

- 2.2 The Council is responsible for the ongoing maintenance and replacement of a wide range of operational assets with an estimated value of over £60M. In order to make the AMP more manageable, it is split into three categories. The categories are:
- Land and Buildings
 - Vehicles and Plant
 - IT infrastructure
- 2.3 A condition survey was carried out on all land and buildings in the development of the Asset Management Strategy. The results of the survey were used to allocate each building into a priority category for works to be undertaken. This, combined with a review of how long the Council expects to retain individual properties, informed the development of the land and buildings' element of the AMP.
- 2.4 The condition survey was reviewed during 2014 and the results of this have been considered in assessing the requirement for 2017/18 and will form the basis of the AMP requirement going forward.
- 2.5 All vehicles and plant are regularly serviced by the Council's internal vehicle workshop. The effectiveness of all vehicles is monitored as part of the servicing programme. Among other things, this includes identifying where vehicles' workloads are different to that expected which may alter the timing of their replacement and identifying vehicles with higher / lower than expected servicing costs. Service users also keep the number of vehicles / items of plant required to deliver services under regular review.
- 2.6 The IT Service has a register of all hardware and major software systems used by the Council with profiles of their expected useful lives. From this it is possible to plan when IT infrastructure will need to be replaced. For hardware this tends to be between once every three to five years whereas software packages tend to last longer.

3 Corporate Objectives and Priorities

- 3.1 In order to deliver the key priorities identified in the Corporate Plan it is essential that the Council's underlying asset base is sufficiently maintained to be fit for purpose.
- 3.2 The Council has a significant land and property holding generating income that is a key part of the Council's revenue budget. Maintaining and improving this income stream will be a significant factor in the Council's financial strategy in the future and this has a clear link to the maintenance of the land and property assets themselves.

4 Consultations/Communications

- 4.1 Relevant Heads of Service have been consulted with regard to the investment required to maintain those assets for which they are responsible.

5 2016/17 AMP update

Land and Buildings

- 5.1 Expenditure to the end of October shows works to the value of £835,000 have been committed or completed against a budget for the year of £2.315M.
- 5.2 A couple of projects are now expected to take place in 2017/18. These are identified in annex 1a and cross-referenced in annex 2a.
- 5.3 There have been some changes to project budgets in the year, with some projects identified as no longer required, some savings made on completed projects and some increases required. These are shown in annex 1a.
- 5.4 Taking into account these adjustments, the AMP requirement for the year is now expected to be £197,000 less than originally estimated at £2.118M.
- 5.5 All relevant officers have confirmed that the projects identified in Annex 1a will be delivered before the end of the year.

Vehicles and Plant

- 5.6 The total requirement for 2016/17 was originally set at £481,000 and is not expected to change. Actual spend and commitments against this at the end of October is £258,000.
- 5.7 A breakdown of the costs related to the 2016/17 AMP are shown in Annex 1b.

IT Infrastructure

- 5.8 Expenditure for the year to October is £23,000 against an original estimate of £106,000.
- 5.9 There are some changes to the proposed project budgets. The capital programme included some projects which have now been wrapped up into the replacement servers budget within the AMP, and the upgrade to the finance system is now expected to cost £5k more than originally estimated.
- 5.10 Taking into account the changes above, the requirement for 2016/17 is now estimated to be £9,000 more than the original estimate at £115,000.
- 5.11 A breakdown of the costs related to the 2016/17 AMP are shown in Annex 1c.

6 2017/18 AMP programme

Land and Buildings

- 6.1 The land and buildings' element of the AMP is managed across two Services; Community & Leisure and Estates & Economic Development.
- 6.2 The total amount of recommended works in 2017/18 is £1.946M (including £90,000 brought forward from 2016/17).
- 6.3 It is recommended that the works for the Playgrounds at a total of £370,000 be funded from the New Homes Bonus as these are projects that will benefit the community.
- 6.4 Works to investment properties at a cost of £200,000 is expected to be recovered through service charges to the tenants over time.
- 6.5 A summary of the items included in the AMP for 2017/18 is shown in Annex 2a.
- 6.6 A breakdown of the proposed expenditure on green spaces and playgrounds is shown in Annex 3.

Vehicles and Plant

- 6.7 The recommended budget for replacement of vehicles and plant in 2017/18 is £658,000. A summary of the items included in the AMP for 2017/18 is shown in Annex 2b.
- 6.8 The most significant item in the requirement is the replacement of a refuse vehicle that will be eleven years old when replaced. This compares well to the estimated life of a refuse vehicle of seven years. The Council's ability to stretch the life of these assets beyond their normal lifespan, through regular preventative maintenance and effective work schedules has led to significantly reduced pressure on the asset management programme.

IT Infrastructure

- 6.9 The IT AMP requirement for 2017/18 is £160,000. A breakdown of the costs is shown in Annex 2c.

7 Options

- 7.1 There are many possible ways of prioritising the individual assets that require maintenance and the extent to which work is carried out.
- 7.2 The amounts included in the annexes and recommended for inclusion in the AMP are based on the professional advice of officers from the Services concerned in the operation and management of the Council's assets.

- 7.3 If, during the year, it becomes apparent that items need to be added to the AMP as a result of unexpected deterioration of an asset or for operational expediency it is recommended that the Head of Finance, after consultation with the Economic Portfolio Holder and the Head of Service responsible for the item, be authorised to procure such works as are necessary from the AMP reserve (see paragraph 9.4) to the extent that the reserve has funds available. It may also be the case that there are good reasons for approved projects to be temporarily deferred and Heads of Service should also have the capacity to postpone items where they consider it appropriate. Any such approvals will be agreed with the Economic Portfolio Holder and reported to Cabinet as part of the following AMP update.

8 Risk Management

- 8.1 A risk assessment has been completed in accordance with the Council's Risk management process and has identified the following significant (Red or Amber) residual risks that cannot be fully minimised by existing or planned controls or additional procedures. These are shown in the risk assessment.
- 8.2 There is a risk that the projects included in the AMP will not be delivered as scheduled leading to assets falling into disrepair. This will be monitored by regular progress reviews of the AMP by responsible officers and update reports to Cabinet.
- 8.3 There is a risk that there will be insufficient funds available to meet AMP requirements. The current level of the AMP reserve is sufficient to fund the programme included in this report; however, there continues to be the need to seek sustainable funding for the AMP.

9 Resource Implications

- 9.1 The projected costs of the AMP in 2016/17 and 2017/18 are discussed in sections five and six above and is shown in more detail in annexes 1 and 2. All these costs will be met from a specific reserve created to fund asset management costs.

Financing the AMP

- 9.2 It is not practical to build a base budget for AMP costs against individual services due to the highly changeable requirement from year to year. The Council's approach to funding the AMP is to hold an earmarked reserve that is allocated each year to budgets where expenditure is to be incurred.
- 9.3 The AMP is mainly funded in two ways.
- An annual contribution from the revenue budget. This contribution is currently £1.117M per annum.

- Where the Council has a revenue variance at the end of the year an element of this can be used to top-up the reserve. In 2015/16 £626,000 was transferred into the reserve from year-end balances. However, this option cannot be relied upon as a sustainable source of funding.

9.4 At 31 March 2016 the Council's AMP reserve balance stood at £2.435M. The forecast movement in the reserve up to 31 March 2018 is shown in the table below.

9.5

	£'000
Asset Management Reserves at 31st March 2016	2,435
Transfer from revenue budget – 2016/17	1,117
Transfer from revenue budget – 2017/18	1,117
Contribution from New Homes' Bonus Reserve	725
Contributions from tenants towards works funded from AMP	226
Land and Buildings Requirement 2016/17 – annex 1a	(2,118)
Vehicle and Plant Requirement 2016/17 – annex 1b	(481)
IT Infrastructure Requirement 2016/17 – annex 1c	(115)
Land and Buildings Requirement 2017/18 – annex 2a	(1,946)
Vehicle and Plant Requirement 2017/18 – annex 2b	(658)
IT Infrastructure Requirement 2017/18 – annex 2c	(160)
Asset Management Reserves at 31 March 2018	142

9.6 The proposed AMP items comprise both revenue and capital expenditure. Expenditure is classified as capital when the total cost is over £10,000 and it is for the purchase of a new asset, materially lengthens the useful life of an existing asset or adds value to the asset being modified. All other expenditure on the routine maintenance and repair of assets will be treated as revenue expenditure. Once approved, the costs of the AMP will be kept in the Asset Management Reserve and drawn down as and when required.

10 Legal Implications

10.1 Those tenants occupying Council owned properties for which the Council is responsible for maintenance could, in the event of their property falling into disrepair, take action against the Council as their landlord. This is covered in the risk assessment (paragraph 8.2).

11 Equality Issues

- 11.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination or negative impact has been identified, therefore a full EQIA has not been carried out.

12 Conclusion and reasons for recommendation

- 12.1 All Council land, vehicle and IT assets have been reviewed to ensure that those included on the draft programme are the most appropriate at this time.
- 12.2 For this reason it is recommended that the items shown in annex 1 are included in the revised AMP for 2016/17 and the items shown in annex 2 are included in the AMP for 2017/18.
- 12.3 Asset management needs to have flexibility due to the difficulty of knowing exactly when an item will need repair or replacement. In order to ensure that operational efficiency is not impaired it is recommended that controlled safeguards are built in to the financing of the AMP to ensure that unforeseen works can be undertaken without undue delay.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	3	File Ref:	
(Portfolio: Economic) Councillor P Giddings			
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Report to:	Cabinet	Date:	30 November 2016