ceases working with HBC CELT: The previous exceptional track record of successfully delivering HCC projects since 2015, in a cost-effective manner, to budget and programme, provides confidence that HCC will want to continue to work with CELT. It is in HCC's own interest that they get value for money by using CELT.
- b. Poor performance leads to financial or reputational damage: CELT has worked hard to ensure that its quality of work output is high and is improving its quality management systems to ensure quality is maintained and is constantly improving and moving forward. In addition, with the support from the Coastal Assurance Team CELT's,

operational, technical and financial processes are closely monitored. This smart way of working allows early warnings to be raised, and the team to make quick business decisions should there be a need to change direction. Prince 2 project methodology and the Coastal Service Business Development Gateway process is embedded into the way the work is initiated and delivered.

- c. Lack of critical resources to deliver HCC Projects: CELT's business and work programme is managed / approved by the Team Manager, Executive Head of Service and Coastal Assurance Team to ensure careful resource planning and therefore providing early warnings to any issues. If any issues arose with resource, the team could manage work outputs and internal and external expectations in advance and in a planned and processed way.

- d. IT Equipment Failure or Replacement Equipment:
Repair and replacement costs are covered by the recharge rates.

10. Consultation

- a. The Executive Head of Service Lyall Cairns, and Cllr Tim Pike Portfolio Holder have been consulted on this report.

11. Communications

- a. HCC will drive any communication needed around the project via their own channels with technical support and input from CELT as required.

12. Appendices

- a. None

13. Background papers

- a. None

Agreed and signed off by:

Portfolio Holder: Tim Pike 25/10/22

Executive Head: Lyall Cairns 9/11/22

Monitoring Officer: Mark Watkins 24/11/22

Section 151 Officer: Malcolm Coe 11/11/22

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