

Asset Management Plan Update

Report of the Finance and Resources Portfolio Holder

Recommended:

1. That the revised 2024/25 and original 2025/26 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 of the report.

Recommendation to Council

SUMMARY:

- The report provides an update on the approved 2024/25 Asset Management Plan (AMP) and recommends the projects to be included in the 2025/26 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 2026.

1 Introduction

- 1.1 The Council reviews annually its asset management requirement for the forthcoming financial year and reports on that as a part of the budget setting process.
- 1.2 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 2025/26.

2 Background

- 2.1 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
- 2.2 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.

- 2.3 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.
- 2.4 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.
- 3.3 The nature and extent of repairs replacement of assets is assessed alongside priorities for decarbonising the Council's estate and opportunities are sought to reduce the Council's impact on a changing climate wherever practicable.

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 2024/25 AMP update

Land and Buildings

- 5.1 Expenditure to the end of October shows works to the value of £926,800 have been committed or completed against an original budget for the year of £3.003M.
- 5.2 There have been some changes to the budget requirement during the year as shown in Annex 1a:
- The budget for the works to Bourne House has been increased by £35,000 to £50,000 following the tender process.
 - The budget for Charlton Sports Centre has been consolidated into Property and Asset Management from Community and Leisure.

- The cost of the works to 18 Market Place came in £10,000 higher than the original budget.
- The budget for Town Mills House has been increased by £15,000 to £30,000 following identification of increases in the cost of the works required.
- The cost of the works to the Valley Park Community Centre car park came in £12,000 higher than the original budget.
- The final works for the refurbishment of the tennis courts which are funded by a grant were completed this year.
- £69,500 has been added for works to the flume column at Romsey Rapids Sports Centre.

5.3 A number of schemes totalling £300,000 are requested to be carried forward to 2025/26 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 £72,700 less than originally estimated at £2.849M 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 2024/25 was originally set at £1.638M against which actual spend and commitments at the end of October are £1.533M.

5.7 There have been a few budget changes during the year. Two items marked with an asterisk (*) with a total budget of £36,000 are no longer required. A new town trolley has been added at a cost of £10,000 and a new van following an insurance write off at a cost of £40,000. Some of the remaining budget has been used to fund additional costs that have arisen when items have been tendered. This has resulted in an increase of £49,900.

5.8 In addition, income of £33,300 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 2024/25 AMP which is now £1.688M is shown in Annex 1b.

IT Infrastructure

5.10 Completed and committed expenditure for the year to October is £84,500 against an original estimate of £477,000.

- 5.11 There have been four changes to the budget for 2024/25 with the removal of £11,100 for mailmeter server, £10,000 for a room booking system, £10,000 for disaster recovery review and £39,608 for an Arcserve back up, these are no longer required within the IT asset management plan.
- 5.12 Taking into account these changes, the requirement for 2024/25 is now estimated to be £406,000 and is shown in Annex 1c.

6 2025/26 AMP programme

Land and Buildings

- 6.1 The land and buildings' element of the AMP is managed across two Services; Property and Asset Management and Community and Leisure.
- 6.2 The recommended budget for works in 2025/26 is £3.345M (including £300,000 brought forward from 2024/25).
- 6.3 The recommended budget for works to properties includes £450,000 which has been identified for works that will be required as a result of condition surveys which are yet to be determined.
- 6.4 The recommended budget for Green Spaces includes tree works (both replacement planting and ash dieback management) to the value of £338,000. £68,000 of these works are funded by the Local Authority Tree Fund grant.
- 6.5 It is recommended that the works for the Playgrounds at a total cost of £229,000 be funded from the New Homes Bonus as these are projects that will benefit the community.
- 6.6 Additional funds of £870,000 are required in respect of the 3G pitch at Charlton. Due to the age of the pitch and feedback from surveys it has reached end of life and requires resurfacing to meet match specification and growing demand.
- 6.7 A summary of the items included in the AMP for 2025/26 is shown in Annex 2a.

Vehicles and Plant

- 6.8 The recommended budget for the replacement of vehicles and plant in 2025/26 is £1.021M.
- 6.9 A summary of the items included in the AMP for 2025/26 is shown in Annex 2b.

IT Infrastructure

- 6.10 The IT AMP requirement for 2025/26 is £380,000. 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 and 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 and 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 long-term 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. The Head of Finance and Revenues will consider this in preparing budget papers for 2025/26 and the medium term.
- 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 2024/25 and 2025/26 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 £2M for 2024/25 rising to £2.451M for 2025/26.
- An additional £1M was transferred from the General Fund reserve as identified in the Medium Term Financial Strategy (MTFS) and approved at Council 16th October 2024. A further £500,000 from anticipated investment income above base budget in 2025/26 will also be transferred to the reserve.
- 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.

9.4 At 31 March 2024 the Council's AMP reserve balance stood at £3.392M. The forecast movement in the reserve up to 31 March 2026 is shown in the table below.

	£'000
Asset Management Reserves at 31 March 2024	3,392
Transfer from revenue budget – 2024/25	2,000
Transfer from revenue budget – 2025/26	2,451
Additional contribution from excess investment income	500
Contribution from New Homes Bonus re playgrounds	513
Transfer from Equalisation reserves per MTFS	1,000
Transfer from IT Capacity Building reserve	20
Insurance Claim/Self insurance reserve	43
Sale of vehicles replaced as part of 2024/25 AMP	33
Grants	153
Land and Buildings Requirement 2024/25 – annex 1a	(2,849)
Vehicle and Plant Requirement 2024/25 – annex 1b	(1,688)
IT Infrastructure Requirement 2024/25 – annex 1c	(405)

	£'000
Asset Management Reserves at 31 March 2024	3,392
Land and Buildings Requirement 2025/26 – annex 2a	(3,346)
Vehicle and Plant Requirement 2025/26 – annex 2b	(1,021)
IT Infrastructure Requirement 2025/26 – annex 2c	(380)
Forecast Asset Management Reserves at 31 March 2026	416

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. A Climate Emergency Action Plan was approved by Council in June 2020 with an updated Action Plan being considered by Cabinet as part of the same agenda as this item.

11.2 The Council's assets, including buildings, vehicle and plant, play an important role in our approach to taking action on climate change, both in reducing our greenhouse gas emissions and ensuring we are appropriately planning for the long term. Therefore, the Asset Management Plan has a role in identifying projects that will contribute to delivering on our objectives in this context. For example, some of the planned projects for 2024/25 and 2025/26 will support the delivery of actions proposed in the updated Climate Emergency Action Plan to reduce energy consumption and the Council's emissions.

11.3 The Property and Asset Management Service continue to explore additional opportunities when upgrading or replacing property assets. Part of this exploration includes a review of alternative technologies and solutions. Additionally, a regular assessment of alternative technologies is undertaken in relation to the procurement of replacement vehicles and plant.

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 2024/25 and the items shown in annex 2 are included in the AMP for 2025/26.
- 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
(Portfolio: Finance and Resources) Councillor M Flood			
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Report to:	Cabinet	Date:	20 November 2024