

## **Council**

**17 July 2025**

### **Amendments to the Capital Programme**

Portfolio Holder: Councillor Vince Maple, Leader of the Council

Report from: Phil Watts, Chief Operating Officer (Section 151 Officer)

Authors: Katey Durkin, Chief Finance Officer  
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#### **Summary**

This report requests Council approval for amendments to the Capital Programme as recommended by Cabinet on 3 June 2025.

#### **1. Recommendations**

- 1.1. The Council is requested to agree the removal of £34.170million from the Innovation Park Medway Scheme as set out in section 4.1 of the report, in line with [Cabinet decision number 45/2025](#), 11 March 2025.
- 1.2. The Council is requested to agree that £2.400million of the underspend on the Pentagon Future Capital Works scheme be used to fund a new scheme to deliver further improvements to the Pentagon, as set out in section 4.1 of the report including:
  - Replacement of a section of roof (R14),
  - Refurbishment of 205 high street,
  - Upgrades to fire exits and windows to the bus lane,
  - Repair and resurfacing of the service road, and
  - Repairs and resurfacing to the car park.
- 1.3. The Council is requested to agree to remove the remaining unspent balance of £431,000 from the Pentagon Future Capital Works scheme as set out in section 4.2 of the report.
- 1.4. The Council is requested to agree to transfer back to General Capital Receipts the unspent balance on the amounts earmarked through the Flexible Use of Capital Receipts Strategy as set out in Section 5 of the report:
  - £544,706 originally earmarked for Children's Social Care improvement,
  - £148,709 originally earmarked for Adults Social Care Improvement, and

- £165,230 originally earmarked to support the wider transformation programme.

## 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.
- 2.2. The Budget virement limits are set out in the Financial Rules in the Council's Constitution and are as follows:
  - For revenue, virements up to £500,000 can be approved by the Chief Executive and Directors, virements between £500,000 and £1million can be approved by the Cabinet while those in excess of £1million are a matter for Council.
  - For capital, virements up to £1million can be approved by the Chief Executive and Directors, virements between £1million and £2million can be approved by the Cabinet while those in excess of £2million are a matter for Council.

## 3. Background

- 3.1. Council approved the capital programme for 2024/25 and beyond on 29 February 2024. On 3 June 2025, the Cabinet received the Capital and Revenue Outturn and Annual Debt Write Off Report 2024/25 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 19 June 2025.

## 4. Innovation Park Medway / Pentagon Future Capital Works

- 4.1. The outturn on the Regeneration, Culture and Environment programme reported to Cabinet is an underspend of £42.556million against the 2024/25 approved budget, primarily due to the decision of the Cabinet in March 2025 to review the Innovation Park Medway scheme. The revised options have resulted in a reduced scheme and will mean that £34.170million will be removed from the existing budget, leaving a carried forward budget from 2024/25 to 2025/26 of just £2,268,141million for this scheme. In March 2025 the Cabinet agreed in principle to the removal of the capital codes from the programme once the final outturn was known, and as such Council is now asked to agree the removal of £34.170million. The Mountbatten House project is being managed by Medway Development Company outside of the Council's capital programme, so the remaining balance on the Pentagon Future Capital Works scheme of £2.831million is no longer required for the original purpose. The Council remains committed to maintaining the Pentagon Centre alongside a range of improvements to Chatham Town Centre, including the opening later this year of the James Williams Healthy Living Centre, completion of the MDC Waterfront development and their ongoing transformation of Mountbatten House. The Council is asked to agree that

£2.400million of the underspend be used to fund a new scheme to deliver further improvements to the Pentagon, including:

- Replacement of a section of roof (R14),
- Refurbishment of 205 high street,
- Upgrades to fire exits and windows to the bus lane,
- Repair and resurfacing of the service road, and
- Repairs and resurfacing to the car park.

4.2. Finally, Council is asked to agree that the remaining unspent balance of £431,000 be removed from the capital programme.

## 5. Flexible Use of Capital Receipts

5.1. Full Council has approved a Flexible Use of Capital Receipts Strategy alongside the budget, ahead of each financial year since this flexibility was initially granted in 2016/17. In previous years, Council has approved the inclusion of sums to be used in line with this flexibility into the revenue budget. These schemes have been reviewed and the remaining projected expenditure is now lower than the budgets initially agreed. Council is therefore requested to agree to transfer the projected underspends back to General Capital Receipts, as follows:

- £544,706 originally earmarked for Children's Social Care improvement,
- £148,709 originally earmarked for Adults Social Care Improvement, and,
- £165,230 originally earmarked to support the wider transformation programme.

5.2. This would leave a balance on Earmarked Capital Receipts of £1.510million.

## 6. Risk management

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
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

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
The Council overspends against the agreed budget	Overspends would need to be funded from other sources; the Council's limited reserves or further borrowing, at further revenue cost.	The capital monitoring process is designed to identify and facilitate management action to mitigate the risk of overspending against the agreed budget.	BIII
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	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

## 7. Financial implications

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

## 8. Legal implications

8.1. The legal implications are set out in the body of the report.

### Lead officer contact

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### Appendices

None

### Background papers

None