

Asset Management Outturn 2022/23

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 2023/24, 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 2022/23.
- The total revised AMP budget in 2022/23 was £3.941M. Actual expenditure in the year was £2.508M, leaving an overall positive variance of £1.433M. The main reasons for the budget variance are explained below in section 5.
- After reviewing the outturn position for 2022/23, the AMP requirement for 2023/24 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 2022/23 was presented to Cabinet in December 2022. As part of that report the AMP budget for the year was revised.
- 1.3 This report compares the actual expenditure in 2022/23 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 2022/23 AMP review

Land and Buildings

- 5.1 The revised budget for land and buildings' projects was £1.557M. A total of £785,000 was spent in the year. A summary of the expenditure, by property, can be found in Annex 1a.
- 5.2 The variance of £772,000 is made up of budget carry forwards of 698,000 and net savings on completed projects of £74,000.
- 5.3 The main reasons for the budget carry forwards are:

- External redecoration works at Beech Hurst have been started but are not yet complete, therefore a carry forward of £15,000 is required.
- Works to repair the concrete in the multi storey car park have not yet been started, so a carry forward of £100,000 is required. This is due in part to vacancies within the Property & Asset team which has reduced available resources to deliver the project.
- The work at the Former Magistrates Court to replace the single glazed windows to improve energy performance has been completed with a saving of £27,900. This saving is requested to be carried forward to carry out further energy efficiency works.
- A report into the full requirements for the rewiring works at Portway Depot is expected soon, therefore the budget of £100,000 is required to be carried forward.
- Vacancies within the Property & Asset team and the team being directed to projects with timelines linked to government funding have resulted in a carry forward of £95,700 being required for EPC outcome works.
- Works to the boat slipways at Charlton Lakes at a cost of £20,000 have been delayed due to high water levels.
- Target hardening works (£23,100) are landscape features which are installed dependent on suitable weather conditions and are, therefore, reliant on being identified and constructed at the optimum time of year.
- Tree works with a budget of £8,000 have been delayed due to permission issues with network Rail as the works are next to the mainline track.
- The budget for repairs to the decking at the Lights is required to be carried forward as it is drawn upon for localised repairs as and when required, rather than the replacement of the whole of the decking in one go.
- The budgets for the playgrounds at Taw Tweed and Anton Lakes at a total of £221,000 are required to be carried forward due to design updates and project re-tendering.
- A delay in receiving planning permission for the floodlighting scheme at the BMX track has resulted in delays to the track refurbishment. A carry forward of £30,800 is required to complete the works.

5.4 There are also a number of projects that are either no longer required or where savings totalling £74,000 have been made. This includes savings within the green spaces budgets of £38,400, mainly on tree works.

Vehicles and Plant

5.5 The revised budget approved in December 2022 for replacement vehicles and plant was £1.657M.

- 5.6 Total expenditure on replacement vehicles and plant amounted to £1.363M. The details of this are shown in Annex 1b.
- 5.7 The variance is made up of £305,100 to be carried forward for which all orders have been placed but not yet delivered, and an increase in costs of £11,700.
- 5.8 The part exchange and sale of vehicles and plant through the year has generated income of £87,000. This will be used in part to offset the additional £11,700 of costs in 2022/23 with the remainder to be transferred into the Asset Management Plan reserve to use against future purchases.
- 5.9 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. Examples of this are two vans which were not required to be replaced yet, so the budgets were used to part cover additional costs on sweepers and a number of other vans.
- 5.10 IT Infrastructure
- 5.11 The approved budget for IT AMP projects was £727,200. Actual costs were £359,400 which is £367,800 less than the budget. The variance is made up of carry forward requests of £365,000 and savings of £2,800. The details are shown in Annex 1c.
- 5.12 Issues within the supply chain have resulted in the delayed delivery of the hardware for the Network refresh project and the UPS upgrade with a combined carry forward of £129,000 required.
- 5.13 The Arc Serve back up / replacement project, the Citrix upgrade project, cloud adoption, the village network project and mobile device refresh have all been pushed back to 2023/24.
- 5.14 The project for Meeting Rooms hybrid set up is ongoing.
- 5.15 The finance management system project and the replacement of the server for the system have been delayed due to supplier issues around testing. This is expected to be completed in July 2023.

6 Updated 2023/24 AMP requirement

Land and Buildings

- 6.1 The recommended budget for land and buildings in 2023/24 is £2.233M and includes £698,000 of projects carried forward from 2022/23.
- 6.2 A summary of the items included in the AMP for 2023/24 is shown in Annex 2a.

Vehicles and Plant

- 6.3 The recommended budget for replacement of vehicles and plant in 2023/24 is £1.114M.
- 6.4 A summary of the items included in the AMP for 2023/24 is shown in Annex 2b and includes the items carried forward from 2022/23. One new item, a tipper, has been added.

IT Infrastructure

- 6.5 The recommended budget for IT infrastructure in 2023/24 is £723,100.
- 6.6 A summary of the items included in the AMP for 2023/24 is shown in Annex 2c and includes the items carried forward from 2022/23.

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 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 2022/23 and 2023/24 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 £1.956M for 2022/23 and £2.0M for 2023/24.
- 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 2022/23 and 2023/24 are to be funded by New Homes' Bonus receipts in the year.

9.3 At 31 March 2022 the Council's AMP reserve balances stood at £3.070M. It is expected that the reserve balance at 31 March 2024 will be £1.059M. The movement in the reserve balance is shown in the table below.

	£'000
Asset Management Reserves at 31 March 2022	3,070
Budgeted transfer – 2022/23	1,956
New Homes Bonus contribution to AMP	97
Sale of vehicles and plug in grants	87
Additional contribution to reserve from revenue budget in respect of the financial management system upgrade	26
Land and Property Requirement 2022/23	(785)
Vehicle and Plant Requirement 2022/23	(1,363)
IT Infrastructure Requirement 2022/23	(360)
Actual balance at 31 March 2023	2,728
Transfers in to reserve 2023/24	2,000
New Homes Bonus contribution to AMP	422
Transfer from IT Capacity Building reserve	20
Land and Property Requirement 2023/24	(2,233)
Vehicle and Plant Requirement 2023/24	(1,114)
IT Infrastructure Requirement 2023/24	(723)
Public Sector Decarbonisation Scheme	(41)
Forecast Asset Management Reserves at 31 March 2024	1,059

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 Climate Change Implications

- 11.1 The Council declared a 'Climate Emergency' in September 2019 and committed to identifying steps that can be taken to become a carbon neutral organisation. The Climate Emergency Action Plan was approved by Council in June 2020 and concentrates on what the Council can do to make a difference.

The Action Plan is split into themes, three of which are relevant to the Asset Management Plan:

- a) Property and Energy – to review the management of the Council's premises and assets to identify areas where we can reduce energy demand, improve energy efficiency and convert to renewable, low or zero carbon technologies for energy and heat needs;
 - b) Transport, Travel and Plant – to bring forward measures to improve the fuel efficiency and move towards lower emission fuel sources;
 - c) Smarter working and use of technology – to investigate how the Council can make best use of available technology and how this could help change the way the Council does business.
- 11.2 The Property & Asset Management Service do and will continue to explore all options when upgrading or replacing property assets. Part of this exploration will always include a review of alternative technologies and solutions.
- 11.3 A regular assessment of alternative technologies is always undertaken in relation to the procurement of replacement vehicles and plant. The Environmental Service has deployed a number of electric vans in recent years and will continue to do so where appropriate. Other technologies are emerging, particularly around grounds maintenance functions, where electrically powered plant and hand held equipment is gradually coming onto the market. For larger vehicles the alternative technology available is a mixed and evolving picture. For waste collection vehicles there is now the option to consider the deployment of electrically powered alternatives onto the fleet but

the cost of doing so is currently prohibitive with the electric version costing more than twice that of a traditionally diesel powered version. As a 'stepping stone' approach the whole fleet that had previously run on diesel has been switched over to a new low carbon fuel called Hydrotreated Vegetable Oil (HVO). This new fuel reduces the carbon impact of the fleet by up to 95%.

12 Equality Issues

- 12.1 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.

13 Conclusion and reasons for recommendation

- 13.1 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 2023/24.
- 13.2 For this reason it is recommended that the updated AMP items in Annex 2 are included in the AMP for 2023/24.
- 13.3 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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Report to:	Cabinet	Date:	7 June 2023