

COUNCIL

24 JULY 2014

ADDITIONS TO THE CAPITAL PROGRAMME

Portfolio Holder: Councillor Alan Jarrett, Finance

Report from: Mick Hayward, Chief Finance Officer

Author: Kevin Woolmer, Finance Manager, BSD and RCC

Summary

This report seeks authority for additions to the Council's Capital Programme in respect of the relocation of Riverside One and the redevelopment of Strood Sports Centre.

1. Budget and Policy Framework

1.1 The Council's Constitution requires Full Council approval for additions to the Capital Programme.

2. Relocation of Riverside One

2.1 The Council owns in excess of 1,000 property assets and, next to staff, property is the Council's largest single cost. Effective management is therefore essential if the Council is to fulfill its core objectives and provide good quality, value for money services.

2.2 To ensure that the Council's property assets contribute to its priorities, outcomes, objectives and key actions, as set out within the Council Plan, all properties are considered in the context of rationalisation.

2.3 This report brings forward proposals to lease new premises in order to relocate the existing services provided at Riverside One, (Revenue and Benefits, Customer Contact, Housing Solutions and Client Financial Services) which will enable the building to be vacated, demolished and the Great Barrier Ditch to be restored.

2.4 The Riverside One building is located within a conservation area and from a heritage perspective English Heritage, Fort Amherst Heritage Trust and the Council's conservation and regeneration teams would like to see the building removed and the Great Barrier Ditch restored.

The proposal forms part of a joint Heritage Lottery Fund bid by the Council and the Trust. If successful the scheme will continue the development at the Great Lines Heritage Park, and provide excellent linkages between the park and waterfront.

- 2.5 The building is suffering from structural subsidence, which is such that its foundations will require underpinning within the next two years if it is to remain open and operational. Indications suggest the cost of such works will be in excess of £500,000 and are further complicated by the fact that the building is located within the area of a scheduled monument, as indicated on the attached plan edged in black. Should consent to such works be forthcoming it will certainly necessitate extensive and costly archeological investigations.
- 2.6 The building also has a significant level of other required maintenance, which is estimated to be in the region of at least an additional £450,000. In particular, the building's services are antiquated with both poor levels of insulation and an oil fired central heating system, which is both expensive to run and difficult to maintain. For example, the oil fill point is located on Dock Road itself, which due to traffic levels makes refueling particularly challenging.
- 2.7 The layout of the building is also not well suited to the requirements of the service with a significant number of cellular spaces making it operationally cumbersome and unwelcoming for service users.
- 2.8 As a consequence, coupled with the desire to demolish the building and restore the Great Barrier Ditch, the Cabinet, on 15 July 2014, considered a report which proposed that the services provided at the building are relocated and that the building is closed.
- 2.9 At its meeting on 15 July 2014, the Cabinet agreed:
 - 2.9.1 The Cabinet agreed to delegate authority to the Assistant Director of Legal and Corporate Services in consultation with the Portfolio Holder for Finance to acquire a lease of alternative premises and ancillary parking on the best terms reasonably obtainable.
 - 2.9.2 The Cabinet recommended to Full Council that it makes an addition of £800,000 to the capital programme to fund the adaptation and fit-out of new premises, associated relocation costs and the demolition of the Riverside One building.

3. Strood Sports Centre

- 3.1 This sports centre development forms part of a wider Council ambition to improve facilities in Strood, which also includes the provision of a new Community Hub. The development is part of the Medway Sporting Legacy plan, which was launched in July 2013, and is consistent with the Council Plan 2013 – 2015.

- 3.2 Since the summer of 2013 a project team has been developing proposals for the redevelopment of Strood Sports Centre.
- 3.3 These proposals include:
- more than doubling the footprint of the existing fitness suite
 - creating three new dance/aerobics studios
 - creating a new cycle spin room
 - redesigning the café and reception areas
 - improving the visual appearance of the entrance and frontage
- 3.4 Participation levels at the centre for 2013/2014 are circa 330,000, a figure that is likely to grow considerably upon completion of the redevelopment.
- 3.5 As a comparison, the participation levels at Medway Park have increased by 240,000 in two years since the completion of the refurbishment and improvement works carried out at that site from a figure of 540,000 in 2011 to 780,000 last year. The increased participation levels at Medway Park have also generated increased income, primarily through a rise in the number of memberships. It is on this basis that a 15-year Prudential Borrowing business plan underpinned the Gateway 1 report on Strood Sports Centre.
- 3.6 When developing the programme, a key consideration has been the need to complete the new fitness suite in time for January 2015, as the first three months of the calendar year generate the most income for new membership sign-ups.
- 3.7 In order to achieve this key date, the overall programme has been developed on a phased basis, and a programme of enabling works has now been completed. This enables the substantive redevelopment works to be undertaken while ensuring the centre remains open at all times with minimal impact. In addition, planning permission has been sought and approved for the improvements to the centre's entrance and frontage.
- 3.8 In April 2014 Council approved the addition of the Strood Sports Centre redevelopment to the capital programme with funding of £500,000 at that stage, pending Gateway 3 approval of the substantive works.
- 3.9 Gateway 3 approval was granted by the Monitoring Officer, in consultation with the Procurement Board, on 19 June 2014. The successful tender means the original budget projection of £1.9m is still robust.
- 3.10 At its meeting on 15 July 2014, the Cabinet agreed:
- 3.10.1 The Cabinet recommended to Council the approval of the additional works to Strood Sports Centre redevelopment to the capital programme, with funding of £1.4m to be funded by Prudential Borrowing.

4. Advice and analysis

Relocation of Riverside One

4.1 The retention of Riverside One is not considered either cost effective or desirable due to the following factors:

- Structural defects c. min. £500,000.
- Scheduled monument consent required/uncertain.
- Additional essential maintenance c. £450,000.
- Sub-standard construction and outdated building services.
- Poor layout and accommodation configuration.
- Heritage proposal to remove the building and restore the Great Barrier Ditch.

4.2 Given these factors additional investment in the building is not considered to be either a cost effective or a desirable use of resources. Relocation of the current services and the building's closure is therefore recommended.

4.3 Moving to alternative premises will remove the required maintenance liability and facilitate the demolition of the existing premises and the restoration of the Great Barrier Ditch, for which the Council and Fort Amherst Heritage Trust is applying for Heritage Lottery funding.

4.4 A full Diversity Impact Assessment will be prepared before any final decisions are made and the Assistant Director Legal and Corporate Services will have due regard to it when deciding whether and how to exercise the powers delegated to him by Cabinet.

Strood Sports Centre

4.5 Approval of the additional £1.4m funding for the project will allow the contract for the substantive works to be issued, following Gateway 3 approval from the Monitoring Officer, in consultation with the Procurement Board. This is in line with approval given at Gateway 1 to progress a scheme for Strood Sports Centre, based on £1.9m Prudential Borrowing.

4.6 Redevelopment of the centre will create a facility that reflects the needs of customers and provides opportunities to increase revenues helping to make the operation of Medway Council sports centres more cost effective.

5. Risk Management

Relocation of Riverside One

Risk	Description	Action to avoid or mitigate risk	Risk rating
Adverse reaction to relocation proposals.	Service Users and staff react badly to the proposals.	Consultation with staff and service users.	D3
The current premises remain vacant for an extended period following vacation.	Empty properties become a target of antisocial behaviour /vandalism / trespass pending disposal.	Demolition will follow as soon as possible after vacation of the premises (subject to successful HLF bid).	C3
Less access for service users.	The new premises are not well located for service users.	The Council will seek new premises close to public transport facilities.	D3

Strood Sports Centre

Risk	Description	Action to avoid or mitigate risk	Risk rating
Meeting the repayment requirements of prudential borrowing	The £1.9m redevelopment of Strood Sports Centre is being met through a 15-year prudential borrowing programme. This equates to annual payments of circa £174,000 per annum for the duration of the borrowing. The payments are to be funded by increased centre membership and usage, however it is recognised that membership levels are affected by the prevailing economic conditions locally and nationally	Revenue and costs are monitored on a monthly basis through service manager meetings and action plans will be developed, enacted – and where necessary amended – to ensure sports centre revenue and costs provide sufficient funding to meet the terms of the Prudential Borrowing	C3

Loss of income while the works are being undertaken	Strood Sports Centre has a throughput of circa 30,000 customers per month. With extensive redevelopment works being undertaken customers may feel they cannot use the centre	Enabling works have been carried out and completed to enable the centre facilities to remain open throughout the redevelopment works. This includes ensuring there will be a café available to customers throughout the works, and discussions are ongoing with Medway Norse concerning the cafés operation during the redevelopment	D3
---	--	--	----

6. Financial and legal implications

Relocation of Riverside One

- 6.1 The revenue cost of running the existing premises is currently budgeted at £130,000 per annum.
- 6.2 In capital terms the vacation and demolition of the existing premises will remove the need for the council to fund the building's structural defects and other required maintenance costs estimated at a minimum of £950,000.
- 6.3 The current revenue budget will be available to support the running costs of new premises and once suitable premises are identified the required budget will form part of the 2015/16 budget approval process.
- 6.4 To fund the relocation costs (adaptation, fit-out and removals) and a contribution towards the demolition of the existing building it is proposed that £800,000 is added to the capital programme from the earmarked reserve set aside for this purpose.
- 6.5 Under Part 5 of Part 3 of the Council's Constitution, the decision to, take a lease of new premises is one for Cabinet as the rent payable will be over £20,000 per annum. Cabinet agreed this on 15 July 2014.
- 6.6 The Council's policy and budget framework requires Full Council approval for additions to the council's capital programme.
- 6.7 The Council has power under section 120 Local Government Act 1972 to acquire land for any of its functions.

- 6.8 In considering whether to relocate the services currently provided from Riverside One to new premises, Medway Council must comply with its duties in section 149 Equality Act 2010 to have 'due regard' to the need to eliminate discrimination, advance equality, and foster good relations. A Diversity Impact Assessment should therefore be undertaken as proposed in paragraph 4.4 above.

Strood Sports Centre

- 6.9 The financial implications are addressed in paragraph 3 above, with the additions being funded through Prudential Borrowing.
- 6.10 The Council has power to borrow money for any purposes relevant to its functions or the prudent management of its financial affairs by virtue of section 1 Local Government Act 2003.

7. Recommendations

- 7.1 That Council agrees the addition of £800,000 to the capital programme to fund the adaptation and fit-out of new premises, associated relocation costs and the demolition of the Riverside One building.
- 7.2 That Council agrees the additional works to Strood Sports Centre redevelopment to be added to the capital programme, with funding of £1.4m to be funded by Prudential Borrowing.

Lead officer contact:

Mick Hayward, Chief Finance Officer

T: 01634 332220

E: mick.Hayward@medway.gov.uk

Background Papers:

None