

Asset Management Outturn 2021/22

Report of the Finance and Resources 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 2022/23, 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 2021/22.
- The total revised AMP budget in 2021/22 was £3.750M. Actual expenditure in the year was £2.102M, leaving an overall positive variance of £1.648M. The main reasons for the budget variance are explained below in section 5.
- After reviewing the outturn position for 2021/22, the AMP requirement for 2022/23 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 2021/22 was presented to Cabinet in December 2021. As part of that report the AMP budget for the year was revised.
- 1.3 This report compares the actual expenditure in 2021/22 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 2021/22 AMP review

Land and Buildings

- 5.1 The revised budget for land and buildings' projects was £1.890M. A total of £1.333M was spent in the year. A summary of the expenditure, by property, can be found in Annex 1a.
- 5.2 The variance of £556,300 is made up of budget carry forwards of £395,500 and net savings on completed projects of £160,800.

5.3 The main reasons for the budget carry forwards are:

- The redecoration at Andover Bus Station has been completed but the budget for the high level clean is required to be carried forward.
- An upgrade to the showers at Charlton Sports Centre with a budget of £30,000 and £15,000 for the replacement roof at Churchill Bungalow are required to be carried forward. This is due in part to the Head of Property & Asset Management post being vacant for a number of months which reduced available resources to design and prepare work packages to tender the projects (due to providing cover), and in part to the internal maintenance team having been fully utilised over the year in reactive works, planned maintenance works and Covid support works.
- £144,000 for building alterations due to health and safety compliance issues at Portway depot. The project was started before the Covid-19 pandemic, but was made more complicated by the building being occupied with Covid restrictions and distancing in place. Once the internal works are finalised, the exterior of the building will be reviewed and works started. In addition, £4,000 for car park / yard line marking at Portway depot has been delayed as it is weather dependent work.
- The re-inscription of names on the Andover War Memorial will require formal faculty permission from the Diocese. Final approval for these works is expected soon so the remaining budget of £8,600 is required to be carried forward.
- Target hardening works (£50,800) have been ordered or are out to tender and will be delivered in the first half of 2022/23.
- Volume of work and contractor capacity and availability has impacted the delivery of ash dieback works and landscape management proposals at Valley Park resulting in a total carry forward of £65,000.
- New bridges have been installed at Rooksbury Mill, but some repairs to a raised boardwalk are still outstanding and require £3,400 to be carried forward.
- £20,000 for refurbishment to the BMX track has been delayed until the flood lighting works have been completed.

5.4 There are also a number of projects that are either no longer required or where savings totalling £160,800 have been made. This includes:

- £31,000 for the boiler replacement at Beech Hurst where reduced numbers of staff in the building due to Covid restrictions allowed the contractors greater access to the building and reduced the requirement for weekend working.
- £34,800 for wall repairs to St Mary's Churchyard is no longer required.

- £12,100 for car park lighting at Beech Hurst where minimal works for safety have been required.
- Savings on completed projects within the green spaces budgets of £28,900.
- Savings within the sports facilities budgets of £14,600.

Vehicles and Plant

- 5.5 The revised budget approved in December 2021 for replacement vehicles and plant was £1.499M.
- 5.6 Total expenditure on replacement vehicles and plant amounted to £622,100. The details of this are shown in Annex 1b.
- 5.7 The variance is made up of £867,900 to be carried forward, of which orders had been placed but not delivered of £238,900, and savings of £8,500.
- 5.8 In addition, the part exchange and sale of vehicles and plant through the year has generated income of £120,000 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 £9,000.
- 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. One example of this is the cost of refuse vehicles which have come in £8,000 higher than budgeted. As a result, the carry forward includes an additional £16,000 to meet the cost of a further two refuse vehicles that are planned for 2022/23 in addition to the three to be carried forward from 2021/22 (which have now been ordered).
- 5.11 IT Infrastructure
- 5.12 The approved budget for IT AMP projects was £360,800. Actual costs were £145,600 which is £215,200 less than the budget. The variance is made up of carry forward requests of £189,400 and savings of £25,800. The details are shown in Annex 1c.
- 5.13 The 3 VM host servers and the network refresh projects have been delayed due to unique resource constraints and the need to focus on priority projects. Tenders have now been published with awards planned in May. These are both joint procurements with Winchester to help generate efficiencies and value for money.
- 5.14 The Richmond upgrade and the finance management system upgrade have both been delayed due to supplier availability.

- 5.15 The savings on completed projects of £25,800 has been earmarked to be used in 2022/23 for the Microsoft 365 project which has not previously been budgeted.

6 Updated 2022/23 AMP requirement

Land and Buildings

- 6.1 The recommended budget for land and buildings in 2022/23 is £1.846M and includes £395,500 of projects carried forward from 2021/22.
- 6.2 A summary of the items included in the AMP for 2022/23 is shown in Annex 2a.

Vehicles and Plant

- 6.3 The recommended budget for replacement of vehicles and plant in 2022/23 is £1.656M.
- 6.4 A summary of the items included in the AMP for 2022/23 is shown in Annex 2b and includes the items carried forward from 2021/22.

IT Infrastructure

- 6.5 The recommended budget for IT infrastructure in 2022/23 is £664,100.
- 6.6 A new project to bring in Microsoft 365 has been added to the requirement for 2022/23. This will be financed from the savings to the IT infrastructure from 2021/22.
- 6.7 A summary of the items included in the AMP for 2022/23 is shown in Annex 2c and includes the items carried forward from 2021/22.

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 2021/22 and 2022/23 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 is currently £1.600M for 2021/22 and £1.956M for 2022/23.
 - 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 2021/22 and 2022/23 are to be funded by New Homes' Bonus receipts in the year.
- 9.3 At 31 March 2021 the Council's AMP reserve balances stood at £3.222M. It is expected that the reserve balance at 31 March 2023 will be £894,000. The movement in the reserve balance is shown in the table below.

	£'000
Asset Management Reserves at 31st March 2021	3,222
Budgeted transfer – 2021/22	1,600
New Homes Bonus contribution to AMP	45
Sale of vehicles and plug in grants	129
Additional contribution to reserve from revenue budget in respect of the financial management system upgrade	26
Land and Property Requirement 2021/22	(1,334)

Vehicle and Plant Requirement 2021/22	(622)
IT Infrastructure Requirement 2021/22	(146)
Actual balance at 31st March 2022	2,920
Transfers in to reserve 2022/23	1,956
Additional contribution to reserve from revenue budget in respect of the financial management system upgrade	26
New Homes Bonus contribution to AMP	321
Land and Property Requirement 2022/23	(1,846)
Vehicle and Plant Requirement 2022/23	(1,656)
IT Infrastructure Requirement 2022/23	(664)
Forecast Asset Management Reserves at 31st March 2023	1,057

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 2022/23.
- 12.2 For this reason it is recommended that the updated AMP items in Annex 2 are included in the AMP for 2022/23.

- 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.

<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
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