

Council 21 February 2013

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.”

