



- 2.2 The Estates Service carried out a condition survey 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, has informed the development of the land and buildings' element of the AMP.
- 2.3 This survey continues to be maintained by Estates and is updated on an ongoing basis.
- 2.4 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.
- 2.5 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.
- 2.6 The Council has entered into a shared IT infrastructure partnership with Winchester City Council, which includes the sharing of IT infrastructure assets. This means that all IT infrastructure costs are shared between both councils reducing the net impact on the AMP.

### **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 2017/18 AMP review**

#### Land and Buildings

- 4.1 The revised budget for land and buildings' projects was £2.533M. A green spaces project at Hepworth Close which was included in the budget for 2018/19 needed to be started early, so an additional £4,200 was added after the budget was approved in November, bringing the total budget to £2.537M. A total of £1.620M was spent in the year. A summary of the expenditure, by property, can be found in Annex 1a.

4.2 The variance of £917,100 is made up of budget carry forwards of £909,300 (see below) and net savings on completed projects of £7,800, after £56,000 of further savings have been recycled into another project as described in paragraph 4.3 below.

4.3 The main reasons for the budget carry forward are:

- Savings of £56,000 have been identified on a number of projects in 2017/18. These are to be recycled into a project in 2018/19 to replace two boilers at Beech Hurst. The 2018/19 budget already includes the replacement of one boiler, but early discussions with building services engineers have made it clear that it is more advantageous to replace two at a time due to economies of scale in both plant costs and staff time.
- Five other projects at Beech Hurst (£136,000), two at Portway Depot (£17,000), two at Walworth Enterprise Centre (£21,000) and the various site surveys (£55,000) have either been put on hold or delayed due to the reallocation of resources within the Estates and Economic Development service to assist with other corporate projects, such as the significant works to accommodate the DWP, the works to the Council's newly purchased properties and the amount of reactive work that has been completed during the year.
- Redecoration works at Crosfield Hall have been delayed due to the level of repair that was found to be needed prior to the works commencing.
- The scope of the works at Fleming Avenue increased as the project progressed, thereby increasing the length of the project but work is underway.
- The work on the investment property roof was completed in April.
- Roof works at Romsey Heritage Centre (£25,000) have been delayed due to ongoing discussions with a tenant regarding works to their part of the building.
- A complex roofing project at Walworth Enterprise Centre has been delayed resulting in a carry forward to 2018/19 of £38,000. This has been due to the complexity of the specification preparation and a delay to the tendering process due the amount of specialist resources required.
- Technical difficulties have complicated and delayed the works to repair the walls at St Mary's Chapel, resulting in a carry forward of £35,600.
- Substantial expenditure to the Lights has been placed on hold due to the possibility of the redevelopment of the area as part of the Andover Cultural Quarter project.
- Works to the Andover War Memorial and the inspection of headstones and memorials have been delayed due to the level of consultation required with both the planning department and the diocese of Winchester.

- Community and Leisure completed 8 playground projects during the year with 3 slipping into 2018/19 with a carry forward figure of £130,000. This is partly due to the sites being too wet for the contractor to be able to complete the works without significant risk of damage.
- Works to de-silt Charlton Lakes have been delayed due to the need to retender the process during the year. Additional works on the pontoon and jetty have also been delayed as a result. These works should all be completed within the next couple of months. A further project to replace the goal ends at the MUGA at Charlton lakes has also been delayed as the MUGA is currently being used for storing materials for the de-silt works. The total carry forward for these 3 projects is £189,000 and is included within the Green Spaces and Sports Facilities lines on Annex 1a.
- De-silt works at Tanglewood and Fernyhurst Lakes have been started but paused due to public concern. Work will restart in late summer following a revised programme being agreed with Councillors.
- The pitch drainage work at Knightwood Leisure Centre is nearly finished but was delayed due to the site being too wet resulting in a carry forward of £27,000.

#### Vehicles and Plant

- 4.4 The revised budget approved in November 2017 for replacement vehicles and plant was £705,200. £20,000 of the saving on the vehicle tracking system was subsequently transferred to the capital programme resulting in an updated budget of £685,200.
- 4.5 Total expenditure on replacement vehicles and plant amounted to £589,800 after taking account of income of £37,800 received from part exchanging some of the replaced vehicles – a variance of £95,400. The details of this are shown in Annex 1b.
- 4.6 The variance of £95,400 is made up of carry forwards of £79,000 (see below) and savings of £16,400.
- 4.7 One all-terrain vehicle is now to be replaced by an electric van.
- 4.8 Five electric vans at a cost of £15,300 each and one trailer at £2,500 have been ordered but not received by the end of the financial year, therefore it is requested to carry these forward into 2018/19.
- 4.9 IT Infrastructure
- 4.10 The total cost of IT AMP projects delivered in the year was £93,300. This is £116,200 less than the approved estimate of £209,500. This is made up of carry forwards of £114,100 and a saving of £2,100 and is shown in Annex 1c.
- 4.11 The reasons for the carry forwards are detailed below.

- 4.12 The loan and testing of suitable hardware from suppliers has caused delays to the desktop replacement.
- 4.13 The capability of alternative suppliers and associated software has caused delays to the replacement of the uninterrupted power supply.
- 4.14 Decisions around procurement delayed the order and delivery of the ArcServe replacement and the Citrix upgrade. These were delivered in April.
- 4.15 The finance system upgrade was started but delayed following a number of issues that arose during testing. It is now scheduled for June.

## **5 Updated 2018/19 AMP requirement**

### Land and Buildings

- 5.1 There have been a number of changes to projects since the budget was approved in November 2017.
- A project at Portway Business Park with a budget of £75,000 is now no longer required. It is recommended to transfer £18,000 of this to the works on the investment properties and the remaining £57,000 to Beech Hurst to add to the £56,000 being carried forward for works on the boilers.
  - As detailed in paragraph 4.1 above, £4,000 for green spaces was taken back into 2017/18 as the project needed to be started early.
- 5.2 All non-essential works to the Lights are to be placed on hold and carried forward to 2019/20 due to the possible redevelopment of the area as part of the Andover Cultural Quarter project.
- 5.3 Taking into account these changes and the carry forwards detailed in paragraph 4.3, the recommended budget for Land and Buildings for 2018/19 is £2.604M.
- 5.4 A summary of the items included in the AMP for 2017/18 is shown in Annex 2a.

### Vehicles and Plant

- 5.5 The recommended budget for replacement of vehicles and plant in 2018/19 is £1.221M. A summary of the items included in the AMP for 2018/19 is shown in Annex 2b and includes the items carried forward from 2017/18.

### IT Infrastructure

- 5.6 In addition to the carry forwards detailed in paragraphs 4.12 to 4.15, there are two additional projects which have been added to the budget for IT infrastructure that was approved in November 2017. The recommended budget including the changes detailed below is £289,000.
- 5.7 An upgrade to ShoreTel is required at a budgeted cost of £17,000 and the comms equipment in the meeting rooms needs to be replaced at cost of £45,000.

5.8 A breakdown of the costs related to the 2018/19 AMP are shown in Annex 2c.

## **6 Options**

6.1 There are many possible ways of prioritising the individual assets that require maintenance and the extent to which work is carried out.

6.2 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.

6.3 The AMP is updated by Services on an ongoing basis. Given the wide portfolio of assets the Council manages, it is inevitable that there will need to be changes made to the plan before a further report is presented to Cabinet.

6.4 As part of the October 2013 AMP update, Cabinet resolved, '*That the Head of Finance, after consultation with the Economic Portfolio holder and Head of Service responsible for any project, be authorised to amend the Asset Management Plan during the year*', subject to there being a sufficient balance on the AMP reserve to fund any additional expenditure. This flexibility is considered essential if assets are to be maintained in the most efficient manner possible and is recommended to be continued within the limits of Financial Regulations.

## **7 Risk Management**

7.1 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.

7.2 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.

7.3 Despite the base annual contribution to the AMP being £1.1M, there remains a risk that there will be insufficient funds available to meet AMP requirements in the medium term. An additional £1,000,000 contribution has been included in the budget for 2018/19. This will ensure that the level of the AMP reserve is sufficient to fund the programme included in this report; however, there continues to be the need to ensure sustainable ongoing funding for the AMP and options to achieve this will be explored in the next update of the Council's Medium Term Financial Strategy in the autumn of 2018.

## **8 Resource Implications**

8.1 The costs of the AMP in 2017/18 and 2018/19 are shown in paragraphs 4 and 5 above and in annexes 1 and 2. All these costs will be met from a specific reserve created to fund asset management costs.

Financing the AMP

- 8.2 The AMP is mainly funded in three ways:
- Firstly, there is a contribution from the revenue budget. This is currently £1.117M per annum with an additional £1,000,000 in 2018/19.
  - Secondly, where the Council has a revenue surplus at the end of the year an element of this can be used to top-up the reserve.
  - Finally, there may be earmarked reserves or sources of income to finance specific projects. For example, the playgrounds in 2017/18 and 2018/19 are to be funded by New Homes’ Bonus receipts in the year.
- 8.3 At 31 March 2017 the Council’s AMP reserve balances stood at £2.604M. It is expected that the reserve balance at 31 March 2019 will be £307,000. The movement in the reserve balance is shown in the table below.

	£'000
<b>Asset Management Reserves at 31 March 2017</b>	<b>2,604</b>
Budgeted transfer – 2017/18	1,117
New Homes Bonus contribution to AMP	234
Other contributions to AMP from tenants / other agencies	196
Land and Property Requirement 2017/18	(1,620)
Vehicle and Plant Requirement 2017/18	(590)
IT Infrastructure Requirement 2017/18	(93)
<b>Actual balance at 31 March 2018</b>	<b>1,848</b>
Transfers in to reserve 2018/19	2,117
Other contributions to AMP – New Homes Bonus	334
Other contributions to AMP from tenants / other agencies	122
Land and Property Requirement 2018/19	(2,604)
Vehicle and Plant Requirement 2018/19	(1,221)
IT Infrastructure Requirement 2018/19	(289)
<b>Forecast Asset Management Reserves at 31 March 2019</b>	<b>307</b>

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.

## 9 Legal Implications

- 9.1 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 7.2).

## 10 Equality Issues

- 10.1 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.

## 11 Conclusion and reasons for recommendation

- 11.1 All AMP activities in the year have been reviewed and performance against budget noted throughout the report. In light of this review, all items covered by the Council's AMP have been considered and those most in need of repair or replacement included in the AMP for 2018/19.
- 11.2 For this reason it is recommended that the updated AMP items in Annex 2 are included in the AMP for 2018/19.
- 11.3 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:	2	File Ref:	N/A
(Portfolio: Finance) Councillor Giddings			
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Report to:	Cabinet	Date:	16 May 2018