

Asset Management Outturn 2023/24

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, be noted.
2. That the updated budget for Asset Management projects in 2024/25, as shown in Annex 2, be approved.

SUMMARY:

- This report compares the actual expenditure on Asset Management Plan (AMP) projects with the approved budget for 2023/24.
- The total revised AMP budget in 2023/24 was £3.560M. Actual expenditure in the year was £1.875M. The main reasons for the budget variance are explained below in section 5.
- After reviewing the outturn position for 2023/24, the AMP requirement for 2024/25 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 2023/24 was presented to Cabinet in November 2023. As part of that report the AMP budget for the year was revised.
- 1.3 This report compares the actual expenditure in 2023/24 with the budget approved in November 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 and Plant; and IT equipment.
- 2.2 The Property and 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 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 is a significant factor in the Council's financial strategy for 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 review

Land and Buildings

- 5.1 The revised budget for land and buildings' projects was £1.792M. The budgets for three projects approved for 2024/25 in the Asset Management Plan Report to Cabinet in November 2023 totalling £25,000 have been brought forward into 2023/24, to give a total updated budget of £1.817M. A total of £1.147M was spent in the year. A summary of the expenditure, by property, can be found in Annex 1a.
- 5.2 The variance of £669,200 is made up of budget carry forwards of £613,900 and net savings on completed projects of £55,300.

5.3 The main reasons for the budget carry forwards are:

- Works to replace the windows at 18 Market Place are due to be started in May, therefore a carry forward of £14,900 is recommended.
- The tender process for scaffolding related to the project for the external redecoration of Beech Hurst was delayed, resulting in there not being sufficient time to complete the works before the seasons changed. £14,300 is recommended to be carried forward in order to complete these works.
- £57,000 is recommended to be carried forward to complete the stonework repairs at the Italianate Chapel in Romsey. Delays are due to lead being taken from the roof.
- An additional £20,000 has been added to the budget for roofing works at the Lights with a carry forward of £42,200 required for the specialist works.
- Major refurbishment works at Portway Depot have been started but a carry forward of £50,100 is required to complete these.
- Car park resurfacing at Valley Park Community Centre has been delayed due to changes in the project requirements, resulting in a carry forward of £50,000.
- Energy Performance Certificate (EPC) works are not yet all complete. Therefore, the additional works required are not yet fully known, so a carry forward of £66,200 is recommended.
- Delays in getting on site to demolish the Walworth Sports Pavilion means that £25,000 is recommended to be carried forward.
- A surveyor has now been appointed for the first phase of the various site surveys, so the £25,000 budget is required to be carried forward.
- A change in tree contractors from 1st April 2024 meant that fewer work orders were able to be issued in the fourth quarter of the financial year as the move between outgoing and incoming contractors commenced. The carry forward of £77,000 will enable the works that were held back to be issued.
- £58,000 is required for bridge replacements at Rooksbury Mill due to procurement for the supply and installation initially being unsuccessful. Both services have now been procured so the carry forward will enable the works to commence.
- Target hardening works (£14,700) 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.

- The budget for repairs to the decking at the Lights is recommended 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.
- A number of playground schemes have been tendered and ordered but delayed due to weather conditions, specifically the installation of safer surfacing which cannot be laid in the wet. £59,000 is therefore required to be carried forward.
- Works to refurbish the tennis courts are funded by a grant from the Lawn Tennis Association (LTA) and the LTA appointed contractors are expected to complete the works by the end of June 2024.

5.4 There are also a number of projects that are either no longer required or where savings have been made. Some of this has been transferred to other projects in the year where additional budget was required, but an overall saving of £55,300 has been made against the total budget.

Vehicles and Plant

5.5 The revised budget approved in November 2023 for replacement vehicles and plant was £1.101M. An additional £9,300 was approved under delegated authority after the revised budget was approved due to tenders resulting in higher costs than budgeted. The total budget including this adjustment was £1.110M.

5.6 Total expenditure on replacement vehicles and plant amounted to £387,500. The details of this are shown in Annex 1b.

5.7 The variance is made up of £717,300 to be carried forward for which all but one order has been placed but not yet delivered, and savings of £5,100.

5.8 The part exchange and sale of vehicles and plant through the year has generated income of £47,000. This will be transferred into the Asset Management Plan reserve to use against future purchases.

5.9 IT Infrastructure

5.10 The approved budget for IT AMP projects was £668,100. One budget approved for 2024/25 has been brought forward in part to 2023/24 to give a total updated budget for 2023/24 of £672,000. Actual costs were £340,200 which is £331,800 less than the budget. The variance is made up of carry forward requests of £243,500 and savings of £88,300. The details are shown in Annex 1c.

5.11 Laptops purchased in March 2020 at the start of the pandemic are now four years old and due for replacement. Carry forwards from the desktop refresh project and mobile device project will be used for this.

- 5.12 The ArcServe replacement project was started in February 2024 and the remaining budget of £42,800 is required to be carried forward to enable the completion of this project.
- 5.13 The server upgrade / replacement, room booking system, disaster recovery review, Microsoft 365 phase 2, Efin server replacement and Cloud adoption have all been moved back to 2024/25.
- 5.14 The project for Meeting Rooms hybrid set up is ongoing.
- 5.15 Savings have been achieved across a number of projects due to the IT team being able to complete the work, therefore reducing the costs of using a third party.

6 Updated 2024/25 AMP requirement

Land and Buildings

- 6.1 The recommended budget for land and buildings in 2024/25 is £3.003M and includes £613,900 of projects carried forward from 2023/24.
- 6.2 A summary of the items included in the AMP for 2024/25 is shown in Annex 2a.

Vehicles and Plant

- 6.3 The recommended budget for replacement of vehicles and plant in 2024/25 is £1.638M.
- 6.4 A summary of the items included in the AMP for 2024/25 is shown in Annex 2b and includes the items carried forward from 2023/24.
- 6.5 Two new items, a van for the Animal Welfare department at £29,000 and a van and bowser for tree watering at £28,000, have been added to the budget.

IT Infrastructure

- 6.6 The recommended budget for IT infrastructure in 2024/25 is £476,600.
- 6.7 A summary of the items included in the AMP for 2024/25 is shown in Annex 2c and includes the items carried forward from 2023/24.

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 2023/24 and 2024/25 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 £2.0M for 2023/24 and 2024/25.
 - 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 2023/24 and 2024/25 are to be funded by New Homes' Bonus receipts in the year and grants for specific projects, such as the tennis court refurbishments have been received.
- 9.3 At 31st March 2023 the Council's AMP reserve balances stood at £2.728M. It is expected that the reserve balance at 31st March 2025 will be £690,000. The movement in the reserve balance is shown in the table below.

	£'000
Asset Management Reserves at 31st March 2023	2,728
Budgeted transfer – 2023/24	2,000
New Homes Bonus contribution to AMP	351
Sale of vehicles and plug in grants	47
Grants and other income for specific projects	139
Land and Property Requirement 2023/24	(1,148)
Vehicle and Plant Requirement 2023/24	(387)
IT Infrastructure Requirement 2023/24	(340)
Actual balance at 31st March 2024	3,390
Transfers in to reserve 2024/25	2,000
New Homes Bonus contribution to AMP	284
Transfer from IT Capacity Building reserve	20
Transfer from Self Insurance reserve	18
Grants and other income for specific projects	96
Land and Property Requirement 2024/25	(3,003)
Vehicle and Plant Requirement 2024/25	(1,638)
IT Infrastructure Requirement 2024/25	(477)
Forecast Asset Management Reserves at 31st March 2025	690

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. Work is underway to review the CEAP.

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 With the support of the Public Sector Decarbonisation Scheme, the Council has made energy efficiency improvements to Bourne House. The Property and Asset Management Service do and will continue to explore all options when upgrading or replacing property assets. Part of this exploration will 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 Council 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 the whole fleet, which previously ran on diesel, has been switched over to low carbon Hydrotreated Vegetable Oil (HVO). This has significantly reduced the carbon impact of the fleet. As technology develops and costs reduce the Council will review what future alternatives can be introduced.
- 11.4 The Council has made progress with enabling flexible working for both employees and Councillors through the provision of laptops, refreshed iPads and other necessary equipment. Any further requirements to help meet our residents and communities needs will be identified through the Council's digital strategy, which is due for completion later this year.

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 2024/25.
- 13.2 For this reason it is recommended that the updated AMP items in Annex 2 are included in the AMP for 2024/25.
- 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 and 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:	29 May 2024