

Asset Management Outturn 2020/21

Report of the Finance Portfolio Holder

Recommended:

1. That the expenditure for the year on Asset Management projects, as shown in Annex 1 to the report, be noted.
2. That the updated budget for Asset Management projects in 2021/22, as shown in Annex 2 to the report, be approved.

SUMMARY:

- This report compares the actual expenditure on Asset Management Plan (AMP) projects with the approved budget for 2020/21.
- The total revised AMP budget in 2020/21 was £4.462M. Actual expenditure in the year was £2.676M, leaving an overall positive variance of £1.786M. The main reasons for the budget variance are explained below in section 5.
- After reviewing the outturn position for 2020/21, the AMP requirement for 2021/22 has been updated and is presented for approval.

1 Introduction

- 1.1 The Council's Asset Management Strategy details the Council's approach to identifying the assets it is responsible for maintaining and the methods used in prioritising necessary works to ensure assets remain operationally effective.
- 1.2 An update on the progress of the Asset Management Plan (AMP) for 2020/21 was presented to Cabinet in December 2020. As part of that report the AMP budget for the year was revised.
- 1.3 This report compares the actual expenditure in 2020/21 with the budget approved in December and explains the reasons for any significant variances.

2 Background

- 2.1 The Council has divided asset management into three separate areas which all form part of the AMP. These are; Property; Vehicles & Plant; and IT equipment.
- 2.2 The Property & Asset Management Service (PAM) 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 PAM 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 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 2020/21 AMP review

Land and Buildings

- 5.1 The revised budget for land and buildings' projects was £2.229M. A total of £1.171M was spent in the year. A summary of the expenditure, by property, can be found in Annex 1a.
- 5.2 The variance of £1.058M is made up of budget carry forwards of £958,200 and net savings on completed projects of £100,100.

5.3 The main reasons for the budget carry forwards are:

- £11,000 for internal and external decorations at 18 Market Place is being carried forward and added to an additional £25,000 which has been approved for 2021/22.
- Within Beech Hurst, works for the air conditioning in the conference rooms and car park lighting have both been deferred due to the impact of Covid and are currently on hold. Some further final works on the control system for the boiler replacement are still to be completed.
- The order for the drainage works at Churchill Bungalow has now been raised and the work is ready to be undertaken.
- The works to repair the stonework at Andover Guildhall are well underway with £213,000 requested to be carried forward. Additional necessary work was identified during the initial phase and additional budget of £126,000 has been added from savings on projects at Beech Hurst, Botley Road, Crosfield Hall, car parks and Youth in Romsey during the year.
- The design works for the building alterations to ensure building compliance at Portway Depot are complete, but the physical works were delayed due to Covid and are due to start shortly.
- The works to St Mary's Churchyard boundary walls are ongoing.
- The condition surveys are ongoing.
- The carry forward at Walworth Enterprise Centre is required for the refurbishment of units following changes of tenants. The works have been delayed due to Covid.
- Works to the Andover War Memorial have now been given permission by the Diocese.
- Within the budget for cemeteries, there is a further £10,000 for the St Mary's Churchyard boundary walls. This will be carried forward and added to the budget held by Property & Asset Management in 2021/22.
- Within the green spaces carry forward is £93,000 for tree works. These have been delayed due to Covid and recruitment difficulties.
- Covid and the effect of three lockdowns have impacted other works on green spaces, The Lights and the sports facilities.

5.4 There are also a number of projects that are no longer required or where savings totalling £100,000 have been made. This includes approximately £60,000 on tree works.

Vehicles and Plant

- 5.5 The revised budget approved in December 2020 for replacement vehicles and plant was £1.977M.
- 5.6 Total expenditure on replacement vehicles and plant amounted to £1.409M. The details of this are shown in Annex 1b.
- 5.7 This variance is made up of £557,700 to be carried forward and savings of £10,000.
- 5.8 In addition, the part exchange and sale of vehicles and plant through the year has generated income of £115,000 which will be transferred into the Asset Management Plan reserve to use against future purchases.
- 5.9 The purchase of two electric vehicles attracted plug-in grants of £8,000.
- 5.10 Throughout the year some operational requirements and estimated costs have changed and there has been some movement and reallocation within the approved budget. Flexibility within the programme to react to these changes is essential in order to meet operational requirements and is permitted using existing officer delegations. The items requested to be carried forward have all been ordered but some manufacturing has been delayed due to Covid.

5.11 IT Infrastructure

- 5.12 The approved budget for IT AMP projects was £256,400. Actual costs were £96,200 which is £160,000 less than the budget. The variance is made up of carry forward requests of £144,900 and savings of £15,300. The details are shown in Annex 1c.
- 5.13 The Windows 10 project has been delayed due to Covid and the desktop replacement project is now linked to the New Ways of Working Strategy. Hence, the remaining budget of £61,000 is requested to be carried forward.
- 5.14 The network refresh project was delayed in 20/21 to align with a joint procurement exercise with Winchester City Council in order to achieve potential savings and efficiencies.

6 Updated 2021/22 AMP requirement

Land and Buildings

- 6.1 The recommended budget for land and buildings in 2021/22 is £2.389M and includes £958,200 of projects carried forward from 2020/21.
- 6.2 The Asset Management Plan report to Cabinet in December 2020 included a list of reserve works which could not be included in the programme as there was insufficient funding at the time. These works are to remain on the reserve list and will be considered if required during the year.
- 6.3 A summary of the items included in the AMP for 2021/22 is shown in Annex 2a.

Vehicles and Plant

- 6.4 The recommended budget for replacement of vehicles and plant in 2021/22 is £1.499M.
- 6.5 The Asset Management Plan report to Cabinet in December 2020 included a list of reserve works which could not be included in the programme as there was insufficient funding at the time. These works are to remain on the reserve list and will be considered if required during the year.
- 6.6 A summary of the items included in the AMP for 2021/22 is shown in Annex 2b and includes the items carried forward from 2020/21.

IT Infrastructure

- 6.7 The recommended budget for IT infrastructure in 2021/22 is £631,000.
- 6.8 The Whats Up Gold (WUG) project is no longer required as the current solution is fit for purpose, and an upgrade to the financial management system has been added at a cost of £51,000. This will be financed from an additional transfer to the AMP reserve of £26,000 in each of 2021/22 and 2022/23 resulting from revenue savings.
- 6.9 A summary of the items included in the AMP for 2021/22 is shown in Annex 2c and includes the items carried forward from 2020/21.

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 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.

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 summarised below.
- 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 just sufficient to fund the programme included in this report; however, there continues to be the need to seek sustainable funding for the AMP.
- 8.4 There is a risk of claims resulting from loss or injury caused by / contributed to as a result of poorly maintained Council owned property. This will be monitored by regular progress reviews of the AMP by responsible officers and update reports to Cabinet.

9 Resource Implications

- 9.1 The costs of the AMP in 2020/21 and 2021/22 are shown in paragraphs 5 and 6 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

- 9.2 The AMP is mainly funded in three ways:
- Firstly, there is a contribution from the revenue budget. This was £1.217M per annum until 2020/21 and has increased to £1.600M from 2021/22. An additional £1.0M was also transferred in 2020/21.
 - 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 2020/21 and 2021/22 are to be funded by New Homes' Bonus receipts in the year.
- 9.3 At 31 March 2020 the Council's AMP reserve balances stood at £3.375M. It is expected that the reserve balance at 31 March 2022 will be £378,000. The movement in the reserve balance is shown in the table below.

| | £'000 |
|---|--------------|
| Asset Management Reserves at 31 March 2020 | 3,375 |
| Budgeted transfer – 2020/21 | 2,217 |
| New Homes Bonus contribution to AMP | 182 |
| Sale of vehicles and plug in grants | 123 |
| Land and Property Requirement 2020/21 | (1,171) |
| Vehicle and Plant Requirement 2020/21 | (1,409) |
| IT Infrastructure Requirement 2020/21 | (96) |
| Actual balance at 31 March 2021 | 3,221 |

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|--|------------|
| Transfers in to reserve 2021/22 | 1,600 |
| Additional contribution to reserve from revenue budget in respect of the financial management system upgrade | 26 |
| New Homes Bonus contribution to AMP | 50 |
| Land and Property Requirement 2021/22 | (2,389) |
| Vehicle and Plant Requirement 2021/22 | (1,499) |
| IT Infrastructure Requirement 2021/22 | (631) |
| Forecast Asset Management Reserves at 31 March 2022 | 378 |

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.

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 8.4).

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 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 2021/22.
- 12.2 For this reason it is recommended that the updated AMP items in Annex 2 are included in the AMP for 2021/22.
- 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, the Head of Finance & Revenues has delegated authority to ensure that unforeseen works can be undertaken without undue delay.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

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.

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| No of Annexes: | 2 | File Ref: | N/A |
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(Portfolio: Finance) Councillor M Flood

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| Report to: | Cabinet | Date: | 23 June 2021 |
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