

Asset Management Outturn 2019/20

Report of the Finance Portfolio Holder

Recommended:

1. That the expenditure for the year on Asset Management projects, as shown in Annex 1 to the report, be noted.
2. That the updated budget for Asset Management projects in 2020/21, as shown in Annex 2 to the report, be approved.

SUMMARY:

- This report compares the actual expenditure on Asset Management Plan (AMP) projects with the approved budget for 2019/20.
- The total revised AMP budget in 2019/20 was £3.302M. Actual expenditure in the year was £2.007, leaving an overall positive variance of £1.295M. The main reasons for the budget variance are explained below in section 5.
- After reviewing the outturn position for 2019/20, the AMP requirement for 2020/21 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 2019/20 was presented to Cabinet in November 2019. As part of that report the AMP budget for the year was revised.
- 1.3 This report compares the actual expenditure in 2019/20 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 Property & 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 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 2019/20 AMP review

Land and Buildings

- 5.1 The revised budget for land and buildings' projects was £1.550M. A total of £828,000 was spent in the year. A summary of the expenditure, by property, can be found in Annex 1a.
- 5.2 The variance of £721,600 is made up of budget carry forwards of £601,000 (see below) and net savings on completed projects of £120,600.

5.3 The main reasons for the budget carry forward are:

- Only essential works have been undertaken to The Lights due to the wider Andover Town Centre Rejuvenation project and the future of the building. The carry forward of £28,800 is required should there be a need for more intensive works to stop an ongoing water ingress issue to the roof.
- Works to replace lighting at Beech Hurst were deferred due to a further study on the effect of lighting distribution and of potential office moves. This is now complete and the work can progress.
- The tender for the fireproof lift at the Guildhall has now been awarded following some delays with the contractors and supply chain issues.
- Access issues have delayed the work at 18 Market Place.
- The works to the Romsey Heritage Centre are now complete and the carry forward represents the balance to be paid in 2020/21.
- There has been a review of working systems to establish the best value for the condition surveys.
- The carry forward of £28,000 at Walworth Enterprise Centre is required for the refurbishment of units following a change of tenant. This is anticipated to be higher in 2020/21.
- Works to the Andover War Memorial and the inspection of headstones and memorials have been started during 2019/20 and the carry forward of £8,600 will be used for the up-lighting project due to be completed in 2020/21.
- Planting at Charlton Lakes was delayed due to high water levels. The final works and replanting will take place in 2020/21 resulting in a carry forward of £19,300.
- Timber bridge repairs in the northern Green Spaces have been delayed due to the availability of competent contractors, with a carry forward of £29,400. This work is now underway.
- Works to a number of playgrounds have been delayed due to COVID-19. These works are expected to recommence in June 2020.
- A majority of the carry forward for Sports Facilities relates to Charlton Athletics Track. A condition report found that further works were required so the work has been held back until 2020/21.
- Most of the items from the reserve list (scheduling to be agreed) were unable to be managed during 2019/20 so are to be carried forward.

Vehicles and Plant

- 5.4 The revised budget approved in November 2019 for replacement vehicles and plant was £1.401M.
- 5.5 Total expenditure on replacement vehicles and plant amounted to £862,300. The details of this are shown in Annex 1b.
- 5.6 This variance is made up of £536,800 to be carried forward (see paragraph 5.8) and savings of £2,000.
- 5.7 In addition, the part exchange and sale of vehicles and plant through the year has generated income of £128,000 which will be transferred into the Asset Management Plan reserve to use against future purchases.
- 5.8 Throughout the year some operational requirements and estimated costs have changed and there has been a lot of movement and reallocation within the approved budget. For instance, the fourteen items marked with an asterisk (*) on Annex 1b were not replaced releasing £197,300. Five new items marked with a double asterisk (**) were added to the plan at a cost of £102,200. The remainder, along with other savings, was used to meet increased costs on budgeted items and £41,400 to be carried forward to add to the budget for refuse vehicles in 2020/21. Flexibility within the programme to react to these changes is essential in order to meet operational requirements and is permitted using existing office delegations. All 24 items requested to be carried forward have been ordered with expected delivery dates early in 2020/21.
- 5.9 IT Infrastructure
- 5.10 The approved budget for IT AMP projects was £351,600. Actual costs were £316,700 which is £34,900 less than the budget. In addition, £10,000 income was generated from the sale of some servers. The variance of £45,000 is all requested to be carried forward. The details are shown in Annex 1c.
- 5.11 There were a number of changes to the approved budget within in the year with COVID-19 having a big impact on the IT AMP costs, with a requirement for the purchase of ninety laptops in March at a cost of £65,000 to facilitate home working. This was funded through the existing Desk Top Replacement budget and savings on other projects which were no longer required or cost less than originally anticipated. The balance of £31,500 is requested to be carried forward to partially cover some of what was used for the increased laptop requirement.
- 5.12 The Idox upgrade was not completed and was under budgeted in 2019/20. The C Series Bottomline upgrade project came in under budget and £3,100 of this saving is to be added to the Idox upgrade budget giving £7,100 to be carried forward to 2020/21.
- 5.13 The Room Bookings system migration was delayed in March and is now planned for early 2020/21.

- 5.14 External support is required to support the Citrix upgrade project to completion. This is due to be revisited in July 2020.

6 Updated 2020/21 AMP requirement

Land and Buildings

- 6.1 The recommended budget for land and buildings in 2020/21 is £3.029M and includes £601,000 of projects carried forward from 2019/20.
- 6.2 A summary of the items included in the AMP for 2020/21 is shown in Annex 2a.

Vehicles and Plant

- 6.3 The recommended budget for replacement of vehicles and plant in 2020/21 is £1.966M. An increase of £11,200 is included for five tippers which are costing more than originally anticipated.
- 6.4 A summary of the items included in the AMP for 2020/21 is shown in Annex 2b and includes the items carried forward from 2019/20.

IT Infrastructure

- 6.5 The recommended budget for IT infrastructure in 2020/21 is 271,000. A summary of the items included in the AMP for 2020/21 is shown in Annex 2c and includes the items carried forward from 2019/20.

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 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 2019/20 and 2020/21 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 2019/20 and an additional £1M in 2020/21.
 - 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 2019/20 and 2020/21 are to be funded by New Homes' Bonus receipts in the year.
- 9.3 At 31 March 2019 the Council's AMP reserve balances stood at £2.954M. It is expected that the reserve balance at 31 March 2021 will be £528,000. The movement in the reserve balance is shown in the table below.

	£'000
Asset Management Reserves at 31 March 2019	2,954
Budgeted transfer – 2019/20	2,117
New Homes Bonus contribution to AMP	173
Sale of vehicles / IT equipment	138
Land and Property Requirement 2019/20	(828)
Vehicle and Plant Requirement 2019/20	(862)
IT Infrastructure Requirement 2019/20	(317)
Actual balance at 31 March 2020	3,375

Transfers in to reserve 2020/21	2,217
Other contributions to AMP – New Homes Bonus	202
Land and Property Requirement 2020/21	(3,029)
Vehicle and Plant Requirement 2020/21	(1,966)
IT Infrastructure Requirement 2020/21	(271)
Forecast Asset Management Reserves at 31 March 2021	528

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 2020/21.
- 12.2 For this reason it is recommended that the updated AMP items in Annex 2 are included in the AMP for 2020/21.
- 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) Councillor M Flood

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Report to:	Cabinet	Date:	17 June 2020
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