

## **Council**

**18 July 2024**

### **Additions to the Capital Programme**

Portfolio Holder: Councillor Vince Maple, Leader of the Council

Report from: Katey Durkin, Chief Finance Officer

Author: Andy McNally-Johnson, Head of Corporate Accounts

#### **Summary**

This report requests Council approval for additions to the Capital Programme as recommended by Cabinet on 11 June 2024.

#### **1. Recommendations**

- 1.1. The Council is requested to agree the following additions to the capital programme, as set out in sections 4 and 5 of the report:
  - i) £430,000 to the capital programme to fund the overspend reported on the Operational Depot scheme, to be funded by Prudential Borrowing, and
  - ii) £4,655 to the capital programme to fund the overspend on the Mountbatten House Purchase scheme, to be funded from borrowing in advance of the capital receipts expected from the sale of the building to Medway Development Company.

#### **2. Budget and policy framework**

- 2.1. It is the responsibility of Cabinet to ensure that expenditure for each capital scheme remains within the budget approved by the Council but it remains the responsibility of Council to approve schemes for inclusion in the capital programme.

#### **3. Background**

- 3.1. Council approved the capital programme for 2023/24 and beyond on 23 February 2023. On 11 June 2024, the Cabinet received the Capital and Revenue Outturn and Annual Debt Write Off Report 2023/24 and recommended the amendments set out below for approval by Council. In addition, this report was considered and noted by the Business Support and Digital Overview and Scrutiny Committee on 20 June 2024.

## 4. Operational Depot Scheme

4.1. This was a scheme to acquire an operational depot site in Rochester. The following issues have arisen throughout the duration of the contract:

- Road closer delays in order to carry out power/ water supply to site as well as road safety works.
- Further works around the large retaining wall across the site and the associated effects on site drainage, requiring re design.
- Changes in material supplies e.g. cladding no longer available so alternative sought at significant increased costs due to the well-advertised changes in market conditions at the time.
- Dispute and negotiations over the extension of time (EOT) claims from contractor.

4.2. The anticipated overspend of £430,000 was reported via the monitoring throughout 2023/24 and a final amount has now been agreed with the contractor. The Cabinet, therefore, recommended to Council to add £430,000 to the capital programme, funded from prudential borrowing, to fund this overspend.

## 5. Mountbatten House Purchase Scheme

5.1. There is an overspend of £4,655 on the Mountbatten House Purchase scheme, due to ongoing costs in preparing the building for sale to Medway Development Company. The Cabinet, therefore, recommended to Council to add £4,655 to the capital programme, funded from prudential borrowing. The service will also be reporting to a future meeting of Cabinet seeking a further budget addition for ongoing costs.

## 6. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Capital receipts	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.	Close monitoring of the programmes anticipated to deliver capital receipts, and careful management of the delivery of those schemes funded from receipts.	BII
The Council overspends against the agreed budget	Overspends would need to be funded from other sources; the Council's limited reserves or further	The capital monitoring process is designed to identify and facilitate management action to mitigate the risk of overspending	BIII

Risk	Description	Action to avoid or mitigate risk	Risk rating
	borrowing, at further revenue cost.	against the agreed budget.	
Deliverability of the Capital Programme	Macro-economic conditions, largely but not wholly resulting from the external factors, have affected the cost and availability of both materials and labour.	Close monitoring of the programme and careful management of the delivery are supported by scrutiny from senior officers and Members.	BIII
<b>Likelihood</b>		<b>Impact:</b>	
A Very likely B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

## 7. Financial Implications

7.1. The financial implications are set out in the body of the report.

## 8. Legal Implications

8.1. There are no direct legal implications to this report.

### Lead officer contact

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### Appendices

None

### Background papers

None