

Asset Management Strategy

Report by Chief Executive, Director of Operations and Asset Officer

Summary: This report sets out the progress that officers have made to date in the development of the Asset Management Strategy and implementation of the recommendations set out in the Internal Audit report on asset management dated April 2009. Consideration is also given to the next steps to identify appropriate budget provision for the necessary capital replacement plan for the Authority's assets.

This report was considered by the Broads Authority at its meeting on 23 November when the following recommendations were adopted:

- (i) To note the progress and endorse the process for the development of a Capital Plan for the Authority's assets.
- (ii) To note that an annual contribution of at least £250,000 per annum will be required in order to provide for the future maintenance of the Authority's assets.
- (iii) Refer the detailed consideration of the earmarked reserve accounts to the Financial Scrutiny and Audit Committee for consideration on consolidating them into three main headings.

1 Background

1.1 Asset management was identified as a key priority for the Broads Authority following an internal audit carried out in 2008/09, and a new post of Asset Officer was created as part of the restructuring in 2011. A key part of the new role is to develop an Asset Management Strategy which would ensure that the Authority's land, property and other assets are managed and maintained as effectively as possible.

1.2 Six key recommendations were made in the internal audit report:

- (i) Asset Management Strategy (medium priority)
An Asset Management Strategy has been developed and was approved by the Broads Authority in July 2012. The Strategy will be reviewed annually and amended and updated as required.

- (ii) Policy and Procedures (high priority)
A number of policies and procedures have been developed (e.g. Guidance note on using Norfolk Property Services and a land / property acquisition template). These procedures will need to be strengthened and added to over time – e.g. to ensure the Authority no longer enters into “gentlemen’s agreements” but has a clear record of all its property dealings. Similarly, formalised legal agreements will be put in place where legal documentation is lacking at a number of key sites and the Authority is disposing of sites which do not fulfil a need and where there is doubt over ownership/ responsibilities.
- (iii) Database and monitoring (low priority)
The Authority is working towards developing a consolidated asset database with assigned responsibilities. Land and property records have been centralised within an MS Excel spreadsheet and all associated documentation has been scanned and stored within a document management system. The next stage in the process is to extend this system in 2013/14 to a multi-user database to provide a more flexible and functional system for managing and viewing land as property asset information.
- (iv) Central Monitoring of Maintenance Expenditure (medium priority)
Whilst an Asset Management Reserve Account has been set up, maintenance costs are being recorded at a site/property level (i.e. budget codes have been introduced for individual sites) and it is envisaged that the Dimensions financial system will be used to monitor all asset related maintenance and capital expenditure.
- (v) Reconciliation of the fixed asset register (medium priority)
The asset register should be fully reconciled to other records on a regular basis (e.g. quarterly) and a periodic verification exercise undertaken. This is ongoing.
- (vi) Authorisation of acquisitions and disposals for operating leased assets (medium priority)
Authorisation of acquisitions and disposals for operating leased assets such as 24hr moorings should be formalised and documented. The Asset Management Strategy makes reference to practices and procedures for acquisitions and disposals and cites the Scheme of Powers Delegated to Officers, the Authority’s Financial Regulations and Standing Orders Relating to Contracts, in relation to the acquisition of leasehold assets such as 24hr moorings, and also to the Instruction for the Acquisition/Disposal/Agreement for an Asset or Accrual of Liability form for detailing formal agreements.

1.3 The Authority has made significant progress in developing its asset management practices over the past two years, following the recommendations in the Internal Audit report. The next stages will be to migrate the land and property data into an asset database, and record other relevant information; link the database to a map based system using GIS; and

refine the processes for the ongoing inspection and assessment of assets, to identify and cost future repair and maintenance liabilities.

- 1.4 The Authority will then be in a better position to ensure that appropriate budgetary provision is made both in the long and short term to satisfy the requirements of the auditors.

2 Current Asset Provision

- 2.1 As a first step in developing a Capital Asset Plan for the Asset Management Strategy, officers have reviewed the existing arrangements which have been developed on an ad hoc basis in the past dealing with individual assets owned by the Authority where a renewal programme has been identified as a prudent measure. These are summarised in Appendix 1.

- 2.2 The position in respect of Navigation assets is well understood, partly because the assets are mainly centrally located but also because a thorough investigation of the May Gurney assets was made in advance of their transfer and PKF, a local firm of accountants, made recommendations on the financial provision for their repair and replacement. Further work is needed on the assets funded by National Park Grant because they are dispersed throughout the Broads, the legal arrangements sometimes need clarifying and the replacement costs are more difficult to estimate. The main issues for the Authority are as follows.

2.3 Premises

The main issue in the short term is the shared liability for the repair of the access road at the **Griffin Lane Dockyard** which is in poor condition. The Authority's share could be in the order of £60,000. The PKF report recommended that the Authority should put aside £30,000 per annum for the maintenance liabilities associated with the site.

2.4 Plant Vessels and Equipment

The replacement of the **Fen Harvester** is now required as the current machine is over ten years old, and works in very difficult conditions. An improved model has been identified and it is hoped to place an order shortly at a cost of approx £100,000.

Vessels and Equipment

Following the take over of the May Gurney dredging operations, the PKF independent report recommended a contribution of £60,000 per year in order to plan for the replacement of the ageing fleet which was transferred to the Authority at nil cost. This plan has been reviewed and updated following the recent investment in equipment (Appendix 1) and it can be seen that annualised costs of £125,000 are still required for both refit and replacement costs, of which £60,000 is currently budgeted for annual refit costs. The key issue is the need for three replacement wherrys at approximately £100,000 each because the current vessels are beyond economical repair.

Launch Replacement Strategy

Members agreed a Strategy for the rolling replacement of the Ranger launches in June 2011, given the age of the fleet and the ongoing need for patrolling. A new launch has been purchased this year for Breydon and a contract will be let shortly for the lay up of two hulls on the mould tool previously purchased. It is intended that one of these hulls be fitted out this year, and the other be stored until sufficient funds have been accrued, as the reserve account will have been depleted. Additionally, this process will allow disposal of two of the oldest launches, which will contribute to future expenditure.

Vehicle Replacement

The restructure process identified savings of £1,000 to £1,500 per vehicle per annum through ownership rather than lease, and therefore as vehicles have reached the end of their life they have been replaced by purchasing more economical options. However, these vehicles are estimated to have a life of 7 to 10 years, and so financial provision will be required for replacements, the first of which will be needed next year.

Trip Boats

The Authority owns and operates three trip boats as a key part of its delivery of promoting understanding through our visitor hubs. The insured value of these vessels is £129,000, but no provision has been made for the replacement of these vessels as they come to the end of their life. The most modern, 'Ra' is already over 10 years old.

Other Equipment

The Authority also owns a number of other assets which are necessary to the operation of the business. For this purpose, small tools and equipment have not been considered but there are six dumpers/ tractors which will need to be replaced in due course.

2.5 Property

Mutford Lock is the Authority's largest single liability and at some stage very significant sums of money will be needed to repair it, potentially in the order of £1 million. An endowment fund was established in the late 1990's with the commuted sum which was transferred to the Authority, and members have previously agreed that a further annual contribution of £25,000 be made. It is suggested that a minimum level of £500,000 should be maintained in order that the Authority may be able to seek match funding for the reconstruction of the lock chamber.

Moorings/Dredging Sites

The Authority currently offers over 60 free 24hr moorings, owns five pontoons and also requires dredging disposal sites in order to maintain the dredging programme. The Mooring Strategy previously identified the need to repile at least one site per year as well as having an ambition to increase moorings by at least one per year. The current level of revenue budget does not enable either of these requirements to be met.

Countryside Sites

As part of the Authority's restructuring process the Authority has consolidated its countryside activity, and handed back a number of sites which no longer fulfil the criteria identified. However, there are a huge number of structures and countryside furniture which have been installed in the Broads over the last 20 years which the Authority has a responsibility to remove at minimum, or replace as necessary. A complete survey of these sites and structures is planned to be completed over the coming year, in order to refine the information and provide quantifiable estimates for the work.

2.6 Planning Delivery Grant

The Authority was awarded Planning Delivery Grant for its excellent performance in delivering the planning service. The Authority is encouraged to employ the money towards continuing to operate a high quality planning operation though it is not ring fenced. It is held in a separate reserve account for which the Authority has identified a number of projects in the Financial Strategy including match funding and HLF Landscape Partnership bid. At the end of 2015/16 it is suggested that it will need to be reconsidered as to whether it is absorbed into one of the three main earmarked reserve accounts.

3 Investment Plan

3.1 Appendix 2 contains a Draft Investment Plan. It can be seen from the appendices that contributions of a minimum of £250,000 per annum are currently identified as the capital provision required for the replacement of assets. However, of this figure only £208,500 is currently budgeted in 2012/13. Additionally, no provision has been made for the capital maintenance of most of the Authority's property, the costs of which are currently being assessed. For this purpose we have not identified any item which has a value of below £5,000.

3.2 It is recommended that the contributions for 2013/14 should be increased to £243,500 and that officers complete the exercise in time for the development of the 2014/15 budget. Appendix 2 sets out the annual movements and proposed expenditure in the three earmarked reserves.

4 Earmarked Reserve Accounts

4.1 It is suggested that the present specific reserve accounts could be combined into three main headings as follows:

1. Premises (Dockyard site maintenance + New Office Accommodation);
2. Plant, vessels and equipment (Navigation Vessels and Equipment, Fen Management Equipment and Launch Replacement Fund); and
3. Property (Dredging disposal sites, Mutford Lock and Asset Management).

The separate National Park Grant/Navigation Expenditure elements will need to be separately recorded but for the purposes of this report they have been consolidated.

4.2 It is proposed that the Financial Scrutiny and Audit Committee has a close look at the reserves and determines the appropriate minimum levels of funding for each.

5 Summary of Position

5.1 The Authority has acquired over a long period a wide range of assets and is making good progress in cataloguing them and understanding the full implications of maintenance and repair costs. The Authority has made prudent provision for many of the liabilities for future expenditure in a series of earmarked reserve accounts to cover repair and replacement of these assets. Further work is required to confirm the level of financial provision that needs to be made in respect of Mutford Lock, the speed with which the older items of ex May Gurney equipment can be replaced and the number and size of the earmarked reserve accounts. It is proposed that these issues be considered by the Financial Scrutiny and Audit Committee.

Background papers: None

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Broads Plan Objectives: None

Appendices: APPENDIX 1 – Summary of Previously Agreed Liabilities
APPENDIX 2 – Draft Investment Plan

Summary of Previously Agreed Liabilities

Item	Estimated Cost	Financial provision for renewal/ replacement	Comments
Premises Strategy Dockyard maintenance	£30,000 pa, per PKF report 2007 and reconfirmed by BA June 2011	Dockyard site maintenance reserve £15,000 @ 31/03/13. Road repairs scheduled for 2013/14	The BA is responsible for 49% of costs for road maintenance, as well as all repairs for the buildings on site and quay heading.
Plant, vehicles and vessels Vessels and equipment	£60,000 pa per PKF report 2007, agreed by BA September 2009	Vessels and Equip reserve £130,892 @ 31/03/13	The inventory and condition of vessels and equipment has been reviewed, see Appendix. Ongoing provision of £60,000 pa is recommended
Launch replacement Strategy	£22,500 pa, agreed by BA June 2011	Launch replacement fund £2,869 @ 31/03/13	Strategy required to provide for a rolling programme of launch replacement over 20 years
34 owned Vehicles 9 leased vehicles	£46,000 pa is required to prepare for the replacement of the vehicle fleet	£11,000 has been budgeted for pool vehicle replacement only in revenue budget	The restructure identified savings of £1,000-1,500 per vehicle per year through ownership rather than lease. However, these vehicles are estimated to have a life of 7-10 years, and so financial provision will be required for replacements
3x trip boats	Insured value £129,000	None	Running costs in revenue budgets
6x dumper/ tractors	Not available	None	Running costs in revenue budget
Property Mutford Lock	£25,000 pa as agreed by BA September 2006	Mutford Lock Endowment Fund £292,374 @ 31/03/13	The fund was established with an endowment from ABP. Capital costs are estimated at £1m for renewal of lock chamber Future expenditure is difficult to predict as major

62x Moorings	Not yet available	Revenue budget only, £135,000 in 2012/13	repairs to the infrastructure may be necessary at any time. Estimated life of a mooring 40 years, many are now older than this. Mooring strategy previously recommended a rolling programme of one renewal per year
6x pontoons 4x Tourist Information Centres, 2x buildings, 16x premises 25x land/water sites Aids to navigation	Running costs only, estimated costs for future maintenance requirements not yet available	Annual revenue budgets Asset management reserve @ £74,346 @ 31/03/13	Works are ongoing to identify the estimated maintenance/ replacement costs, will need to determine appropriate programmes for replacement to determine necessarily annualised contributions
Postwick Tip	£2,500 annual licence fee, £30,000 surrender licence Construction works can be completed in house	Dredging disposal site reserve £122,950 @ 31/03/13 with annual contributions of £60,000	Reserve fund set up to develop a network of disposal sites as agreed by BA in 2008. No sites yet purchased due to landowner attitudes.

Appendix

Item	201213	201314	201415	201516	201617	201718	201819	201920	Estimate Replacement required
weedcutter - Horace									
annual refit	4000	4000	4000	4000	4000	4000	4000	4000	2020
new weecutter - refit		1000	1000	1000	1000	1000	1000	1000	
overhaul	10000								
Didler		1500	1500	5500	1500	1500	5500	1500	2025
Z1	1500	1500	4000	1500	1500	4000	1500	1500	2022
Shovellor	1500	23000	3000	3000	3000	3000	10000	3000	2032
Colossus				5000					2030
Brown Bob									
Cattle barge	2000								
Regal									Scheduled for disposal
2x London lighters									Scheduled for disposal
Richard	6000	1500	1500	1500	6000	1500	1500	1500	2023
Cannonbrook		5000	1500	1500	1500	1500	6000	1500	2027
Bantam		1500	1500	1500	1500	1500	1500	1500	2026
Iona		500	500	500	500	500	500	500	2052
Virtue		3000	3000	3000	3000	3000	3000		Dispose 2019
Tony Hewitt		1500	10000	1500	1500	1500	1500	1500	2037
John Fox		3500	1500	1500	1500	1500	1500	1500	2035
Blucher									Scheduled for disposal
Go Forward			100,000						2014
Junior				100,000					2015
Onward					100,000				2016
Senior						100,000			2017
Grab 7			6000	50,000					
Grab 10			5000		50000				
RB22 (66)	1500								2022
RB22			3000						2020
2x JCB	2000	2000	2000	2000	2000	2000	2000	2000	
JCB 160	2000	2000	2000	2000	2000	2000	2000	2000	
Fen harvester	100000								
Linkflotes x 8								80000	
Total	130500	51500	151000	185000	180500	128500	41500	103000	Average yearly budget for refurb/ replacement = 125,000
									running costs also need to be budgeted

Please note that the costs of NEW wherries is a broad ballpark figure based on the last price received for work carried out on Iona, with steel prices fluctuating on a weekly basis this figure is expected to go up as the years progress" – so to be used as a guide only

APPENDIX 2

Draft Investment Plan

	End of 2012/13	2013/14	2014/15	2015/16	
Premises					
		+30,000	+30,000	+30,000	
		-45,000			Road repairs for Dockyard scheduled for 2013/14
				-60,000	Boatshed and Jetty replacement £60,000
Balance	+15,000	0	+30,000	0	
Plant Vessels and Equipment					
		+128,500	+128,500	+128,500	
	-100,647				Replacement Fen Harvester being ordered this year
		-100,000	0	-150,000	New wherry in 2013/14 and new wherry and crane barge in 2015/16
				-85,000	New launch hull and fit out.
		-11,000	-13,000	0	Replacement vehicles
Balance	+133,761	+151,261	+266,761	+160,261	
Property					
		+87,000	+87,000	+87,000	
	122,950	-60,000	-60,000	-60,000	Proposed purchase for repiling of moorings/ dredging sites
		?	?	?	Replacement and repair of NPG assets
Balance	+366,720	+393,720	+420,720	+447,720	
Total of Earmarked Reserves	+515,481	+544,981	+717,481	+607,981	
Planning Delivery Grant					
		-£119,000	-£85,000	-£45,000	NPG – various projects
Balance	+£476,564	+£316,564	+£231,564	+£186,564	