

Asset Management Outturn 2018/19

Report of the Finance 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 2019/20, 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 2018/19.
- The total revised AMP budget in 2018/19 was £3.874M. Actual expenditure in the year was £2.723M, leaving an overall positive variance of £1.151M. The main reasons for the budget variance are explained below in section 5.
- After reviewing the outturn position for 2018/19, the AMP requirement for 2019/20 has been updated and is presented for approval.

1 Introduction

- 1.1 The Council's Asset Management Strategy 2011 – 2016 was approved by Council on 11 January 2012. The strategy detailed 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 2018/19 was presented to Cabinet in November 2018. As part of that report the AMP budget for the year was revised.
- 1.3 This report compares the actual expenditure in 2018/19 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 & Plant; and IT equipment.

- 2.2 The Estates Service 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 Estates 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 2018/19 AMP review

Land and Buildings

- 5.1 The revised budget for land and buildings' projects was £2.371M. A total of £1.647M was spent in the year. A summary of the expenditure, by property, can be found in Annex 1a.
- 5.2 The variance of £724,100 is made up of budget carry forwards of £622,700 (see below) and net savings on completed projects of £101,400, after £40,000 of further savings have been recycled into another project as described in paragraph 5.3 below.
- 5.3 The main reasons for the budget carry forward are:
- Savings of £40,000 have been identified on a number of Beech Hurst projects in 2018/19. These are to be recycled into a project in 2019/20 to finish the refurbishment of the toilets at Beech Hurst. The 2019/20 budget already includes £35,000 for these works but this will not be sufficient.
 - The reallocation of resources within the Estates and Economic Development service to assist with other corporate projects, such as finishing the significant works to accommodate the DWP, the works to the Council's newly purchased properties including those let to Valley Housing and the unprecedented amount of reactive work that has been completed during the year has contributed to the delay in the AMP programme.
 - Further advice on the system design has delayed the boiler replacement at Portway Depot.
 - Further feasibility work regarding the lift at the Guildhall is being undertaken due to the complexity of the facility.
 - Essential works to the roof at the Lights are underway and nearing completion.
 - Works at Romsey Heritage Centre are due to complete in May.
 - Technical difficulties have complicated and delayed the works to repair the walls at St Mary's Chapel, resulting in a carry forward of £49,900.
 - Works to the Andover War Memorial and the inspection of headstones and memorials have been delayed due to the level of consultation required with both the planning department and the diocese of Winchester.
 - Significant silt removal around the edges of Charlton boating lake was concluded in 2018. Some planting work was undertaken at this time, however a further period of settlement of the silt was allowed prior to the final planting work along the edges of the lake and reed bed areas. Planting is expected to commence at the beginning of June 2019.

- The availability of contractors has delayed works to several play areas. These schemes are either currently underway or planned for summer 2019.

Vehicles and Plant

- 5.4 The revised budget approved in November 2018 for replacement vehicles and plant was £1.221M.
- 5.5 Total expenditure on replacement vehicles and plant amounted to £829,200. This reduces down to £780,500 after taking account of income of £29,000 received from the sale of some of the replaced vehicles and plug in grants received when purchasing electric vehicles of £19,700 – a variance against the budget of £440,600. The details of this are shown in Annex 1b.
- 5.6 This variance is made up of £437,600 to be carried forward (see below) and savings of £3,000.
- 5.7 Throughout the year some operational requirements and estimated costs have changed. For instance, one van, two mowers and one trailer were not replaced £22,000, but an additional trailer at a cost of £12,000 was added in to the programme. Other items have come in higher than originally budgeted – for instance five tippers budgeted at £133,000 now costing £142,500. Flexibility within the programme to react to these changes is essential in order to meet operational requirements. All 23 items requested to be carried forward have been ordered with expected delivery dates ranging from early April to early July.
- 5.8 IT Infrastructure
- 5.9 The total cost of IT AMP projects delivered in the year was £247,000. This is £75,700 less than the approved estimate of £322,700 (which includes the addition of £41,000 for the replacement of the Multi-Functional Devices). This is made up of carry forwards of £71,100 and a saving of £4,600 and is shown in Annex 1c.
- 5.10 The reasons for the carry forwards are detailed below.
- 5.11 Third party skilled resource delays and unforeseen issues with testing have delayed the operating software project.
- 5.12 The Windows 10 back up technology project is behind schedule due to competing priorities for internal skilled resource across a number of dependent projects. IT vacancies have restricted the progress of projects over operational priorities.
- 5.13 The remaining funds for the Citrix upgrade are earmarked for consultancy and troubleshooting of issues.
- 5.14 The replacement of the Multi-Functional Devices was approved in March and funds added to the AMP from contingencies within the revenue budget. The delivery of the devices will not be until 2019/20.

6 Updated 2019/20 AMP requirement

Land and Buildings

- 6.1 The budget that was approved in November 2018 was split into two lists due to the availability of funding:
- Essential works which were included in the 2019/20 budget
 - Reserve works which could not be included in the programme at the time, as there was insufficient funding available
- 6.2 Funding for the reserve works is now available following approval of an additional transfer of £500,000 to the Asset Management Plan Reserve at Cabinet in February 2019. However, due to the volume of projects carried forward from 2018/19, these reserve works have not yet been scheduled and are shown on Annex 2a as 'scheduling to be agreed'.
- 6.3 All non-essential works to the Lights have been placed on hold and carried forward to 2020/21 due to the possible redevelopment of the area as part of the Andover Cultural Quarter project. Should the works become essential during the year, this can be reviewed.
- 6.4 Taking into account these changes and the carry forwards detailed in paragraph 5.3, the recommended budget for Land and Buildings for 2019/20 is £2.525M.
- 6.5 A summary of the items included in the AMP for 2019/20 is shown in Annex 2a.

Vehicles and Plant

- 6.6 The recommended budget for replacement of vehicles and plant in 2019/20 is £1.315M. A summary of the items included in the AMP for 2019/20 is shown in Annex 2b and includes the items carried forward from 2018/19.

IT Infrastructure

- 6.7 The recommended budget for IT infrastructure in 2019/20 is £335,100. A summary of the items included in the AMP for 2019/20 is shown in Annex 2c and includes the items carried forward from 2018/19.

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.
- 7.4 As part of the November 2018 AMP update, Cabinet resolved, '*That the Head of Finance, after consultation with the Finance Portfolio holder and Head of Service responsible for any project, be authorised to amend the Asset Management Plan during the year*', subject to there being a sufficient balance on the AMP reserve to fund any additional expenditure. This flexibility is considered essential if assets are to be maintained in the most efficient manner possible and is recommended to be continued within the limits of Financial Regulations.

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 2018/19 and 2019/20 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 £1.217M per annum with an additional £900,000 in 2018/19 and 2019/20.

- 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. A £500,000 top up was approved for 2018/19 as part of the Revenue Budget report to Cabinet in February 2019. The Revenue Outturn report for 2018/19 (also on the agenda for this meeting) identifies a surplus, part of which is recommended to be transferred to the AMP reserve. This is not reflected in the table below, but will increase the level of reserve carried forward and available to finance future years' AMP requirements.
- Finally, there may be earmarked reserves or sources of income to finance specific projects. For example, the playgrounds in 2018/19 and 2019/20 are to be funded by New Homes' Bonus receipts in the year.

9.3 At 31 March 2018 the Council's AMP reserve balances stood at £1.847M. It is expected that the reserve balance at 31 March 2020 will be £541,000. The movement in the reserve balance is shown in the table below.

	£'000
Asset Management Reserves at 31 March 2018	1,847
Budgeted transfer – 2018/19	2,117
New Homes Bonus contribution to AMP	320
Additional contribution from revenue approved at Cabinet in February 2019	500
Other contributions to AMP from tenants / other agencies	134
Sale of vehicles / plug in grants	48
Virement from contingency re Multi-Functional Devices	41
Land and Property Requirement 2018/19	(1,647)
Vehicle and Plant Requirement 2018/19	(829)
IT Infrastructure Requirement 2018/19	(247)
Actual balance at 31 March 2019	2,284
Transfers in to reserve 2019/20	2,117
Other contributions to AMP – New Homes Bonus	315
Land and Property Requirement 2019/20	(2,525)
Vehicle and Plant Requirement 2019/20	(1,315)

IT Infrastructure Requirement 2019/20	(335)
Forecast Asset Management Reserves at 31 March 2020	541

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 2019/20.
- 12.2 For this reason it is recommended that the updated AMP items in Annex 2 are included in the AMP for 2019/20.
- 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 has delegated authority to ensure that unforeseen works can be undertaken without undue delay.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

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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(Portfolio: Finance)

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Report to:	Cabinet	Date:	20 May 2019
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