

COUNCIL

8 OCTOBER 2020

ADDITIONS AND AMENDMENTS TO THE CAPITAL PROGRAMME AND RENT SETTING FOR NEW PROPERTIES AT INGRAM ROAD, GILLINGHAM

Portfolio Holder: Councillor Alan Jarrett, Leader
Report from: Phil Watts, Chief Finance Officer
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Summary

This report requests Full Council approval for a number of additions and amendments to the Capital Programme as recommended by Cabinet following the Round 1 2020/21 Capital Budget Monitoring Report. The report then requests an amendment to the Capital Programme to deliver additional places for pupils with Special Educational Needs and Disabilities (SEND) at Abbey Court and Bradfields Academy following a recommendation from Cabinet on 25 August. The report also includes an addition to the Capital Programme to deliver a new 3G floodlit football artificial turf pitch and changing pavilion at Watling Street Playing Fields, following a recommendation from Cabinet on 22 September. Finally, the report requests the Council approve the rents set for the new Housing Revenue Account properties at Ingram Road.

1. Budget and policy framework

- 1.1. It is the responsibility of Cabinet to ensure that expenditure remains within the budgets approved by the Council, but it remains the responsibility of Council to approve additions to the Capital Programme and Revenue Budget.
- 1.2. Agreement to the rent setting levels for the new build is essential so that the new build homes may be advertised and let as soon as possible. Rent setting is a matter for Full Council.

2. Background

- 2.1. The approved Capital Programme for 2020/21 and beyond is £429.681million. Several further schemes and proposals have been identified which would require spending over and above that previously agreed and a number of other amendments to the programme are now required. At its meetings on 25

August and 22 September, the Cabinet recommended the following amendments to the programme for approval by Full Council:

3. High Needs Special Places

- 3.1 It is expected that the Education and Skills Funding Agency (ESFA) will fund the provision of a new SEN school in Medway, and as such the remaining budget of £18.698million for this scheme will not required for that purpose. There remains a need to provide additional high needs places in Medway, and on 25 August the Cabinet recommended to Council that:
- 3.1.1 £12million is vired from the SEND school to fund an expansion of Abbey Court,
 - 3.1.2 £4.2million is vired from the SEND school scheme to fund an expansion of Bradfields Academy, and
 - 3.1.3 £750,000 is vired from from the High Needs Special Places scheme to fund the Council's agreed contribution to the Department for Education towards the new build school at Cornwallis Avenue, Gillingham.

4. Children & Adults Capital Programme Management

- 4.1 The Children & Adults capital programme has grown significantly in terms of complexity and scale in recent years. Cost associated with the management of the programme are met via charges to individual capital schemes, predominantly from basic need grant funding. As that grant has reduced, it is now necessary to add a further £121,000 to this scheme, to be funded by S106 contributions. On 25 August Cabinet recommended to Council the approval of this addition to the Capital Programme.

5. Strood Riverside Phase 1&2

- 5.1 In 2019/20 the delivery of Strood Waterfront capital scheme overspent by £686,000 as costs outside of the Council's control were incurred on the delivery of the flood defences, mainly around delays caused by utilities. In order to ready the site to be marketable so it can be developed, additional works are required costing a further £2.364million over the next five years. The maintenance of the existing flood defences once the site is developed will be funded through S106 and service charges on tenants. The scheme to date has been largely funded through borrowing against the future capital receipts achievable on the site, and this addition would bring the total borrowing to £12.851million, within the predicted capital receipt of c£18million. This proposal was discussed by the Members at Member Project Board, and on 25 August the Cabinet recommended to Council the addition of £3.050million, funded by borrowing in lieu of future capital receipts, to the Capital Programme.

6. Housing Revenue Account (HRA) Buyback

- 6.1 On 4 February 2020 the Cabinet approved the inclusion of £300,000 budget for the buyback of HRA properties within the HRA Capital programme for

2020/21. In error, this addition was not included in the HRA capital programme approved by Full Council on 20 February. As such on 25 August, Cabinet recommended to Council to add this sum to the Capital Programme, funded from the HRA revenue reserves and 1-4-1 capital receipts.

7. Mountbatten House Purchase

- 7.1 Works required in advance of the purchase, including preparation for a Compulsory Purchase Order, are anticipated to cost £384,000. On 25 August Cabinet recommended to Full Council that this sum be added to the Mountbatten House scheme, funded from a virement from the Medway Development Company Ltd holding scheme.

8. Flexible Use of Capital Receipts – Transformation

- 8.1 On 20 February 2020, alongside the Capital and Revenue Budgets, Council approved the Flexible Use of Capital Receipts Strategy. This enables the Council to use a temporary flexibility granted by the Government to use capital receipts to spend on the revenue costs of reform projects that generate ongoing savings to the revenue budget.
- 8.2 The Council has an available balance for this purpose as at 31 March 2020 of £3.75million of unallocated capital receipts, to which a further £6.87million is anticipated to be added in 2020/21 and 2021/22. It is proposed that some of the available capital receipts are allocated to establish a new transformation programme that will build on the successes and benefits of the three year programme that ran from 2016-2019. The proposed programme would require investment of £3,275,300 based on the following:

Activity	Total Investment
Children’s Improvement Programme one-off costs: <ul style="list-style-type: none"> - Practice Improvement: £83,000 - Improvement Board Governance: £32,800 - Improvement Team Delivery: £238,900 - Recruitment & Onboarding: £317,400 - Workforce Development & Training: £21,200 - IT & Systems: £126,000. 	£819,300
Investment in a network of sensors and ICT requirements to deliver Smart City ambitions and deliver improvements in operational efficiency around waste collection, fly tipping, winter gritting and gully emptying.	£500,000
Investment in the development of the Council’s HR and Payroll system to deliver more efficient and effective control of the functions and internal processes across the Council.	£200,000

Activity	Total Investment
Additional resources to deliver a review identifying opportunities to rationalise the Council's ICT systems: 2 officers appointed on fixed term for 12 months.	£91,000
Provision of kiosks and implementation of self-scanning system to enable residents and customers to scan documents, reducing avoidable face to face contact.	£40,000
Supporting the capacity and effectiveness of senior management through Facet5 personality profiling and supported learning and development.	£38,000
Additional fixed term Occupational Therapist resources to complete a programme of targeted reviews in Adult Social Care.	£37,000
Additional resources to support the delivery of Business Change projects to deliver savings identified through the budget build process: <ul style="list-style-type: none"> - 7 officers appointed on fixed term for 18 months analysing service demand and mapping processes, and - funding to back-fill existing staff so they can be released to work on business change projects, reducing use of consultants. 	£550,000
Transformation and innovation budget to fund further projects, following consideration by Transformation Board.	£1,000,000
Total	£3,275,300

8.3 On 25 August Cabinet recommended to Council that this new transformation programme be added to the Capital Programme.

9. New 3G floodlit football artificial turf pitch and changing pavilion at Watling Street Playing Fields

9.1 The Football Foundation is the Premier League, Football Association and Government charity that helps communities across England improve local football facilities. Its stated aim is to invest in improvements that make facilities more welcoming, well-maintained and safe for anyone who wants to play, coach, support or socialise within them. The Football Foundation has identified Medway as a priority area for investment; since 2017 Medway Council has been exploring a potential funding partnership with the Football Foundation. The Medway Playing Pitch Strategy and the FA Local Football Facility Plan has identified a deficit of five artificial football pitches to meet current demand for training and matchplay for junior and adult football teams in Medway.

9.2 The Football Foundation has awarded Medway a grant of £884,976 for the initial single-site pitch development at Watling Street Playing Fields. The Football Foundation normally limits single-site development funding to a maximum grant of £750,000. However, a higher offer has been made as Medway is a priority area for investment and because of the partnership with

Anchorians FC, one of the largest community grassroots football clubs in the country which is based at Watling Street playing fields. Anchorians are a well-established community club and were named Charter Standard Club of the Year in 2018 from more than 3,000 grass roots clubs nationally. The grant from the Football Foundation is subject to match funding of £400,000 from Medway Council. A further £35,000 has been committed by Anchorians Football Club. The total project costs for the construction of the artificial pitch and changing pavilion, including professional fees is £1,319,976.

- 9.3 On 22 September the Cabinet approved the development of a new full size 3G artificial floodlit football turf pitch and associated changing pavilion at Watling Street playing fields. Cabinet also recommended to Council the addition to the Capital Programme of a new £1,319,976 scheme to include a contribution of £400,000 from Medway Council, to be funded from borrowing.
10. Affordable Rent setting for new Housing Revenue Account (HRA) properties at Ingram Road, Gillingham
 - 10.1 The Council approved a £10million HRA Capital Budget on 16 July 2020 to explore the purchasing of houses as and when a financially viable opportunity arises, in order to increase the stock of HRA affordable housing. This budget is funded from borrowing against HRA rents, HRA reserves and Right to Buy 1-4-1 capital receipts or grant funding. Currently officers are in the process of purchasing 26 new build properties (Ingram Road) for just over £5million from this budget. The approximate completion date for purchasing these properties is end of October 2020.
 - 10.2 Rent setting is a matter for Full Council and approval of the proposed rent for these properties is required before they can be advertised and let to tenants. MHCLG's Policy Statement on Rents for Social Housing (issued Feb 2019) states that the rent for the affordable rent houses must not exceed 80% of market rent (inclusive of service charges) and should not be lower than the potential formula rent. The latest full year data available for private rental market (April 2019-March 2020) for Medway from the Office for National Statistics (ONS) website has been used to calculate 80% of the market rent, which has then been increased by CPI (as at September 2019) plus 1% to arrive at the affordable rent for these properties for 2020/21, as set out in the table overleaf. This has also been compared with properties currently advertised for letting on the Rightmove website within approximately a half-mile radius to ensure market rents used are still within current rent for the local market.
 - 10.3 It is proposed that affordable rent will be increased in line with the social housing rent policy each year, capped at the Local Housing Allowance. When a tenancy of affordable rent is relet to a new tenant, it will be based on the new market rent valuation to ensure new rent is no more than 80% of the market rent at that time.

Ingram Road – Average Weekly Rent by property type				
Property Type	No of Properties	2020/21 Proposed Affordable Rent	2020/21 Local Housing Allowance	2020/21 Average Formula Rent
1 Bedroom Flat	6	£125.89	£136.93	£80.40
2 Bedroom Flat	19	£155.28	£172.60	£92.83
3 Bedroom Flat	1	£179.17	£195.62	£105.22
Overall Average*	26	£149.42	£168.38	£ 90.44

*(Total rental income / total number of properties)

11. Risk management

11.1 High Needs Special Places

Risk	Description	Action to avoid or mitigate risk	Risk rating
Risk of overspend	Programme developed for the funding could cost more than estimated.	Robust monitoring to ensure the programme is delivered on budget and schedule.	C3
Pupil numbers do not materialise	Numbers of expected pupils to require a place at Abbey Court and/or Bradfields do not appear meaning that funding could have been utilised more effectively elsewhere.	Monitor pupil numbers throughout planning process.	D2
Project timeframe	For maximum benefit the expansion should be open for the 2022/23 academic year. If not then additional pupils will be placed out of area at significant cost to the Council.	Robust and fast paced project management to ensure project progresses as necessary.	C2
Not implementing the proposal	If the council do not approve the proposals, there will be a significant	Approve and progress proposals.	D2

Risk	Description	Action to avoid or mitigate risk	Risk rating
	shortfall in school places for pupils with SLD/PMLD and these pupils will then need to be placed out of area away from their families and friends and at significant cost.		

11.2 Children & Adults Capital Programme Management – none identified.

11.3 Strood Riverside Phase 1&2

Risk	Description	Action to avoid or mitigate risk	Risk rating
Risk of overspend	Works required exceed agreed budget.	Robust monitoring to ensure the programme is delivered on budget and schedule.	C3
Anticipated land value not achieved	Capital receipt lower than predicted.	Continue works to ensure the site is marketable to maximise value.	D3

11.4 HRA Buyback – none identified.

11.5 Mountbatten House Purchase – none identified.

11.6 Flexible Use of Capital Receipts – Transformation

Risk	Description	Action to avoid or mitigate risk	Risk rating
Risk of overspend	Programme developed for the funding could cost more than estimated.	Robust monitoring to ensure the programme is delivered on budget and schedule.	C3
Value for money	Programme does not yield sufficient savings.	Transformation Board to consider allocation of budget to schemes and closely monitor	C3

Risk	Description	Action to avoid or mitigate risk	Risk rating
		programme of schemes.	

11.7 New 3G floodlit football artificial turf pitch and changing pavilion at Watling Street Playing Fields

Risk	Description	Action to avoid or mitigate risk	Risk rating
Risk of overspend	Programme developed for the funding could cost more than estimated.	Robust monitoring to ensure the programme is delivered on budget and schedule.	C3

11.8 Rent setting for new HRA properties at Ingram Road

Risk	Description	Action to avoid or mitigate risk	Risk rating
Loss of Rental Income to the HRA	Properties remain vacant and unlet until rent accounts are set up.	Ensure rent accounts are set up early and ICT systems set up to ensure letting of new properties take place as quickly as possible.	D3

12. Financial implications

12.1. The financial implications are fully analysed in the report and summarised in the tables below:

Capital Programme changes – virements between existing schemes	£
Abbey Court Expansion scheme	12,000,000
Bradfields Academy Expansion scheme	4,200,000
Medway Council contribution to DfE towards new build at Cornwallis Avenue	750,000
SEND school scheme reduction	(16,950,000)
Mountbatten House Purchase	384,000
MDC holding scheme reduction	(384,000)
Total	0

New additions to the Capital Programme	
Children & Adults Capital Programme Management	121,000
Strood Riverside Phase 1 & 2	3,050,000
HRA Buyback	300,000
Flexible use of capital receipts – Transformation	3,275,300
New 3G floodlit artificial turf pitch and changing pavilion at Watling Street Playing Fields	1,319,976
Total	8,066,276

13. Legal implications

- 13.1. Under Section 24 of the Housing Act 1985, the Council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The Council is obliged, from time to time, to review rents charged and make such changes, as circumstances may require. This is a decision for Full Council as it forms part of the Council's budget and policy framework.

14. Recommendations

- 14.1. The Council is asked to approve the additions and virements to the Capital Programme as set out in sections 3 to 9 of the report.
- 14.2. The Council is asked to approve the rents set for the new HRA properties at Ingram Road as set out in section 10 of the report.

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Appendices

None

Background papers

None