

Asset Management Plan Update

Report of the Finance Portfolio Holder

Recommended:

1. That the revised 2018/19 and original 2019/20 Asset Management Plan, as shown in annexes 1 and 2, be approved.
2. 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, as discussed in paragraph 7.3.

Recommendation to Council

SUMMARY:

- The report provides an update on the approved 2018/19 Asset Management Plan (AMP) and recommends the projects to be included in the 2019/20 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 2020.

1 Introduction

- 1.1 The Council's Asset Management Strategy 2011 – 2016 was approved by Council on 11 January 2012. The strategy, which will be reviewed in the next year, 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 Since the approval of the original 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 2019/20.

2 Background

- 2.1 The Council's approach to Asset Management has developed with the experience gained over the past seven years 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 £67M. 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 2018/19 AMP update

Land and Buildings

- 5.1 Expenditure to the end of October shows works to the value of £1.178M have been committed or completed against an original budget for the year of £2.604M.
- 5.2 Three projects at Beech Hurst, the Guildhall and St Mary's Churchyard are now expected to take place in 2019/20. These are identified in annex 1a and cross-referenced in annex 2a.

- 5.3 There have been some changes to project budgets in the year, with some projects identified as no longer required, some savings made on completed projects and some increases required. These are shown in Annex 1a.
- 5.4 One new project at Andover Bus Station has been added to the programme at a net additional cost of £47,000.
- 5.5 The sum of £25,000 has been transferred from the budget for the Guildhall to the IT AMP budget to be used to cover an expected increase in costs for the meeting room communications equipment. This is shown in annex 1a and cross referenced in annex 1c.
- 5.6 The budget for revetment works at Romsey War Memorial Park, shown in Green Spaces, has been increased by £40,000. This has been transferred from the Flood Alleviation Scheme budget in the Capital Programme and is funded by the New Homes Bonus.
- 5.7 Taking into account these adjustments, the AMP requirement for the year is now expected to be £233,000 less than originally estimated at £2.371M as shown in Annex 1a.
- 5.8 A breakdown of expenditure on playgrounds is shown in Annex 3a.

Vehicles and Plant

- 5.9 The total requirement for 2018/19 was originally set at £1.221M against which actual spend and commitments (net of plug in grants and part exchange income) at the end of October are £537,000.
- 5.10 A breakdown of the costs related to the 2018/19 AMP are shown in Annex 1b.
- 5.11 There is a live tender in process for fifteen of the items (*) for a value of £358,500. It is expected that some of these items will be delivered before the end of March, but not all as the lead times vary. It is too early at this stage to determine which will need to be carried forward to 2019/20.
- 5.12 A tender is currently being prepared for a further fifteen items (**) with a value of £144,300. It is anticipated that these items should be delivered before the end of the financial year.
- 5.13 A mower (***) with a budget of £63,000 is now no longer required. Five additional items, totalling the same value which were originally planned to be purchased in 2019/20 are requested to be brought into 2018/19 as they fit with the current tenders that are being prepared.

IT Infrastructure

- 5.14 Completed and committed expenditure for the year to October is £153,000 against an original estimate of £289,000.
- 5.15 There are some changes to the proposed project budgets. The tape library upgrade was completed as part of the ArcServe project, and a number of other projects have been completed under budget. An additional £25,000 has been added to the meeting room communications equipment budget as detailed in paragraph 5.5.

5.16 Taking into account the changes above, the requirement for 2018/19 is now estimated to be £282,000.

5.17 A breakdown of the costs related to the 2018/19 AMP are shown in Annex 1c.

6 2019/20 AMP programme

Land and Buildings

6.1 The land and buildings' element of the AMP is managed across two Services; Estates & Economic Development and Community & Leisure.

6.2 Due to the availability of funding for the AMP at this time, the programme of works has been split into two lists:

- Essential works which are recommended to be included in the 2019/20 budget
- Reserve works which cannot be included in the programme at this time, as there is insufficient funding available

6.3 The total amount of essential works in 2019/20 is £1.825M (including £438,600 brought forward from 2017/18 and 2018/19) and is recommended to be fully funded.

6.4 It is recommended that the works for the Playgrounds at a total cost of £260,000 be funded from the New Homes Bonus as these are projects that will benefit the community.

6.5 The total amount of reserve works is £300,800. These will be reconsidered for inclusion in the AMP in May 2019 when the 2018/19 Revenue and AMP outturn reports are produced and further funding options may be available.

6.6 A summary of the items included in the AMP for 2019/20 is shown in Annex 2a.

6.7 A breakdown of the proposed expenditure on playgrounds is shown in Annex 3b.

Vehicles and Plant

6.8 The recommended budget for replacement of vehicles and plant in 2019/20 is £877,000. A summary of the items included in the AMP for 2019/20 is shown in Annex 2b.

IT Infrastructure

6.9 The IT AMP requirement for 2019/20 is £264,000. 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, after consultation with the Finance 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 9.5) 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 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. These are shown in the risk assessment.
- 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 2018/19 and 2019/20 are discussed in sections five and six above and are shown in more detail 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 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 mainly funded in two ways.

- An annual contribution from the revenue budget. This contribution is currently £1.217M 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.

9.4 There is additional pressure on the AMP reserve in 2018/19 and 2019/20, and the Medium Term Financial Strategy 2018/19 – 2020/21 (reported to Cabinet on 15 November 2017) recommended an additional contribution to the reserve of £900,000 in each of these years.

9.5 At 31 March 2018 the Council's AMP reserve balance stood at £1.847M. The forecast movement in the reserve up to 31 March 2019 is shown in the table below.

	£'000
Asset Management Reserves at 31st March 2018	1,847
Transfer from revenue budget – 2018/19	2,117
Transfer from revenue budget – 2019/20	2,117
Contribution from New Homes Bonus	636
External contributions towards works funded from AMP	122
Sale of vehicles replaced as part of 2017/18 AMP	18
Land and Buildings Requirement 2018/19 – annex 1a	(2,371)
Vehicle and Plant Requirement 2018/19 – annex 1b	(1,221)
IT Infrastructure Requirement 2018/19 – annex 1c	(282)
Land and Buildings Essential Requirement 2019/20 – annex 2a	(1,825)
Vehicle and Plant Requirement 2019/20 – annex 2b	(877)
IT Infrastructure Requirement 2019/20 – annex 2c	(264)
Asset Management Reserves at 31st March 2020	17

9.6 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 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 Other Issues

- 12.1 There are no other issues.

13 Conclusion and reasons for recommendation

- 13.1 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.
- 13.2 For this reason it is recommended that the items shown in annex 1 are included in the revised AMP for 2018/19 and the items shown in annex 2 are included in the AMP for 2019/20.
- 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 it is recommended that controlled safeguards are built in to 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:	3	File Ref:	N/A
(Portfolio: Finance) Councillor Giddings			
Officer:	Jenni Carter	Ext:	8236
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