

# Council 21 February 2013 **Agenda Item 11**

## Written Questions

### 1. Councillor Herbert to the Leader of the Council.

**What is the explanation of the original £2.3 million error in the Council's Medium Term Strategy?**

**Response:**

The work by Ernst and Young has confirmed that the Council's Budget working papers for 2012/13, general ledger and the budget setting report reconcile therefore there were no prior year issues and that we can be confident the problem is within the forecasting model that was used last summer leading up to the production of the 2012 MTS and the planning for the 2013/14 budget.

They state

*“Our review has confirmed that the Council's General Ledger, Budget Book, Budget Setting Report and first iteration of its MTS Model are consistent across the Net Spend Requirement, sources and levels of funding and use of reserves, supporting the assertion that the error is contained within the MTS forecasting process undertaken in the FY12/13 period.”*

The Council finance team undertook work to review how the model had been used in the preparation of the 2012 MTS document. This review identified certain adjustments between versions three and four of the MTS Model which were not accurate. These adjustments relate to data entry into to the model in respect of Capital Slippage and Direct Revenue Financing. In version three of the MTS Model, there is an entry of £1.381m against the Capital Plan Revenue Contributions line, representing the agreed level of annual revenue contribution for 2012/13. Version four of the MTS model showed an entry of £4.981m, an increase of £3.6m. The £3.6m is the total capital slippage for 2011/12 but only the revenue-funded element of this should have been used in the model. The true figure for Capital Plan Revenue Contributions should have been £2.639m (not £4.981m), and was therefore overstated by £2.342m and this caused council revenue spending to be understated.

Ernst and Young conclude that because the problems have been isolated to the way the forecast model was used, incorrect data entry is the most likely cause of the error. Because of lack of audit trails it is possible that there are other errors in the various version of the models but they state:

*“The information provided to and reviewed by us indicates that the error in the budgeting process is contained within the MTS forecasting process of the FY12/13 financial period and is not indicative of wider systemic issues in the financial systems.”*



## **Council 21 February 2013 Written Questions**

### **2. Councillor Herbert to the Leader of the Council.**

**On capital spending, what is the projected overall % spend delivery for the 2012/13 capital programme by year end compared to original budget, how does this compare to 2011/12, and can he provide a comparative breakdown comparing the two years by main programme areas including % comparisons?**

Response:

The spend on the approved Capital & Revenues Project Plan by the end of 2012/13 is projected to be £35.599m in the recently published Budget-Setting Report (BSR). This represents 85.0% of the original budget set for the Plan. This compares with a projection of 76.7% of the Plan at the similar point during 2011/12. Further detail by category and portfolio are shown in the attached Annex.

The projections for 2012/13 currently reflect an improved performance on delivery when compared to the previous year. However, as the BSR notes (on Page 59), the requests for re-phasing of planned spend from 2012/13 to 2013/14 indicates a number of issues encountered:

- In the case of five major projects / programmes (totalling £2.03m) specific unavoidable reasons have led to revised timings reflecting the complexity / nature of the proposals. This includes a requirement for specialist advice, and the need for additional structural investigations in relation to building work
- In the case of four major projects (totalling some £613k) timings have changed as a result of scheme changes made in response to feedback from public consultation
- Difficulties in recruiting appropriate specialist project delivery staff has delayed a number of recreational and environmental schemes. Significant progress has now been made with recruitments and scheme delivery is expected to accelerate. Capacity has also been bolstered through bids to the Project Facilitation Fund

- Significant changes to the way in which developer contribution funded schemes are delivered, with devolution of local schemes to Area Committees, have led to two projects (totalling £350k) to be rephased.

Asset Management Group continue to review lessons from such issues in order to determine any other measures which can be taken to facilitate delivery of schemes and programmes.

Despite these issues, the measures taken as part of the September 2012 MTS are serving to improve delivery, and the improved capacity resulting from use of the Project Facilitation Fund is expected to result in delivery against Plan by March 2014 of the currently approved items in both the Programme and Project categories. The recently created Provisions category provides separate oversight of those approvals which are necessary to enable the Council to take actions in accordance with its policies, but where the timing of actual spending is largely determined by factors beyond the Council's control.

All subsequent proposals of programmes or schemes for inclusion in the Plan will be required to include all requirements and costs associated with ensuring their timely delivery, and will be assessed in terms of risks to their timely delivery so that any appropriate mitigations can be determined and implemented.

## Forecast Capital Delivery 2012/13 (BSR 2013) - including HRA

		Data			
Scheme	Portfolio	Sum of Current Budget 2012/13	Sum of Spend April 2012 to March 2013	Sum of Anticipated Variance	Sum of % Spend
		£ '000s	£ '000s	£ '000s	£ '000s
Programmes	Arts, Sport & Public Places	799	423	(376)	52.9%
	Community Development & Health	545	476	(69)	87.3%
	Customer Services & Resources	1,299	1,214	(85)	93.5%
	Environmental & Waste Services	1,009	1,009	0	100.0%
	HRA	25,137	25,137	0	100.0%
	Planning & Climate Change	283	75	(208)	26.5%
<b>Programmes Total</b>		<b>29,072</b>	<b>28,334</b>	<b>(738)</b>	<b>97.5%</b>
Project	Arts, Sport & Public Places	2,769	1,436	(1,333)	51.9%
	Community Development & Health	833	427	(406)	51.3%
	Customer Services & Resources	926	841	(85)	90.8%
	Environmental & Waste Services	128	128	0	100.0%
	Housing	177	177	0	100.0%
	Planning & Climate Change	803	183	(620)	22.8%
	Strategy	173	173	0	100.0%
<b>Project Total</b>		<b>5,809</b>	<b>3,365</b>	<b>(2,444)</b>	<b>57.9%</b>
Provision	Arts, Sport & Public Places	57	0	(57)	0.0%
	Customer Services & Resources	4,957	3,466	(1,491)	69.9%
	Environmental & Waste Services	799	21	(778)	2.6%
	Housing	600	25	(575)	4.2%
	Planning & Climate Change	578	388	(190)	67.1%
<b>Provision Total</b>		<b>6,991</b>	<b>3,900</b>	<b>(3,091)</b>	<b>55.8%</b>
<b>Grand Total</b>		<b>41,872</b>	<b>35,599</b>	<b>(6,273)</b>	<b>85.0%</b>

## Forecast Capital Delivery 2011/12 (BSR 2012) - including HRA

Ref	(All)
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		Data			
Scheme	Portfolio	Sum of Current Budget 2011/12	Sum of Est Spend to March 2012	Sum of Forecast Variance	Sum of Spend %
		£ '000s	£ '000s	£ '000s	£ '000s
Programme	Arts, Sport & Public Places	1,273	1,142	(131)	89.7%
	Community Development & Health	291	154	(137)	52.9%
	Customer Services & Resources	1,080	1,020	(60)	94.4%
	Environmental & Waste Services	611	450	(161)	73.6%
	Planning & Sustainable Transport	1,013	69	(944)	6.8%
	HRA	20,669	19,519	(1,150)	94.4%
<b>Programme Total</b>		<b>24,937</b>	<b>22,354</b>	<b>(2,583)</b>	<b>89.6%</b>
Project	Arts, Sport & Public Places	4,257	1,442	(2,815)	33.9%
	Community Development & Health	2,606	2,442	(164)	93.7%
	Customer Services & Resources	416	306	(110)	73.6%
	Environmental & Waste Services	262	178	(84)	67.9%
	Planning & Sustainable Transport	423	370	(53)	87.5%
	Strategy & Climate Change	224	0	(224)	0.0%
<b>Project Total</b>		<b>8,188</b>	<b>4,738</b>	<b>(3,450)</b>	<b>57.9%</b>
Provision	Arts, Sport & Public Places	57	0	(57)	0.0%
	Customer Services & Resources	1,567	362	(1,205)	23.1%
	Environmental & Waste Services	363	6	(357)	1.7%
	Housing	522	72	(450)	13.8%
	Planning & Sustainable Transport	285	7	(278)	2.5%
<b>Provision Total</b>		<b>2,794</b>	<b>447</b>	<b>(2,347)</b>	<b>16.0%</b>
<b>Grand Total</b>		<b>35,919</b>	<b>27,539</b>	<b>(8,380)</b>	<b>76.7%</b>

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