

Our Capital Strategy



Contents

Foreword	4
Introduction by the Leader.....	4
Funding the Capital Programme.....	5
External Grant Funding.....	6
Developer Contributions	6
Capital Receipts	7
Revenue Funding	8
Prudential Borrowing	8
Leasing	9
Our Capital Budget Setting Process.....	9
Our Current Capital Programme	9
Economy and Infrastructure.....	10
Homes for All	10
No Use Empty	11
Medway Development Company Ltd.....	11
Social Housing.....	13
Town Centres and High Streets	13
Innovation Park Medway and the Enterprise Zone.....	15
Skills and Employability	16
Housing Infrastructure Fund – New Routes to Good Growth.....	16
Transport and Highways.....	17
Carriageways	17
Footways.....	18
Investment in our Highways, Footways and Other Assets.....	19
Public Transport.....	20
Street Lighting	20
Environmental Services	21
CCTV.....	22
Bereavement Services	22
Sport and Leisure.....	22
Green Spaces – Play Area Investment.....	23
Heritage Assets	23
Culture	24
Libraries and Community Hubs	26
Children and Young People	27
The need for SEND places.....	28
Children’s Social Care Improvement Programme	30
Health, Social Care and the Community Sector	30
Promoting wellbeing to aid Medway’s residents to enjoy full and active lives in the community.....	30

Disabled Facilities Grant	31
Rebound, Rebuild and Reimagine – our phased recovery from the pandemic	31
The Corporate Property Strategy	31
Maintaining our Operational Buildings	32
Property Investment Strategy	33
Our Digital and ICT Strategy	33
Management of Risk.....	34
Conclusions.....	37

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 (or for 2021, our Financial Outlook report). 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



In last year's introduction to the Capital Strategy, I spoke about our impressive £430million capital programme which will provide growth for all and power Medway forward. We have an ambitious vision for Medway and we are committed to providing our residents with new facilities and providing businesses with more opportunities for growth. The Coronavirus pandemic has undoubtedly had an effect on us all, and our day-to-day council operations and finances, however, we did not allow our monumental regeneration programme to take a backseat as this vital work supports our economy's growth and continues to provide job opportunities for local people. Work is continuing on our £170million major infrastructure

improvement project on the Hoo Peninsula and other Infrastructure works, including access roads and utilities, are due to begin at Innovation Park Medway near Rochester Airport shortly, giving businesses a chance to grow on a new site with excellent transport links and connectivity.

Our own housing company, Medway Development Company (MDC) is continuing with plans to build apartments at Chatham Waterfront, deliver the Garrison Point development on the former Whiffens Avenue car park and build affordable homes in the loading bay of the former Britton Farm Mall supermarket. Work has also begun on creating an innovative adult learning and skills hub on the vacant top floor of the former shopping centre in Gillingham alongside works to transform the shopping mall area. MDC will also transform empty office accommodation at Mountbatten House, and adjoining land, in the centre of Chatham, into 164 high-quality one and two-bedroom homes with commercial units at ground floor level as well as an enhanced entrance to the Pentagon Shopping Centre. The former bus station will be converted into parking for the new homes and the station ramps will be demolished to create pop up containers for shops and kiosks alongside a new public square and improved taxi rank.

The council has also been successful in a £9.5million bid to further transform Medway's city centre, Chatham, and create vibrant hubs for future generations, helping to protect, and create, further job opportunities. Work is also continuing on Medway's flagship regeneration scheme, Rochester Riverside. Construction of the new primary school has begun and the Rochester Riverside Church of England Primary School is expected to welcome its first pupils in September 2022. This supports our Child-Friendly City agenda, putting children and young people at the heart of everything we do.

Our new Capital Strategy will further demonstrate that the pandemic has not hampered our ambitious regeneration scheme, but rather made it more resilient and encouraged us to think in more innovative ways in order to continue to deliver high-quality services for our residents and facilitate better ways of working, including more sustainable models, supporting our climate change agenda.

Clr Alan Jarrett

Leader of Medway Council

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 2021 is summarised in Table 1.

Table 1: Summary of Long Term Capital Assets as at 31 March 2021

Asset Category	No. of Assets	Cost / Valuation	Depreciation / Disposal	Net Book Value
		£	£	£
Council Dwellings (HRA)	3,891	156,182,358	0	156,182,358
Other Land and Buildings				
- Offices	16	11,049,800	(20,337)	11,029,463
- Depots	9	6,044,900	(27,367)	6,017,533
- Libraries / Community Hubs	16	8,137,200	(167,425)	7,969,775
- Schools Related Assets	204	69,928,852	0	69,928,852
- Parks and Open Spaces	63	14,026,399	(147,669)	13,878,730
- Community Centres	20	6,140,800	(59,820)	6,080,980
- Land / Allotments	33	3,435,632	(66,602)	3,369,030
- Shops/Commercial	73	45,414,900	(81,754)	45,333,146
- Service Provision	125	31,987,276	(286,565)	31,700,711
- Memorials / Religious	31	6,281,226	(299,223)	5,982,003
- Infrastructure / Highways	1	18,000	0	18,000
- Car Parks	120	54,843,400	(705,611)	54,137,789
- Public Conveniences	31	2,023,100	(32,910)	1,990,190
- Sports / Leisure	111	65,059,402	(3,378,325)	61,681,077
- Theatres	10	10,114,200	(1,036,214)	9,077,986
- HRA Garages	876	4,018,983	(2,556)	4,016,427
Vehicles, Plant and Equipment	140	16,116,100	(11,099,539)	5,016,561
Community Assets				
- Parks and Open Spaces	116	5,903,891	(3)	5,903,888
- Land / Allotments	374	2,967,506	(9,479)	2,958,027
- Sports / Leisure	1	66,498	(1,570)	64,927
- Memorials / Religious	8	17,311	0	17,311
Infrastructure and Highways	204	386,576,986	(220,154,427)	166,422,559
Heritage Assets	36	18,223,213	0	18,223,213
Investment Properties	15	16,868,900	0	16,868,900
Intangible Assets	1	3,128,206	(2,565,642)	562,563
Assets Held For Sale	4	18,392,100	0	18,392,100
Total Assets	6,529	962,967,139	(240,143,040)	722,824,099

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 Homes England for the Housing Infrastructure Fund 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 £204.500million of capital grant funding, principally the £170.0million 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 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. The exception to this is in terms of schools, as it is not necessarily possible to wait until a development has been built out before we must deliver the school that serves that community. This means that we have to incur expenditure in advance of the funding being received, and this represents a risk to the Council. 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 31/03/2021 £,000	Agreed S106's £,000	Projected Balance £,000	Current Committed £,000	Funds Available £,000
Community Facilities	11.0	1,497.8	1,508.7	0.0	1,508.7
Highways, Footways and Street Furniture	2,912.00	2,433.00	5,345.00	784.20	4,560.80
Environmental Services	0.6	64.4	64.9	0.0	64.9
Education / Schools	8,784.80	39,778.40	48,563.20	16,755.70	31,807.70
Early Help, Youth and Inclusion	19.0	11.7	30.6	0.0	30.6
Adult Social Care	5.8	10.2	16.0	0.0	16.0
Strategic Property and Energy	42.7	1.1	43.8	0.0	43.8
S106 Open spaces	2,464.30	4,224.50	6,688.80	428.40	6,260.40
S106 Great Lines Heritage Park	76.3	67.1	143.3	0.0	143.3
S106 Play Equipment	43.5	0.0	43.5	43.5	0.0
S106 Public Realm	139.1	100.3	239.4	0.0	239.4
Open Spaces, Play Parks and Public Realm	2,723.1	4,391.9	7,115.0	471.9	6,643.1
S106 Safer Comms Operations	0.0	0.0	0.0	0.0	0.0
S106 Strategic Housing	0.0	0.0	0.0	0.0	0.0
S106 Sport, Leisure Tourism & Heritage	10.2	481.2	491.4	0.0	491.4
Totals	8,660.7	27,563.9	36,224.7	9,241.9	26,982.8

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 with this flexibility now confirmed until the end of the 2024/25 financial year. 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.

Table 3: Estimate of Capital Receipts

Source of Capital Receipts	Capital Receipts as at 31 March 2021 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26+ £m
Medway Development Company Ltd.	2.602	0.041	0.000	0.000	8.780 *	0.000
Rochester Riverside	3.104	1.348	0.000	1.550	0.000	9.835
Other Capital Receipts	3.565	5.079	0.750	5.574 *	0.850 *	3.800 *
Totals	9.271	6.468	0.750	7.124	9.630	13.635

* includes forecast capital receipts in addition to those already agreed.

The current capital programme assumes the use of £7.699million of the above capital receipts. Table 3 also includes a £1.7million receipt from the Temple Waterfront site which will need to be used to improve public realm in that area in the future.

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 (for 2021 this work culminated in the Financial Outlook 2022/23) 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 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 2021/22 year was approved by Full Council in February 2021. 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 Table 4.

Table 4: Approved Capital Programme 2021/22

Funding Source	Children & Adults £m	RCE £m	HRA £m	Business Support £m	Member Priorities £m	Total Programme £m
Prudential Borrowing	22.690	64.528	12.572	0.247	0.000	100.037
Borrowing in lieu of Capital Receipts	0.000	112.193	0.000	0.000	0.000	112.193
Borrowing in lieu of Future Business Rates	0.000	36.533	0.000	0.000	0.000	36.533
Borrowing in lieu of Future Section 106 Contributions	1.585	0.000	0.000	0.000	0.000	1.585
Capital Receipts	0.623	2.591	0.000	4.122	0.363	7.699
Capital Grants	2.440	202.058	0.000	0.002	0.000	204.500
RTB Receipts	0.000	0.000	0.045	0.000	0.000	0.045
Developer Contributions	2.736	1.233	0.000	0.000	0.000	3.969
Revenue / Reserves	0.000	0.027	9.039	0.034	0.000	9.100
Total Capital Programme	30.074	419.164	21.656	4.404	0.363	475.661

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 is a flagship project in our regeneration programme. The site is made up of brownfield development land, stretching from Rochester Bridge to the north and Doust Way to the south. As well as meeting our objective of providing new homes and jobs for Medway, the Rochester Riverside development will bring other benefits including a range of publicly accessible open spaces, retail and leisure facilities and improvements to the 'gateways' between the River Medway and Rochester High Street.

Rochester Riverside is a project managed in partnership by Medway Council and Homes England. Both organisations have invested substantial funds in site assembly, flood defences, remediation and engineering works to enable the site's detailed redevelopment. The area will be developed over the next 8 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
- over 108,000 square foot of non-residential floor space, including Station Square and Cory's Wharf with its Creekside shops and cafes, some of which are now open for business including Costa Coffee, Coop supermarket and a new hotel
- a new primary school which is expected to open September 2022
- leisure facilities
- office space
- further shops and restaurants to be delivered in later phases.

Phases 1 & 2 were completed in September 2021, the associated affordable housing has been handed over to the provider and commercial units are now occupied, while phase 3 is nearing completion. Planning permission for the 2 form entry school was granted in February 2021, works began on site in July 2021 and the target opening date is September 2022. Planning for the fourth phase was submitted in September 2021, while the sale of Phase 4a was agreed, with drawdown and payment completed in September 2021. A planning application for Phase 4a was submitted in May 2021 for a 101 mixed tenure, extra care scheme for the over 55's from the Anchor Hanover Group.

There has been significant investment in Strood over recent years, however market conditions are not conducive to taking forward the Strood Civic Centre site at this time, however it features very strongly in our long term pipeline of regeneration projects. Challenges in delivering the flood defences at Strood Waterfront within the budget available have prompted the Council to revisit the viability of this development in the short term, and this work is ongoing.

Planning permission was granted in March 2019 to develop a high-quality, mixed-use development at the Chatham waterfront location which will act as a driver for further regeneration in the area. We have partnered with Medway Development Company Ltd 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. Planning

conditions have been discharged including archaeological work. Hoarding has been added to the site and a marketing design chosen. Piling works have now started on site.

No Use Empty

There are currently 1,573 long term and 2,066 short term vacant properties in Medway. There has been a steady increase in both categories over the past five year period, and without further action this trend will continue upwards. Derelict and empty properties are a wasted resource and are recognised as having a negative impact on communities, house prices and may attract anti-social behaviour and crime.

Medway has recently joined the Kent County Council's award winning No Use Empty scheme on a trial basis. The scheme has been successful in bringing back over 7,000 units across Kent since 2005. The scheme provides interest free loans to owners of vacant properties with the loan secured against the property value, enabling the owner to carry out any works required to bring the properties back into use. Until the loan is repaid the Council will have full nomination rights to the property. Providing additional funding past our trial scheme will give the Council options in tackling the number of vacant properties, alongside the work undertaken by the Councils Derelict and Empty Properties Officer. Investment of up to £1million per year for a 3-5 year period would bring the scheme up to a level where it is expected the funds could be recycled in perpetuity providing a long term scheme.

Medway Development Company Ltd.

Medway Council is making considerable investment into its urban spaces and the development of new housing is an integral part of this agenda. With Medway becoming an increasingly attractive place to live, the Council as a significant land holder can play an important role in helping to address the demand for housing. 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 the 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 represent as much as 30% of the total cost of a development.

MDC is making significant progress on sites across Medway. The Chatham Waterfront scheme will deliver 182 new homes, new commercial spaces for cafes, restaurants and offices alongside a new public realm to create a vibrant centre for Chatham. Piling works are nearing completion and the project has now progressed towards the erection of reinforced concrete frames with buildings taking shape. The aerial photograph below illustrates the progress.



Garrison Point is progressing, with the construction of 115 apartments on the former Whiffens Avenue car park, including nine shared ownership homes.

At the previous update, piling was completed and a crane had just been installed to enable the reinforced concrete frame to commence. As outlined in the photograph below, good progress has been made and the building has almost reached roof level.



Planning permission was granted on the 29 April for the conversion of Mountbatten House to provide 108 apartments and an extension with a further 56 apartments, together with flexible commercial floorspace at ground floor level and a rooftop restaurant. The project would bring an empty building back into use as well as enhancements to the former bus station, taxi rank and public realm areas that surround the site. A CGI impression of what the final development will look like is provided below.



The Chatham Waterfront scheme includes a provision of affordable housing that will see the delivery of 44 residential apartments, to be built on the former loading bay area of the previous Britton Farm supermarket site. These works are progressing through their enabling phase and the site is now hoarded to secure it and the demolition works have now been completed. The scheme is now progressing through its detailed design phase prior to the commencement of the main construction works.

The original business case was predicated on MDC Ltd. project managing these schemes within the Council capital programme, with the Council as the developer. These initial schemes were expected to yield a net capital receipt for the Council of over £13million, however the approach has now changed. MDC Ltd. has instead taken possession of the sites and will act as the developer in its own right.

Whilst external factors have resulted in significant inflationary pressures, with the cost of both labour and materials increasing, so too have expected values of the completed developments and so the schemes are still expected to yield significant profits. The Council will benefit in three ways:

- The generation of around £2.6million of capital receipts on the transfer of the Chatham Waterfront and Whiffens Avenue sites to the company;
- The market rate of interest generated by the Council, in making loan finance available to the company to progress these developments, estimated at a net revenue benefit of between £1million and £2million per annum;
- The expected dividends that the company will pay to the Council, as 100% shareholder, in future years.

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 first of a three year maintenance programme (2021/22 to 2023/24). 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 the major repairs reserve, topped up with contributions from HRA revenues.

Town Centres and High Streets

We are committed to supporting the resilience and recovery of our high streets and town centres and have been successful in attracting government funding to support the regeneration of these areas.

In Spring 2021 the government confirmed Medway Council had been successful in bidding for the Future High Street Fund, with an allocation of £9.498million to deliver six key projects in Chatham by March 2024:

- Supporting the delivery of a Healthy Living Centre in the Pentagon Centre, to integrate key community health services in a visible, highly accessible location while supporting town centre diversification.
- Deliver an Innovation Hub in the Pentagon Centre, providing 5,285 square feet of new workspace for local businesses, using vacant units in the heart of the City centre, to support start-ups in innovative, creative and digital sectors.
- Deliver public realm improvements to enable redevelopment of Mountbatten House, including a new City Square and demolition of the bus station ramps, which will pave the way for new high quality residential units that face Chatham's waterfront and integrate with new civic healthcare uses in the Pentagon Centre.
- Investment in the Brook Theatre to deliver new studio space, creating additional contemporary flexible workspace of 3,358 square feet.
- Development of the former Debenhams site to deliver commercial use, as well as community and leisure uses, on the ground floor to encourage an active frontage. This will enable the delivery of residential units above the ground floor.
- St John's Church is an underutilised asset at a key gateway into Chatham town centre. It will be restored and redeveloped into a new co-working, conference and events hub, servicing existing and developing demand in the creative and digital sectors. The Diocese of Rochester will be overseeing the delivery of these works; the Council will assist where appropriate

The Council was awarded £1.6m from Historic England in April 2020 to create a High Streets Heritage Action Zone for the Sun Pier to Star Hill conservation area. The focus is on bringing the history and heritage

of the area back to life, and boosting the local economy by 2024. The funding is being used to create a 're-use and re-vitalise buildings' programme, to help create a local creative group to develop a cultural heritage and engagement programme and to create a framework to guide future development in the area.

Though in common with all high streets, the retail offer in the Pentagon Centre was adversely impacted by 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. The Council took control of the centre in 2019 in order to deliver the aspiration to make Chatham our city centre and we aim to 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. Part of the original strategy in purchasing the Pentagon was to redevelop an area of the Centre, currently under-performing as lettable space, to provide additional leisure facilities in Chatham. However due to changes in demand in the leisure market, this is no longer considered a viable option. A new repurposing strategy has therefore been produced which is to bring alternative uses into this area, reducing the amount of retail and thereby increasing the sustainability and profitability of the ground floor retail. The Council is in advanced discussions with a public sector organisation to reconfigure and occupy an area of the Centre, enabling the prospective tenant to divest itself of other unsuitable property and will provide a rental income to the Council. It will drive footfall to the centre and improve the overall vitality of this strategic asset.

In 2020 the Council was awarded £1.99million from the South East Local Enterprise Partnership's (SELEP) £85million share of the government's £900million Getting Building Fund, which was created to invest in local infrastructure projects to drive economic growth following the ongoing coronavirus pandemic. The funding is being used to create a Learning Skills and Employment Hub on the vacant top floor of Britton Farm Mall, 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 qualifications for highly skilled jobs which are being created across Medway. The new centre is due to reopen in 2022. Work has also begun to transform the shopping mall area at Britton Farm. Part of the roof will be removed to make the area feel more open, new planters will be provided and the floor will be resurfaced. The works are due to be completed later this year. The funding also supports the delivery of 44 new affordable homes which are due to be built in the loading bay of the former supermarket by our own housing company, Medway Development Company (MDC).

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 has been implemented in Rochester, with the installation in Chatham expected to be operational by December 2021.

In Spring 2021 the government introduced the Levelling-Up Fund which aims to restore the pride people feel in the places they call home and protect culture and heritage. The fund focusses on delivering capital investment in local infrastructure through a competitive bidding process between Local Authorities with the first round focussed on three themes; transport, regeneration and town centres, and culture. On 27 October, alongside the Spending Review 2021, the government announced that the joint bid from Medway Council, Chatham Historic Dockyard Trust and the University of Kent had been awarded £14.4million. The project was a package bid, consisting of three linked components:

- Brook Theatre: the project will deliver over 400sqm of new and improved creative workspace, leading to an additional 40 professional touring events each year, and the creation of c. 50 local jobs;
- Fitted Rigging House: the conversion of an historic building within the Historic Dockyard Chatham to provide c. 1,700 sqm of commercial workspace, creating 125 jobs; and
- Docking Station: the project will bring back in to use the Police Section House at the Interface Land as a state-of-the art laboratory facility for the teaching of advanced creative technology. It will include coworking, start-up, accelerator, meeting and research and development space. The project will create in excess of 75 jobs.

In November 2021, the government confirmed that the Council have been awarded funding through the Community Renewal Fund for two projects. Medway Together will be delivered with the University of Greenwich to develop people, businesses and organisations targeting individuals who are persistently unemployed, and has been awarded £586,514. The Kent & Medway Partnership for Enterprise, Food and Health will be delivered across Kent & Medway to build partnerships that strengthen local capacity to grow, process and use healthy food at affordable prices. The project will prepare a blueprint for the establishment of financially and operationally sustainable food businesses and community partnerships.

This funding will be added to the budget in due course.

Innovation Park Medway and the Enterprise Zone

Innovation Park Medway, on the site of the Rochester Airport and a part of the wider North Kent Enterprise Zone, will help shape the economic future of the region, attracting investment and growth to the area by bringing forward 3,000 high quality jobs and creating a hub for high tech businesses.

In agreeing the Capital Programme at the February 2021 budget meeting, the Council approved borrowing to supplement the £9.619million of Local Growth Fund (LGF) grant allocated via the South East Local Enterprise Partnership (SELEP) and the £650,000 loan from the Growing Places Fund (GPF). The Council has two options to fund this additional borrowing:

Option 1: To bank the estimated £13.0million 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 20 years would be around £26.8million, against total business rates estimated at £39.3million, of which Medway's would be £29.9million

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 20 years would be around £12.0million.

Table 5: IPM Expenditure and financing

Cost Centre	Scheme	Grant	Grant Funding	Borrowing	Total Budget	Forecast Expenditure				81		
						£,000	£,000	£,000	£,000		£,000	£,000
9T080	IPM - Phase 1 & 2 Public Realm	N/A	0	16,064	16,064	92	8,375	7,597	0	0		
9T081	IPM - Phase 2 Infrastructure	LGF3b	1,519	1,215	2,734	225	1,519	990	0	0		
9T082	IPM - Highway Infrastructure	N/A	0	10,528	10,528	0	350	1,175	7,641	1,362		
9T083	IPM - Capitalised Interest	N/A	0	1,250	1,250	0	0	0	0	1,250		
9T488	IPM - Airport Works	LGF2	4,400	4,690	9,090	3,119	5,821	150	0	0		
9T496	IPM - Enabling Works	GPF	0	2,766	2,766	212	2,554	0	0	0		
9T628	IPM - Zone A	LGF3	3,700	403	4,103	1,251	2,449	403	0	0		
	Total		9,619	36,916	46,535	4,899	21,068	10,315	7,641	2,612		

The Council had also previously agreed to borrow £14.5million to build a landmark six storey building on the northern site, with repayment of the loan being met from the rental income generated. There has subsequently been a re-evaluation of market conditions around the demand for serviced office

accommodation and this project had been put in abeyance, pending the outcome of our Levelling Up Fund (LUF) bid, for grant funding to cover 75% of the cost of this scheme. The bid was unsuccessful and the future of this element of the programme is in doubt, in its current form.

Skills and Employability

Central to Medway's growth plans are increasing high value employment, continuing to support business creation and growth, and matching local business demand and skills supply. Focus here will ensure Medway continues to excel as a great place to live, work, learn and visit, and offers a firm foundation for growth for all. Medway's offer includes 78 primary and 18 secondary schools, Mid Kent College, Universities of Medway, a range of independent training providers and Medway Adult Education service.

Medway Adult Education strives to deliver high-quality learning experiences to support the personal, social, health and economic development of our residents and communities. It creates a safe and healthy place where people have choice, control, and good employment opportunities. The service is primarily funded by the Education Skills Funding Agency (ESFA) and learner fees.

In advance of the opening of the new Learning Skills and Employment Hub at Britton Farm set out in the Town Centres and High Streets section above, the service operates face to face courses from hubs in Rochester and Gillingham alongside online learning. During the pandemic most courses shifted to operating online, and the service intends to continue to refine its online offer so it will be necessary to invest in digital equipment to support the delivery of learning in this way on a long-term basis. It will also be necessary to invest in our web presence, online course enrolment and delivery software to improve the online learner journey and maximise the number of learners through this route. Medway Adult Education is the Council's apprentice provider, and the service is seeking to expand this role to other organisations to increase the number of apprenticeships on offer across Medway while generating income to the service. Alongside some minor adaptations to the Rochester centre, the total investment required is around £230,000.

Housing Infrastructure Fund – New Routes to Good Growth

Medway Council submitted an expression of interest to the Ministry of Housing, Communities and Local Government (MHCLG – now the Department for Levelling Up, Communities & Housing, DLUCH) for the HIF New Routes to Good Growth project in September 2017. The scheme aims to unlock potential new development on the Hoo Peninsula of up to 12,100 new homes by 2043, and to strengthen the area's economy through development of commercial space at Kingsnorth and Grain. The Council submitted the business case for the scheme to MHCLG in March 2019. In November 2019, MHCLG announced a successful funding award for the Council's HIF scheme. In February 2020, £170million was added to the Council's capital programme in anticipation of receipt of funding. Several conditions attached to the receipt of funding were agreed with MHCLG and Homes England, and in July 2020 the Grant Determination Agreement was signed by both MHCLG and the Council. In September 2021 a revision to the GDA was agreed by Homes England and the Council, extending the programme by one year to be completed by March 2025.

If more homes are built on the Hoo Peninsula there will need to be improvements to roads, transport and environment to support this. It is essential that the necessary road, rail and environmental infrastructure in and around the Hoo peninsula is put in place for residents. Medway's bid focused on significantly improving the Hoo Peninsula's transport connections and the environmental infrastructure and having them all delivered and in use by 2024. This fund allows for upfront infrastructure improvements, supporting housing growth over the next 20 years. 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.

The scheme will deliver £86million of road improvements, including a new road to connect Main Road to the Wainscott bypass via a flyover; £64million for rail improvements, including a new station at Sharnal Street to support a new passenger service to London and £14million for protection of wildlife and ecology. The first phase of public consultation on the HIF ran from January to April 2021 and was supported by letters sent to 24,500 households on and around the Hoo Peninsula, along with social and digital media, and online meetings with community groups. We received 552 valid responses. A further consultation will start in November 2021.

The development of the rail scheme and road schemes are both progressing with individual elements at varying stages. Part of the HIF funding will enable the establishment of a Strategic Environmental Management Scheme (SEMS), which will deliver a network of new public open spaces. These spaces are designed to provide recreational space for local residents and reduce pressure on more sensitive existing habitats around the Hoo Peninsula. Planning permission was granted in July 2021 for Cockham Community Parkland, the first of these new spaces to be brought forward. The new parkland will create a large public open space offering a range of benefits for the local community and wildlife. Features would include:

- providing safe and attractive routes connecting Main Road to Vicarage Lane for dog walkers, walkers and cyclists
- creating new wildflower meadows, hedges and wooded areas where wildlife can flourish
- creating a new orchard and key visitor facilities
- providing space for informal picnics, play and interpretation
- offering outstanding views of the estuary, the river and Medway.

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.

The government have confirmed that changes to the Traffic Management Act will come in from December 2021 when “local authorities will be able to enforce moving traffic offences, such as banned turns, box junctions and driving in formal cycle lanes. They will be expected to use these powers to improve connectivity, boost active travel, and increase air quality by reducing congestion”. The Council are currently considering how these new powers might benefit the residents of Medway however it is anticipated implementation would require significant capital investment.

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 6 shows the carriageway condition performance data for 2020/21. Due to the pandemic the Department for Transport have not been in a position to release the updated National Average figures, however it is anticipated they will be released by Spring of 2022.

The pandemic has also affected the delivery of condition results, for our classified carriageway asset data and 2020/21 data is likely to be received in early 2022. Traditionally, these roads have performed well against the national average due to previous targeted investment. Meanwhile, our Unclassified network has lagged behind the national average, due to the classifieds being targeted, however, our National Indicator report shows that in respect of the Unclassified network, due to targeted investment, over the last few years, this has improved to 17% bring it within 1% of the current known average.

Table 6: Condition of Medway’s Highway Network

Road Classification	Lane Length	Requiring Maintenance		National Comparator
A Roads	115.44km	1.75km	1.51%	3.0%
B Roads	54.01km	1.63km	3.01%	6.0%
C Roads	130.27km	6.68km	5.13%	6.0%
Unclassified Roads	581.01km	113.73km	19.57%	17.0%
Total	826.59km	135.84km		

The carriageway maintenance programme is anticipated to deliver £1.6million of carriageway resurfacing schemes before financial year end. Around 5.63km of resurfacing is expected to be completed on the carriageway network, with approximately 34% of this being on the Classified, and 66% of this being on the Unclassified networks.

It will be necessary to increase investment in Unclassified roads in order to address the backlog in road condition performance compared against the National Average, with an estimated cost of £2.150million, of which around £400,000 would be required for works to repair the deck of Stoke Bridge. Further investment of around £95,000 a year would be required to clear the backlog of repair requirements for highway gullies and improve drainage.

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 £585,000 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 4.01km of

resurfacing completed on the footway network, with approximately 9% of this being on the Classified, and 91% of this being on the Unclassified network.

Investment in our Highways, Footways and Other Assets

Each year, we spend around £6.0million of revenue funding on maintaining the Highway Network and £1.5million of capital receipts. In addition, we are awarded annual capital grants of £1.765million from the Department of Transport through the LTP Programme and Incentive Fund and for this financial year £1.9million 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.

The Spending Review 2021 announced “£2.7billion over the next 3 years for local roads maintenance in places not receiving City Region Settlements [as is the case in Medway] - enough to fill in millions of potholes a year, repair dozens of bridges and resurface thousands of miles of roads” with specific allocations expected as part of the Local Government Finance Settlement in December. Whilst the level of pot hole funding is unknown at this stage, a four-week pilot has recently been completed in collaboration with Kent ADEPT Smart Places Live Labs, in which 4K ultra-high definition cameras were fitted to six Council vehicles; three refuse collection vehicles and three highway inspection vehicles. The cameras combine visual data with information collected from the accelerometer and gyroscope sensors. Using state of the art technology, with Artificial Intelligence (AI) predictive analytics, Highways have access to a live dashboard, which gives information on pot hole location, size, depth and deterioration over time; allowing Highways to prioritise repairs. Data from this pilot is currently being analysed and compared with existing monitoring approaches before a decision is made to roll out this technology further.

This year a condition survey of the crash barriers in place across the highways network was completed, identifying a number of sections in poor condition and therefore capital investment of around £350,000 per annum will be required to replace the sections presenting any safety risk.

Following a successful funding application to the Department of Transport Challenge Fund a capital grant of £4.9million has been secured to fund infrastructure investment into the Tunnel and the associated Highway Network. A number of workstreams are planned from tunnel equipment upgrades, along with wall improvements and carriageway resurfacing. The project is due to be completed by 2024. In addition, Medway Council is continuing to be 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 “windmill” 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. Such technology is in its infancy but may yield long term outcomes to assist towards our climate change agenda.

The conversion from conventional lighting to LED within the tunnel was explored several years ago, which required significant capital investment of circa £2.0million 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 with the biggest issue being the impact on network traffic movements, as closures of the tunnel would be required.

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.

The Spending Review 2021 says that the government will add £1.2 billion new funding for bus transformation deals to deliver London-style improvements in fares, services and infrastructure. It also confirms a further £355million of new funding for zero emission buses, and an allocation of £70million Zero Emission Bus funding to deliver buses and related infrastructure in Warrington, Leicester, Milton Keynes, Kent, and Cambridgeshire & Peterborough [...There is also] more than £2 billion of investment in cycling and walking over the Parliament, including £710million of new active travel funding at SR21". We await confirmation of any allocations for Medway at the Local Government Settlement, expected in December.

Street Lighting

The Street Lighting Network is composed of 26,029 street lights of which 18,205 (70%) are now LED, a rise of 53% before the LED replacement scheme commenced. The composition of the lighting column stock, as at March 2020, is summarised below:

Table 7: Street Lighting Columns

Type of Column	No. Columns
Aluminium	12,362
Concrete	383
Galvanised	3,314
Iron	1
Painted steel	9,547
Pole mounted	295
Stainless steel	5
Wall mounted	122
Total	26,029

In his budget speech on the 21 February 2019, the Leader of the Council 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 £11.155million to the capital programme to fund the scheme. Energy savings, estimated at £20.240million, are expected to be achieved over twenty years, sufficient to meet the total cost of the borrowing over the same period.

To date, under the scheme, all 17 Central Management System base stations have been installed and over 14,000 lanterns have been converted to LED, as well as 3,577 columns upgraded. The scheme is due to be completed in the summer of 2022.

Environmental Services

In October 2019 Medway's waste collection and street cleansing services were transferred to Medway Norse. Medway Norse have also operated Medway's three Household Waste Recycling Centres since October 2017. The Council's waste disposal contracts for both residual and recycling waste are delivered by Veolia as their waste transfer station is the only one in Medway able to cope with the volume of materials collected by the organic waste and recycling kerbside services. The Council are exploring options to operate our own waste transfer station in future. Since taking on the waste collection and street cleansing services, Medway Norse have operated from temporary depots while the Council works to deliver a permanent depot, with capacity to enable waste to be collected from the ever-expanding housing stock in the area. Dependent on the final site locations and possible land purchases, the delivery of a transfer station and a depot are likely to require significant capital investment but are both considered vital to the ongoing delivery of an effective waste service for Medway.

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 will soon require replacement at an estimated cost in the region of £10-15million. It is essential that these are replaced with vehicles utilising cleaner forms of technology; such as cleaner combustion engines, hybrid, EV or hydrogen cell. This will require procuring the right vehicles, to suit service requirements, but also the necessary infrastructure to keep them in optimal shape.

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.

CCTV

Since April 2016 CCTV in Medway has been operated through the Medway Council Control Centre, now delivered by our Local Authority Trading Company, Kyndi Ltd. Whilst the CCTV hardware remains in the ownership of Medway Council, the repair and maintenance responsibility rests with Kyndi. Following an audit in 2018, a CCTV improvement programme was implemented in 2019 focusing on cameras in public spaces, specifically retail environments, transport hubs and areas of the night time economy and not only led to the repair or replacement of faulty hardware, but also rationalised the placement of cameras in order to comply with the Information Commissioner's Office code of practice, whilst offering the best value for money. An ongoing programme of replacement is required to ensure the service continues to operate as planned, with investment of £100,000 now necessary to replace a range of cameras including those in our car parks and the bus station.

Bereavement Services

We have four cemeteries in Medway which are all suitable for burials, cremated remains and memorials. The roads and pathways across these are in need of repair, requiring investment of £250,000 to ensure they continue to provide a safe and aesthetically pleasing environment.

Sport and Leisure

The ongoing impact of the pandemic on our leisure centres was set out in the Financial Outlook report and represents a revenue pressure for 2022/23, however usage of the centres is recovering faster than our initial projections and they are now expected to return to pre-pandemic levels in 2024/25.

In July 2020 Full Council approved the addition to the Capital programme of £5million to fund the refurbishment of the Splashes Sports Centre, however after extensive structural surveys were carried out at Splashes Leisure Centre to ascertain the condition of the building with the intention to refurbish, the building was found to have major structural faults beyond economic repair. In June 2021 the Cabinet approved the demolition of the current Splashes Sports Centre whilst plans are being developed for a new centre on the same site. In the coming months, Cabinet will consider another report setting out details for the replacement of a new leisure facility on the existing site. This will establish a brand new centre offering fun, family-friendly activities which complement the sessions delivered at Medway's other sports centres. The investment in Splashes Sports Centre supports our aspiration to become a Child-Friendly City, putting Medway's young people at the centre of everything we do.

In 2020 Members 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 £1.3million scheme attracted more than £900,000 of external investment. The pitch was opened to the public in August 2021, and while the completion of the pavilion has been delayed due to issues around utilities, the scheme is expected to be completed in November 2021. Medway continues to see growing demand for modern football facilities, particularly among junior clubs and the Football Foundation is keen to support the development of football hubs in Medway, so Medway is considering options for future delivery.

In 2020 Medway Park 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 more than 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 £2.0million refurbishment. However, the sports hall

flooring and ceiling lights need replacement/repair, the soccer centre pitches are reaching the end of their natural life and the 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. A feasibility study, 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, however the dry-side changing rooms have had to be closed due to flooding issues, two fitness studios are now unsafe to use without replacement flooring and some repairs are required to windows.

2021 marks the 125th anniversary of The Strand Leisure Park since it first opened in June 1896. The much-loved facility includes an outdoor Lido using filtered saltwater from the river Medway alongside a cafe serving hot and cold food, ice cream and treats, a mini train ride and crazy golf. Some of the facilities are aging with the crazy golf and paddling pool both requiring repair or replacement, while the Council is exploring options to provide a Multi Use Games Area (MUGA) Zone.

Green Spaces – Play Area Investment

Capital investment in Medway’s play areas supports the council’s priority of Healthy and Active Communities along with Medway’s aspiration to become a Child-Friendly City. An audit and annual play inspection sets out the top priorities for play investment each year. Improvements to play facilities are estimated to require a minimum of £250,000 per annum. To ensure green space investment can be linked to growth, the Medway Guide to Developer Contributions and Obligations (May 2018) allocates £2,551 per new dwelling towards Section 106 compliant investments, i.e., those close to the proposed development, which are proportionate and have a direct link to the scheme. Often the priority play investments required do not mirror the contributions coming forward. In July 2020, Cabinet proposed that £275,000 should be included in the capital programme and this was included in the agreed budget for the current financial year. Cabinet also recommended that £250,000 should be added to each year’s capital programme moving forward to ensure that residents and visitors have access to safe play equipment designed to meet the increasingly diverse range of user needs.

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 and they act as a backdrop for the Council’s cultural and events offer. 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 8.

Table 8: Heritage Assets (valuations as at last audited statement of accounts, 2019/20)

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
Total Assets	36	17,859,422

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 £1.5million of restoration works. The council is considering how transformation of the barrack block into an interactive visitor attraction, would helping to tell the stories of Medway.

In recent 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 900th 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 funded by £120,000 capital receipt from the sale of the Conservancy Building. The exhibition is planned to open before the end of 2021. 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 considered, alongside A new accessible gallery introducing visitors to the stories of Medway, both subject to funding.

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.

Culture

In 2019 Medway announced its aspiration to become City of Culture in 2025 and though not long-listed by the government, we have achieved much to be proud of in the process and developed partnerships that we will continue to work with and created legacies that will help with Medway's future. Medway is at a crucial point of its creative journey and has the chance to make a lasting change. There are significant

opportunities offered to us on many fronts; through our regeneration ambition, our economic potential, our geographical advantage and our aspiration to become a Child-Friendly City.

Medway's Cultural Strategy runs from 2020 to 2030 – it is ambitious and forward-thinking, setting the foundations for the next decade of cultural development. The Vision for culture in Medway set out in the Strategy is: By 2030 Medway will be internationally recognised for its creativity and culture, exemplifying the positive impacts on everyone's lives. Diverse, collaborative and engaged, we will celebrate the strength and creativity of all our residents. As Medway Council, we want to advance access for all of our residents to the wealth of culture on their doorsteps, create opportunities for all, for children and young people to be able to consider a sustainable career in the arts, to nurture a sustainable creative economy through support for businesses, the growth of the night-time and digital economies and so much more. All this is underpinned by the recognition and importance of protecting the strong sense of place, as the foundation to build strong, healthy and resilient communities.

One of the aims of the Cultural Strategy is that by 2030 Medway will have numerous spaces, accessible to all, to design, make and share, and engage with culture. Options for how the Council might help deliver this aspiration are being developed, including exploring how we could support the delivery of;

- a new national creation centre which could provide high quality rehearsal, technical, design and making spaces alongside accommodation to support the development of international outdoor and performing arts companies., and
- a new civic and contemporary art gallery with capability to host national/international exhibitions which could bring together Medway collections alongside new and exciting work by artists of international acclaim.

Medway Council owns and operates two theatres in Chatham. The Central Theatre is a beautiful 960-seat theatre venue in Chatham High Street which hosts performances from West End greats, tributes to the greatest bands and some of the best on the circuit. The Brook Theatre is a hub for new and existing talent in all areas of the arts including contemporary theatre, dance, music and entertainment. The theatre is also focused on children's theatre and hosts a mixed programme of professional and community theatre productions. The Central Theatre's existing sound system is fifteen years old and as it is basic in nature, for larger professional productions, production companies often tour with their own sound systems which they link to ours, but are large, heavy and cumbersome. The Central Theatre makes annual purchases of amps, speakers and upgrades to both hardware and software to maintain acceptable sound quality through the existing system, but it will be necessary within the next couple of years to replace the ageing system with a new voice reinforcement sound system to maintain the quality of sound reproduction befitting of a venue of The Central's size and status. The starting price for such a system would be around £70,000. The Theatres Team have been approached by Bose, a world leader in sound reinforcement systems and an international company with headquarters in Chatham, with a proposal to work in partnership with the Central Theatre and the wider Medway cultural offering. If Medway Council installed their ShowMatch system costing around £95,000, they would carry out a range of mutually beneficial activities, including use the venue as their European Centre of Excellence to demo their product to professionals across Europe and as a showcase site for their local and global partners in production, architecture, monitoring and evaluation, installation engineering, end users and other key influencers in the industry, which would put The Central Theatre and Medway's wider cultural offerings on the map. In addition to the sound system, consideration is being given to how accessibility for audiences and performers might be improved, and to completing the redecoration of the auditorium by replacing the main stage curtains.

Pre-Covid-19, Medway Council delivered more than 30 free festivals and events each year and following a successful summer events programme in 2021, work is underway to develop a programme for 2022/23. To support the delivery of more environmentally sustainable events and festivals the Council is considering the

provision of permanent electrical installations in event locations to reduce the need for stand-alone generators.

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. So far six libraries have been transformed into Hubs with the most recent examples at Strood, Twydall and Wigmore providing a modern customer focussed service that acts as the focal point for any community.

Members are committed to the further expansion of this programme, with consideration currently being given to developing Community Hubs at Lordswood potentially during 2022/23 and Hook Meadow following during 2023/23. With investment of around £0.5million Lordswood Library could be transformed to provide a renewed focal point for residents, and would be the first hub to have a young people's focus. Supporting Medway's ambition to be a Child-Friendly City and strengthening the existing strong youth service connection this new hub would blend traditional and digital library services with an increased number of facilities, events, activities and pastoral services for young people. Co-created with local young people, an integrated approach would see Youth and Library teams with the right skills, facilitate the development of creative resources and programmes that will have positive impact on the life chances of areas young people. This would include:

- Creating a welcoming place to relax, charge phones use free WiFi, make a snack and/or a drink and have someone to talk to if they want to.
- Providing creative resources, facilities, events and activities that support the life chance of young people.
- Working with partners to support the development of creative and digital skills for young people focussing on employment and career opportunities.
- Supporting young people taking part in the Reading Hack scheme, a programme led by young people aged 13 to 24 who do reading activities and volunteering.
- Specific areas would be dedicated to and 'owned' by local young people.
- Building on existing connections with the Health Living Centre especially with services offered to young people.
- Developing the Reading Well collection focussing mental health books for young people collection

Alongside a modern and attractive library, investment of around £2million could transform the Hook Meadow Hub into a state of the art, welcoming and safe place for residents to access Council services and find out about or meet community groups and support organisations. Part of the transformation would involve incorporating into the Hub a Community hall, that would provide a modern fit for purpose venue that can host a whole range of community events and activities for all ages, encouraging the community to own it. The site is situated at the front of a large expanse of green space used for a range of leisure and children's play activities a new Hub could connect these facilities and services providing a set of assets that support the community's needs.

In addition we are piloting the installation of ScanStations in our community hubs. These are dedicated self-service terminals which enable members of the public to scan documents to submit to the Council. Residents can also use an app to do so via their own devices, e.g. smartphones & tablets, (MyScan). The Business Change Team are currently gathering all requirements from services and are digitally mapping the

scanning routes for documents using ScanStation & MyScan technology. The procurement process is underway and it is anticipated that the solution will be available for use by residents in early 2022.

Children and Young People

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.

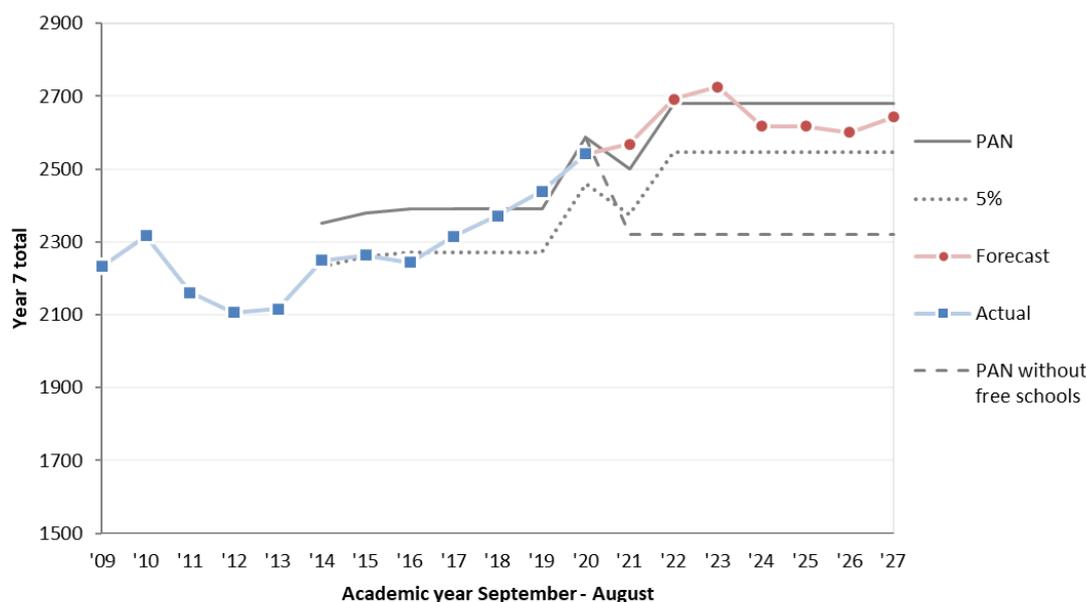
In the recent past, Medway met its statutory duty to provide school places utilising the annual central government basic need grant. Currently however, Medway receives no funding through this route as the Council's forecasts indicate that sufficient places are available or are being made available. This means that any immediate demand for places due to housing will need to make use of Section 106 funding from developer contributions.

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. To meet this demand, in July 2021 the expansion at Hundred of Hoo Academy (primary element) was approved using £2.1m of developer contributions comprising of £1.46m already received, with the remainder from funding from developments where S106 agreements are in place but the contribution is not yet available.

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 £60million of capital investment. Much of that cost should be met through S106 contributions, however these cannot be guaranteed and the timing and quantum 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 six years. However, failure by Department for Education to deliver the Leigh Academy Free School on time resulted in the Council having to borrow £3million, the costs of servicing which falls to the general fund, in order to create year 7 'bulge classes' across our existing school estate. This in itself has created a knock on effect, in that there are insufficient year 8 places this year to meet the demand from new students coming into the area and this is impacting on both capital and revenue resources.

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 secondary forms of entry will be required, requiring around £80million to deliver. The cost of this will need to be met through either S106 contributions or free school bids as future rounds are announced.

Table 9: Forecast Year 7 Intake

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.

In the absence of funding for expansions and in the face legislation preventing the establishment of new selective schools, there are limited options to provide additional grammar school places:

- Changes to admissions criteria for grammar schools will mean that over time the numbers of out of area pupils taking Medway grammar school places will reduce;
- Discussions with single sex schools are underway to assess the viability of mixed gender schools.
- We will support academy trusts in bidding for Government grant through the Selective Schools Expansion Fund (SSEF);
- We are exploring 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-£30million 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.

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

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

The Department for Education launched a SEN capital programme in 2018, which allocated £2.3million 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 Councils 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 £2.5million 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 underway, 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 £3.5million per year. The cost of building a 160 place special school would be in the region of £25-30million.

The Spending Review 2021 announced £2.6billion over the three-year period for new school places for children with SEND, alongside "£104million by 2024-25 for reforms to unregulated children's social care, and £7million by 2024-25 to improve access to services and support for adopted children and their

families[...]and maintains and increases capacity in secure and open residential children's homes by making available £259million over the SR period so more children and young people can receive the care they need". While we welcome this funding and anticipate it will help accelerate our DSG deficit recovery plan, it will not be clear how this funding will be allocated until the publication of the Local Government Finance Settlement, expected in December 2021.

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 £1.1million per year. Therefore providing £30million to build a new special school to cater for 168 pupils could repay the borrowing costs in less than a decade.

Children's Social Care Improvement Programme

In October 2020 the Council agreed to add £819, 000 to the capital programme, funded through flexible use of capital receipts, to deliver the Children's Services Improvement programme. In February 2021 the Council approved a further £582,000, again funded through flexible use of capital receipts, to support the continuation of the programme. Subject to the availability of capital receipts, it is hoped that a further £624,000 can be made available to support the programme in 2022/23.

Health, Social Care and the Community Sector

Promoting wellbeing to aid Medway's residents to enjoy full and active lives in the community

Adult social care covers a wide range of activities to help people who are older or living with disability or physical or mental illness live independently and stay well and safe. 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 2020/21 Medway's Adult Social Care division recorded 8,502 requests for support, of which 4.6% resulted in long term services (0.9% aged 18-64 and 3.7% aged 65+). The gross budget for social care packages (20/21) was around £83.9million, of which £57.7million (69%) 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. Working with our partners we plan to deliver at a population level. We will identify people who may be at risk of needing help in the future and for whom support in the short term may prevent the need for longer term care, developing wherever possible the opportunity for people to be enabled and supported to manage their own care. 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 promote people's independence and wellbeing to aid the residents 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.

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. In 2020-21, 3603 people receiving long term services were supported 'in year', of these 70.6% received care and support in their community and 29.4% in residential/nursing homes.

Adult Social Care has continued to review its 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, where appropriate, represents one strand of practical activity amongst others to match accommodation and care to the needs of people in Medway.

We continue to review residential care and supported living, 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. To support this we are:

- Recommissioning the Supported Living contract which will be outcome focussed, support people into work, have a technology enabled approach, and align to the Adult Social Care strategy;
- Working in partnership with housing to develop general needs housing to support step down from supported accommodation; and to identify accommodation and increase our in-house supported living service;
- Promoting the 'Shared Lives' offer with the aim of increasing the number of long-term placements.

Analysis is underway to determine whether there is an opportunity for the council to provide residential care provision, alternatively there is an option to look at this being provided by one of our partners. If the outcome of the analysis identifies savings can be produced, then a business case will be developed.

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 forms part of the Better Care Fund and for 2021/22 is worth around £ 2.5million.

Rebound, Rebuild and Reimagine – our phased 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. Covid-19 brought about a step-change in how and where we deliver our services from, with the majority of our workforce continuing to deliver their roles primarily from home almost 18 months after the initial government mandate to do so where possible. Many teams have already adopted new ways of working and are now using Microsoft Teams for collaborating with colleagues and holding meetings, and internal survey results indicate our staff prefer continuing with a blended 'hybrid' model of remote working and being present in the office. The Business Change team have worked with services in Gun Wharf to develop an office footprint that meets their accommodation needs to work in the hybrid model moving forward, and this exercise will free up a significant amount of space in the building. In May 2021 the Council agreed to take the opportunity presented by drastically reduced occupancy of Gun Wharf and

agreed to grant a lease to the Medway County and Family Court who will relocate to the Medway Council buildings at Gun Wharf, bringing in new revenue income for the Council. The move to a 'hybrid' model in the longer term will also have a positive impact climate change, continuing to support flexible working for staff reducing travel. In addition, as part of the works to transform working arrangements we will be implementing Phase 1 of the Re:Fit project at Gun Wharf to reduce the carbon footprint for our headquarters and service costs, supporting the climate change agenda.

In planning our longer term recovery from the pandemic, we have adopted some specific principles to guide us:

- 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;
- A hybrid working model will become the 'new normal' for all back office teams, including all those in the Business Support Department.
- We will provide workspaces that enable the maximum possible flexibility for our services, providing central spaces for teams to learn and collaborate together, while supporting them to carry out tasks completed working individually from whichever location best suits the employee and the team.

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 £9.2million 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.

The commission of the new round of condition surveys in 2022, will 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, and 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. A contract has been awarded through the Re:fit framework to SSE to deliver a phased programme of energy improvement and water saving works which will assist in the council's net zero strategy, by reducing carbon emissions in the council's building stock. this includes heat pumps, LED lighting, solar panels, building management systems, waterless urinals, low flow showers and electric vehicle charging points.
- Identifying packages of major works at an estimated total cost of £1.050million including replacement of transformers, replacement of passenger lifts, waterproofing works and new

drainage to protect assets on level 2 within Gun Wharf, and new carpets, which would need to be funded through capital borrowing over c15 years. It is hoped that these major works can be progressed in 2022/23, however due to the urgency, repairs Gun Wharf car park leaks into the basement are already underway.

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 £16.8million, and together with the Pentagon Centre, which cost £37.0million, they are budgeted to generate around £3.2million 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 £13.2million 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

The Council Strategy sets out that we will "We will use digital as an enabler of everything we do by transforming the way we provide services, the way we work and the way we communicate.". 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 and they expect to be able to access their services at a time and in ways that suit them. The response to Covid-19 brought about a step-change in how residents communicated with the Council, driving unprecedented growth in digital interactions. Our Digital and ICT services have been at the forefront of work to get our services online, providing clear and timely information on the website through the pandemic and into our new normal.

Alongside this shift in customer interactions, the government's work from home mandate meant we had to be able to support the workforce in to operate in a completely new way. Our ICT service supports 3,100 users and provided a total of 800 new end-user devices during the pandemic where existing kit did not support working from home. 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. The ICT service has been required to deliver an increase in 'uptime' and system stability in order to support the officers working throughout the pandemic. As many of our teams will shift to a blended 'hybrid' model of remote working and being present in the office, we are again adapting to ensure we support all services with the right ICT provision to enable them to continue to deliver high-quality services in that new model. A secure and robust ICT network (including network switches, firewalls and email filtering services) and infrastructure (including servers, storage and backups), and the provision of appropriate end-user devices are now absolutely crucial to the organisation being able to deliver its objectives, and ongoing investment in ICT is therefore necessary.

Recent years budgets have included significant investment in ICT. The 2020/21 budget approved by Council in February 2020 included the addition of £2million to upgrade ICT hardware and infrastructure which has

delivered the replacement of aging servers, improved wi-fi, a new telephony system and the refurbishment of the Gun Wharf Data Centre. This investment played a crucial role in giving the foundation to enable the council to enable home working at very short notice. The 2021/22 budget approved by Council in February 2021 included a further £1.250million to continue the programme to replace outdated servers and other network infrastructure, to replace the floor in the data centre which had collapsed, and to provide end-user devices to a significant proportion of staff to allow them to work from home or in a mobile way. Moving forward, a programme of network and infrastructure hardware replacements that would ensure all key elements are operational and appropriately up to date is required. The current revenue budget includes provision for the replacement of end-user devices at the end of their useable lives, however the network and infrastructure replacement programme would require further annual investment of around £525,000.

The Spending Review 2021 announcements included “£37.8million of additional funding over the SR21 period to tackle cyber security challenges facing councils and invest in local authority cyber resilience, protecting vital services and data.” It is not yet clear how this funding will be allocated or what new burdens it may bring so we await more detail through the Local Government Finance Settlement, expected on 5 December 2021.

Earlier this year we commissioned a corporate business intelligence review to assess our data assets and how we use them, funded from our Transformation budgets. Depending on what this review concludes, it is likely that we will need to invest a significant sum in rolling out work to deliver a ‘data lake’ to structure our data assets better and use our data more effectively. Other local authorities that have taken this approach have saved in excess of £1million each year through automation and rationalisation of ICT.

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 10.

Table 10: Strategic capital risks

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial risks impacting on the capital programme	Credit risk: the risk that the company delivering the capital scheme becomes insolvent. Liquidity risk: the risk that cash flows could be affected by	The Council exercises due diligence in the award of contracts.	D2 (Low likelihood major impact)

Risk	Description	Action to avoid or mitigate risk	Risk rating
	<p>delays, inflation, interest rates or exchange rates.</p> <p>Fraud, error and corruption.</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, e.g.: 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. Changes to relevant legislation and regulation will be kept under review and factored into any capital bidding and monitoring processes.</p>	D2 (Low likelihood major impact)
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>	C2 (Significant likelihood major impact)
Capital receipts	<p>A significant proportion of the Capital Programme is funded from capital receipts; if the Council does not achieve the required receipts, some elements of the programme may either need to be curtailed or refinanced.</p>	<p>Close monitoring of the programmes anticipated to deliver capital receipts, and careful management of the delivery of those schemes funded from receipts.</p>	D2 (Low likelihood major impact)
Medway Development Company activity	<p>A reduction or slowing of the housing market could mean that MDC schemes planned may not generate the revenue income or the capital receipts assumed in the Council's budget.</p>	<p>Skilled and experienced staff within the company and at the Council are focused on the production of high-quality businesses cases, leading to the selection and delivery of</p>	D2 (Low likelihood major impact)

Risk	Description	Action to avoid or mitigate risk	Risk rating
		<p>schemes that will perform well.</p> <p>Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.</p>	
Local Plan adoption	<p>The adoption of a sound local plan is essential to many of the council's regeneration ambitions. If a Local Plan including new housing on the Hoo Peninsula is not adopted, it may not be possible to continue the delivery of the HIF scheme to improve transport and other infrastructure to support housing growth over the next 20 years.</p>	<p>The Council's Planning Service have been working on a new Local Plan, Future Medway, which will cover the period up to 2037. The Plan has been subject to public consultation and will follow a governance process with Member approvals to ensure the plan submitted will be sufficient.</p>	C2 (Significant likelihood major impact)
Housing Infrastructure Fund	<p>The delivery of the HIF scheme is funded by Homes England. However if an overspend were to occur, the funder has been clear that the Council will be required to fund the first 1% from its own resources. Any further overspend in practice would be a call on future developer contribution receipts.</p>	<p>A dedicated team of skilled and experienced staff are focussed on the delivery of the HIF programme.</p> <p>Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.</p>	C2 (Significant likelihood major impact)
Overspends due to increasing costs	<p>The cost of delivering capital works is rising, due to increased costs of construction materials, higher staffing costs and increasing energy prices. This risks translating into overspends across construction delivery schemes in the capital programme.</p>	<p>Close monitoring of the programme and where possible, value engineering to contain costs within agreed budgets.</p>	C2 (Significant likelihood major impact)
Availability of external income	<p>Significant elements of the Council's capital programme are funded year on year through external income sources, including specific grants and developer contributions.</p> <p>In recent years grant funding has reduced with some areas, particularly school place funding, now below required levels. This strategy assumes</p>	<p>Close monitoring of developer contributions agreed, received, and included within the capital programme including through quarterly budget monitoring reports.</p>	D2 (Low likelihood major impact)

Risk	Description	Action to avoid or mitigate risk	Risk rating
	funding through developer contributions will enable the Council to continue to deliver capital works to meet the needs of Medway's residents, however funding in advance of receipt of developer contributions being received presents a risk should the developments tied to the funding not be completed.		
Robustness of business cases	Member decisions to add schemes to the capital programme, especially those funded through borrowing, are made based on business cases developed by Council officers. It is essential therefore that business cases put forward are based on sound understanding of likely costs and where relevant, income and a robust assessments of risk.	All Member decision reports include an assessment of the implications of the decision, including financial, legal and climate impacts and a risk assessment.	D2 (Low likelihood major impact)

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 Financial Outlook 2022/23 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.