

MONITORING OF 2003/2004 SOCIAL AND ECONOMIC DEVELOPMENT REVENUE BUDGETS PERIOD 1-11

Report By: Director of Policy and Community

Wards Affected

Countywide

Purpose

1. To advise Members of the actual net revenue expenditure against budgets for Social and Economic Development service areas to period 11 of the financial year 2003-2004.

Financial Implications

2. All budget variances are to be noted within the context of the overall net revenue budgets for 2003-2004. Any over or underspends will be carried forward under the financial regulations of Herefordshire Council.

Considerations

3. The monitoring report for period 11 is attached as Appendix 1 for Members consideration, the report shows the revised budget, including carried forward over and underspends from 2002-03, with actual expenditure, variances and projected out-turns for the main service areas within Social and Economic Development.
4. For 2003-04 the budgets for some major items of expenditure such as grant payments to the Courtyard and the management fee to halo were profiled to closer reflect the planned payment timescales. Actual expenditure patterns have deviated from the planned profiles leading to variances against budgets. Budgets for 2004-05 will again be profiled, with the planned expenditure being informed by the actual activity for the current year. A greater focus will be placed on ensuring that expenditure follows the profile more closely in 2004-05.
5. Cultural Services shows a significant overspend for the period. This is due to the Courtyard being paid £91,000 of their 2004-05 grant in the current year. This will be adjusted for as part of the final accounts process. The current figures also include the value of the stocks held in TIC's. When these factors are taken account of, the outturn position for 2003-04 will be close to the budgeted expenditure for the year.
6. Prior to the transfer of works to Herefordshire Jarvis Services (HJS), grounds maintenance work undertaken by Herefordshire Commercial Services (HCS) was billed on a monthly basis at actual cost. Because the majority of grass cutting occurs in the summer months, a significant proportion of the total annual budget was spent during this period.

7. The payment method agreed with HJS for programmed grounds maintenance work is based on a straight-line payment of the total annual budget in equal monthly instalments. In a full financial year this would mean the total budget for the year being paid over on a monthly basis.
8. However, because the HJS contract commenced halfway through the current financial year, an adjustment is required to reflect the seasonality of the operation which will be made as part of the final accounts process. In addition, a detailed review of the allocation process for HJS costs will be undertaken prior to accounts closure to ensure all costs are correct. A further factor influencing the final outturn for Grounds Maintenance is the extent of land adopted as a consequence of planning obligations which has resulted in additional costs. Commuted sums have been received from developers.
9. It is proposed that the difference between the final outturn position and the £130,000 overspend previously identified will be met by a transfer from the commuted sums received. For 2004-05 onwards it is anticipated that charges from HJS will be constrained within the annual budget.
10. The expenditure on the Leisure Client heading has deviated from the profiled budget, resulting in a significant overspend variance at period 11. This is compounded by the property maintenance costs for which a budget will be allocated from the corporate property pool during the final accounts process. It is likely that there will be an overall underspend, however this will be used as a contribution towards the Health Spa account in the Social Development capital programme, which currently has a shortfall.
11. The Youth Service continues to underspend due to staff vacancies and the subsequent effect on operational budgets. The service has also generated income from rents and lettings well above the budget, which contributes towards the current underspend. As reported by the Youth Service Manager to this Committee on 5th February 2004, all budgets have been allocated to a programme of expenditure that will not be fully implemented until the recruitment drive is completed. An underspend of £120,000 is expected, although some of this relates to committed expenditure which may be spent early in 2004-05.
12. The premises costs of the Broad Street site in Hereford are split between the library and museum on a 50:50 basis. The recharge from Heritage to Libraries will not take place until the end of the financial year. Once this is completed it should bring overall Library expenditure close to the budget for the year, provided that budgets allocated towards meeting library standards are spent by year-end.
13. When the above transaction occurs this should result in an overall underspend for the Heritage Service, however any underspend has been committed towards the Friar Street Phase 2 project, so a revenue contribution will be made to the capital programme.
14. The accumulated deficit from the operation of Leisure Facilities prior to externalisation continues to be the subject of negotiations with halo. The deficit will be cleared in full by 2005. A number of utility bills dating from before the transfer have recently been received from West Mercia Supplies (WMS). Whilst these have been found to be a valid cost for the Council, WMS had continued to bill halo and the amounts have only recently been brought to

the Council's attention. The impact of these bills increases the deficit by £45,000.

15. Economic Development continues to demonstrate a significant underspend. Only a small proportion of the £150,000 carried forward from 2002-03 has been allocated and the relevant expenditure may not be incurred before the end of the financial year.
16. The Community Regeneration and Herefordshire Plan Support headings all include budget provision for contributions towards grant-funded schemes. To fit in with grant claiming procedures some contributions are not made until year-end, consequently expenditure appears below the budget.
17. There have been a number of staff vacancies during the year causing an overall underspend in employee budgets, which could total up to £50,000.
18. Taking all of the above into consideration there is likely to be an underspend of at least £140,000 to be carried forward, although the final figure is dependent on the level of contribution needed towards grant-funded schemes and the extent to which committed expenditure will be incurred in period 12.

RECOMMENDATION

THAT the position be noted.

BACKGROUND PAPERS

- **None identified**