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Dear Member

COUNCIL - THURSDAY, 13 OCTOBER 2022

I am now able to enclose, for consideration at the Thursday, 13 October 2022 meeting of the Council, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
11.	Budget Monitoring 2022/23 - April to July 2022 Revenue Outturn Forecast and April to June 2022 Capital Outturn Forecast 2022/2023 Budget Pressures Review Capital Budget Final Report	(Pages 2 - 6)

Yours sincerely

June Gurry
Clerk

2022/2023 Budget Pressures Review Capital Budget – Report of the Overview and Scrutiny Board – Final Report

Report to Cabinet/Council on 13 October 2022

Background

1. At the meeting of the Overview and Scrutiny Board held on 20 September 2022 Members considered the Budget Monitoring Quarter 1 Report for 2022/2023. The Board resolved (unanimously):

That a 2022/2023 Budget Pressures Review Panel be established to undertake a review of the 2022/2023 budget to address the concerns raised in the Quarter 1 budget monitoring report and that the Cabinet be requested to support this process.

2. The 2022/2023 Budget Pressures Review Panel met on 5 October 2022 to consider the Capital Budget elements of the 2022/2023 Budget Monitoring Quarter 1 Report. The Review Panel comprised of Councillors Barrand, Douglas-Dunbar, Dudley, Kennedy, Chris Lewis, Loxton and O'Dwyer (Chaired by Councillor Douglas-Dunbar).
3. The Panel heard from the Director of Finance, Martin Phillips, the Interim Managing Director TDA, Liam Montgomery, the Deputy Leader of the Council and Cabinet Member for Finance, Councillor Cowell, and Chief Executive, Anne-Marie Bond, on how the Council had a four year Capital Plan with new projects being added each quarter and reported through to Overview and Scrutiny and Cabinet, following initial approval each year of the Capital Plan Budget. Members noted the implications of the significant cost increases on projects due to inflation, supply chain issues and availability and ability of contractors to tender and contract for work.
4. When the Capital Plan Budget was approved by the Council in March 2022 a contingency of £4m was created to reflect some of the cost increases. The Cabinet, with support of Officers, had prioritised the projects which were already significantly underway and/or have grant funding which needed to be spent otherwise the Council would have to re-pay the funder, which could also negatively impact on the Council receiving future grants and our proposals to regenerate Torbay. The four prioritised projects were:
 - **Harbour View** – anticipated requirement £6.6m. The current status of this project was midway through construction and the Council were

evaluating cost plans from the new contractors to complete construction.

- **Lymington Road** – anticipated requirement £2.1m. The current status of this project was that the site had been demolished. Enabling works to the sewerage system are expected to be carried out by South West Water starting in November 2022. Once this work had been completed the main scheme construction would start and was expected to take approximately 8 months.
 - **Edginswell enabling works** – anticipated requirement £2m. The current status of this project was that the contractor is mobilising on site. Work is expected to take six months working towards a completion date of Spring 2023.
 - **Edginswell retail unit** – anticipated requirement £1m. This project would be able to start once the Wickes element of the Edginswell enabling works had been completed.
5. The totality of the projected requirements totalled £11.7m and to allow for an element of additional contingency across the current figures a £12m capital contingency budget was being recommended (being an increase of £8m on the already approved contingency). The decision making for the allocation of the Fund as per the decision in March is proposed to be delegated to the Chief Finance Officer, in consultation with the Leader of the Council and Cabinet Lead for Finance and reported to the Cabinet. At the meeting it was suggested that the Partnership were minded to update their recommendation to Council in order to split the recommendation, so that Council make a determination on Harbour View at the meeting on 13 October, with the remainder being added to the Capital Contingency Fund.
6. The report also sought approval to increase the TorVista Homes working capital from £1.0m to £1.5m to support the future viability of TorVista Homes and to ensure the 'Going Concern' status of the company could be guaranteed in accordance with the viability standards of the Regulator and Homes England. Costs had increased significantly from the original business case due to lower income, higher costs and additional work being carried out managing properties with complex tenants, which were not included in the original business case. Members heard that the business case was being developed and would be independently evaluated by external advisers to ensure that it was robust and fit for purpose. This would be presented to Council in December following briefings to all parties to ensure that Councillors had the opportunity to understand and scrutinise the business case prior to its sign off. Members would have preferred to have seen the revised business case before agreeing additional funding but accepted that a decision was required sooner to demonstrate that TorVista Homes was a 'Going Concern' to protect its Registered Provider Status.
7. The papers considered by the Panel can be found at [Agenda for 2022/2023 Budget Pressures Review Panel on Wednesday, 5 October 2022, 4.00 pm \(torbay.gov.uk\)](https://www.torbay.gov.uk/agenda/2022/2023/Budget-Pressures-Review-Panel-on-Wednesday-5-October-2022-4.00-pm)
8. The Panel reflected and debated the information provided to them, both in writing and orally. They questioned broadly the ongoing viability of projects, due to the continued cost of living, supplier and other financial pressures and sought assurance on how Members could ensure that business cases were

robust and had received appropriate scrutiny and challenge before decisions were made. They were mindful that difficult decisions may need to be taken to stop certain projects and 'cut our losses' rather than committing further resources which would result in higher levels of borrowing at higher rates. Members were concerned on the impact on other Council services in future years if the Council has to pay more borrowing costs from the Revenue Budget. They felt that improved Member input and scrutiny could be achieved by setting up a Panel to review business cases and make recommendations to the Cabinet. The Panel formed the following recommendation by majority to the Overview and Scrutiny Board and Council.

1. That Overview and Scrutiny Board be recommended to immediately establish an Investment and Regeneration Review Panel, to monitor and provide advice on all investment, regeneration and housing projects, and specifically to review all proposed allocations from the Capital Contingency Fund, over the value of £1m. The Panel to be politically balanced.
2. That Council be recommended to include the Investment and Regeneration Review Panel as a consultee on the delegated decision on the Capital Contingency Fund.

The Panel formed the following recommendation (unanimously);

3. That the Council be advised that the Overview and Scrutiny Board supports the proposal to approve that the TorVista Homes working capital facility be increased from £1.0m to £1.5m.
9. The Overview and Scrutiny Board met on 12 October 2022 to consider the recommendations of the Panel set out in paragraph 8 above and also received a report from the Chief Executive on Governance Oversight of the Capital Spend which the Chief Executive, Anne-Marie Bond, outlined at the meeting (see [\(Public Pack\)Item 6 - Governance Oversight of Capital Spend Agenda Supplement for Overview and Scrutiny Board, 12/10/2022 17:30 \(torbay.gov.uk\)](#)). This report outlined an option that would see the set up a cross party Cabinet Capital Contingency Fund Working Party (comprising five Members politically balanced, to include the Leader and Deputy Leader of the Council) to enable wider consultation in the decision making for the allocation of the Capital Contingency Fund than was proposed in the report to Council which delegated the decision to the Chief Finance Officer in consultation with the Leader and Deputy Group Leader. The report also suggested a programmed and manageable approach to the wide breadth of matters identified for Overview and Scrutiny and linking these to existing elements already included on the Overview and Scrutiny Board's Work Programme, so the Board would have more information from which to decide how they wish to undertake their oversight and scrutiny role.

The Board also carried out a detailed review in respect of the Harbour View project and the recommendation to the Council to allocate an additional £6.6m to be funded from prudential borrowing. Members felt that the Council would need further information before it could make a decision, so as to be assured that all possible alternative options have been considered.

The Overview and Scrutiny Board Resolved:

1. that the Overview and Scrutiny Board supports the creation of a cross-party Cabinet Capital Contingency Fund Working Party to give transparency and accountability for delegated decisions on the Capital Contingency Fund, to enable cross party oversight whilst also ensuring that the projects progress expediently and use officer resources efficiently;
2. that, it be noted that the Board has received an overview presentation on the Capital Programme and discussed projects of concern in greater detail (including excluding the press and public where needed). The Board has already determined their approach to oversight of the Capital Programme following that discussion as set out below;

that, Members of the Overview and Scrutiny Board be requested to consider which capital projects they would like to undertake a detailed review upon at its meeting on 11 January 2023 and that Officers be requested to present key projects to the Overview and Scrutiny prior to Cabinet/Council, where possible, and that the Democratic Services Team Leader be requested to add reviews of capital projects to the Work Programme on a quarterly basis;

3. that the Board noted that it is programmed to review both the Housing Strategy and the TorVista Business Case. The Board are therefore recommended to determine their approach to oversight of housing projects following these discussions;
4. that the Board adds a review of the Council's Investment Properties to its Work Programme at the earliest opportunity, to enable a substantive overview of these properties, and following that overview to determine their approach to continuing oversight of these properties; and
5. that the following recommendations of the 2022/23 Budget Pressures Review Panel be adopted:
 1. that the proposal to approve that the TorVista Homes working capital facility be increased from £1.0m to £1.5m be supported; and
 2. the Interim Report on 2022/2023 Budget Pressures Review in respect of the Capital Budget be updated with the Board's response (as above) and forwarded to the Cabinet/Council on 13 October 2022.
6. that the Council be recommended to defer consideration of the revised Officer Recommendation in respect of the Harbour View project for further information as detailed in the exempt appendix to these minutes and the Directors of Place and Finance be requested to report the further information to an additional Overview and Scrutiny Board and Extraordinary Council, both meetings to be held by the end of October 2022.

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