

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

Report to 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 included based on known costs at the time. 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 £6.1m. 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 £11.2m 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). With allocation of the Capital Contingency Fund 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 the 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 \(torbay.gov.uk\)](#)
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 loses' 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.