

# Our Capital Strategy



# Contents

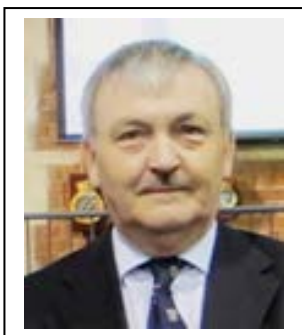
.....	1
Foreword .....	4
Introduction by the Leader .....	4
The Impact of Covid-19 .....	6
Funding the Capital Programme.....	6
External Grant Funding.....	7
Developer Contributions .....	8
Capital Receipts .....	9
Revenue Funding .....	10
Prudential Borrowing .....	10
Leasing .....	10
Our Capital Budget Setting Process.....	11
Our Current Capital Programme .....	11
Economy and Infrastructure.....	11
Homes for All .....	11
Medway Development Company Ltd. ....	12
Social Housing.....	13
Town Centres and High Streets .....	13
Innovation Park Medway and the Enterprise Zone.....	14
Housing Infrastructure Fund Bid .....	15
Transport and Highways.....	15
Carriageways .....	16
Footways .....	16
Investment in our Highways, Footways and Other Assets.....	17
Local Growth Fund (LGF) .....	17
Public Transport .....	17
Street Lighting .....	18
Environmental Services .....	18
Sport and Leisure.....	19
Heritage Assets.....	20
Libraries and Community Hubs .....	21
Children and Young People .....	21
The basic need for school places.....	21
The need for SEND places.....	23
Health, Social Care and the Community Sector .....	24
Helping people to live independently .....	24
Disabled Facilities Grant .....	25
“Back to Better”: Our recovery from the pandemic.....	25

The Corporate Property Strategy .....	25
Maintaining our Operational Buildings .....	26
Property Investment Strategy .....	27
Our Digital and ICT Strategy .....	27
Management of Risk.....	29
Conclusions.....	31

## Foreword

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy is a key document for the Council and forms part of the authority's financial planning arrangements, reflecting the priorities set out in the Council Plan and the Medium Term Financial Strategy. It provides a high level overview of how capital expenditure and the way it is financed contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability and sets out the governance processes for approval and monitoring of capital expenditure.

## Introduction by the Leader



Last year, in my introduction to the Capital Strategy, which set out the funding available and what the Council wanted to achieve, I talked about our £280 million programme. About how important it was to '*do the basics*', such as maintaining 840km of highways, whilst at the same time outlining our '*lofty ambitions*' to create homes and jobs for our residents. Well, I am pleased to tell you that huge strides have been made in delivering that ambition. With the addition of £170 million from the Housing Infrastructure Fund to deliver the road and rail infrastructure needed to facilitate over 10,000 new homes on the Hoo Peninsula, our current programme stands at an impressive £430 million.

It will come as no surprise that the Coronavirus pandemic has impacted the Council's day to day operations, not to mention creating huge risk and uncertainty around the Council's finances however, we are determined that this will not stand in the way of our plans to build a sustainable future for Medway and to maximise opportunities for both Medway's residents and businesses.

As part of the Council's plans to regenerate Chatham and to become more self-supporting, we acquired the Pentagon Shopping Centre and notwithstanding the impact that the pandemic has had on the national and local economy, it is anticipated that this will continue to provide a net income to support services for local residents. Medway Council has its own housing company, Medway Development Company, which is in the early stages of development at sites across Medway. This will provide much needed new homes for residents, as well as commercial space, such as restaurants and cafes, creating further job opportunities. The Council is also in the process of delivering its flagship commercial development, Innovation Park Medway, to help meet Medway's wider regeneration ambition. The cutting-edge technology park will open-up further economic and job opportunities, as well as encourage a pioneering and collaborative community. Work to unlock the potential on the Hoo Peninsula, as part of a £170 investment programme is well underway. Medway Council secured a share of the Housing Infrastructure Fund (HIF) for road, rail and environmental improvement projects on the peninsula. Medway has become the biggest regeneration zone within the Thames Gateway due to the significant transformation of the area and its ongoing 20-year regeneration programme.

Medway is a place to be proud of, delivering value for money and high-quality services including maintaining a large network of roads, delivering an excellent household waste and recycling collection service and supporting residents' housing needs. The council also continues to ensure residents have access to good quality facilities, such as libraries and community hubs, leisure centres, play parks and other green spaces.

The Council's main focus continues to be supporting Medway's children and families and providing young people with opportunities, not least those with special educational needs. Our capital programme includes over £20 million to deliver hundreds of new SEND placements across Medway, both in mainstream and specialist school settings. This further underlines our commitment to ensuring that every child is given the support they need to thrive, be healthy and learn well throughout their childhood.

Whilst this latest iteration of our capital strategy demonstrates that Covid -19 will not prevent us progressing our ambitious regeneration programme, the final strand of our strategy is to explore the opportunities to work differently presented by our experience of the Covid-19 pandemic. We have been reviewing our office accommodation portfolio, investing in improved technology to facilitate better ways of working and piloting more sustainable models, such as the use of electric vehicles to underline our climate change agenda.

***Councillor Alan Jarrett***  
***Leader of the Council***

## The Impact of Covid-19

When Covid-19 struck and the Country was placed in lockdown, Medway Council was heralded for its swift and effective response to the pandemic. All critical services were maintained and additional support was provided to the most vulnerable in Medway.

Council staff and services adapted extremely well to the challenges of providing services and used a range of innovative approaches, many of which took advantage of technology that the Council had already invested in such as Microsoft Teams and mobile devices.

When the Council moved into the recovery phase, following the initial emergency response, each service produced a comprehensive recovery plan. These plans were then reviewed to identify the key themes emerging across the Council and to plan the Council's longer term recovery. This recovery is being planned through four 'cells':

- Economy and Infrastructure;
- Children and Young People;
- Health and Social Care;
- Community and Voluntary Sector.

The cells have conducted impact assessments and have produced comprehensive action plans, which will in turn be reflected in the revised Council Plan to be agreed by Council in February. Whilst this latest iteration of the Capital Strategy largely reflects the Council's ongoing ambition to regenerate Medway, create new homes and deliver opportunities for employment and business, it has been redrafted to align with these recovery cells and ensure that we also continue to deliver the basics – schools, highways and public spaces.

Running alongside these recovery cells, we have another work stream under the banner "Back to Better". Picking up on our innovation and new ways of working in response to Covid-19, it will explore opportunities to transform the way the Council delivers services permanently. The key themes identified were:

- Remote and Agile Working: Use of MS Teams, review of end-user devices, review of HR policies, and property rationalisation;
- Remote Meetings with Stakeholders, including Council, Cabinet and committee meetings;
- External Processes: Digital channel shift, data management, single view of customer, automation and self-service, review of 'face-to-face' transactions;
- Internal Processes: Integrating systems, more effective data management, review print and post arrangements, review contracts, commissioning and expenses;
- Cashless: Smart technology solutions, including cashless parking and e-ticketing for theatres and events;
- External Communications: CRM system to better serve customers, e-messaging.

## Funding the Capital Programme

Capital expenditure is incurred on the acquisition or creation of assets that yield benefits to the Council for a period of more than one year, or expenditure that enhances or adds to the life or value of an existing asset. It includes the purchase of land and buildings, the construction of new buildings and infrastructure, project management and design fees and the acquisition of vehicles and major items of equipment. This expenditure can be incurred on operational assets or for regeneration purposes and perhaps more recently on schemes specifically to generate investment returns. This is in contrast to revenue expenditure, which represents spending on day to day running costs, such as staff salaries and supplies and services. The value of assets funded from the capital programme is reflected in the Council's balance sheet under long term assets. The asset register and its value at 31 March 2019 is summarised in Table 1.

**Table 1: Summary of Long Term Capital Assets as at 31 March 2020**

Asset Category	No. of Assets	Cost / Valuation	Depreciation / Disposal	Net Book Value
		£	£	£
Council Dwellings (HRA)	3,891	161,402,397	0	161,402,397
Other Land and Buildings				
- Offices	15	15,921,367	(13,381)	15,907,986
- Depots	9	6,270,280	0	6,270,280
- Libraries / Community Hubs	16	8,137,200	(2,510)	8,134,690
- Schools Related Assets	218	75,552,830	(1,295,148)	74,257,682
- Parks and Open Spaces	62	13,674,640	(181,983)	13,492,657
- Community Centres	20	6,559,600	(142,996)	6,416,604
- Land / Allotments	34	3,381,282	(51,427)	3,329,855
- Shops/Commercial	64	16,198,600	(245,621)	15,952,979
- Service Provision	125	31,688,533	(411,196)	31,277,337
- Memorials / Religious	31	6,291,726	(47,221)	6,244,505
- Infrastructure / Highways	2	18,000	0	18,000
- Car Parks	120	49,118,400	(3,617)	49,114,783
- Public Conveniences	31	2,088,532	(29,265)	2,059,267
- Sports / Leisure	104	67,098,760	(511,671)	66,587,089
- Theatres	9	10,114,200	(664,532)	9,449,668
- HRA Garages	876	3,931,141	0	3,931,141
Vehicles, Plant and Equipment	159	14,704,205	(10,404,353)	4,299,852
Community Assets				
- Parks and Open Spaces	115	5,036,106	(3)	5,036,103
- Land / Allotments	374	2,901,598	(9,479)	2,892,119
- Sports / Leisure	1	66,498	(1,570)	64,927
- Memorials / Religious	8	17,311	0	17,311
Infrastructure and Highways	210	416,426,094	(214,428,791)	201,997,304
Heritage Assets	36	17,859,422	0	17,859,422
Investment Properties	15	16,768,400	0	16,768,400
Intangible Assets	9	5,022,896	(3,940,766)	1,082,130
Assets Held For Sale	5	32,779,300	0	32,779,300
<b>Total Assets</b>	<b>6,559</b>	<b>989,029,318</b>	<b>(232,385,529)</b>	<b>756,643,789</b>

The capital programme represents the Council's capital expenditure plans and may include schemes taking several years to complete. This will have implications for the Council's cash flow planning and may also increase the risks associated with capital expenditure. A comprehensive capital strategy is crucial in helping the Council to manage these risks effectively.

There are a variety of funding sources and financing options available to meet the Council's capital expenditure requirements, most of which feature to a greater or lesser extent in funding the current capital programme. These are explained and the advantages, disadvantages, conditions and opportunities associated with each explored in this strategy.

### External Grant Funding

Whilst Government grant support for revenue expenditure has been reducing dramatically, there is still grant funding available for capital expenditure. Some of this comes to local authorities automatically

through the financial settlement, whilst other grants have to be accessed through a bidding process. Some of this funding has conditions attached regarding what it can be spent on, whilst other allocations are not ring-fenced. For example, the funding received via the Local Enterprise Partnership has very stringent conditions attached regarding timescales, milestones and ultimate outcomes and failure to meet these conditions could result in financial loss to the Council.

The current capital programme incorporates £199.2 million of capital grant funding, principally the £170.0 million from the Housing Infrastructure Fund, but also Local Growth Fund (LGF) grants rolled forward from previous years, the usual annual Local Transport Plan (LTP) allocation more modest sums from the ESFA to funding schools basic need and condition works. As Central Government makes future funding announcement and grant determinations are issued, these funds will be added to the programme in accordance with the Council's constitutional governance arrangements.

## Developer Contributions

The development of new housing increases the number of people living in an area, and with that the demand on local services, such as schools, health services, parks, and transport. The planning system recognises the need to address the impacts arising from development, and can use legal obligations, agreements and unilateral undertakings to secure acceptable development. Developer contributions therefore are intended to make development acceptable which would otherwise be unacceptable in planning terms.

The Council's current policy in respect of developer contributions is set out in the Medway Local Plan 2003, supplemented by the Medway Guide to Developer Contributions 2018.

Section 106 of the 1990 Act provides that anyone with an interest in land may enter into a planning obligation, which is enforceable by a local planning authority. An obligation may be created by agreement or by the party with an interest in the land making a unilateral undertaking. Obligations may:

- Restrict the development or use of land;
- Require operations to be carried out in, on, under or over the land;
- Require the land to be used in any specified way; or
- Require payments to be made to the local planning authority, either in a single sum or periodically.

Obligations run with the land and, providing all parties with an interest in the land enter into the agreement, affect everyone with an interest in it, including successors in title and are registered as Local Land Charges.

Where an obligation requires payments to the local authority, these can be made in the form of a lump sum, an endowment, or as phased payments related to dates, events or triggers i.e. the delivery of a specific number of proportion of properties making the receipt of this income very difficult to forecast. In addition developer contributions include a clause stating the deadline for expenditure of contributions; the developer can request repayment of the contributions (plus interest) if the council fails to deliver on the obligations in the agreement by this deadline. From 1 April 2017 new S106 agreements usually specify a five year deadline for spend; prior to this date a 10 year deadline was the norm. The Planning Service reports quarterly to Planning Committee on developer contributions. These reports list information on S106 contributions received, and obligations included in all S106 agreements completed in that quarter. The Council also reports on developer contributions in its annual Authority Monitoring Report, which is published each December for the preceding financial year. Table 2 outlines the current position with regard to capital Section 106 contributions.

Since this sum represents income that is dependent on all development being delivered as planned, a cautious view is generally taken when formulating the capital programme, so that no schemes anticipated



to be funded through developer contributions are added before there is reasonable certainty as to the receipt and timing of payments due. This potential future income represents both a challenge for the Council in working to accelerate development in the area, and an opportunity to shape how development in the area is mitigated for the benefit of residents.

**Table 2: Summary of Capital Section 106 Developer Contributions**

Category of Section 106 Contributions	Balance at 31/03/2020	Agreed S106's	Projected Balance	Current Committed	Funds Available
	£,000	£,000	£,000	£,000	£,000
Community Facilities	8.7	1,656.3	1,665.0	0.0	1,665.0
Highways, Footways and Street Furniture	1,402.9	1,100.2	2,503.1	272.3	2,230.8
Environmental Services	0.6	1,234.5	1,235.1	0.0	1,235.1
Education / Schools	2,579.8	13,597.5	16,177.2	1,533.4	14,643.9
Early Help, Youth and Inclusion	19.0	0.0	19.0	0.0	19.0
Adult Social Care	5.8	0.0	5.8	0.0	5.8
Strategic Property and Energy	61.6	0.0	61.6	0.0	61.6
Open Spaces, Play Parks and Public Realm	2,634.3	5,916.5	8,550.8	453.9	8,096.8
S106 Safer Comms Ops Cap	2.5	155.6	158.0	0.0	158.0
S106 Strategic Housing Cap	500.0	0.0	500.0	0.0	500.0
S106 Sport, Leis Tourm & Htage Cap	10.2	1,517.5	1,527.7	0.0	1,527.7
<b>Totals</b>	<b>7,225.2</b>	<b>25,178.0</b>	<b>32,403.2</b>	<b>2,259.6</b>	<b>30,143.6</b>

## Capital Receipts

A capital receipt represents the income received from the sale or disposal of an asset. The general principle is that such receipts should not be used to fund revenue expenditure, however from 2016/17 Local authorities were given the power to use capital receipts (excluding 'right to buy' receipts) on the revenue costs of transformational projects. In determining whether expenditure should be allowable under this new flexibility, the Council would be expected to deliver ongoing savings to the revenue budget as a result of the investment. It would have to demonstrate transformed public services, with reduced demand or reduced unit costs

Under Chapter 3, Part 4, Section 6.14 of the Council's Constitution, the Chief Legal Officer has delegated authority to manage the Council's land and property resources in compliance with current legislation and Council policy. This includes the authority to agree terms for the disposal or purchase of property and accept the highest tender/offer, provided that the relevant assistant director is satisfied it is the best price reasonably obtainable. This power is subject to the financial limits delegated to the director at Chapter 3, Part 5, Section 5.1 (see extract below):

*"Limit of authority for the Chief Executive and Directors to act – up to £100,000. Acquisitions and disposals above this value are a matter for the Cabinet unless contrary to the policy framework or contrary to, or not wholly in accordance with, the budget approved by Full Council. This limit does not apply to the acquisition and disposal of non-operational investment properties funded from provision made by the Council for this purpose in the Capital Programme. Cabinet land and property transactions over £500,000 to be reported to the next Council meeting for information."*

Decisions to dispose of assets are taken in consultation with the Corporate Strategic Property Board, chaired by the Portfolio Holder for Resources.

The capital programme at the start of this year assumed £3.375million of schemes will be funded from capital receipts, however the Council has since agreed a further £3.275 million under the new flexibility, in order to take forward it's ambitious Business Change Programme, including nearly £820,000 to continue the Children's Services Improvement Programme.

**Table 3: Estimate of Uncommitted Capital Receipts**

Source of Capital Receipts	2020/21	2021/22	2022/23	2023/24	2024/25+
	£m	£m	£m	£m	£m
Medway Development Company Ltd.	5.392	0.000	0.000	0.000	0.000
Rochester Riverside	0.000	0.000	0.000	0.000	8.601
Strood Development Sites	0.000	0.000	1.000	0.000	6.180
Rochester Airport Site	0.000	0.000	0.000	0.900	3.800
Other Capital Receipts	0.045	0.050	0.024	0.500	0.000
<b>Totals</b>	<b>5.437</b>	<b>0.050</b>	<b>1.024</b>	<b>1.400</b>	<b>18.581</b>

## Revenue Funding

Services may use their revenue budgets to fund capital expenditure, but the current policy is that this only happens in exceptional circumstances, typically where the conditions and requirements of a particular ring-fenced revenue grant are best service by incurring capital expenditure on the creation or enhancement of fixed assets.

## Prudential Borrowing

Where local authorities are unable to fund capital expenditure from external sources, such as capital receipts, grants and other external contributions, they can take out borrowing; however this is regulated. The Local Government Act 2003 refers to affordability and the requirement that local authorities in England and Wales keep under review the amount of money they can borrow for capital investment. Part 1 of the Act requires local authorities to have regard to CIPFA's Prudential Code in the exercise of its duties.

The code requires that: *"The local authority shall ensure that all of its capital and investment plans and borrowing are prudent and sustainable. In doing so, it will take into account its arrangements for the repayment of debt (including through the MRP / repayment of loans fund) and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability. While indicators for sustainability are required to be set over a minimum three year rolling period, indicators should be set in line with a capital strategy and asset management plan that is sustainable over the longer term. Where statutorily ring-fenced resources such as the HRA or Police Fund exist, the indicators should be separately set for these areas."* The Council's prudential indicators can be found in the Council's Treasury Strategy.

The current policy is that any service wishing to avail itself of prudential borrowing in order to fund capital investment must be able to demonstrate that it can afford the repayments and interest incurred on the loan from its revenue budget. This generally means that prudential borrowing is limited to 'invest to save' schemes; i.e. those schemes which are expected to produce savings and/or additional income that will, as a minimum, fund the costs of borrowing.

A business case would need to be prepared, with the support of the Finance Strategy team, to demonstrate the overall prudence, affordability and sustainability of the total borrowing requested. The impact of this borrowing will be measured against the prudential indicators required by CIPFA's Prudential Code.

It is delegated to the Chief Finance Officer to determine whether the borrowing should be from internal cash balances or whether to enter into additional external borrowing.

## Leasing

The Chief Finance Officer may enter into finance leasing agreements to fund capital expenditure on behalf of services. However, a full option appraisal and comparison of other funding sources should be made first and the Chief Finance Officer must be certain that leasing provides the best value for money method of funding the scheme. Under the Prudential Code, finance leasing agreements are counted against the overall borrowing levels when looking at the prudence of the authority's borrowing.

## Our Capital Budget Setting Process

Medway's capital programme is developed alongside the revenue budget, through a process that begins in the summer of each year with the Medium Term Financial Strategy and Capital Strategy and continues through detailed work led by portfolio holders and senior Council officers. Cabinet presents its draft proposals to Overview and Scrutiny committees in November, with the final budget and capital programme for the next financial year being approved by Full Council in the February. The formal process for approval of the final revenue budget and capital programme is set out in the Council's Constitution, chapter 4.03, the budget and policy framework rules.

## Our Current Capital Programme

The Council's capital programme for the 2020/21 year was approved by Full Council in February 2020. Full Council have also approved capital additions during the year, adding schemes as funding has been made available, resulting in the agreed capital programme set out in the table below.

**Table 4: Approved Capital Programme 2020/21**

Funding Source	Children & Adults	RCET	HRA	Business Support	Member Priorities	Total Programme
	£m	£m	£m	£m	£m	£m
Prudential Borrowing	24.077	35.707	14.000	30.013	0.000	<b>103.797</b>
Borrowing in lieu of Capital Receipts	0.000	3.266	0.000	110.345	0.000	<b>113.611</b>
Capital Receipts	0.830	2.770	0.084	2.687	0.363	<b>6.735</b>
Capital Grants	4.031	196.083	0.000	0.002	0.000	<b>200.116</b>
RTB Receipts	0.000	0.000	0.009	0.000	0.000	<b>0.009</b>
S106 Contributions	0.525	1.161	0.000	0.000	0.000	<b>1.686</b>
Revenue / Reserves	0.000	0.006	10.964	0.139	0.000	<b>11.109</b>
<b>Total Capital Programme</b>	<b>29.463</b>	<b>238.993</b>	<b>25.056</b>	<b>143.186</b>	<b>0.363</b>	<b>437.062</b>

## Economy and Infrastructure

### Homes for All

Medway, with a population of 280,000, is the fastest growing area of economic regeneration in the South East; rapidly achieving our ambition to be a leading waterfront university city, celebrated for its revitalised urban centres, riverfront developments and natural and historic assets. Our ambitious regeneration programme, focussing on three key housing sites, Rochester Riverside, Strood Waterfront and Chatham Waterfront, aims to meet the housing requirements for Medway people and to create employment opportunities.

Rochester Riverside will be developed over the next 15 years and will provide around 1,400 high quality new homes (including 25% affordable housing), over 10 acres of open space including parks, play areas and landscaping and over 108,000 square foot of non-residential floor space, including Station Square and Cory's Wharf with its Creekside shops and cafes. The development will also include a new primary school, leisure facilities, office space, shops and restaurants and a new hotel. After repaying the 'Growing Places' funding and other debt incurred in the scheme and paying almost 69% of the residual receipts to Homes England, the Council should be left with around £8.6 million of uncommitted capital receipts, not to mention £15.8 million of Section 106 developer contributions to fund future capital investment.

Phases 1 and 2 are nearing completion, with commercial units now occupied and affordable units handed over. The developer will provide the new primary school and the Department of Education recently agreed to fund the difference between the proposed single form of entry and a school offering two forms of entry to serve the wider population. We are expecting to draw down the phase 3 receipt in November 2020 and phase 4 is in pre-application stage. Phase 7, the delivery of housing for older people, has been accelerated, with a planning application expected by the end of the year. The anticipated receipts to the Council are summarised in Table 5.

**Table 5: Rochester Riverside**

Rochester Riverside Receipts	To Date	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m
Total capital receipts due	3.007	0.481	1.555	0.000	13.509	3.967	12.259	<b>34.778</b>
Initial receipts required to repay borrowing	(3.007)	(0.346)	(1.555)	0.000	(2.327)	0.000	0.000	<b>(7.235)</b>
Share of receipts due to Homes England (68.62%)	0.000	(0.135)	0.000	0.000	(7.673)	(2.722)	(8.412)	<b>(18.943)</b>
Share of receipts available to Council (31.38%)	0.000	0.000	0.000	0.000	3.509	1.245	3.847	<b>8.601</b>
Total Section 106 contributions due	5.237	0.000	2.607	0.000	2.223	2.712	2.987	<b>15.767</b>
<b>Total funds available to the Council</b>	<b>5.237</b>	<b>0.000</b>	<b>2.607</b>	<b>0.000</b>	<b>5.732</b>	<b>3.957</b>	<b>6.834</b>	<b>24.367</b>

Strood Waterfront will be developed over a period of 8 - 12 years, depending on the developer and method of construction used, and will deliver c. 1,200 new homes on the Medway owned sites of Strood Riverside and the former Civic Centre site. We are currently undertaking a procurement exercise to appoint a development partner, with a view to construction beginning on the former Civic Centre site by December 2021 and Riverside in January 2023. The first stage of this project was investment in significant flood defences, which are now complete. The scheme will transform the waterfront into an area of prime, high quality residential led mixed use development, with potential for premium housing, offering fantastic views of Rochester Castle and Rochester Cathedral and access to the River Medway. Regeneration of the waterfront will provide employment land, targeted at SMEs, encouraging local cafes, restaurants and independent retailers. The combination of the flood defence works, housing development and commercial use will create an estimated 2,000 jobs.

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 £2.3 million 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 almost £12.9 million, within the capital receipt predicted to be around £19.1 million. This is already reflected in the current capital programme.

The Council has been granted planning permission to develop a high quality, mixed-use development at Chatham Waterfront, which will act as a driver for further regeneration in the area. One of the early projects for the Medway Development Company Ltd is to deliver a site of mixed residential and commercial use. The plans are for the waterfront to complement other regeneration projects in the town including the Chatham Placemaking Project and build on the improvements to the city centre and river walk.

### Medway Development Company Ltd.

Medway Council is making considerable investments into its urban spaces and the development of new housing is an integral part of this process. With Medway becoming increasingly attractive, the Council as a significant land holder can play an important role in helping to alleviate this pressure. New homes also reinforce economic growth for local businesses and good quality housing can revitalise areas.

Consequently, Medway Council has created Medway Development Company Ltd to bring forward housing sites. Having a directly owned company gives Medway Council the ability to control the specification and quality of new developments and align them to the Council's regeneration aspirations. As importantly, it

allows the Council to retain that element of the cost that would ordinarily go to the developer and this can be as much as 30% of the cost. Since the company commenced its operations in 2018, it has obtained planning approval for 354 homes and MDC will commence building out the first phase of its £120 million programme later this year. Table 6 provides a summary of the early phases and the net capital receipts that the Council can expect over the next few years.

**Table 6: Medway Development Company Ltd. five year programme**

Development Sites	Progress	Anticipated Commencement	Anticipated Completion	Estimated Financial Return
Whiffens Avenue Car Park and White Road	Planning approved. Schemes progressing through construction phase.	Start has already commenced.	44621	£2.4m
Chatham Waterfront and Britton Farm	Planning approved. Schemes progressing through construction phase.	Start has already commenced.	Winter 22/23	£4.5m
Rochester High Street (two car park sites)	Some early analysis completed	Summer 2021	Summer 2023	£1.5m - £2m
Mountbatten House	Some early analysis completed	Autumn 2022	Autumn 2024	£5.7m

## Social Housing

Following announcements from the Government in Autumn 2018, the borrowing cap for the Housing Revenue Account (HRA) has been abolished. What this means in practice is that the HRA can borrow additional money to fund housing development. Capacity for additional borrowing is tested against the HRA business plan to ensure that the HRA can generate enough income to service the additional borrowing, as well as managing and maintaining the existing housing stock. Work is ongoing to identify appropriate vacant sites within the HRA, as well as opportunities for estate regeneration with the aim of creating additional homes that are owned and managed by the HRA.

The HRA is currently in the second of a three year maintenance programme (2018/19 – 2020/21 inclusive). The capital requirements of the stock have been mapped over a 30 year time period and this data factored in to the HRA business plan, with funding coming from major repair reserves, topped up with contributions from HRA revenues.

## Town Centres and High Streets

The pandemic has accelerated the declining demand for town centre retail nationally and with its five separate High Streets, this represents a particular challenge for Medway. We need to invest in our High Streets and to this end, we have submitted bid proposals to the Getting Building Fund, Future High Streets Fund and High Streets Heritage Action Zones Fund for Gillingham, Chatham and the Chatham Heritage Quarter.

Medway Council submitted a business case in May 2020, for £13.8 million of Future High Streets funding, to further transform Chatham High Street. We are one of just 51 areas across the country to be taken through to the second phase of the process. The Future High Streets Fund would be invested in Chatham to promote economic growth, increase housing, create more jobs and provide a vibrant town centre experience. We are awaiting a decision on our bid, due this Autumn.

Whilst it is fair to say that the Pentagon Centre's retail offer has been hit by the impact of Covid-19, it has fared much better than many other town centre malls and the rental income currently being earned is still sufficient to service the loan taken to acquire the head lease. It has also reinforced how important it was for the Council to take control of the centre, in order to deliver its aspiration to make Chatham its city centre. We will create the right mix of shops and services in the Pentagon and the high street to serve the growing residential population, including those who will live in our new waterfront homes and in the developments at Queen's Street and Whiffens Avenue.

Medway Council have been awarded £1.6m from Historic England in April 2020 to create a High Streets Heritage Action Zone to animate the area through bringing historic buildings back into use, supporting local businesses and embedding the community at the heart of the programme over a 4 year period. This will boost the local economy by increasing footfall, dwell time and employment and make the area a more attractive place to live, work and visit as a lasting legacy for the High Street.

Medway Council has been allocated up to £1.99 million to create the Learning Skills and Employment Hub on the vacant top floor of Britton Farm, a former shopping centre in Gillingham. The hub, which will be run by Medway Adult Education, will focus on supporting adults to retrain, upskill and access employment opportunities. Courses will be tailored towards helping residents gain skills for highly valued jobs which are being created across Medway. The funding will also be used to make improvements to the public realm and unlock an affordable housing development.

There is an opportunity to invest in emerging technology to accurately monitor footfall throughout all of the Medway towns. This will enable our Town Centre Management Team to access real time data insights, which we do not presently collect, and present those findings to our respective town centre forums. The wealth of data to be collected, which is fully GDPR compliant, will then enable the Council to better understand specific trends, benchmark against other towns across the UK, monitor any proposed interventions, and analyse high street recovery post-COVID. This data is often requested by Government and therefore this project is essential. Following the receipt of £1.6m funding from Heritage England, via the High Street Heritage Action Zone (HSHAZ) for the Chatham Intra area, our first external footfall counting solution will be implemented by the end of 2020.

### Innovation Park Medway and the Enterprise Zone

In addition to quality homes, our regeneration programme aims to create jobs by creating new employment space and attracting new business to the area. Innovation Park Medway (IPM) will make a significant contribution towards this aim.

IPM presents an important opportunity to help shape the economic future of the region, attracting investment and growth to the area by bringing forward 3,000 high quality jobs and enabling businesses to realise the benefits offered from operating in an Enterprise Zone. To date the IPM project has been awarded £10.4 million funding from the Government's Local Growth Fund (LGF), Growing Places Fund (GPF) and Sector Support Fund, through the South East Local Enterprise Partnership (SELEP). However, realising the Council's vision and maximising the full potential of IPM will require further capital investment to encourage sustained growth in line with the design ambitions set out in the Masterplan, Design Code and LDO and the latest estimates for the various elements of the programme are outlined below.

- Enabling infrastructure improvements at Rochester Airport, largely funded from £4.40 million of LGF round 2 grant;
- £5.94 million for the enabling infrastructure and utilities on phase 1 of the northern site, of which £3.70 million is to be funded from LGF round 3;
- £1.20 million for the initial phase of delivery of the southern site, of which £650,000 is to be funded from a Growing Places Fund loan;
- £141,000 grant from the Sector Support Fund, supplementing £422,500 of the Council's own revenue funding, towards the development of a masterplan and Local Development Order (LDO);
- £2.95 million for phase 1 public realm;
- £2.65 million for highways mitigations around the Runway Park;
- £8.40 million for enabling infrastructure on phase two of the northern site, of which £1.52 million is to be funded from LGF round 3b.

The Council also agreed £14.5 million to build a landmark six storey building on the northern site, with repayment of the loan being met from the rental income generated. However, this project has been put in

abeyance, pending a re-evaluation of market conditions and a review of the demand for serviced office accommodation in the aftermath of the Covid-19 pandemic.

The total estimated cost of the rest of the programme, including circa £1.3 million of capitalised interest during the construction phases, is £30.5 million, of which around £19.3 million is to be funded from long term borrowing over 25 years. There are two options under consideration for repayment of the borrowing.

Option 1: To bank the estimated £13.0 million of capital receipts from long term leases of the site to tenants and fund the borrowing entirely from the additional retained business rates. Under this model the total borrowing costs over 25 years would be around £31.5 million, against total business rates estimated at £84.6 million.

Option 2: To use the capital receipts, as they become available, to repay part of the borrowing. Under this model, there would be no capital receipts available for investment in priority schemes, however the total borrowing costs over 25 years would be around £13.3 million.

Under both options the £84.6 million of business rates revenue would be required to fund as much as £10.0 million of revenue costs associated with management and maintenance of the entire site, as well as servicing the loan repayments.

### Housing Infrastructure Fund Bid

In September 2017, Medway Council submitted to Homes England an Expression of Interest, for a project called 'New Routes to Good Growth'. This £170 million bid was intended to unlock potential new development on the Hoo Peninsula of 12,100 new homes by 2043, and to strengthen the area's economy through development of commercial space at Kingsnorth and Grain. The business case was submitted on 1 March 2019.

On 1 November 2019 MHCLG announced that Medway's HIF bid had been successful and on 4 February 2020, £170 million was added to the Council's capital programme. It will deliver £86 million of road improvements, including a new road to connect Main Road to the Wainscott bypass via a flyover; £64 million for rail improvements, including a new station at Sharnal Street to support a new passenger service to London and £14 million for protection of wildlife and ecology. This ambitious programme is expected to be delivered by March 2024.

The expansion of Hoo presents a fantastic opportunity to embed a smart infrastructure for future generations and embrace emerging technology; linked with the need for active travel and clean energy. Synonymous with our Smart Cities ambitions, there will be a requirement to carefully utilise capital funding to maximise the benefits for our residents.

### Transport and Highways

With finite levels of capital funding available, it is critical that funding received towards planned highway maintenance is spent in a cost effective way, by achieving the maximum benefit to cost ratio. Medway Highways benefits from an asset management approach to future maintenance programmes through the use of lifecycle planning. By utilising methods of data collection, analysis and evaluation, the most efficient maintenance regime can be followed, in order to achieve best value for money. This also actively encourages investment towards highway assets that are in most need of maintenance and therefore achieving an overall improvement towards condition performance targets.

Our Smart Cities agenda will allow us to implement a multitude of smart infrastructure capabilities to allow mode of transport monitoring (such as HGV, LGV, buses, car, motorbike, bike, and pedestrians). Smart monitoring solutions will also accurately detect speeds and patterns of behaviour to allow for flow analysis to be carried out. This will allow the Council to better understand transport movements and plan for

junction upgrades. This data is captured via bespoke sensors fixed to street furniture or through CCTV integration. Similar technology can also detect unauthorised vehicle movements and potentially lead to an uplift in traffic contraventions and improved driver behaviour as and when the legislation allows for enforcement of moving traffic offences via a smarter CCTV network

## Carriageways

Carriageways are typically split into two main forms consisting of the Classified road network, which includes A, B and C classifications, and the Unclassified road network, which predominately make up residential roads. These are then broken down into the following categories for the purposes of condition performance reporting;

- A Roads – Major roads intended to provide large-scale transport links within or between areas;
- B Roads – Roads intended to connect different areas, and to feed traffic between ‘A’ roads and smaller roads on the highway network;
- C Roads – Smaller roads intended to connect together unclassified roads with ‘A’ and ‘B’ roads, and often linking housing estates or a village to the rest of the highway network;
- Unclassified Roads – Local roads intended for local traffic, the vast majority of which serve housing estates or areas of local importance.

Table 7 shows the latest carriageway condition performance data, however owing to Covid-19, the Department for Transport will not be in a position to release the updated National Average figures until Autumn 2020. Nonetheless, comparing this to previous National Average figures shows that Medway has been performing better towards both A and B Class roads, but has shown a slump in performance against the National Average for the C Class and Unclassified networks.

**Table 7: Condition of Medway’s Highway Network**

Road Classification	Total Network	Requiring Maintenance		National Comparator
A Roads	101.69km	1.70km	1.49%	3.0%
B Roads	32.08km	2.17km	4.19%	6.0%
C Roads	85.75km	8.49km	6.98%	6.0%
Unclassified Roads	607.07km	123.48km	21.0%	17.0%
<b>Total</b>	<b>826.59km</b>	<b>135.84km</b>		

The carriageway maintenance programme is anticipated to deliver £2.5 million of carriageway resurfacing schemes before financial year end. Around 9.19km of resurfacing is expected to be completed on the carriageway network, with approximately 32% of this being on the Classified, and 68% of this being on the Unclassified networks.

## Footways

Our inventory records indicate that there is a total of 1,084km of Council maintained footway asset in Medway, with the majority of this consisting of bituminous footway surfacing material. The condition of Medway’s footways is surveyed annually, covering approximately 25% of Medway total footway network on an annual basis. Concrete footways have historically fared worse than bituminous footway surfaces. Therefore, we tend to replace non-bituminous materials with bituminous surfaces, to reduce ongoing maintenance costs.

Total spend of £940,000 is planned on footway resurfacing schemes and responsive patching work this financial year. Of this total budget allocation, it is anticipated for there to be a total of 4.7km of resurfacing



completed on the footway network, with approximately 14% of this being on the Classified, and 86% of this being on the Unclassified network.

## Investment in our Highways, Footways and Other Assets

Each year, we spend around £6.0 million of revenue funding on maintaining the Highway Network and £1.5 million of capital receipts. In addition, we are awarded annual capital grants of £2.5 million from the Department of Transport through the LTP Programme and Incentive Fund and for this financial year £1.9 million was awarded to Medway Council via the Pot Hole Challenge Fund. Future levels of pot hole funding are yet to be confirmed by the Department of Transport. Whilst the level of pot hole funding is unknown at this stage, the Business Change team is piloting the use of emerging technology with sensors fixed to the vehicles that regularly travel on Medway roads (whether that be our Council Fleet vehicles, Refuse collection vehicles or buses) to map and analyse the depth of a road defect. The pilot scheme, which will be run in parallel with the Kent Highways ADEPT Smart Places Live Lab Programme, will provide our Highways team with a snapshot of the condition of the overall network, reduce the need for regular site inspections and optimise the time operatives spend repairing defects.

Following a successful funding application to the Department of Transport Challenge Fund a capital grant of £4.9 million has been secured to fund infrastructure investment into the Tunnel and the associated Highway Network. Medway Council is in ongoing dialogue over securing a ring-fenced capital grant from the Department of Transport to fund the Annual Running Costs for Medway Tunnel.

The Highways Team are exploring the potential for an innovative approach to harness the energy from traffic within the Medway Tunnel. There are currently 24 free turning fans within the tunnel – 12 in each bore arranged in three banks of four. These fans are automatically operated based on input from carbon monoxide and visibility sensors. The flow of traffic through the tunnel could turn additional “wind mill” fans to utilise the existing longitudinal airflow in the tunnel to generate electricity by effectively fitting a type of dynamo to the fans to convert the movement to electricity. Specialist contractors are investigating the feasibility of such a scheme via data modelling.

The conversion from conventional lighting to LED within the tunnel was explored several years ago, which required significant capital investment of circa £2.0 million at that time. However, it is likely that costs may have decreased and could allow the Council a window of opportunity to explore this option yet again.

## Local Growth Fund (LGF)

The current capital programme still includes around £28.6 million of LGF grant funded schemes for essential infrastructure to improve access and reduce journey times on the A289, in Chatham and Strood town centres and on Medway City Estate. It also includes £2.5 million to expand the cycling network.

## Public Transport

The longer term solution to the congestion issues in Medway has to be through encouraging people to leave their cars at home and use public transport. In addition to our dynamic bus facility outside the Pentagon Centre in Chatham, we have seen Network Rail invest many millions in our railway stations and create a real sense of arrival at an attractive and thriving destination. Over the longer term, we intend to explore other more innovative options including potentially trams, a monorail and the opportunity for a water taxi service, exploiting our waterfront location.

There is also an opportunity to explore the implementation of a ‘Mobility as a Service’ (MaaS) platform for Medway residents. This MaaS platform would effectively allow residents to utilise multiple modes of public transport using a single ticket, pass card or smart phone. This would require some capital investment, however KCC are introducing a pilot within Ebbsfleet and will then be rolling this out across Kent. There could be an opportunity for Medway to be included within this scheme during 2023 to 2025.

## Street Lighting

The Street Lighting Network is composed of 25,667 street lights of which 4,526 (17%) were converted to LED last year. The composition of the lighting column stock, as at March 2020, is summarised below:

**Table 8: Street Lighting Columns**

Type of Column	No. Columns
Concrete	3,624
Steel	13,609
Aluminium	8,434
<b>Total</b>	<b>25,667</b>

In his budget speech on the 21 February 2019, the Leader of the Councillor stated his intention to replace all street lighting with LED lamps. On 7 April 2020, Cabinet agreed the award of a contract for the replacement of 23,100 lamps with LED and the replacement of 4,668 lighting columns. Cabinet also agreed to the installation of a Central Management System (CMS), which will be the first step on Medway's ambitious and innovative Smart City journey. The benefits of this technology are:

- Implementation of dimming and trimming regimes to save further energy and carbon emissions, which would also help support the Council's climate change agenda;
- Allows for future options around bespoke lighting specific areas, remotely, for example High Streets or areas of night time culture;
- It supports our Smart City and Transformation agenda, allowing future proof integration of Smart City options, on an open platform;
- By supporting our Smart City agenda, we will provide opportunity for schemes such as the Housing Infrastructure Fund and Town Centre Bid, should they wish to use the platform, which in turn supports our bid for City of Culture status;
- Instant reporting of faults on the network, meaning repairs can be more quickly resolved, ensuring maximum lights in illumination and providing higher levels of customer satisfaction;
- Management of energy use, via the system, allowing us to easily be able to adapt our lighting levels to any changing demand in the future and more easily predict any changes in energy use.

On 23 April 2020, the Council agreed to the addition of £11.155 million to the capital programme to fund the scheme. Energy savings, estimated at £20.240 million, are expected to be achieved over twenty years, sufficient to meet the total cost of the borrowing over the same period.

## Environmental Services

Following the Climate Change emergency declared by Medway Council, it is recognised that the transformation of Waste Services is fundamental to achieving the Council's climate change ambitions – whether that be through digital means, the frequency of waste collection or the vehicles used in the delivery of these essential services for Medway residents. The waste fleet comprises 46 vehicles purchased in 2013 and due to be replaced in around two years. It is essential that these are replaced with vehicles utilising cleaner forms of technology; such as cleaner combustion engines, hybrid, EV or hydrogen cell; and this will require significant planning when a suitable site for the waste depot and transfer station is found. This will require procuring the right vehicles, to suit service requirements, but also the necessary infrastructure to keep them in optimal shape. There are also potential changes to legislation advocating for a 'circular economy' (procure and dispose locally) and the Council will need to be reactive to those changes.

The Council has pledged to be "Zero Carbon" by 2050, this is a critical aspect and one that will require constant review between now and 2030. Another aspect that may require capital funding is the use of

technology to optimise the service: whether that be through route optimisation, driver behaviour, maximise stops per hour and improved safety compliance.

The Council have been exploring options for a cleaner fleet, following recommendations made by the Energy Savings Trust in 2019. A significant number of fleet vehicles are up for lease between now and 2023, and this allows us the opportunity to either lease or purchase EV vehicles: reducing our carbon footprint and lowering operational costs. The Council also recognises that investment in EV charging infrastructure on Council sites will also be an essential part in achieving this ambition.

## Sport and Leisure

Our four leisure centres have been severely hit by the pandemic and the table below illustrates the extent to which memberships have fallen since the initial lockdown in March 2020. Memberships generate the largest proportion of income to sports centres which is why they have been included here. They are indicative of cross-the-board income losses affecting sports centres, which also include swimming lessons, classes and events as well as day-to-day usage. It is unclear whether we have reached a base level from which to start growing the income again, or whether it will continue to fall in light of ongoing restrictions. Some key information and the investment required to the assets is summarised in Table 9.

**Table 9: Medway owned leisure centres**

<b>Leisure Services Assets</b>	<b>Membership Nos. (March 2020) / October 2020</b>	<b>Visitor Nos. 2019/20</b>	<b>Budgeted Turnover 2019/20 £</b>	<b>Investment Required</b>
Medway Park Leisure Centre	(4,359) / 2,617	701,252	1,629,358	£1.8m
Strood Leisure Centre	(2,144) / 1,353	270,932	899,521	£300,000
Splashes Leisure Centre	(966) / 331	276,004	519,673	£5.0m
Hoo Leisure Centre	(966) / 484	157,620	365,618	£16m - £22m
<b>Total Assets</b>	<b>(8,435) / 5,576</b>	<b>1,405,808</b>	<b>3,414,170</b>	<b>£23m - £29m</b>

Despite this ongoing revenue impact, Members have committed to extensive capital investment in sports facilities. Most notably, the Council agreed £5.0 million for development of Splashes into a fun, family-friendly centre, complementing Medway's other sports facilities and designed to attract visitors from across Medway and further afield. The project chimes with Medway's ambition to be recognised as a child-friendly city and work has begun, with scheduled completion in 2022.

Members have also agreed to a funding partnership with the Football Foundation for a new floodlit artificial football pitch and associated changing pavilion at Watling Street playing fields in Gillingham. The £1.3 million scheme attracted more than £900,000 of external investment. Work is scheduled to start by the end of 2020 and should be completed in time for the next football season. While geographically separate the facility will be operated and managed through Medway Park and thus the capital investment has been shown against Medway Park in the table above.

In the past year Medway Park has also benefitted from investment in new pool plant, improving the quality of the pools for customers while operating more efficiently. Upgrades of this kind are essential if Medway Park is to maintain and enhance its reputation as a sporting centre of excellence which can attract national and international sporting events. With the transformed centre now ten years old refurbishment and development investment is required, most notably resurfacing of both the indoor sports hall and the athletics track.

Strood Sports Centre has also benefitted from new pool plant and the centre is not in need of wholesale investment, having recently undergone a £2.0 million refurbishment. However, the soccer centre pitches are reaching the end of their natural life and the dry-side changing rooms need refurbishing.

The development of a new sports centre on the Hoo peninsula is viewed by the administration as integral to its vision for this part of Medway. As part of the Housing Infrastructure Fund plans, an area of land has been earmarked for sports centre development close to the proposed new railway station. Detailed plans and the business operating model will be progressed in line with the overall planning and development on the peninsula, so a definitive timescale has not been determined. In the meantime, the Council will continue to operate the existing Hoo sports centre whilst seeking to minimise extensive capital outlay.

## Heritage Assets

Medway Council owns a significant number of heritage assets, held purely to increase the knowledge, understanding and appreciation of the area's history. They act as a backdrop for the Council's cultural and events offer and play an important role in developing our 'City of Culture' ambitions. Those of significant financial worth are recognised in the Council's asset register and balance sheet using the latest insurance valuation. The value of these assets is summarised in Table 10.

**Table 10: Heritage Assets**

Heritage Asset	No. of Assets	Valuation
		£,000
Rochester Castle Keep	1	2,771,472
Temple Manor	1	2,344,075
Eastgate House	2	6,359,952
Brook Pumping Station	2	574,550
Various Clocks and Memorials	11	76,306
Art, Furniture, Gold, Silver and Other	19	5,733,067
<b>Total Assets</b>	<b>36</b>	<b>17,859,422</b>

In addition to those under direct ownership, the Council is also responsible for the care and maintenance of other heritage assets within Medway, not least the Elizabethan defences at Upnor Castle, but also surviving elements of the original city wall around Rochester. These assets have survived for hundreds and in some cases over a thousand years and so in trying to prioritise scarce resources, provision for their care can be neglected. The most important issue though, in the care of these assets, is public health and safety and so it is right that they should feature in a comprehensive capital strategy.

The Council's most significant heritage buildings – Rochester Castle, Temple Manor and Upnor Castle – are maintained through a local management agreement with English Heritage, under which essential maintenance work is commissioned by the Council, but the cost shared 50/50 with English Heritage. The current capital programme includes £500,000 over a five year period to fund this work, however a recent survey of Rochester Castle by external consultants identified circa £1.5 million of restoration works.

In the past two years Rochester Castle has had to be closed for considerable periods for essential repairs. The specialist nature of the repairs, and the process required to receive permission from national organisations to undertake such repairs, have led to prolonged closures. It is therefore essential to come up with a programme of sustainable conservation which protects the historical fabric while maximising the opportunity for visitors to view Medway's heritage attractions.

In 2027 Rochester Castle celebrates its 900<sup>th</sup> anniversary and the heritage team is developing proposals aimed at increasing visitor numbers and increasing the time visitors spend enjoying the cornerstone of

Medway's heritage offer. A range of proposals, which may require capital funding, will be put forward for Members' consideration.

The continuing importance of developing the international recognition of Medway as the Home of Charles Dickens is continuing with the installation of a new permanent gallery in the Guildhall Museum. This has been funded by £120,000 capital receipt from the sale of the Conservancy Building. The chalet used by Dickens to write many of his later novels sits in the grounds of Eastgate House. It has deteriorated to the point where access to the chalet is not permissible. Successive funding bids to the Heritage Lottery Fund have been unsuccessful. Basic renovation of the structure is estimated at £300,000.

In addition to the new Dickens gallery, a new permanent exhibition commemorating Shorts Brothers is being planned, subject to funding. This is an important step in recognising and celebrating Medway's industrial heritage. It is estimated the new gallery will cost in the region of £120,000.

By virtue of the sheer scale of heritage assets owned and maintained by the Council, not to mention other infrastructure such as river walls and retaining walls, there is a question as to whether emerging technology could be utilised to monitor structural performance and detect abnormalities and defects. The Council would need to invest in fibre optic strain sensors embedded within the fabric, or distributed amongst the façade, of a building or structure. The data from these sensors could then be utilised by relevant officers and maintenance contractors to measure strain, loads and thermal movement. Alerts could be pre-set to highlight any issues before they arise, which improves staff and visitor safety. The optical fibre material itself is relatively inert and would be ideal for long-term monitoring, which is advocated within our Smart City Strategy.

## Libraries and Community Hubs

We have continued our programme of investment in libraries, to turn them into community hubs, providing the public with facilities at which they can access a variety of other services and make direct contact with the Council to make enquiries, report issues and apply and pay for services. As well as improving the customer experience, the investment serves to improve the fabric of the buildings and make improvements to the interior layout making them more accessible and comfortable for visitors.

Following the creation of hubs at Gillingham, Chatham, Rochester, Strood and Twydall, we are close to completing the latest addition of a new hub at Wigmore Library. Further developments are being considered at the Rainham and Hook Meadow Libraries.

## Children and Young People

### The basic need for school places

The Council has a statutory responsibility to ensure that there are sufficient school places in Medway for all of its children. Generally, across Medway with recent expansions and new schools completed and ongoing projects to provide additional capacity planned it is expected that sufficient mainstream places will be available to meet current demand. However, Medway's draft Local Plan highlights the need for an additional 20,000+ homes across Medway and additional school places will be required.

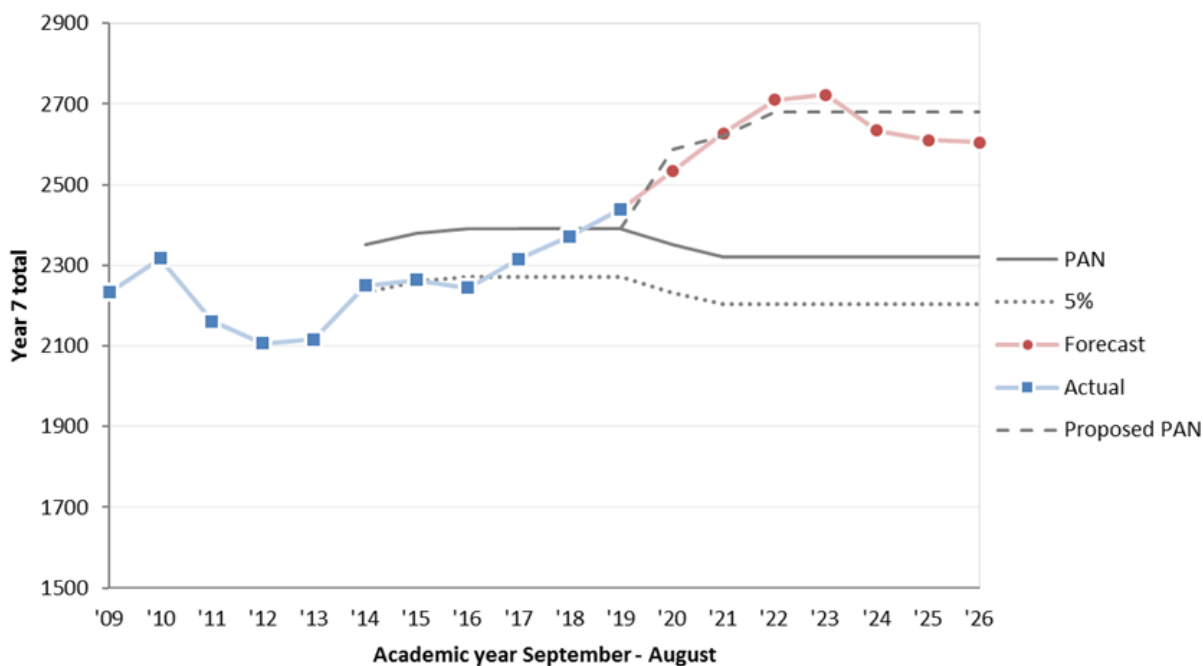
Primary places are generally healthy, with sufficient places available across the majority of Medway for the next five years. The area around Hoo and Chattenden, where there continues to be significant housing development, represents a localised pocket of emerging need. Whilst there are available places in the neighbouring areas of Peninsula East and Strood, the distance pupils may need to travel to access these areas from Hoo is far from ideal. There are options to provide additional places in the area at local schools, but this will require approximately £2.5 million to provide at a 1FE expansion at the Hundred of Hoo Academy, which the capital programme currently does not have.

The Council could borrow in advance of future developer contributions to provide the additional places in the area, but the amount and timing of these contributions is not guaranteed. An alternative strategy would be to wait until sufficient funding is available for further expansions and accept that pupils will have to travel to schools in either Strood or Peninsula East. This could result in additional traffic in the Four Elms area and may incur additional transport costs of around £25,000 a year to the revenue budget.

Longer term, housing development flowing from the Local Plan will further increase demand for primary school places across Medway and it is expected that significant additional primary school places will need to be delivered through a mix of both new free schools and expansions. Whilst it will be dependent upon the locations and timings of the new developments, Medway is likely to need an extra 24 forms of entry over the next 20 years, requiring up to £60 million of capital investment. Much of that cost should be met through S106 contributions, however these cannot be guaranteed and the timing of receipts is unlikely to match demand.

The increase in primary school pupils will naturally transfer into demand for secondary places. The additional 2,300 places provided by the two new non selective secondary free schools funded by Central Government and opening in 2021 and 2022, should mean sufficient places over the next seven to eight years, although if inward migration were to suddenly increase there could be a deficit situation. The graph below shows the increase in year 7 intakes against the available places.

**Table 11: Increase in Year 7 Intake**



The impact of the new housing will need to be monitored and over time new provision will be required, again through a mix of new and expanding provision across Medway. It is likely that around 18 additional forms of entry will be required, requiring around £80 million to deliver. The cost of this will need to be met through either S106 contributions or free school bids, as future rounds are announced.

Despite recent expansions at four selective schools, there remains pressure on grammar school intakes, with expected oversubscription every year going forward. However, it is expected that over the next five years, there will be sufficient places available for all Medway pupils who are deemed as grammar through the Medway Test process, with the excess demand comprising of out of area pupils.

No new grant funding will be made available to local authorities for grammar school expansions and legislation does not permit the establishment of new selective schools. Therefore, options to provide additional places to meet future need are limited:

- Recent changes to admissions criteria for grammar schools will mean that over time the numbers of out of area pupils taking grammar school places will reduce;
- The Council could borrow around £8 million to provide additional capacity within current grammar schools. However, this would impact on the general fund revenue budgets and as our grammar schools are reaching site saturation, it is estimated that a maximum of a further three to four forms of entry could realistically be provided in this way;
- We will support academy trusts in bidding for Central Government's Selective Schools Expansion Fund (SSEF) to acquire funding to self-deliver additional capacity;
- We will explore the option of creating an annexe to one of the current grammar schools, ideally in the Strood or Peninsula area, which could provide the additional places and reduce travel patterns and times for those 1,100 pupils that travel across the river to attend grammar schools each day. This would however require an estimated £25 - £30 million to build the school and a suitable site would need to be identified, as well as a lengthy process to acquire DfE approval.

## The need for SEND places

Perhaps the most urgent and pressing issue affecting the education system in Medway is the availability of special school places. In line with increasing pressure on mainstream places, demand for special school provision has also risen recent years, and so the Council has taken some action to provide appropriate additional provision and to reduce the numbers of pupils placed in expensive independent or out of area settings. This supports the SEND Strategy of increasing local provision for children with special educational need and disability.

A SEND needs analysis was carried out in 2019 and the main areas of need highlighted were for Autistic Spectrum Disorder (ASD), Social Emotional and Mental Health (SEMH) and Severe learning Difficulties (SLD)/ Profound and Multiple Learning Difficulties (PMLD), particularly for secondary aged pupils. Where possible, pupils with SEND are placed in a mainstream school with appropriate support or in a resourced provision within a mainstream school, however some pupils' needs can only be met within a special school.

Without sufficient places in Medway special schools, the Council must rely on independent and out of area provision. Placing pupils in out of area provision takes them away from their local area, family and support network, which can impact on their education and wellbeing. Numbers of SEND pupils are increasing nationally, resulting in out of area provisions experiencing pressure on places and reducing placement options. Moreover, placements at independent schools are much more expensive than in state schools, in most cases without better outcomes for pupils. Whilst state schools out of the area are similar in costs, transport costs are higher and the pupils concerned often have long journeys and do not have the chance to engage regularly with local friends. This also reduces the Council's ability to monitor provision robustly.

To assist in meeting the additional and increasing demand a number of capital projects have been agreed.

In 2015/16, expansions at Danecourt (£1.3 million) for 40 primary pupils with ASD and some SLD and the primary expansion at Abbey Court (£13 million) for 68 pupils with SLD/PMLD were undertaken.

The Department for Education launched a SEN capital programme in 2018, which allocated £2.3 million to Medway over 3 years to provide additional places and facilities for pupils with Education Health and Care Plans. Following a series of consultations, projects were selected, which should directly create an additional 164 places, whilst £600,000 represents the Council's contribution towards the new Free School on the Cornwallis site, referred to later in this document.

However, despite these actions demand continues to grow. The increasing demand for specialist placements within Medway is a challenge. If the current rate of growth continues, it is estimated that Medway will need 484 more special school places, 200 more resourced provision places and 500 more children supported in mainstream placements by 2024/25. Therefore, we need to work closely with a wide range of schools and partners to enable these places to be developed to ensure we make best, and most creative, use of the resources we have to meet the needs of our children and young people locally wherever possible.

To enable this demand to be met, a further £2.5 million has been made available, to be funded from borrowing, to create up to 250 additional resourced unit places within mainstream schools. This will provide the opportunity for pupils with SEND to remain within a mainstream environment where that is appropriate. A programme to deliver this need is currently under development, however it is anticipated that the funding may be insufficient to deliver all of these places.

The Council has worked in partnership with the DfE, to acquire in-principle agreement for a Free School to be built on Council land at Cornwallis Avenue, Gillingham. This will provide 160 specialist places for secondary aged pupils with SEMH and ASD with challenging behaviour. It is expected that the school, which will result in the expansion and relocation of the Inspire Free School currently located in Walderslade, will be ready to occupy by 2023.

In August 2020 Cabinet approved expansions at Abbey Court and Bradfields to provide additional secondary SEND places. Abbey Court's primary provision was relocated in 2016 to a new purpose-built accommodation. The site included sufficient space so that additional accommodation could be built there at a later date and the secondary provision transferred there. This project will provide for 56 additional places for vulnerable of pupils with the most severe of needs. The project at Bradfields will provide for 100 additional pupils mostly with ASD. The targeted opening for both projects is September 2022.

In spite of the actions already agreed, access to further capital to meet specialist demand will be required. The three special school projects in progress provide 316 places, which fills a significant proportion of the deficit, but leaves a shortfall of 168 places against expected requirements.

To meet this demand access to further capital for specialist places will be required, as well as funding for additional provision within mainstream settings to support pupils. Providing appropriate specialist provision will afford the opportunity for more pupils to be educated within Medway, reducing costs significantly against placing in expensive out of area independent provision.

For example, placing pupils with ASD in a Medway specialist provision would reduce costs against placing out of area by approximately £20,750 per pupil per year and therefore the additional capital required to provide places for the 168 place deficit could reduce costs by almost £3.5 million per year. The cost of building a 160 place special school would be in the region of £25-30 million.

The needs analysis highlighted that these places would be required by 2025; the time taken to identify a site, consult, design, plan and build a school of this size would be around 3-4 years meaning that the places could be ready, if capital were made available, to meet the peak of demand.

Not undertaking a project to provide these places will result in increasing numbers of pupils continuing to be placed out of area, some in residential provision away from their friends and family, at ongoing significant cost.

The further savings on transport for 168 pupils if placed in Medway as opposed to out of area would be in the region of £1.1 million per year. Therefore providing £30 million to build a new special school to cater for 168 pupils could repay the borrowing costs in less than a decade.

## Health, Social Care and the Community Sector

### Helping people to live independently

The core purpose of adult care and support is to help people to achieve the outcomes that matter to them in their life. The Care Act sets out how a local authority should go about performing its care and support responsibilities. Underpinning all of these individual 'care and support functions' is the need to ensure that doing so focuses on the needs and goals of the person concerned.

In 2019/20 the gross budget for social care packages was around £75.9 million, of which £51.7 million (68%) related to residential, nursing, and supported living placements. Year on year the Adult Social Care budget, reflects demographic pressures of round 3% per annum, with a significant proportion of the increase in



care packages represented by residential placements, nursing beds or higher cost independent sector supported living places.

There is a need to better manage demand and plan earlier to ensure the market has the capacity to cope with the future needs of our population and to take into consideration the ongoing impact of Covid-19. The concept of independent living is a core part of both the Care Act's wellbeing principle and of our Adult Social Care vision:

*'We will support the people of Medway to live full, active lives; to live independently for as long as possible, and to play a full part in their local communities. We want to make sure that wherever possible citizens in Medway are supported to stay or return to their home, so that they can maintain important relationships with family, friends and continue to actively be part of their own community'.*

Enabling independence requires the right home and the right care at the right time to meet the individual's needs. A successful outcome could mean someone staying in their current home with assistive technology, care and adaptations, moving into residential or nursing care, or moving into a new home tailored to the person's needs, in what is called 'specialist' accommodation.

Commissioners in Adult Social Care have been reviewing their strategic approaches, in order to respond to service users need for independence, whilst at the same time seeking to address the Council's financial challenges. Independent living represents one strand of practical activity amongst others to match accommodation and care to the needs of people in Medway.

We plan to review current supported living care packages, with a view to increasing independence and where it is appropriate and safe, reduce night-time support and where clients have less complex needs, work with our housing service to support clients to move into standard housing. The actions required to support this plan involve:

- Modernising the supported living offer by establishing a clear profile of current and future demand and then recommissioning contracts which are outcome focussed, along with a technology enabled approach, and aligned to the Adult Social Care strategy;
- Working in partnership with Housing to develop general needs housing to support step down from supported accommodation;
- Increasing the 'Shared Lives' offer and continuing to increase referrals from social work teams, with the aim of increasing the number of long-term placements.

Once the needs analysis has been completed across care for older people, disability services and mental health services and an accommodation strategy formulated, a business case will be prepared for future investment in more supported accommodation units, to be funded from the savings generated on care packages.

### Disabled Facilities Grant

The Disabled Facilities Grant (DFG) is a means tested grant of up to £30,000 to provide adaptations in people's homes that will make them more accessible. Works can include, but are not limited to, stair lifts, ramps and bathroom adaptations. The grant is entirely funded as part of the Better Care Fund and for 2020/21 is worth around £2.2 million.

## "Back to Better": Our recovery from the pandemic

### The Corporate Property Strategy

The Council maintains and operates a wide range of assets, representing a significant proportion of our overall asset register. We provide services from 340 operational buildings and a further 581 operational

sites, including 65 car parks and 425 parks and greenspaces, 33 shops and business centres, four major regeneration sites, three civic amenity Sites, 13 cemeteries and a crematorium.

Our property strategy is underpinned by a number of fundamental principles, comprising innovation, property rationalisation, return on investment, flexible and adaptable work spaces and energy sustainability. Whilst Covid-19 has been an unwelcome distraction, the opportunities it has presented to work differently are wholly consistent with the principles underpinning our existing strategy. Nonetheless, in planning our longer term recovery from the pandemic, we have adopted some specific principles to guide us during the immediate term:

- We will cease occupying and paying for leased buildings as soon as practically possible, to rationalise our operational property portfolio and reduce revenue costs;
- Where we have the option to exercise a break clause, we will look to agree a new short term lease to enable linked projects to complete;
- Working from home will become the norm for all back office teams, including all those in the Business Support Department;
- Social distancing measures and appropriate health and safety accreditation will need to be maintained for all operational buildings and maximum occupancy of 25% enforced;
- Hot-desking should be avoided during social distancing measures;
- Teams may wish to access buildings on a rota basis with say an A and B team being in the office at separate times.

We currently occupy nine leased properties, for both office accommodation and front line service delivery, which together cost over £436,000 per annum to rent. There are no real break clauses for several years yet, however the planning has started to move to a more decentralised operating model going forward, with a view to reducing the Council's requirement for office accommodation over the longer term.

### Maintaining our Operational Buildings

A complete condition survey of the Council's property portfolio in 2017 identified a maintenance need of around £9.2 million over a five year period, including priority 1 health and safety requirements. Since then the annual budget for building repairs and maintenance has grown and the base budget now stands at £750,000 per annum. Last year the Council also agreed an injection of £500,000 of capital receipts to fund major repairs to our operational property portfolio.

Another round of condition surveys have now been commissioned and whilst this should reflect the impact of the works undertaken over recent years and the efforts to rationalise our portfolio, work to identify opportunities to reduce the cost of the programme will need to continue by:

- Prioritising repairs and maintenance in the context of our wider Property Strategy;
- Identifying assets that have no future in the Council's medium term plans for service delivery and disposing of them to generate capital receipts;
- Reviewing services that have a commercial opportunity through outsourcing and in so doing, passing responsibility for the maintenance of buildings to the out-sourced provider;
- Our category management approach to procurement to reduce maintenance costs;
- Implementing more sustainable energy solutions to save money and benefit the environment. Officers have started working with the Government backed Local Partnerships organisation, to explore the potential for energy efficient 'invest to save' schemes under its RE:FIT programme.

The RE: FIT Programme also presents the Council with a unique opportunity to invest in a 'real time' Building Management System (BMS) for the majority of operational buildings. A network of internal sensors distributed throughout our buildings will allow the Council to autonomously monitor building capacity, environmental factors, legionella compliance, mechanical faults, desk or meeting room occupancy, and any

COVID compliant solutions that may be deemed necessary in our buildings in the future. This is a completely fresh approach to the status quo and one that reflects our aim for a 'smart' building estate. All this data can be easily presented on a dedicated dashboard and support the reporting of information to Senior Management, Members and Portfolio Holders.

## Property Investment Strategy

Investment property is defined as property that is used solely to generate revenue from rents or for capital appreciation. Investment properties are not depreciated, but are revalued annually to reflect their fair value based on market conditions.

The Council's asset register identifies 15 investment properties, with a market value of £16.8 million, and together with the Pentagon Centre, which cost £37.0 million, they are budgeted to generate around £3.2 million per annum in rents.

Obviously Covid-19 has impacted to a greater or lesser degree on the wide variety of businesses occupying our investment property portfolio. During the initial lockdown, Government placed restrictions on all debt enforcement activity in order to protect businesses and allow them time to recover. This has impacted on our collection of rental income, however we and our agents have been working with our tenants to allow them to pay their rent over a longer period, rather than simply writing off the arrears

The capital programme still includes approval to borrow a further £13.2 million for commercial property investments, however we have taken on board the Government's guidance on local authorities investing in property for purely commercial gain and are focusing on opportunities within Medway's boundary and which are consistent with our regeneration ambitions, as exemplified by the Pentagon Centre investment.

## Our Digital and ICT Strategy

Our Council Plan commits us to '*finding the best digital innovation and using it to meet residents' needs*', as well as providing value for money. The plan puts customers at the heart of our service delivery which is underpinned by the Customer Pledge. Medway Council is also signed up to the Local Digital Declaration, a public pledge to meet high standards with our digital services and adopt a digital culture and ways of working.

Living in a digital age means that demand for public services and customer expectations of our online services continues to grow. Our residents and businesses expect the same levels of access, ease of use and customer service that they see online from large private sector organisations, such as Google and Amazon. They expect to be able to access their services at a time and in ways that suit them.

Our Digital and ICT services have played a key role in helping to deliver these objectives. For example, new online services which support customers to 'self-serve' via the Council's website, [www.medway.gov.uk](http://www.medway.gov.uk) which not only makes interacting with the Council possible 24 hours a day, 7 days a week, but reduces demand on more expensive channels such as face-to-face, or telephone support.

Having recently undergone a full service review, which has resulted in a new management team and staffing structure and contributed annual revenue savings of over £400,000 per annum, we now need to ensure that our staff have the necessary technology to perform their roles and our elected Members require the right tools to engage with their communities. The Council's future ICT requirements were reviewed as part of this process and provided a clear direction for the team, identifying some priority areas for investment.

Infrastructure: The Council benefits from a secured, on site data centre at Gun Wharf, hosting approximately half of the authority's computing infrastructure, with the other half located at the West Service Building of Medway Tunnel. Together they form a resilient and reliable computing platform.

However, our strategy represents a hybrid approach, with some of our main applications being hosted by our software providers and the use of other cloud-based services where they are deemed appropriate.

The stability of the ICT infrastructure is robust, with services operational for 99.95% of the time, and with an out-of-hours support service providing cover 24 hours a day for 365 days a year to those who subscribe to it. Until the beginning of this year, the majority of the council's core technology infrastructure was beginning to show its age. Around £240,000 of capital investment identified in last year's capital strategy and agreed in February 2020 has enabled us to replace outdated servers and ensure we continue to maintain compliance requirements, however over the next five years it is estimated that essential investment in replacement servers and other network infrastructure will require around £3.0 million and this will need to feature in future capital programmes.

Retaining the data centre also allows us to generate income by hosting services for other organisations, however in order to continue to provide this service the space occupied by the data centre will need investment to repair the floor, where it has collapsed, and provide secure, separate access to the data centre outside normal office hours. This is estimated to cost around £150,000.

**Information Security:** The risks arising from cybersecurity are extremely high. Failure to secure the council's ICT resources correctly could lead to critical failure in its ability to deliver front line services. The potential fines for loss of data from a breach can run in to millions. Medway Council's ICT security approach is to adopt best practice as it evolves and ensure that good value for money investment decisions are made to deliver appropriate ICT security. This includes virus protection, firewalls, mobile device encryption, strong passwords, locked down desk-tops, two factor remote access and related provisions. The revenue investment required is estimated at around £200,000 per annum.

**Connectivity (Networks) and Telephony:** Currently the Council's connection to the internet is over a 100mb fibre connection. In recent years this has begun to show its limitations as more and more internet provided services are used within the Council. More services rely on fast internet connections to exchange data, this includes Office 365, the Council's digital platform. When all the 100mb connection bandwidth is in use, new connections are unable to be made and services suffer. For reference, in recent years the roll out of fast broadband to residents means that many households have between 35mb and 80mb while those with fibre to the premises can have speeds of up to 1000mb.

The council has Wi-Fi throughout our buildings, however as staff have become significantly more mobile, it is apparent that the current Wi-Fi is not fit for purpose. The capital investment has enabled us to start the much needed Wi-Fi upgrade across our council buildings to improve connectivity.

We will also introduce additional Wi-Fi capability within Medway, enabling residents to take advantage of this, supporting our Smart City ambition and we are currently working in partnership with several leading broadband providers.

Medway Council's current telephony solution provides standard telephony functions to Medway Council. While the current solution has proven to be a stable solution, the needs of the Council have outgrown the solution in its current form. The need for a more unified communication platform with more mobility features has become essential and Procurement Board recently agreed a £1.3 million contract for a new omni-channel system, with implementation starting in November 2020.

Our Contact Centre is one point of contact with the Council for Medway residents, however in its current form it is very limited. The need to bring together all forms of communication from a text message, voice, email and social media into a single pane of glass has become key to the council so that it allows its residents to use whatever platform they prefer to connect with the council.

Our new solution will take advantage of many of the new advancements in technology, one of these being artificial intelligence (A.I.), which brings many tools that we can develop during the lifecycle of the new system. Some examples of this is to use a chatbot to collate a series of questions to allow it to either provide a solution to the resident or enable the contact centre agent to be given all the information they need from the resident so they can handle the query noticeably quicker. This data that is collected before the query is dealt with will also help with getting that query to staff members that hold specialist skills in that area of work. The integration of chatbots will also allow residents to interface with the council 24/7.

**Application and Corporate Systems:** In spite of efforts over recent years to rationalise the number of IT applications operating within the Council, we still employ 91 different software solutions to ensure that Council services can be delivered. Our ICT team supported by Business Change have started a project to look at our core corporate systems, with a view to maximising our use of the functionality available to the Council and where we identify duplication, looking to rationalise systems. We have a small, but highly skilled team of software developers and we will look to build applications ourselves, rather than always buying off the shelf or bespoke solutions from third parties. We also have an excellent Digital Services team, maintaining our web site(s), building web content, creating online forms and leading on the continued development of our citizens portal.

Contracts for several of our main applications are coming to an end during the life of this strategy we will need to either extend the contracts or procure new solutions. If we cannot generate efficiencies through rationalising systems or creating in-house applications, the cost of replacement is estimated at £1.75 million over a five year period.

**End User Devices:** There are currently around 1,200 lap tops being used across all Council services and the power of these tools has never been more obvious than in light of the pandemic. The resilience of our network and the use of these mobile devices, together with less expensive but equally powerful tiny PC's has meant that around 90% of our staff, together with all Members of the Council, have been able to work in a more decentralised way; at home and from a variety of other remote locations. If this is to become part of a 'new normal' and allow the Council to radically review its overall office accommodation footprint, we will need to roll this technology out in some form or another to all our staff. It is estimated that the cost of this would require initial capital investment of between £500,000 and £1.0 million, with provision needed in future years revenue budgets for a rolling programme of replacement.

## Management of Risk

The Prudential Code recognises that in making its capital investment decisions the authority must have explicit regard to option appraisal and risk.

*"The capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, along with an overview of how associated risk is managed and the implications for future sustainability."*

Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to execute its strategies successfully. Through a risk management process, risks should be identified and the potential consequences evaluated, with a view to determining the most effective action to manage them. The aim of such action is to reduce the likelihood of adverse risk events occurring, minimise the severity of their consequences if they do occur and to consider whether risk can be transferred to other parties.

The Council's project management methodology requires that each project should have its own risk register to manage operational risk, however this section of the Capital Strategy focusses on strategic risks to the Council, resulting from its capital investment activity. This is presented at Table 12.

**Table 12: Increase in Year 7 Intake**

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial risks impacting on the capital programme	<p>Credit risk: the risk that the company delivering the capital scheme becomes insolvent.</p> <p>Liquidity risk: the risk that cash flows could be affected by delays, inflation, interest rates or exchange rates.</p> <p>Fraud, error and corruption.</p>	<p>The Council exercises due diligence in the award of contracts.</p> <p>Mitigated by sound budget monitoring and treasury management.</p> <p>The Council has robust controls in place over procurement, project management and financial management.</p>	
Legal and regulatory risk affecting delivery of capital schemes	<p>Capital Schemes must comply with legislation, eg: DDA, as well as Council policies, contract procedure rules and financial regulations.</p> <p>There is a risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it inadvisable or even illegal.</p>	<p>Before incurring capital expenditure or making capital investments, the Council will understand the powers under which the investment is made.</p> <p>Upcoming changes to relevant legislation and regulation will be kept under review and factored into any capital bidding and programme monitoring processes.</p>	
Capacity constraints to deliver an ambitious capital programme	<p>The Council has embarked upon an extensive and ambitious programme of regeneration. It is also a very lean organisation and whilst it employs skilled, professional officers, they do not have the capacity to deliver this programme at pace and on their own</p>	<p>The Capital Strategy relies on working with a broad range of partners, to share risk and reward through a 'mixed economy' of self-delivery, joint work with public sector partners through 'One Public Estate', partnerships with the private sector and alternative delivery vehicles such as our joint ventures with Norse and our own Medway Development Company.</p>	

## Conclusions

Through the Council Strategy the Council has set its corporate objectives and the financial challenges and expenditure requirements to deliver these objectives articulated in the Medium Term Financial Strategy and Capital Strategy. Over the next few months, more detailed financial plans in the form of the Revenue Budget and Capital Programme will be formulated for approval in February, alongside the refreshed Council Plan.