

Written response to: Audit Committee

Resolution:

1. The zero base budgeting exercise did not seem to be realistic, was there a way of making more realistic budgets to reduce the underspends?
2. Why had the costs for the Sands Centre Project increased so much?
3. Was there a legal requirement to recalculate the MTFP based on the changes to carrying values of PPE and Investment Property?

Written response from: Financial Services Manager

Response:

1. A thorough examination of all budgets has been undertaken, looking back at historical trends for expenditure and income to determine whether variations to budgets have been recurring. Although not a true zero-based budgeting exercise, this has looked at budgets across departments on a subjective level, i.e. looking at types of spend. This has identified that in a lot of cases the underspends arising each year are not recurring and are as a result of one-off grant income, or one-off reductions in expenditure. However, the exercise has identified certain areas where there does seem to be a lower amount of expenditure compared to the base budget. For example, printing and stationery budgets. These areas have therefore been identified for potential budget reductions and could be taken towards the savings targets.
2. The Sands Centre Project is a complex capital project that has required significant design and construction planning to ensure the facilities are fit for purpose and deliver what the City needs operationally for the long term. As the Portfolio has mentioned in the minutes, the Council has now entered into a contract with the principal contractor with a budget that has now been agreed by Full Council. The Council is monitoring the project carefully and utilising both an internal project management team as well as external project support.
3. The carrying values of the Council's asset portfolio do not directly impact the Medium-Term Financial Plan or any assumptions contained within it. The carrying values of the assets were subject to extensive checking as part of the 2019/20 accounts process and this led to a full restatement of asset values due to the bases of valuation being incorrectly applied by the valuer. This led to the previous years' valuations needing to be restated to ensure consistency when comparing asset values across years.

Date: 29 July 2021