

COMMUNITIES, CULTURE & LEISURE PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3

The Portfolio is currently forecast to overspend by **£0.11M** at year-end, which represents a percentage overspend against budget of **1.8%**. The Portfolio forecast variance has moved favourably by **£0.02M** from the position reported at **Quarter 2**. The forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view.

	Forecast Variance £M	%	Movement from Qtr. 2 £M	%
Communities, Culture & Leisure	0.11 A	1.8	0.02 F	0.3
Potential Carry Forward Requests	0.00		0.00	

A summary of the quarterly movements in the Portfolio forecast variance, are shown in the table below:

Division / Service Activity	Forecast Variance Qtr. 3 £M	Forecast Variance Qtr. 2 £M	Movement £M	Ref.
Gallery & Museums	0.23 A	0.27 A	0.04 F	COMM 1
Leisure Client	0.03 F	0.06 F	0.03 A	COMM 2
Other	0.09 F	0.08 F	0.01 F	
Total	0.11 A	0.13 A	0.02 F	

The SIGNIFICANT issues for the Portfolio are:

COMM 1 – Gallery & Museums (£0.23M adverse, £0.04M favourable movement)

There is a shortfall in venue income and additional employee costs.

There is a shortfall in income due to lower fee paying visitor numbers;

- £0.14M for SeaCity Museum, favourable by £0.04M compared with Quarter 2.
- £0.04M for Tudor House Museum, no movement from Quarter 2.
- £0.06M adverse on unbudgeted employee costs, adverse movement of £0.01M.
- £0.02M favourable on repairs & maintenance due to reassessment of works, favourable by £0.01M.
- £0.02M adverse on SeaCity Shuttle Bus Hire costs; expectation the free service will generate additional income, adverse by £0.01M from Quarter 2.

The Service Director – Growth has offset the income shortfall with favourable movements in Concessionary Fares costs (see E&T 6) and Development Management fees and charges (see E&T 7).

COMM 2 – Leisure Client (£0.03M favourable, £0.03M adverse movement)

There are savings on the Active Nation and Live Nation contracts.

There is a favourable variance of £0.06M on the Active Nation (Sports & Recreation) contract, due to lower utility inflation payments in respect of 2015/16. In addition, there are forecast savings of £0.02M on the Live Nation contract, mainly due to the receipt of the Council’s share of 2015/16 profits in accordance with the contract, and £0.02M on Guildhall client costs. These favourable variances are unchanged from quarter 2.

There are adverse variances due to unavoidable works that were needed at the Sports Centre (£0.03M), Woodmill (£0.03M), and Bitterne Leisure Centre (£0.01M). The total adverse variance of £0.7M has increased by £0.03M since quarter 2.

EDUCATION AND CHILDREN’S SOCIAL CARE PORTFOLIO

KEY ISSUES – QUARTER 3

The Portfolio is currently forecast to under spend by **£0.06M** at year-end, which represents a percentage under spend against budget of **0.1%**. The Portfolio forecast variance has moved favourably by **£1.31M** from the position reported at Quarter 2. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	Forecast Variance Quarter 3 £M	%	Movement from Quarter 2 £M	%
Education and Children’s Social Care	0.06 F	0.1	1.32 F	3.0

A summary of the monthly movements in the Portfolio forecast variance, are shown in the table below:

Division / Service Activity	Forecast Variance Quarter 3 £M	Forecast Variance Quarter 2 £M	Movement £M	Ref.
Divisional Management & Legal	0.08 A	1.07 F	1.15 A	E&CS1
Quality Assurance	0.11 F	0.04 A	0.15 F	E&CS1 & E&CS5
MASH & CIN	0.14 F	0.42 A	0.56 F	E&CS1 & E&CS6

Specialist Core Services	0.02 A	0.57 A	0.55 F	E&CS1
Looked After Children	0.00	1.02 A	1.02 F	E&CS2
ICU – Children’s Services	0.15 F	0.15 F	0.00	E&CS3
Education – Early Years and Asset Management	0.41 A	0.30 A	0.11 A	E&CS4
Education – High Needs and Schools	0.00	0.06 A	0.06 F	E&CS8
Early Help	0.17 F	0.07 A	0.24 F	E&CS1 & E&CS7
Total	0.06 F	1.26 A	1.32 F	

The SIGNIFICANT issues for the Portfolio are:

E&CS1 – Net position of the agency budget – (NIL variance, Nil movement)

The forecast net position on the agency budget for month 9 (i.e. netting the cost of agency staff against the vacant establishment posts) is £0.00M variance.

Finance staff work with Children’s Services to identify and monitor each vacant post, agency post and where appropriate any additional posts. This is monitored each month and any changes are detailed in the current forecast. Children’s Services are increasingly encouraged to work towards this spend being within budget by year end. However as the number of Looked After Children are expected to be higher than originally anticipated in setting the 2016 Medium Term financial Strategy budget, there has been an amount included as pressure in the 2017/18 budget. This amount reduces as the number of Looked after children reduce.

E&CS2 - Looked after Children and Provision (£0.01M favourable, £1.02M favourable movement)

There has been a decrease in the number of placements with Independent Foster Carers offsetting an increase in the cost of residential placements.

The total forecast favourable variance is £0.09M, which relates to the forecast additional placement costs for 2016/17. There is an increasing demand for residential placements and an increase in the average cost per placement which has led to a forecast overspend of £1.45M, although this has not moved significantly since Quarter 2. A new initiative by the Care Placement Service identifies negotiation with providers and monitoring and interrogation of invoices as key to reducing unit costs of each placement started in December 2016 and unit costs will continued to be monitored below. Children’s Services are undertaking a targeted piece of work to reduce LAC and look at more appropriate placement of children. The initial results of this has seen a LAC reduction of twenty and in addition four children currently in residential care who will be moved to either supported lodgings or IFA’s before the end of this financial year. A corresponding rise in the number of Special Guardianship Orders has been experienced with a further eleven children expected to transfer to SGO before the end of this financial year, resulting in a forecasted adverse variance of £0.22M. In addition to this, the Interagency Adoption grant which ended in October 2016 giving an adverse variance paid a final payment which was unexpected. The

cost of Interagency Adoption placements for the remainder of the year to be funded by the Council is expected to be £0.19M.

Offsetting these is a favourable forecast for fostering of £1.37M mainly due to a reduction in the number of Independent Foster Agency Placements which includes a reduction of £0.10M from Quarter 2 and a reduction in the number of care leavers. In addition to this a further five Unaccompanied Asylum Seeking Children (UASC) who are currently in IFA's are expected to move to supported lodgings, which have been sourced at a significantly lower cost, within the next six weeks as part of the LAC reduction plan.

The forecast for the cost of transport for Looked after Children has been reduced by £0.14M in line with actual expenditure for the year to date, a movement of £0.04M from previous quarter. The remaining favourable variance is mainly due to a reduction in the cost of staffing due to vacant posts which is offset by adverse staffing variances across the service due to the appointment of agency staff.

The table below outlines the budgeted and Quarter 3 actual activity levels for 2016/17:

No's of Children 2016/17	Cost Centre	1617 Budgeted Numbers	Average Weekly Unit Cost	1617 Working Budget	M9 Numbers	Average Weekly Unit Cost	M9 Forecast	M9 Forecast variance	M9 Unit Cost variance	M9 Numbers variance
Fostering up to 18	SL78D	315	£171.65	£4,887,500	291	£174.64	£4,599,800	£287,700	£3	-24
Independent Fostering Agencies (inc Jigsaw)	SC41D / SL86D	199	£854.11	£8,862,100	160	£937.57	£7,968,207	£880,900	£83	-39
Supported Placements or Rent	S9760	9	£123.22	£85,300	9	£292.16	£137,100	£58,300	£169	0
Residential - Independent Sector	SC40D	23	£3,409.55	£3,441,000	25	£3,399.99	£4,887,077	£1,446,077	£-10	2
Unaccompanied Asylum Seekers	SL820	5	£264.53	£147,200	9	£264.53	£147,200	£0	£0	4
Inter-Agency	SC33E	36	£345.22	£328,600	50	£297.11	£518,400	£189,800	£-48	14
Children Placed with Parents	SL78D	0	£0.00	£0	46	£0.00	£0	£0	£0	71
Sub-total: Children Looked After		587		£17,751,700	590		£18,257,784	£525,577	£198	28
Care Leavers	S9780	59	£304.52	£636,300	30	£258.66	£419,300	£-211,800	£-46	-29
Adoption Allowances	SL89D	96	£126.89	£632,800	92	£132.48	£658,400	£25,600	£6	-4
Special Guardianship Allowances	SC25D	115	£102.69	£608,000	135	£120.32	£819,900	£223,900	£18	20
Residence Order Allowances	SL89D	14	£91.17	£75,700	16	£94.98	£79,100	£3,400	£4	2
Sub-total: Children in Need		284		£1,952,800	273		£1,976,700	£41,100	£-19	-11
Total		871		£19,704,500	863		£20,234,484	£566,677	£179	17

A detailed looked after children reduction plan is currently being validated. This plan will be subsumed within the Children's and Families Transformation Plan.

E&CS3 – ICU Children's Services (£0.15M favourable, Nil movement)

The service is not commissioning a contract (previously in place in 2015/16) for midwifery services in 2016/17, thus generating a saving.

During 2015/16 the service decided not to continue to commission a contract for midwifery services, generating a saving of £0.16M. Additional contract pressures due to demand on service, initially lead to these savings not being fully realised but work has continued to bring this back within budget.

E&CS4 – Education – Early Years and Asset Management (£0.41M adverse, £0.11M adverse movement)

There is a pressure on the home to school transport budget, this has been included in the 2017/18 budget whilst a Strategic Transport Review is carried out with a view to reducing these costs

Within this area, the home to school transport for children attending Special schools is currently forecasting a pressure of £0.41M due to the impact of the continuing increase in school transport numbers and costs at Special Schools. The age range has increased from 21 to 25 years which will result in additional costs.

This pressure is partially offset by additional income from for Schools Information Management System and any communications licences, training & support.

At present the maintained Special Schools within the City are at capacity, thus new cases where there is need for a specialist provision cannot be met in area. As a consequence the numbers placed out of area has increased. This has a further impact on transport. Work is to commence looking at a more robust pupil planning process for children with SEN to reduce the need for external placements.

There is not expected to be any further increase in costs unless there are new children identified as requiring transport during the school year. As it seems to take a while to transfer students onto a PTB and it is unlikely there will be any further savings from this in this financial year.

The decrease of £0.04M since last period is against Broadband Capita Service Level Agreement (SLA) income. This is because the new 3 year broadband contract is now agreed with schools and this resulted in additional income due to more schools than estimated have signed up for 3 years contract.

E&CS5 – Quality Assurance Business Unit (£0.11M favourable, £0.15M favourable movement)

The expenditure on training for trainee social workers has decreased in 2016/17 and there are vacant posts which are not expected to be recruited to in the current financial year

There has been a reduction in the number of student social workers in 2016/17. In 2015/16, the total number of funded students was 10, costing a total of £0.08M. Following close analysis of the benefit to Southampton City Council of training student social workers this has reduced to 3 students in 2016/17 resulting in a forecast underspend of £0.06M.

The forecast for staff training has also reduced by £0.03M based on actual expenditure as at Quarter 3.

In addition to this, there are a number of vacant posts which have not been filled, which offset by the cost of agency staff, has created a favourable forecast variance of £0.02M.

E&CS6 – Multi Agency Safeguarding Hub (MASH) & Children In Need (CIN) (£0.14M favourable, £0.56M favourable movement)

Due to the transformational changes to the initial contact process (front door service handling the initial contact process for referrals), reflected in the reduction in the number of Looked after Children, there has been an increase in the number of vacant posts that have not been filled this year. The favourable variance on staffing offset by the cost of agency staff has created a net favourable variance of £0.09M across MASH, CIN and the Emergency Duty Team. This is a movement of £0.30M since Quarter 3.

In addition to this, income from other public bodies towards the cost of staffing the service is £0.04M higher than expected for 2016/17.

E&CS7 – Early Help (£0.17M favourable, £0.24M favourable movement)

Savings have been found from detailed analysis of premises costs and forecast of external income from grants and rents

Detailed analysis on all costs in Early Help have resulted in a favourable variance of £0.12M with key areas such as on premises costs and rental income forecasting savings of £0.05M, this will continue during the next few months as teams look at the way the service is delivered in the future. The favourable variance on staffing offset by the cost of agency staff has created a net favourable variance of £0.05M across Early Help. This is a favourable movement of £0.11M since Quarter 2

E&CS8 – Education – High Needs and Schools (£0.00M variance £0.06M favourable movement)

There has been a decrease in the forecast primarily against JIGSAW short break placements less than previously forecast.

ENVIRONMENT & TRANSPORT PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3

The Portfolio is currently forecast to underspend by **£0.67M** at year-end, which represents a percentage underspend against budget of **3.1%**. The Portfolio forecast variance has moved favourably by **£0.41M** from the position reported at **Quarter 2**. The forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view.

	Forecast Variance £M	%	Movement from Qtr. 2 £M	%
Environment & Transport	0.67 F	3.1	0.42 F	1.9
Potential Carry Forward Requests	0.00		0.00	

A summary of the quarterly movements in the Portfolio forecast variance, are shown in the table below:

Division / Service Activity	Forecast Variance Qtr. 3 £M	Forecast Variance Qtr. 2 £M	Movement £M	Ref.
Domestic Waste Collection	0.37 A	0.36 A	0.01 A	E&T 1
Commercial Waste Collection	0.12 A	0.11 A	0.01 A	E&T 2
Waste Disposal	0.23 A	0.22 A	0.01 A	E&T 3
E&T Contracts Management	0.08 F	0.15 F	0.07 A	E&T 4
Off Street Parking	0.48 F	0.20 F	0.28 F	E&T 5
Travel	0.42 F	0.33 F	0.09 F	E&T 6
Development Management	0.33 F	0.20 F	0.13 F	E&T 7

Regulatory Servs - Commercial	0.14 F	0.05 F	0.09 F	E&T 8
Parks and Street Cleansing	0.31 A	0.08 A	0.23 A	E&T 9
Other	0.25 F	0.09 F	0.16 F	
Total	0.67 F	0.25 F	0.42 F	

The SIGNIFICANT issues for the Portfolio are:

E&T 1 – Domestic Waste Collection (£0.37M adverse, £0.01M adverse movement)

There is a forecast adverse variance on employee costs and fleet charges.

There is an adverse forecast variance of £0.09M relating to the estimated additional cost of temporary agency cover for staff sickness absences and related issues, a favourable movement of £0.03M from Quarter 2.

In addition, there is an adverse forecast variance of £0.19M for fleet charges, an adverse movement of £0.02M. The procured new fleet of ten refuse collection vehicles have a forecast part year additional cost of £0.06M, with the balance of £0.13M mainly being additional hire charges for replacement vehicles.

There is an adverse forecast variance of £0.11M, for the cost of bin purchase and storage, an adverse movement of £0.03M. Reported for the first time there is a favourable variance of £0.02M on additional bin collections for council housing tenants.

The Service Director - Transactions and Universal Services has offset the adverse variance with a favourable movement in Off-street parking income (see E&T 5).

E&T 2 – Commercial Waste Collection (£0.12M adverse, £0.01M adverse movement)

There is a forecast adverse variance in fleet charges and disposal costs.

There is an adverse forecast variance of £0.06M for fleet charges, a favourable movement of £0.02M compared to Quarter 2. This is due to Fleet Services charging the full cost of vehicles supplied.

There is an adverse forecast variance of £0.10M, for trade waste disposal costs, no movement. This is due to additional volumes of waste and the use of the transfer station while the incinerator was under maintenance.

There are a number of small favourable variances on income in both trade waste and garden waste, largely due to higher than expected volumes of recyclables.

An adverse variance of £0.04M on vehicle damage and repairs, an adverse movement of £0.02M. This is due to a number of expensive repairs and volumes above estimate (25% of the costs are for replacement of tyres).

Reported for the first time there is an adverse forecast variance of £0.01M for the cost of bin purchase as we are replacing more bins than anticipated.

E&T 3 – Waste Disposal (£0.23M adverse, £0.01M adverse movement)

There are various forecast changes with an adverse overall variance.

There is an adverse forecast variance on disposal costs fixed fees within the contract for general collected household waste of £0.14M, an adverse movement of £0.03M compared to Quarter 2, due to the final agreed re-negotiated contract not fully achieving the required reductions in the early years. The profile on the contract savings was tiered over the life of the contract.

There are also adverse forecast variance of £0.07M, due to the additional disposal costs of contaminated recyclables within the Dry Mixed Recyclables collections.

There is a favourable variance of £0.06M on the cost of Civic Amenity waste, a favourable movement of £0.03M. This is due to the introduction of charging for the disposal of some non-domestic waste types (soil and rubble etc.)

Additionally there is an adverse variance of £0.07M on third party income, an adverse movement of £0.01M. This is due to lower income from the profit share (ERF - incinerator) and a Household Waste Recycling Centre (HWRC) income shortfall (e.g. lower resale price of metal).

The House Waste Recycling Centre (HWRC) is seeking to generate further income by introducing charging for soil/rubble/plasterboard and waste from SMEs.

E&T 4 – E&T Contracts Management (£0.08M favourable, £0.07M adverse movement)

There are forecast savings on contracts and additional income forecasts partly offset by set-up costs of the extended CityWatch contract.

There is a favourable forecast variance on the PFI Street Lighting contract sum. This is favourable by £0.16M, a favourable movement of £0.06M from Quarter 2, due to contract deductions, and £0.02M, due to contract indexation adjustments.

As previously reported there is a favourable forecast variance on the Highways contract sum of £0.02M, due to contract indexation adjustments.

There is a favourable forecast variance on the Highways Partnership Third Party Income share for 2015/16 of £0.09M. However the client charges to the TMA Permit scheme are forecast to be lower by £0.03M this has been identified as an ongoing pressure and an amount has been factored into the budget for 2017/18

There is a forecast adverse variance on Street Lighting energy of £0.13M, an adverse movement of £0.08M, due to higher forecast consumption of £0.05M and electricity price increases of £0.08M. Reported for the first time there is a net forecast adverse variance of £0.06M on set-up costs of the extended CityWatch contract. There was a delay in the extension of the contract meaning that the part-year savings did not cover the set-up costs as anticipated.

E&T 5 – Off-Street Parking (£0.48M favourable, £0.28M favourable movement)

There is a forecast favourable variance due to additional income forecasts and lower business rates payments.

There is a favourable forecast variance on Off-Street Parking income of £0.42M, a favourable movement of £0.18M from Quarter 2. This is a favourable variance on ticket income which is offset by a previously reported adverse variance on income from penalty charge notices of £0.07M. Budgets will be realigned for the new financial year.

Also, there is a favourable variance on business rates payments of £0.08M. This is due to car park business rate valuations being lower than estimated (this has been reset in the draft estimates for next year). There is a forecast adverse variance, due to higher spend on operational costs of £0.06M. However, this has now been offset by a favourable variance of £0.08M on routine repairs & maintenance of car parks. This is because only essential maintenance is planned to be carried out.

E&T 6 – Travel (£0.42M favourable, £0.09M favourable movement)

There is a forecast favourable variance mainly due to lower Concessionary Fares costs.

The total forecast number of Concessionary Fare journeys and the forecast average fare are being monitored closely throughout the year. Based upon the current passenger journeys and the calculated average fare,

There is now a favourable forecast variance on the scheme of £0.40M, a favourable movement of £0.10M from Quarter 2. In addition, there is a forecast saving of £0.02M on supported bus and other travel costs.

E&T 7 – Development Management (£0.33M favourable, £0.13M favourable movement)

There is a forecast favourable variance due to additional income forecasts.

There is a favourable forecast variance on planning applications income of £0.14M, favourable movement of £0.05M from Quarter 2. This reflects a higher level of applications, including for proposed major developments. Also there are favourable forecast variances on community infrastructure levy administration fees of £0.15M, a favourable movement of £0.06M and section 106 administration fees of £0.06M, a favourable movement of £0.03M.

E&T 8 – Regulatory Services - Commercial (£0.14M favourable, £0.09M favourable movement)

There is a forecast favourable variance due to higher income.

There is a forecast favourable variance of £0.11M, a favourable movement of £0.02M from Quarter 2 due to higher income from an increased volume of port health work and additional food safety fees from a shared service with Eastleigh B.C. Reported for the first time there are savings on operational costs of £0.03M.

E&T 9 – Parks and Street Cleansing (£0.31M adverse, £0.23M adverse movement)

There is a forecast adverse variance due to higher employee and operational costs.

There is an unachieved employee saving of £0.22M, an adverse movement of £0.18M. The forecast adverse variance on permanent staff is £0.08M, offset by savings on seasonal employee costs of £0.05M. In addition agency costs are forecast to be £0.15M adverse and £0.04M adverse on overtime payments - which are required to be made in order to deliver this 365 day a year service. Within these adverse variances there is a vacancy management savings target of £0.08M which due to the front line nature of the service cannot be met.

There is a forecast adverse variance of £0.08M, due to higher operational costs, mainly electricity, fleet vehicle hire and other running costs, an adverse movement of £0.04M from

Quarter 2. The Parks managers have met to better understand why this has occurred and are formulating a plan to reduce the adverse by the end of the financial year.

FINANCE PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3

The Portfolio is currently forecast to underspend by **£0.59M** at year-end, which represents a percentage underspend against budget of **1.6%**. The Portfolio forecast variance has moved favourably by **£0.36M** from the position reported at **Quarter 2**. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	Forecast Variance £M	%	Movement from Qtr. 2 £M	%
Finance	0.59 F	1.6	0.36 F	1.0
Potential Carry Forward Requests	0.00		0.00	

A summary of the quarterly movements in the Portfolio forecast variance, are shown in the table below:

Division / Service Activity	Forecast Variance Qtr. 3 £M	Forecast Variance Qtr. 2 £M	Movement £M	Ref
Audit and Risk Management	0.08 F	0.08 F	0.00	FIN 1
Local Taxation & Benefits	0.09 F	0.12 F	0.03 A	FIN 2
Business Support	0.24 F	0.07 F	0.17 F	FIN 3
IT Services	0.07 A	0.07 A	0.00	FIN 4
Debtors & Creditors	0.17 F	0.00	0.17 F	FIN 5
Partnership	0.06 F	0.00	0.06 F	FIN 6
Other	0.02 F	0.03 F	0.01 A	
Total	0.59 F	0.23 F	0.36 F	

The SIGNIFICANT issues for the Portfolio are:

FIN 1 – Audit and Risk Management (£0.08M favourable, NIL movement)

Underspend on Audit contract / reduced cost of insurance premiums

A favourable variance of £0.04M relates to an in-year underspend against the annual budget for the Southern Internal Audit Partnership, following formal notification of the 2016/17 annual fee. The Southern Internal Audit Partnership comes to an end of the 31st March 2017, alternative arrangements are being put in place. These incorporate a joint working arrangement with Portsmouth City Council. In addition a new favourable variance of £0.04M has arisen against the budget for insurance premiums, as actual costs are now expected to be lower.

FIN 2 – Local Taxation and Benefits (£0.09M favourable, £0.03M adverse movement)

Reduced printing, postage charges and fees from Capita, reduced external Legal costs

A favourable variance of £0.05M has arisen on reduced charges from Capita for printing and postage following the implementation of the Council Tax Reduction Scheme, as the actual increase in costs to date to support the scheme is lower than anticipated.

In addition a favourable variance of £0.05M has arisen from reduced external Legal costs associated with arrears activity, together with a £0.02M underspend on Capita fees.

These underspends have been offset by a new adverse variable of £0.03M from additional Capita variable fees generated by a volume change in the number of properties. This will be reviewed to consider any ongoing impact from 2017/18 and ongoing.

FIN 3 – Business Support (£0.24M favourable, £0.17M favourable movement)

Underspends on centralised stationery and staff training, plus salary under spends

A favourable forecast variance has arisen due to in-year underspends against the centralised stationery £0.04M and staff training budgets £0.05M and represents the early achievement of budget proposals for 2017/18 and ongoing, a favourable movement of £0.02M compared with quarter 2.

In addition a new favourable variance of £0.15M has arisen from staff vacancies prior to the introduction of the Business Operations and Digital structure from 1st October, following a detailed review of all posts and temporary staff costs incurred.

FIN 4 – IT Services (£0.07M adverse, NIL movement)

Unachieved saving plus additional security/storage costs

The adverse variance has arisen in part due to a shortfall of £0.02M against an approved budget saving relating to the reduction in the cost of software licence agreements. The cost of the new contract is higher than expected due to an increase in the number of licences, plus a new licence is now required to ensure that all staff have digital access.

In addition one-off costs of £0.05M have been incurred on essential security measures, together with the need for increased network storage. These costs will be reviewed to determine if any ongoing pressures need to be considered as part of the 2017/18 budget setting process.

FIN 5 – Debtors & Creditors (£0.17M favourable, £0.17M favourable movement)

Salary under spends

A new favourable forecast variance of £0.17M has arisen due to an under spend on salaries prior to the introduction of the Business Operations and Digital structure from 1st October, following a detailed review of all posts and temporary staff costs incurred.

FIN 6 – Partnership (£0.06M favourable, £0.06 favourable movement)

Salary under spends

A new favourable forecast variance of £0.06M has arisen due to an in-year under spend on salaries.

HEALTH & SUSTAINABLE LIVING PORTFOLIO

KEY ISSUES – QUARTER 3

The Portfolio is currently forecast to under spend by **£0.15M** at year-end, which represents a percentage under spend against budget of **3.0%**. The Portfolio forecast variance has moved favourably by **£0.11M** from the position reported at quarter 2. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	Forecast Variance £M	%	Movement from Qtr. 2 £M	%
Health & Sustainable Living	0.15 F	3.1	0.11 F	2.3
Potential Carry Forward Requests	0		0.00	

A summary of the quarterly movements in the Portfolio forecast variance, are shown in the table below:

Division / Service Activity	Forecast Variance Quarter 3 £M	Forecast Variance Quarter 2 £M	Movement £M	Ref.
Public Health	0.04 F	0.04 A	0.08 F	HSL 1
Sustainability	0.04 F	0.04 F	0.00	HSL 2
Housing	0.07 F	0.04 F	0.03 F	HSL 3
Total	0.15 F	0.04 F	0.11 F	

The SIGNIFICANT issues for the Portfolio are:

HSL 1 – Public Health (£0.04M favourable, £0.08M favourable movement)

The full Public Health grant cut has been achieved for 16/17

The Public Health grant reduction in funding has been achieved due to in year savings. Further cost reductions of £0.04M have been identified due to a reduction in the anticipated spend on NHS health checks, school nursing and staff costs.

The favourable movement since quarter 2 is due to the above savings plus additional salary and staff travel savings of £0.04M, which offset the balance of the grant reduction.

HSL 2 – Sustainability (£0.04M favourable, nil movement)

There is a forecast under spend on Carbon Reduction Certificates

Based on the actual consumption for 2015/16 the estimated number of Carbon Reduction Certificates (CRCs) required for 2016/17 is expected to be £0.04M lower than budgeted.

Unused CRCs to the value of £0.04M were brought forward from 2015/16 and a further purchase to the value of £0.15M was made in June 2016. The budget for 2016/17 for the purchase of CRCs is £0.23M.

HSL 3 – Housing (£0.07M favourable, £0.03M favourable movement)

There is a forecast under spend principally due to vacant posts.

Housing Renewal has a forecast underspend of £0.04M, which is principally due to savings on a vacant post of £0.03M. There is a favourable movement of £0.01M from quarter 2, relating to a budget for Capita fees that will not be fully spent.

There is also a forecast underspend on employee budgets within Private Sector Housing of £0.03M, a favourable movement of £0.02M, which is due to the level of staff turnover.

HOUSING & ADULT CARE PORTFOLIO

KEY ISSUES – QUARTER 3

The Portfolio is currently forecast to over spend by **£4.55M** at year-end, which represents a percentage over spend against budget of **6.9%**. The Portfolio forecast variance has moved adversely by **£0.25M** from the position reported at quarter 2. This forecast is constructed from the bottom up through discussions with individual budget holders and is then adjusted to take into account the wider Portfolio view.

	Forecast Variance £M	%	Movement from Quarter 2 £M	%
Housing & Adult Social Care	4.55 A	6.9	0.26 A	0.4
Potential Carry Forward Requests	0.00		0.00	

A summary of the quarterly movements in the Portfolio forecast variance, are shown in the table below:

Division / Service Activity	Forecast Variance Quarter 3	Forecast Variance Quarter 2	Movement	Ref.

	£M	£M	£M	
Long Term	3.44 A	3.11 A	0.33 A	ASC 1
Safeguarding Adult Mental Health & Out of Hours	0.63 A	0.60 A	0.03 A	ASC 2
Integrated Commissioning Unit Provider Relationships	0.12 F	0.04 F	0.08 F	ASC 6
Other	0.59 A	0.62 A	0.02 F	
Total	4.55 A	4.29 A	0.26 A	

The **SIGNIFICANT** issues for the Portfolio are:

ASC 1 – Long Term (£3.44M adverse, £0.33M adverse movement).

Slippage has occurred in the achievement of savings agreed in February 2016 for reductions in volume of care, and client package costs have increased.

The budget for externally purchased care for Older Persons and clients with either a Physical Disability or Learning Disability is forecast to over spend by £3.44M.

It is forecast that current actions to meet the approved savings will achieve £1.81M of the required £3.24M, leaving a pressure of £1.43M. The Integrated Commissioning Unit, working with the Capita review team have commenced work on the various savings elements. Work is being undertaken to agree a methodology to identify achieved savings. In the meantime assumptions have been made on the anticipated value of these savings. Where saving targets are now not achievable the ICU are looking at alternative savings proposals. It is expected that there will be an ongoing pressure in future years of £0.7M and this has been included as a pressure in the proposed budget to be submitted for approval by Council on 15th February 2017.

This adverse position is increased by a rise in learning disability, older persons and disabled client packages of £2.09M. This is in part due to an increase in the number of high cost nursing placements above the City Council's published rates, an increase in clients whose capital has depleted and clients who are no longer eligible for continuing healthcare and a reduction in client contributions.

The adverse position is offset by savings on staffing and transport costs of £0.08M.

The adverse position has increased by £0.33M since quarter 2 due to a decrease in anticipated client contributions for older person and physical disability packages of £0.35M and an increase in the cost of learning disability packages of £0.41M. This adverse position has been offset by an increase of achieved savings on Complex Housing and Extra Care of £0.37M and from vacant posts within the long term teams of £0.05M.

ASC 2 – Safeguarding Adult Mental Health & Out of Hours (£0.63M adverse, £0.03M adverse movement).

There has been an increase in Mental Health clients' care packages.

There has been an increase cost for Mental Health clients' packages of £0.81M above the budget. This increase in packages relates, in part, to existing care packages. Where a

change in need has been identified, the packages have been reassessed and financial contributions re-evaluated using standard agreed procedures. As a consequence, some clients who were 100% funded by Health, following a joint matrix exercise with SCC, are now showing eligible social care needs. Therefore, we are seeing increasing numbers of clients moving from Health funding to social care funding. Work is continuing to review all of the Mental Health client packages to ensure that the care being provided is appropriate for each client's needs. This adverse position has been reduced by £0.18M because of staffing savings due to vacant posts and reduced costs for legal support for Deprivation of Liberty Safeguards.

The adverse position has increased by £0.03M since quarter 2 due to an increase in the cost of client packages of £0.10M offset by a reduction of legal costs of £0.01M and staff savings due to vacancies of £0.06M.

ASC 3 – Provider Services (£0.30M adverse, no movement).

There are increased staffing costs for Kentish Road, Glen Lee and Holcroft House.

Kentish Road respite centre is forecast to overspend by £0.08M due to an increase in staffing costs to meet client demand. Glen Lee and Holcroft House are forecast to overspend by £0.27M due to an increase in temporary staff costs to cover long term sickness and maternity leave and additional shift pay and allowances costs, offset by staff vacancy savings and additional income and supplies savings. The adverse position is further offset by staff savings in Southampton Day Services of £0.05M due to keeping posts vacant and reducing the hours of permanent staff.

ASC 4 – Reablement & Hospital Discharge (£0.44M adverse, no movement).

There are additional staffing costs for the Hospital Discharge Team and the Urgent Response Service.

The Hospital Discharge Team is forecast to overspend by £0.29M due to additional staffing costs to meet the current level of client demand. Any delay in the transfer of care of clients from hospital has the potential risk that the City Council could face fines for bed blocking.

Due to a delay in finalising the staffing arrangements, connected with the closure of Brownhill House, £0.19M savings will not be achieved this year. Additional staffing costs of £0.12M above the budget are forecast to be incurred by the Urgent Response Service. As previously reported, this is due to a greater number of existing staff joining the superannuation scheme, non achievement of the vacancy management target and increased allowances and shift pay costs.

The adverse position has been reduced by £0.05M due to keeping posts vacant within the Reablement Care Management team and implementing a restructure plan within the service area. The Southampton Clinical Commissioning Group are also making a contribution of £0.11M towards the adverse position as part of their obligation under the Better Care Fund pooled budget.

ASC 5 – Integrated Commissioning Unit System Redesign (£0.20M favourable, no movement).

There are contract and staff savings within the System Redesign team budget.

Contract and staff savings have created a forecast saving of £0.20M.

ASC 6 – Integrated Commissioning Unit Provider Relationships (£0.12M favourable, £0.08M favourable movement).

Savings within the Joint Equipment Store and staff savings from vacant posts

Savings have been identified in the Joint Equipment Store budget, set aside for reprovision of clients who would have previously been referred to Brownhill House. The anticipated saving of £0.08M will offset the saving shortfall within Reablement and Hospital Discharge. Additional savings of £0.03M have occurred due to vacant posts.

Since quarter 2 the Joint Equipment Store has seen a saving of £0.08M.

LEADERS PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3

The Portfolio is currently forecast to underspend by **£2.14M** at year-end, which represents a percentage underspend against budget of **15.2%**. The Portfolio forecast variance has moved favourably by **£1.21M** from the position reported at **Quarter 2**. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	Forecast Variance £M	%	Movement from Qtr. 2 £M	%
Leaders	2.14 F	17.7	1.21 F	8.6
Potential Carry Forward Requests	0.00		0.00	

A summary of the quarterly movements in the Portfolio forecast variance, are shown in the table below:

Division / Service Activity	Forecast Variance Qtr. 3 £M	Forecast Variance Qtr. 2 £M	Movement £M	Ref
Central Repairs & Maintenance	1.14 F	0.59 F	0.55 F	LPOR 1
Legal Services & Customer Relations	0.07 F	0.05 F	0.02 F	LPOR 2
Property Portfolio Management	0.13 F	0.39 A	0.52 F	LPOR 3
Property Services	0.40 F	0.26 F	0.14 F	LPOR 4
Corporate Communications	0.18 F	0.17 F	0.01 F	LPOR 5

Democratic Representation & Management	0.06 F	0.09 F	0.03 A	LPOR 6
Land Charges	0.07 F	0.08 F	0.01 A	LPOR 7
HR Services	0.13 A	0.00	0.13 A	LPOR 8
Strategic Management of the Council	0.15 F	0.00	0.15 F	LPOR 9
Other	0.07 F	0.08 F	0.01 A	
Total	2.14 F	0.93 F	1.21 F	

The **SIGNIFICANT** issues for the Portfolio are:

LPOR 1 – Central Repairs & Maintenance (£1.14M favourable, £0.55M favourable movement)

Underspend on Planned & Reactive Repairs / Fees

A favourable forecast variance of £0.06M is predicted against the reactive repairs / fee budgets, an adverse change of 0.20M compared with Quarter 2. This will continue to be kept under close review as the year-end position will be subject to demand for essential works during the winter months.

In addition a favourable forecast variance of £1.08M is anticipated against the planned maintenance programme due to the challenging level of resources within the Capita Property Service during its transition to SCC and the need to prioritise the available resources across all SCC work programmes. This represents a favourable increase of £0.75M compared to Quarter 2.

LPOR 2 – Legal Services & Customer Relations (£0.07M favourable, £0.02M favourable movement)

Additional Income / Salary Under spends

A favourable forecast variance of £0.05M relates to the receipt of additional in-year section 106 revenue income. This income is variable by nature and therefore difficult to precisely predict so will be kept under review during the year.

In addition a new favourable forecast variance of £0.02M has arisen from in-year salary under spends.

LPOR 3 – Property Portfolio Management (£0.13M favourable, £0.52M favourable movement)

Under Achievement of approved savings offset by additional income / under spends on Capita fees

An adverse variance of £0.35M relates primarily to the under achievement of £0.35M savings approved by Council on 16th Feb 2016:

- Property Rationalisation and Disposal £0.30M – relating to the disposal of service properties. As no potential disposals have been identified to date the saving is not currently on track to be achieved.

- Public Sector PLC £0.05M – the increase in ground rent income is currently not on track to be achieved. This will be reviewed and updated throughout the year.

This has been offset by a new favourable variance of £0.48M primarily from a £0.40M anticipated under spend on Capita Valuation fees and disposal costs. This is due in part to the challenging level of resources within Capita during the transition of the service back to SCC, but also reflects the changing type of property and investment activity undertaken by the service. In addition there is a new favourable variable of £0.08M from additional rental income / review of bad debt provisions on Investment Properties.

LPOR 4 – Property Services (£0.40M favourable, £0.14M favourable movement)

Underspends on utilities and supplies & services

The favourable variance has arisen within Admin Buildings and comprises a £0.13M underspend on supplies and services, together with £0.17M on utility costs, an overall increase of £0.04M compared with Quarter 2. A detailed review of the supplies and services budgets has been undertaken to identify essential spend only, the forecast for which will be kept under review subject to any additional demands during the remainder of the year. Utility costs have also been reviewed in detail, looking at both current and historical data, but could be affected by winter conditions and the impact of increased occupation of the Civic Centre.

A new favourable variance of £0.21M has arisen from salary underspends, primarily due to the number of vacancies within the newly transferred Property service. This will be reviewed in detail as part of the restructure of the wider Property service.

In addition a new variance of £0.11M has arisen since Quarter 2 due to a forecast adverse contribution to overheads generated from Capita Property variable fees. This again is due to the challenging level of resources within Capita during the transition period for its transfer back to SCC and reflects the reduced level of variable work undertaken to date. This has not been previously forecast due to the inherent difficulties in predicting demand due to the volatile nature of variable work.

LPOR 5 – Corporate Communications (£0.18M favourable, £0.01M favourable movement)

Underspends on Advertising & Publicity / Salaries

The favourable forecast variance relates primarily to a £0.15M underspend against the centralised advertising and publicity budget and represents the early achievement of budget proposals for 2017/18 and ongoing, a favourable movement of £0.03M compared with Quarter 2.

In addition an in-year underspend of £0.03M has arisen on salaries as a result of vacancies / maternity leave, an adverse movement of £0.02M compared with Quarter 2.

LPOR 6 – Democratic Representation & Management (£0.06M favourable, £0.03M adverse movement)

Restructure savings

The favourable forecast saving reflects the approved restructure within this service area, the ongoing saving for which has been reflected in the budget proposals for 2017/18 and ongoing, an adverse movement of £0.03M compared with Quarter 2.

LPOR 7 – Land Charges (£0.07M favourable, £0.01M adverse movement)

Additional income

The value and volume of Land Charges income received is directly affected by conditions in the housing market and wider economy and is therefore difficult to predict, particularly post Brexit. A revised forecast of £0.07M is predicted based on a considered projection of income received to date and will continue to be reviewed for the remainder of the year. This represents an adverse movement of £0.01M compared with Quarter 2

LPOR 8 – HR Services (£0.13M adverse, £0.13M adverse movement)

Additional recruitment costs

The new adverse forecast variance reflects the expected additional cost of recruitment arising from the new Hays contract. Further work is underway to also consider any additional costs that may arise from the expected volume of recruitment cases for the remainder of the year as a result of organisational change. This pressure has been dealt with in the 2017/18 budget as part of the cost of the new Capita contract.

LPOR 9 – Strategic Management of the Council (£0.15M favourable, £0.15M favourable movement)

Salary under spends

A new favourable forecast variance has arisen due to salary under spends from vacancies within the new structure following the Phase 1 implementation.

TRANSFORMATION PORTFOLIO

KEY REVENUE ISSUES – QUARTER 3

The Portfolio is currently forecast to overspend by **£2.65M** at year-end, which represents a percentage overspend against budget of **27.6%**. All forecasts are constructed from the bottom up through discussions with individual budget holders and are then adjusted to take into account the wider Portfolio view.

	Forecast Variance £M	%	Movement from Qtr. 2 £M	%
Transformation	2.64 A	27.6	0.01 F	0.00
Potential Carry Forward Requests	0.00		0.00	

A summary of the quarterly movements in the Portfolio forecast variance, are shown in the table below:

Division / Service Activity	Forecast Variance Qtr. 3 £M	Forecast Variance Qtr. 2 £M	Movement £M	Ref.
------------------------------------	--	--	------------------------	-------------

Phase 2 Restructure	1.85 A	1.85 A	0.00	Trans 1
Phase 3 Digital & Business Ops	0.23 A	0.23 A	0.00	Trans 2
Capita Contract – Core Services	0.02 A	0.02 A	0.00	Trans 3
SCR – Schools	0.55 A	0.55 A	0.00	Trans 4
Total	2.65 A	2.65 A	0.00	

The **SIGNIFICANT** issues for the Portfolio are:

Trans 1 – Phase 2 Restructure (£1.85M adverse, nil movement).

Phase 2 management restructure has generated savings of £0.65M compared to target of £2.50M

Following the review of the Organisational Design, the reduction of posts in phase 2 of the management restructure was lower than anticipated.

Trans 2 – Phase 3 Digital & Business Ops (£0.23M adverse, nil movement).

Restructures are expected to generate savings of £0.36M.

A number of changes have been made to the original project scope and timetable. There is, however, likely to be further savings in 2016/17 as further initiatives are developed.

Trans 3 – Capita Contract – Core Services (£0.02M adverse, nil movement).

Contract re-negotiation has resulted in savings of £3.30M.

A saving will be achieved against the contract reset, however the profile of savings results in a small shortfall in 2016/17, but this should be achieved in future years.

Trans 4 – SCR - Schools (£0.55M adverse, nil movement).

In-year savings target short of target built into budget.

No income is currently being assumed against this budget. The Service Level Agreement process with schools is currently being finalised and the position will be updated following this process.