

Report to Cabinet – 15 November 2023

Asset Management Plan Update

Report of the Finance and Resources Portfolio Holder

Recommended:

- 1. That the revised 2023/24 and original 2024/25 Asset Management Plan, as shown in Annexes 1 and 2 to the report, be approved.**
- 2. That the Head of Finance and Revenues, after consultation with the Finance and Resources Portfolio holder and Head of Service responsible for any project, be authorised to amend the Asset Management Plan during the year, as discussed in paragraph 7.3 to the report.**

Recommendation to Council

SUMMARY:

- The report provides an update on the approved 2023/24 Asset Management Plan (AMP) and recommends the projects to be included in the 2024/25 budget.
- It provides an update on the financing of AMP projects, including a forecast of the balance on the Asset Management Reserve at 31 March 2025.

1 Introduction

- 1.1** The Council's Asset Management Strategy details the 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** Since the approval of the strategy, the Council's approach has been to review annually its asset management requirement for the forthcoming financial year and report on that as a part of the budget setting process.
- 1.3** This report provides an update on the current year's progress; explains reasons for variations from the approved plan and proposes an Asset Management Plan (AMP) for 2024/25.

2 Background

- 2.1** The Council's approach to Asset Management has developed with the experience gained since the approval of the Asset Management Strategy.

- 2.2 The Council is responsible for the ongoing maintenance and replacement of a wide range of operational assets with an estimated value of £126M. 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 Condition surveys are carried out on all land and buildings on a rolling five year cycle. The results of the surveys are 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, informs the development of the land and buildings' element of the AMP.
- 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.

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 2023/24 AMP update

Land and Buildings

- 5.1 Expenditure to the end of October shows works to the value of £575,000 have

been committed or completed against an original budget for the year of £2.233M.

5.2 There have been some changes to the budget requirement during the year as shown in Annex 1a:

- The cost of the works to the Italianate Chapel in Romsey came in £20,000 higher than the original budget of £50,000.
- Works to the roof at the Lights have been added at a cost of £23,000 using funding that is not required for the Energy Performance outcome budget.
- Roof replacement works at the Walworth Enterprise Centre cost £53,800 less than budgeted.
- Tree works of £93,000 have been added to the budget. This is subject to the firm approval of the award of a grant which will cover these works for Ash dieback tree replacement. The total value of the grant is £297,000 receivable over 4 years 2023/24 – 2026/27.
- £37,000 has been added for the refurbishment of the tennis courts at Vigo Park in Andover and the Memorial Park in Romsey. The funding for this has been granted by the UK Government and LTA Tennis Foundation's Park Tennis Project.

5.3 A number of schemes totalling £528,000 are requested to be carried forward to 2024/25 and are shown in Annex 1a and cross referenced in Annex 2a.

5.4 Taking into account these adjustments, the AMP requirement for the year is now expected to be £441,000 less than originally estimated at £1.792M as shown in Annex 1a.

5.5 Maintenance and asset management linked to the Council's ownership of the Chantry Centre are not included in this report. Separate arrangements are in place for the centre to ensure tenants' service charges are accurately allocated.

Vehicles and Plant

5.6 The total requirement for 2023/24 was originally set at £1.114M against which actual spend and commitments at the end of October are £377,000.

5.7 There have been a few budget changes during the year. Four items marked with an asterisk (*) with a total budget of £86,700 are no longer required. A new top dresser has been added at a cost of £25,000 and a bank mower at £13,000. Some of the remaining budget has been used to fund additional costs that have arisen when items have been tendered. This has resulted in a small saving of £13,700.

5.8 In addition, income of £11,000 has been received or agreed on the part

exchange or sale of items that are being replaced. This income will go back into the AMP reserve.

- 5.9 A breakdown of the costs related to the 2023/24 AMP which is now £1.101M is shown in Annex 1b.

IT Infrastructure

- 5.10 Completed and committed expenditure for the year to October is £235,000 against an original estimate of £723,000.
- 5.11 There has been one change to the budget for 2023/24 with the removal of £20,000 for a network update project that is no longer required.
- 5.12 One project totalling £35,000 for door system replacements is requested to be carried forward until 2024/25.
- 5.13 Taking into account these changes, the requirement for 2023/24 is now estimated to be £668,000 and is shown in Annex 1c.

6 2024/25 AMP programme

Land and Buildings

- 6.1 The land and buildings' element of the AMP is managed across two Services; Property & Asset Management and Community & Leisure.
- 6.2 The recommended budget for works in 2024/25 is £2.442M (including £528,000 brought forward from 2023/24).
- 6.3 The recommended budget for Green Spaces includes tree works (both replacement planting and ash dieback management) to the value of £394,000. £68,000 of these works are conditional on the firm approval of the grant detailed in paragraph 5.2.
- 6.4 It is recommended that the works for the Playgrounds at a total cost of £225,000 be funded from the New Homes Bonus as these are projects that will benefit the community.
- 6.5 A summary of the items included in the AMP for 2024 /25 is shown in Annex 2a.

Vehicles and Plant

- 6.6 The recommended budget for the replacement of vehicles and plant in 2024/25 is £864,000.
- 6.7 A summary of the items included in the AMP for 2024/25 is shown in Annex 2b.

IT Infrastructure

- 6.8 The IT AMP requirement for 2024/25 is £237,000 including the item brought

forward from 2023/24. 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 and Revenues, after consultation with the Finance & Resources 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 Finance & Resources 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.
- 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 projected costs of the AMP in 2023/24 and 2024/25 are discussed in sections five and six above and are shown in more detail in annexes 1 and 2. These costs will be met in the majority 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 funded as follows:

- An annual contribution from the revenue budget. This contribution is currently £2.0M 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. However, this option cannot be relied upon as a sustainable source of funding.
- An additional contribution to the AMP reserve might be recommended where there is additional pressure on the reserve.

9.4 At 31 March 2023 the Council's AMP reserve balance stood at £2.728M. The forecast movement in the reserve up to 31 March 2025 is shown in the table below.

	£'000
Asset Management Reserves at 31 March 2023	2,728
Transfer from revenue budget – 2023/24	2,000
Transfer from revenue budget – 2024/25	2,000
Contribution from New Homes Bonus re playgrounds	647
Transfer from IT Capacity Building reserve	20
Sale of vehicles replaced as part of 2023/24 AMP	11
Grants	198
Public Sector Decarbonisation Scheme	(41)
Land and Buildings Requirement 2023/24 – annex 1a	(1,792)
Vehicle and Plant Requirement 2023/24 – annex 1b	(1,101)
IT Infrastructure Requirement 2023/24 – annex 1c	(668)
Land and Buildings Requirement 2024/25 – annex 2a	(2,442)
Vehicle and Plant Requirement 2024/25 – annex 2b	(864)
IT Infrastructure Requirement 2024/25 – annex 2c	(237)
Forecast Asset Management Reserves at 31 March 2025	459

9.5 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 8.4).

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.

12 Equality Issues

- 12.1 No equalities issues have been identified in the preparation of the report and no potential for unlawful discrimination or negative impact has been identified, therefore a full EQIA has not been carried out.

13 Other Issues

- 13.1 There are no other issues.

14 Conclusion and reasons for recommendation

- 14.1 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.
- 14.2 For this reason it is recommended that the items shown in annex 1 are included in the revised AMP for 2023/24 and the items shown in annex 2 are included in the AMP for 2024/25.
- 14.3 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 into 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
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