COMMUNITIES, CULTURE & LEISURE PORTFOLIO

KEY ISSUES – OUTTURN 2016/17

The Portfolio has under spent by **£0.27M** at year-end, which represents a percentage variance against budget of **4.6%.** The Portfolio outturn variance has moved **favourably** by **£0.38M** from the position reported at Quarter 3.

	Forecast Variance £M	***Movement from Quarter 3 £M***
Portfolio Outturn	**0.27 F**	*0.38 F*
Carry Forward Requests	0.13	*0.13*
Unachieved Savings 2016/17	0.00	-

A summary of the movements in the Portfolio outturn variance, compared to Quarter 3, are shown in the table below:

Division / Service Activity	**Outturn Variance £M**	***Forecast Variance Quarter 3 £M***	***Movement £M***	**Ref.**
Gallery & Museums	0.16 A	*0.23 A*	*0.07 F*	COMM 1
Leisure Client	0.07 F	*0.03 F*	*0.04 F*	COMM 2
Major Projects	0.15 F	*0.01 F*	*0.14 F*	COMM 3
Libraries	0.05 F	*0.02 A*	*0.07 F*	COMM 4
Heritage, Collection & Management	0.08 F	*0.04 F*	*0.04F*	COMM 5
Families Matter	0.03 A	*0.00*	*0.03 A*	COMM 6
Other	0.11 F	*0.06 F*	*0.02 F*	
Total	**0.27 F**	***0.11 A***	***0.38 F***	

The SIGNIFICANT issues for the Portfolio are:

COMM 1 – Gallery & Museums £0.16M adverse (£0.07M favourable movement)

There is a shortfall in income due to fee paying visitor numbers being lower than anticipated for SeaCity Museum, a £0.12M adverse variance and Tudor House Museum, a £0.04M adverse variance.

The position has improved from quarter 3 due to expenditure controls being in operation.

This variance has been offset by favourable movements in Concessionary Fares costs (see E&T 6) and Development Management fees and charges (see E&T 7). The budgets in these areas will be realigned in the new financial year.

COMM 2 – Leisure Client £0.07M favourable (£0.04M favourable movement)

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 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 3.

The favourable movement is due to the forecast cost of works at the Outdoor Sports Centre (£0.02M) and Bitterne Leisure Centre (£0.02M) being charged in part to contractor and in part absorbed by central property.

COMM 3 – Major Projects £0.15M favourable (£0.14M favourable movement)

There is a carry forward request for funding of £0.13M to help support the operating company for the new Arts Complex (Studio 144).

Council funding of £0.16M, along with Arts Council England (ACE) funding of £0.15M, was originally planned to transfer to the operating company of the new Arts Complex in 2014/15. Council funding of £0.13M was then carried forward into 2015/16 and 2016/17.

The project has suffered further delays and the full sum of £0.13M has not yet been transferred, resulting in a favourable movement of £0.13M from quarter 3. Although the ACE funding has been spent in its entirety, a further carry forward to 2017/18 is requested for the Council funding.

COMM 4 – Libraries £0.05M favourable (£0.07M favourable movement)

There are favourable variances of £0.02M on IT and £0.03M on stock, due to a number of projects not being delivered on time. There will be no additional pressures in 2017-18 as projects will be delivered within revenue funding.

COMM 5 – Heritage, Collection & Management £0.08M favourable (£0.04M favourable movement)

Reported for the first time, there is a favourable variance of £0.04M on repairs and maintenance mainly relating to monuments. There is also a favourable variance of £0.04M on employee costs due to holding vacancies.

EDUCATION AND CHILDREN'S SOCIAL CARE PORTFOLIO

KEY ISSUES – OUTTURN 2016/17

The Portfolio has under spent by **£0.37M** at year-end, which represents a percentage variance against budget of **0.8%.** The Portfolio outturn variance has moved **favourably** by **£0.31M** from the position reported at Quarter 3.

	Forecast Variance £M	*Movement from Quarter 3 £M*
Portfolio Outturn	**0.37 F**	*0.31 F*
Carry Forward Requests	0.00	*0.00*
Unachieved Savings 2016/17	0.00	-

A summary of the movements in the Portfolio outturn variance, compared to Quarter 3, are shown in the table below:

Division / Service Activity	**Outturn Variance £M**	***Forecast Variance Quarter 3 £M***	***Movement £M***	**Ref.**
Divisional Management & Legal	0.07 F	*0.08 A*	*0.15 F*	E&CS1
Quality Assurance	0.25 F	*0.11 F*	*0.14 F*	E&CS2
MASH & Early Help	0.19 F	*0.14 F*	*0.05 F*	E&CS3
Looked After Children Provision	0.23 F	*0.00*	*0.23 F*	E&CS4
ICU – Children's Services	0.26 F	*0.15 F*	*0.11 F*	E&CS5
Education Early Years & Asset Management	0.37 F	*0.41 A*	*0.78 F*	E&CS6
Education – High Needs & Schools	1.27 A	*0.00*	*1.27 A*	E&CS7
Early Help	0.25 F	*0.17 F*	*0.08 F*	E&CS8
Other	0.02 F	*0.02 A*	*0.04 F*	
Total	**0.37 F**	***0.06 F***	***0.31 F***	

The SIGNIFICANT issues for the Portfolio are:

E&CS1 – Divisional Management & Legal £0.07M favourable (£0.15M favourable movement)

Children's Services, supported by Finance, have worked towards decreasing the number of agency staff employed this year. A favourable movement of £0.19M from quarter 3 reflects the final underspend due to the reduction in the number of agency staff for this year from 114 in post in May 2016 to 48 in post in March 2017. This was partly offset by the £0.08M cost of the overseas social workers scheme. This scheme was implemented to aid the retention of staff and reduce agency expenditure.

There was also a favourable movement on the legal budget. At quarter 3, an adverse outturn of £0.09M was expected based on a projection of expenditure for the year to date. The final outturn position was £0.03M favourable, due to an under spend on magistrates and court fees, which had been difficult to predict due to a back log of invoices to process. The process has been reviewed for 2017/18 and invoices are processed weekly reflecting the current work.

A new supplier was procured for the translation service and this has resulted in a reduction in expenditure from £0.30M in 2015/16 to £0.11M in 2016/17. However the budget was reduced as part of the procurement saving and whilst demand and price have reduced, the demand is causing an overspend.

E&CS2 – Quality Assurance Business Unit £0.25M favourable (£0.14M favourable movement)

There has been a reduction in the number of student social workers in 2016/17 from 10 in 2015/16 costing a total of £0.08M to 4 in 2016/17 costing £0.03M. This was decided following close analysis of the benefit to Southampton City Council of training student social workers. The reduction has led to an under spend of £0.05M.

There have been a number of vacant posts that were not filled as anticipated during the year which, offset by the cost of agency staff, has resulted in an under spend of £0.07M. This is a favourable movement of £0.05M from quarter 3 due to vacancies being held longer than anticipated.

Expenditure on staff training and resources is £0.06M less than budgeted. This is a favourable movement of £0.03M and reflects the reduction in permanent staff. In addition, income from training provided by the service to external bodies is higher than expected for 2016/17, as £0.05M was invoiced in quarter 4.

E&CS3 – Multi Agency Safeguarding Hub (MASH) & Children In Need (CIN) £0.19M favourable (£0.05M favourable movement)

Due to the transformational changes the initial contact process of the front door service, which is situated in MASH, has been handling the initial contact process for referrals. Whilst this has led to an increase in the number of contacts, referrals onwards have been reduced, allowing a number of posts to be held vacant. The favourable variance on staffing, offset by the cost of agency staff, has created a net favourable variance of £0.12M across MASH, CIN and the Emergency Duty Team. This is a favourable movement of £0.03M from quarter 3.

In addition, grant funding towards the cost of MASH staff was £0.06M higher than originally anticipated, a favourable movement of £0.02M.

E&CS4 – Looked After Children Provision £0.23M favourable (£0.23M favourable movement)

There has been favourable variance in the cost of foster care by £1.44M, mainly due to a reduction in the number of Independent Foster Agency (IFA) placements.

This is partly offset by an increase in expenditure on residential placements of £1.34M, due to both an increase in demand and an increase in the average cost per placement.

A new initiative by the Care Placement Service, situated within the ICU, started in December 2016. This identifies negotiation with providers, and the monitoring & interrogation of invoices as key to reducing unit costs of each placement.

Children's Services have undertaken a targeted piece of work to reduce the number of Looked after Children (LAC) and to look at more appropriate placements. The initial results of this has seen a significant reduction in LAC.

There is an under spend on staff expenditure across the LAC teams, after deducting the cost of agency staff, of £0.45M. This is mainly due to vacant posts that have not been filled. The cost of transport is also £0.16M lower than budgeted due to lower permanent staffing levels.

The service is working towards an increase in permanence for children who are looked after and this has resulted in a rise in the number of Special Guardianship Orders. 151 children have been placed compared to the 115 provided for in the budget, resulting in an adverse variance of £0.24M. During 2016-17 we were made aware that the Interagency Adoption grant would end in October 2016 and the cost of Interagency Adoption placements for the remainder of the year funded by the Council was £0.23M.

There has been a favourable movement since quarter 3 of £0.16M, due to a reduction in the number of Independent Foster Care placements, and £0.11M, due to a reduction in expenditure on in-house foster carers. There has also been a favourable movement of £0.10M, due to saving in the costs of residential placements in quarter 4 compared to that predicted. These favourable movements are offset by an adverse movement of £0.12M due to children who have left the service prior to 18 coming back to the service for support upon turning 18.

E&CS5 – ICU Children's Services £0.26M favourable (£0.11M favourable movement)

During 2015/16 the service decided not to continue to commission a contract for midwifery services, generating a saving of £0.16M.

In addition to this, there has been a reduction in the short term fostering and outreach services purchased resulting in an under spend of £0.09M. This is a favourable movement since quarter 3 as the contract is to block purchase a number of nights and these are then split between adults and children, with a larger proportion charged to Adults at the end of the year. Work has been undertaken to enable us to identify during the year which service these costs relate to.

E&CS6 – Education – Early Years & Asset Management £0.37M favourable (£0.78M favourable movement)

This variance is a combination of a favourable position against the Dedicated Schools Grant (DSG) of £0.85M and an adverse variance of £0.47M against SCC General Fund, mainly against Home to School Transport for Special Schools (HTST) due to increased demand.

Dedicated Schools Grant (DSG) - Within this area, there is DSG underspend of £0.85M against Early Years funding for payments to 2, 3 and 4 year olds. This position is better than previously forecast (£0.5M at Quarter 3) as a result of expenditure being less than expected which was based on payments using summer and autumn term pupil data. This underspend has offset the pressure against DSG High Needs block.

Home to School Transport - The adverse variance of £0.47M includes an overspend of £0.57M against Home to School Transport (HTST) for children attending Special schools which is due to the impact of the continuing increase in pupil numbers at Special Schools. This correlates with the recent increases in capacity at the Special Schools. 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 knock on impact on transport. Additionally, the age range increase from 0 to 25 years has resulted in ongoing additional costs. (Prior to changes in legislation in 2013/14 only the age range 5-21 was serviced).

There is planned work starting during the summer, to look at a more robust pupil planning process for children with SEN to reduce the need for external placements and to assess the scope and potential to reduce spend in this area. Procurement have investigated the possibility of re-tendering home to school transport, with the conclusion that the recent contract (s) signed in this area already provides market value. Savings are being sought through the development of a digital solution to optimise the bookings system and reduce the use of individual escorts. This project will work towards finding a solution to this as part of a wider transport focused programme, taking account of all travel and transport needs for SCC, reducing demand, increasing efficiency in method of supply and reviewing corporate policy and customs and practice.

The adverse variance of £0.57M against HTST is partially offset by various minor favourable variances of £0.10M against;

- IT as a result of increased income due to more schools signing up for SLAs, combined with a reduction in Hampshire County Council (HCC) broadband licence charge;
- and additional income from communities being received against Green Lane Sports Hall budget.

Since quarter 3, the adverse variance against HTST increased by £0.16M as a result of increased children allocated HTST. In 2017/18 a change to the process should ensure information from the service is fed through to the forecast process on a timely basis. This was offset by an increase in favourable variances of £0.10M against various budgets as detailed in earlier paragraph, giving a net movement of £0.60M since quarter 3.

E&CS7 - Education – High Needs & Schools £1.27M adverse (£1.27M adverse movement)

This variance is a combination of an adverse position against the Dedicated Schools Grant (DSG) of £1.44M which has been partially offset by favourable variances against High Needs areas that are funded from SCC General Fund of £0.17M.

Dedicated Schools Grant (DSG) –

Commitments dedelegated from DSG in 2016/17, as approved by schools forum primarily relating to growth fund, schools in financial difficulties have been under allocated by £0.79M. This has been carried forward to be allocated in 2017/18.

As previously reported, there is an adverse variance on Pupils with Statements £0.46M due to an increase of hours and pupils that require additional special educational needs.

There has also been an adverse variance on Special Schools as a result of an increase in the number of pupils attending our Special Schools (£0.32M) which will have a full year affect in 2017/18. In year this has been off-set by a decrease in Independent Schools (£0.31M favourable) as a result of children being placed in our special schools or due to families entering the tribunal process and admission being delayed.

It is important to note that some of the current high needs pressures will have a full year impact in 2017/18. For High Needs Block, there is a forecast pressure of £2.9M against DSG. Schools Forum also agreed to set up a working group to look into various options to meet the forecast pressure and bring those options to a future Schools Forum meeting. This working group has considered a number of options which are currently being reviewed and an update will be provided to Schools Forum meeting in June. The use of reserves will be required in 2017/18 to contribute to this pressure whilst the Schools Forum working group has considered and implemented options.

Other minor variances - There is a favourable variance of £0.17M on Council funded areas. The main areas contributing to this are:

- School Improvement favourable variance of £0.08M due to vacant posts and additional income from services being provided to other local authorities.
- As previously reported Jigsaw have received income relating to 2015/16 in this financial year.

In addition, the Council is expected to receive grant of £0.17M in 2017/18. A combined business case is being submitted to request total funding in 2017/18 and budget will be adjusted accordingly.

E&CS8 – Early Help £0.25M favourable (£0.08M favourable movement)

The favourable variance is as a result of vacancies not being filled £0.07M and underspends against premises costs and supplies and services £0.05M. Over achievement of income from rental income £0.03M and Grants £0.06M has also been received. The movement of £0.08M since quarter 3 primarily relates to savings from vacant posts which were hoped to be filled during the latter part of the year.

ENVIRONMENT & TRANSPORT PORTFOLIO

KEY ISSUES – OUTTURN 2016/17

The Portfolio has under spent by **£0.91M** at year-end, which represents a percentage variance against budget of **4.2%.** The Portfolio outturn variance has moved **favourably** by **£0.24M** from the position reported at Quarter 3.

	Forecast Variance £M	***Movement from Quarter 3 £M***
Final Portfolio Outturn	**0.91 F**	*0.24 F*
Carry Forward Requests	0.00	*0.00*
Unachieved Savings 2016/17	0.33	-

A summary of the movements in the Portfolio outturn variance, compared to Quarter 3, are shown in the table below:

Division / Service Activity	**Outturn Variance £M**	***Forecast Variance Quarter 3 £M***	***Movement £M***	**Ref.**
Domestic Waste Collection	0.38 A	*0.37 A*	*0.01 A*	E&T 1
Commercial Waste Collection	0.19 A	*0.12 A*	*0.07 A*	E&T 2
Waste Disposal	0.24 A	*0.23 A*	*0.01 A*	E&T 3
E&T Contracts Management	0.21 F	*0.08 F*	*0.13 F*	E&T 4
Off Street Parking	0.71 F	*0.48 F*	*0.23 F*	E&T 5
Travel	0.59 F	*0.42 F*	*0.17 F*	E&T 6
Development Management	0.35 F	*0.33 F*	*0.02 F*	E&T 7
Regulatory Services - Commercial	0.12 F	*0.14 F*	*0.02 A*	E&T 8
Parks and Street Cleansing	0.06 A	*0.31 A*	*0.25 F*	E&T 9
Highways Manager	0.18 A	*0.00*	*0.18 A*	E&T 10
Other	0.08 F	*0.25 F*	*0.17 A*	
Total	**0.91F**	***0.67 F***	***0.24F***	

The SIGNIFICANT issues for the Portfolio are:

E&T 1 – Domestic Waste Collection £0.38M adverse (£0.01M adverse movement)

There is an adverse variance of £0.16M relating to the estimated additional cost of temporary agency cover for staff sickness absences and related issues, an adverse movement of £0.07M from Quarter 3.

In addition, there is an adverse variance of £0.20M for fleet charges, an adverse movement of £0.01M from Quarter 3. The procured new fleet of ten refuse collection vehicles have a forecast part year additional cost of £0.06M, with the balance of £0.14M mainly being additional hire charges for replacement vehicles whilst awaiting the delivery of the new fleet and the hire of a narrow vehicle which we plan to purchase in December 2017.

There is an adverse variance of £0.11M, for the cost of bin purchase and storage and a new, lower cost storage facility has been found to reduce this in 2017/18

Reported for the first time, there is a favourable variance of £0.09M from dry mixed recyclables and glass income.

The adverse variance has been offset by savings elsewhere in the portfolio and if necessary budgets will be realigned within the next financial year.

E&T 2 – Commercial Waste Collection (£0.19M adverse, £0.07M adverse movement)

There is an adverse variance of £0.18M, for trade waste disposal costs, an adverse movement of £0.08M from quarter 3. This is due to additional volumes of waste and the use of the transfer station while the incinerator was under non-routine maintenance, where a premium is paid to Veolia to subsequently transfer this at a later date. There is no obligation for the incinerator to receive Commercial Waste but can be utilised if spare capacity is identified.

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.

There is an adverse variance of £0.06M on vehicle damage and repairs, an adverse movement of £0.02M. This is due to a number of expensive repairs due to the age of the vehicle, this should not be a pressure in 2017/18 as these have been replaced.

E&T 3 – Waste Disposal (£0.24M adverse, £0.01M adverse movement)

The main issue is the fixed fee element of the disposal costs within the contract for general collected household waste is £0.21M more than planned, an adverse movement of £0.07M compared to Quarter 3. This is due to the final agreed re-negotiated contract not fully achieving the required reductions in the early years, with the overspend being reduced significantly in 2017/18 and all savings achieved in 2018/19.

There are also adverse variance of £0.08M, an adverse movement of £0.01M from Quarter 3, due to the additional disposal costs from contaminated recyclables within the Dry Mixed Recyclables collections is resulting in an overspend of £0.08M. There is a campaign underway to reduce contamination with a view to reduce these costs.

This is offset by £0.10M favourable variance on the cost of Civic Amenity waste, a favourable movement of £0.04M. 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, no movement from Quarter 3. 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).

Reported for the first time there is a favourable variance of £0.03 due to income from Other Local Authorities' and from additional income from business users.

E&T 4 – E&T Contracts Management £0.21M favourable (£0.13M favourable movement)

The Private Finance Initiative (PFI) Street Lighting contract sum, has a favourable variance of £0.19M, a favourable movement of £0.04M from Quarter 3. This is due to contract deductions, and contract indexation adjustments.

There is a favourable variance on the Highways Partnership Third Party Income share for 2015/16 of £0.09M. However the client charges to the Traffic Management Act (TMA) Permit scheme are adverse 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 an adverse variance on Street Lighting energy of £0.13M, due to higher forecast consumption of £0.05M and electricity price increases of £0.08M.

There is a nil variance, a favourable movement of £0.06M, on the extended CityWatch contract as the part-year savings covered the set-up costs.

Reported for the first time, there are savings from Street Lighting Non PFI Maintenance of £0.02M and CityWatch Contract Sum indexation of £0.01M

E&T 5 – Off-Street Parking £0.71M favourable (£0.23M favourable movement)

Off-Street Parking income is higher than planned by £0.51M, a favourable movement of £0.09M from Quarter 3. This is due to ticket machine income and season ticket income being higher than anticipated slightly offset by lower than expected income from penalty charge notices. Budgets will be realigned for the new financial year.

There has been a favourable variance of £0.10M on routine repairs and maintenance an improved position of £0.02M from Quarter 3, following a move to only essential maintenance being carried out.

E&T 6 – Travel £0.59M favourable (£0.17M favourable movement)

The total number of Concessionary Fare passenger journeys and the average fare are monitored closely throughout the year. Based on the final calculation of these factors, there is a favourable variance on the scheme of £0.58M, a favourable movement of £0.18M from Quarter 3 due, in part, to an expected price increase towards the end of Quarter 3 which did not materialise.

E&T 7 – Development Management £0.35M favourable (£0.05M favourable movement)

There is a favourable variance on planning applications income of £0.16M, an improved position from quarter 3. This reflects a higher level of applications, including for proposed major developments than anticipated.

Also there are favourable variances on Community Infrastructure Levy (CIL) administration fees of £0.15M, and section 106 administration fees of £0.08M, a favourable movement of £0.02M from Quarter 3. In 2017/18 we will improved the forecasting of this income by monitoring the schedule provided by the CIL Officer.

E&T 8 – Regulatory Services - Commercial £0.12M favourable (£0.02M adverse movement)

Favourable variance due to higher income from an increased volume of Port Health work and additional food safety fees from a shared service with Eastleigh Borough Council has moved adversely from Quarter 3 by £0.06M. In addition to this there is a favourable variance on operational income of £0.04M, a £0.02M adverse movement from Quarter 3.

E&T 9 – Parks and Street Cleansing £0.06M adverse (£0.25M favourable movement)

There is a total unachieved employee saving of £0.19M, a slightly improved position from quarter 3. The adverse variance on permanent staff is £0.08M, offset by savings on seasonal employee costs of £0.05M. In addition, agency costs are £0.12M adverse and there is a £0.04M adverse on overtime payments, which are required in order to deliver this 365 day a year service. In 2017/18 a new contract with HCC will provide additional income to meet this pressure and it is expected that the service will deliver services within its staffing budget.

Reported for the first time, there is a favourable variance of £0.12M, due to additional grounds maintenance contract income of £0.04M, from a new contract with Hampshire County Council, which has recently been signed during the final quarter of the year, and subcontractor income of £0.08M from the team's work for the trading arm.

E&T 10 – Highways Manager £0.18M adverse (£0.18M adverse movement)

Reported for the first time, there is an adverse variance of £0.22M, due to unrecoverable costs due to poor structural conditions from accident damage on Redbridge flyover. Work is currently being undertaken on Redbridge and Millbroook flyovers to minimise this risk in 2017/18.

Realignment of Budgets – As the Portfolio has underspent as a whole the favourable variances will be reviewed by Service Manager and Finance. If these are expected to continue, budgets will be realigned in line with Financial Procedure Rules to deal with unachieved savings and the other pressures within the area.

UNACHIEVED SAVINGS 2016/17

Description	Unachieved Savings 2016/17 £M	Explanation of ongoing impact and mitigating actions.
Reducing residual bin waste sent to landfill.	0.03	To be dealt with through budget realignment.
Waste Disposal contract savings.	0.03	To be dealt with through budget realignment.
Riverside Pitch & Putt course.	0.01	To be dealt with through budget realignment.
Restructure of Parks, Open Spaces & Street Cleansing.	0.19	Ongoing impact of £0.10M will be mitigated with new contract income from Hampshire County Council.
Pest Control: increase income to cover cost.	0.01	To be dealt with through budget realignment.
Increase income from recycling of textiles.	0.01	To be dealt with through budget realignment.
Introduce charges for cone deployment.	0.01	To be dealt with through budget realignment.
Pest Control: Introduce new rates.	0.03	To be dealt with through budget realignment.
Close Woolston & Portswood Public Toilets.	0.01	To be dealt with through budget realignment.
	0.33	

FINANCE PORTFOLIO

KEY ISSUES – OUTTURN 2016/17

The Portfolio has under spent by **£0.82M** at year-end, which represents a percentage variance against budget of 2.3**%.** The Portfolio outturn variance has moved **favourably** by **£0.23M** from the position reported at Quarter 3.

	Forecast Variance £M	***Movement from Quarter 3 £M***
Final Portfolio Outturn	**0.82 F**	*0.23 F*
Carry Forward Requests	-	-
Unachieved Savings 2016/17	0.60 A	-

A summary of the movements in the Portfolio outturn variance, compared to Quarter 3, are shown in the table below:

Division / Service Activity	**Outturn Variance £M**	***Forecast Variance Quarter 3 £M***	***Movement £M***	**Ref.**
Audit & Risk Management	0.00	*0.08 F*	*0.08 A*	FIN 1
Business Support	0.37 F	*0.24 F*	*0.13 F*	FIN 2
IT Services	0.17 A	*0.07 A*	*0.10 A*	FIN 3
Debtors & Creditors	0.23 F	*0.17 F*	*0.06 F*	FIN 4
Partnership	0.48 F	*0.06 F*	*0.42 F*	FIN 5
Procurement	0.16 A	*0.00 A*	*0.16 A*	FIN 6
Other	0.07 F	*0.03 F*	*0.04 F*	-
Total	**0.82 F**	***0.59 F***	***0.23 F***	

The SIGNIFICANT issues for the Portfolio are:

FIN 1 – Audit & Risk Management £NIL (£0.08M adverse movement)

The outturn position represents a nil variance against budget, an adverse movement of £0.08M compared with quarter 3. This is primarily due to one-off set up costs incurred in establishing the new internal audit service and shared working arrangements with Portsmouth City Council, effective from 1st April 2017.

FIN 2 – Business Support £0.37M favourable (£0.13M favourable movement)

A favourable variance has arisen due to in-year underspends against the centralised stationery £0.04M and staff training budgets £0.07M. This is the early achievement of budget proposals for 2017/18, a favourable movement of £0.02M compared with quarter 3.

In addition a favourable variance of £0.26M has arisen from staff vacancies prior to the introduction of the Business Operations and Digital structure from 1st October 2016, a favourable movement of £0.11M compared with quarter 3. At quarter 3, post restructure, there was an assumption that all vacant posts would be filled but the service continued to carry vacant posts following restructure.

FIN 3 – IT Services £0.17M adverse (£0.10M adverse movement)

The net adverse outturn position has arisen due to the following key variances:

- £0.12M shortfall against the annual digital guarantee. Part of the activity under taken by Capita has resulted in cost reductions rather than the budget savings that were anticipated as part of the Capita contract reset. This wasn't included in the forecast at quarter 3 as discussions were ongoing with Capita at that time regarding the savings / cost reductions that would count against the £1.8m annual guarantee.
- £0.02M shortfall 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.
- £0.05M net one-off costs incurred on essential security measures due to the number of cyber threats, 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.
- £0.04M over spend against the centralised photocopying budget for services based in the Civic Centre. Photocopying budgets were the subject of a Feb 14 £0.02M approved budget saving effective from 2014/15. Spend is now exceeding pre-2014/15 levels and will need to be addressed for 2017/18 onwards to ensure future annual spend remains within budget. This adverse variance was not forecast at quarter 3 as the potential over spend at that time was not material.
- The above are offset in part by £0.06M in-year underspends on salaries within the new IT / Systems team structure due to ongoing vacancies, not forecast at quarter 3.

<u>FIN 4 – Debtors & Creditors £0.23M favourable (£0.06M favourable movement)</u>

A favourable variance of £0.23M has arisen due to an under spend on salaries prior to the introduction of the Business Operations and Digital structure from 1st October, a favourable movement of £0.06M compared with quarter 3.

<u>FIN 5 – Partnership £0.48M favourable (£0.42M favourable movement)</u>

A new favourable variance of £0.31M has arisen against the overall Capita contract and represents the SCC share of profit / under spend arising from the new company (CSL) set up between SCC and Capita. This was not forecast at quarter 3 as the CSL financial year end is 31st Dec and the accounts were therefore unavailable until late January 2017.

In addition there is an overall saving against the contract reset of £0.17M which is primarily to offset any shortfall against the procurement and digital guarantees as a result of cost reductions achieved rather than ongoing budget savings, again not forecast at quarter 3 due to ongoing discussion with Capita on the guarantees.

<u>FIN 6 – Procurement £0.16M adverse (£0.16M adverse movement)</u>

£0.16M shortfall against the annual procurement guarantee as part of the activity undertaken by Capita has resulted in cost reductions rather than budget savings anticipated as part of the Capita contract reset. This was not forecast at quarter 3 as discussions were ongoing with Capita at that time re the savings / cost reductions that would count against the guarantee.

UNACHIEVED SAVINGS 2016/17

Saving Reference	Description	Unachieved Savings 2016/17 £M	Explanation of ongoing impact and mitigating actions.
FIN 2	Reduced cost of software licences	0.04	Review of IT strategy required for policy on IT estate and management. Should be impacted by reduction in employee numbers, but current growth in devices to be reviewed and managed. NB: also subject to additional saving from 17/18 of £0.11M.
FIN 17	Procurement savings (cross cutting)	0.16	This has been actioned with the reset of the Capita contract and is now linked to the Capita Guarantee.
TRANS 1 (Nov 15)	Digital savings	0.40	This has been actioned with the reset of the Capita contract and is now linked to the Capita Guarantee.
Total		**0.60**	

HOUSING & ADULT CARE PORTFOLIO

KEY ISSUES – OUTTURN 2016/17

The Portfolio has over spent by **£5.46M** at year-end, which represents a percentage variance against budget of **8.3%.** The Portfolio outturn variance has moved **adversely** by **£0.91M** from the position reported at Quarter 3.

	Forecast Variance £M	***Movement from Quarter 3 £M***
Final Portfolio Outturn	**5.46 A**	*0.91 A*
Carry Forward Requests	0.00	*0.00*
Unachieved Savings 2016/17	1.30	

A summary of the movements in the Portfolio outturn variance, compared to Quarter 3, are shown in the table below:

Division / Service Activity	**Outturn Variance £M**	***Forecast Variance Quarter 3 £M***	***Movement £M***	**Ref.**
Long Term	5.14 A	*3.44 A*	*1.69 A*	ASC 1
Safeguarding Adult Mental Health & Out of Hours	0.38 A	*0.63 A*	*0.25 F*	ASC 2
Integrated Teams and First Response	0.35 A	*0.44 A*	*0.09 F*	ASC 4
ICU System Redesign	0.45 F	*0.20 F*	*0.25 F*	ASC 5
Adult Services Management	0.14 F	*0.09 A*	*0.23 F*	ASC 7
Other	0.18 A	*0.15 A*	*0.04 A*	-
Total	**5.46 A**	***4.55 A***	***0.91 A***	

The SIGNIFICANT issues for the Portfolio are:

ASC 1 – Long Term £5.14M adverse (£1.69M adverse movement)

The budget for externally purchased care for Older Persons and clients with either a Physical Disability or Learning Disability is over spent by £5.14M. A project to review client packages as part of a project by Capita was commenced in quarter 3, the cost of this review in 16/17 was £0.60M, which increased the adverse position in Long Term Care this year. It was envisaged that this additional cost would be met from savings in year but the majority of the financial benefit of this review is likely to occur in 2017/18.

The savings achieved in year amounted to £2.07M of the required £3.24M, leaving a shortfall of £1.17M. As part of the budget setting process £0.60M of savings have been removed from the 2017/18 budget. It is anticipated the balance of the saving target will be achieved in the new financial year as a result of actions taken in 2016/17 and early in 2017/18.

This adverse position has increased by a rise in learning disability, older persons and disabled client packages of £3.01M. The adverse position has increased since quarter three by an increase in client costs of £0.91M. An element of this amount, £0.34M, was due to a greater than anticipated level of bad debts and this will form part of a review in 2017/18. Increase in package costs, is in part due to the following:

- 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
- an increase clients who are no longer eligible for continuing healthcare
- And a reduction in client contributions

£0.25M savings target for 2016/17 based on the introduction of the wider role of Telecare to reduce client packages by identifying the cost of alternative care has been achieved. Work is ongoing to ensure these savings can be monitored.

Additional funding of £4.1M has been injected into Adult Social Care in 2017/18, to offset this increased demand and meet future cost expectations.

ASC 2 – Safeguarding Adult Mental Health & Out of Hours £0.38M adverse (£0.25M favourable movement)

There has been an increase cost for Mental Health clients' packages of £0.56M above the budget due to review of packages identify a change in need away from health to social care. This has decreased by £0.25M in the last quarter due to clients transferring to other social care areas. We have also seen an increase in client contributions and the recovery of overpayments from suppliers.

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.

The 2017/18 budget has been increased to reflect this increase in client costs.

The increase in packages has been offset by £0.25M of staffing savings due to vacant posts and reduced costs for Legal Support for Deprivation of Liberty Safeguards and £0.02M premises savings.

ASC 3 – Provider Services £0.30M adverse(no movement from quarter 3)

Kentish Road Respite Centre overspent by £0.08M due to an increase in staffing costs to meet client demand. Glen Lee overspent by £0.10M and Holcroft House by £0.21M 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, additional income and supplies savings.

The adverse position is reduced by staff savings in Southampton Day Services of £0.06M due to keeping posts vacant, reducing the hours of permanent staff and additional income plus a reduction in security costs for Woodside Lodge of £0.04M.

ASC 4 – Integrated Teams and First Response £0.35M adverse (£0.09M favourable movement)

The Hospital Discharge Team overspent by £0.28M 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, £0.06M savings were not achieved this year.

As reported at quarter 3, additional staffing costs of £0.10M were incurred above the budget by the Urgent Response Service. This was due to a greater number of existing staff joining the superannuation scheme, non-achievement of the vacancy management target and increased allowances, overtime and shift pay costs. The budget for 2017/18 has been increased to reflect these ongoing pressures from the service.

The over spend was offset by savings of £0.07M by the Community Independence Team from staff vacancies and supplies and services savings.

Since quarter 3 the Hospital Discharge Team have made a saving of £0.01M, the Urgent Response Service £0.03M and the Community Independence Team £0.01M because of vacant post savings. A further reduction of costs on supplies and Services of £0.02M has occurred in the Community Independence Team. The savings target shortfall has reduced by £0.03M as the budget for re-provision of services for clients who would have previously been referred to Brownhill House has underspent. These reductions have slightly been offset by increased staffing costs for Housing Adaptations of £0.01M.

ASC 5 – Integrated Commissioning Unit System Redesign £0.45M favourable, (£0.25M favourable movement)

The substance misuse contract has underspent by £0.12M due to reduced rehabilitation charges from the contracted supplier and the budget also received additional income from the Police and Crime Commissioner of £0.08M.

There have been further contract savings of £0.20M which will offset unachieved savings elsewhere within the Portfolio as well as staffing savings of £0.05M.

Since quarter 3 there has been an additional £0.04M contract savings and £0.01M staffing reductions as well as the substance misuse contract under spend of £0.20M.

ASC 6 – Integrated Commissioning Unit Provider Relationships £0.08M favourable (£0.04M adverse movement)

Savings have been identified in the Joint Equipment Store budget, set aside for re-provision of clients who would have previously been referred to Brownhill House. The anticipated saving of £0.08M will offset the saving shortfall within rehab and reablement. Additional savings of £0.06M have occurred due to vacant posts. The savings target for contract savings has underperformed in this area by £0.07M but this can be offset by contract savings elsewhere in the Integrated Commissioning Unit.

The favourable position has decreased by £0.04M since quarter 3 due to contract savings not being achieved by £0.06M, offset by staffing savings of £0.02M.

ASC 7 – Adult Services Management (£0.14M favourable, £0.23M favourable movement)

The Learning and Development budget has underspent by £0.10M. It is anticipated that the budget will be utilised in 2017/18 with the introduction of the new Adult Social Care training programme. There were further savings on supplies and services of £0.06M, which have been reduced by the saving shortfall of £0.01M due to the late closure of Herbert Collins House and additional staffing costs of £0.01M.

Since quarter three the favourable position has increased by £0.23M because of Learning and Development savings of £0.10M, supplies and services reductions of £0.04M and staff costs of £0.08M being in part to a transfer of the acting Head of Service's costs into the Chief Officer's central code.

UNACHIEVED SAVINGS 2016/17

Description	Unachieved Savings 2016/17 £M	Explanation of ongoing impact and mitigating actions.
Review existing contracts for efficiencies	0.07	Saving target carried forward into 2017/18.The full year impact of the savings already achieved will mean this is fully achieved in 17/18
Rehab and reablement saving	0.06	This shortfall is due to the late closure of

		Brownhill House, the full saving will be achieved in 17/18.
Complex Housing saving	(0.19)	Additional saving to offset other shortfalls.
Reduced admissions to residential and nursing homes	0.30	The target has been reduced in 2017/18 as alternative savings have been identified as Complex Housing Savings. It is anticipated the balance of this saving will be achieved.in 2017/18
Improvement of processes leading to faster financial assessments bringing clients into charging earlier	0.05	This saving is unachievable and has been removed from the budget in 17/18.
Introduce charge for self funders, and deferred payments	0.06	This saving is unachievable and has been removed from the budget in 17/18.
Reconfiguring residential care homes and extra care (inc market shaping)	0.14	The balance of the saving target has been reduced to £0.09M in 17/18 and it is anticipated that it will be achieved
Cost Effective Care & efficient routes to market	0.46	There was a delay in implementation. The saving target has been reduced to £0.22M in the new year. and it is anticipated that this will be achieved in 2017/18, as more placements are negotiated through the Care Placement Team
Impact on LD Package Spend	0.36	There was a delay in implementing the joint working. This was largely due to integration of the teams being more difficult than anticipated, and as there were 3 organisations involved an outside facilitator was brought in. This issues were heightened by changes to managerial personnel during the culture change process. It is anticipated the saving will be achieved in 17/18.
	1.30	

HEALTH & SUSTAINABLE LIVING PORTFOLIO

KEY ISSUES – OUTTURN 2016/17

The Portfolio has under spent by **£0.49M** at year-end, which represents a percentage variance against budget of **10.0%.** The Portfolio outturn variance has moved **favourably** by **£0.34M** from the position reported at Quarter 3.

	Outturn Variance £M	***Movement from Quarter 3 £M***
Final Portfolio Outturn	**0.49 F**	*0.34 F*
Carry Forward Requests	0.00	-
Unachieved Savings 2016/17	0.00	-

A summary of the movements in the Portfolio outturn variance, compared to Quarter 3, are shown in the table below:

Division / Service Activity	**Outturn Variance £M**	***Forecast Variance Quarter 3 £M***	***Movement £M***	**Ref.**
Public Health	0.28 F	*0.04 F*	*0.24 F*	HSL 1
Sustainability	0.11 F	*0.04 F*	*0.07 F*	HSL 2
Housing	0.10 F	*0.07 F*	*0.03 F*	HSL 3
Total	**0.49 F**	***0.15 F***	***0.34 F***	

The SIGNIFICANT issues for the Portfolio are:

HSL 1 – Public Health £0.28M favourable (£0.24M favourable movement)

Public Health has underspent by £0.28M within this Portfolio. This ring fenced grant funding has been used to pay for Housing Related Support expenditure within the Housing and Adult Care Portfolio.

HSL 2 – Sustainability £0.11M favourable (£0.07M favourable movement)

The final calculation of CRC allowances used in 2016/17 revealed that we had over-bought by £0.09M although all these allowances are purchased at a lower rate and have been carried forward for use in 2017/18. This is a favourable movement of £0.07M from quarter 3.

Additionally, the income received from the in-house managed Laser Energy has exceeded our prudent forecast by £0.03M.

HSL 3 – Housing £0.10M favourable (£0.03M favourable movement)

Housing Renewal has an underspend of £0.07M, which is principally due to savings on a vacant post of £0.04M as well as a favourable variance of £0.03M relating to Capita fees and other expenses.

Additionally there is an under spend due to vacant posts within Private Sector Housing of £0.03M.

LEADER'S PORTFOLIO

KEY ISSUES – OUTTURN 2016/17

The Portfolio has under spent by **£2.24M** at year-end, which represents a percentage variance against budget of **17.4%.** The Portfolio outturn variance has moved **favourably** by **£0.10M** from the position reported at Quarter 3.

	Forecast Variance £M	*Movement from Quarter 3 £M*
Final Portfolio Outturn	**2.24 F**	*0.10 F*
Carry Forward Requests	-	-
Unachieved Savings 2016/17	0.35	-

A summary of the movements in the Portfolio outturn variance, compared to Quarter 3, are shown in the table below:

Division / Service Activity	**Outturn Variance £M**	***Forecast Variance Quarter 3 £M***	***Movement £M***	**Ref.**
Property	1.61 F	*1.54 F*	*0.07 F*	LPOR 1
Legal Services & Customer Relations	0.09 F	*0.07 F*	*0.02 F*	LPOR 2
Property Portfolio Management	0.14 F	*0.13 F*	*0.01 F*	LPOR 3
Corporate Communications	0.12 F	*0.18 F*	*0.06 A*	LPOR 4
Democratic Representation & Management	0.08 F	*0.06 F*	*0.02 F*	LPOR 5
Land Charges	0.14 F	*0.07 F*	*0.07 F*	LPOR 6
HR Services	0.19 A	*0.13 A*	*0.06 A*	LPOR 7
Strategic Management of the Council	0.02 A	*0.15 F*	*0.17 A*	LPOR 8
Licensing	0.07 F	*0.00 F*	*0.07 F*	LPOR 9
City Development	0.06 F	*0.05 F*	*0.01 F*	LPOR 10
Other	0.15 F	*0.02 F*	*0.13 F*	
Total	**2.24 F**	***2.14 F***	***0.10 F***	

The SIGNIFICANT issues for the Portfolio are:

LPOR 1 –Property £1.61M favourable (£0.07M favourable movement)

A favourable variance of £0.22M has arisen against the reactive repairs / fee budgets, a favourable change of £0.16m compared with Quarter 3. The position on reactive repairs is difficult to predict in-year given the unknown demand for essential works during the winter months.

In addition an overall favourable variance of £0.78M has arisen against the planned maintenance programme due to the challenging level of resources within the Capita Property Service during its transition to the Council and the need to prioritise the available resources across all Council work programmes. There is a planned schedule of works detailing how this slippage will be undertaken and it is expected this will be achieved in this year's budget once phase 3 restructure has been undertaken and completed in September 2017. This represents a favourable increase of £0.79M compared to quarter 3. Performance against the budgeted programme will be reviewed within the Capita contract to 31st December 2016 when the service transferred back to the Council to determine mitigating factors and any performance issues.

A favourable variance has arisen within Civic centre and Wyndham Court and comprises a £0.17M underspend on supplies and services, together with £0.28M on utility costs, a favourable movement of £0.15M compared with quarter 3. A detailed review of the supplies and services budgets was undertaken during the year to identify and undertake essential spend only. Utility costs were also reviewed in detail, looking at both current and historical data, together with the potential impact of increased occupation of the Civic Centre.

A favourable variance of £0.16M has also arisen from salary underspends, within both Admin Buildings and the newly transferred Property service, an adverse movement of £0.05M compared with quarter 3. This will be reviewed in detail as part of the restructure of the wider Property service to take place during 2017/18.

LPOR 2 – Legal Services & Customer Relations £0.09M favourable (£0.02M favourable movement)

A favourable variance of £0.09M relates to the receipt of additional in-year section 106 revenue income, a favourable variance of £0.02M compared with quarter 3. This income is variable by nature and therefore difficult to precisely predict during the year.

LPOR 3 – Property Portfolio Management £0.14M favourable (£0.01M favourable movement)

The net adverse outturn position has arisen due to the following key variances:

- Unachieved saving: Property Rationalisation and Disposal £0.30M. This relates to the disposal of service properties, none of which were achieved during the year.
- Unachieved saving: Public Sector PLC £0.05M. The increase in income was not achieved during the year. Whilst the Public sector PLC identified and worked to dispose of assets during the year no actual sales were completed during the period with sales being completed during the early part of 2017/18 and an additional 2 options in place for 2017/18.

- Shortfall in investment Property income £0.15M received from existing investment properties, have shown, an adverse movement of £0.23M compare with quarter 3. The in-year monitoring of income proved challenging given the lack of available resources within Capita to provide regular and detailed information.

These have been partly offset by a favourable variance of £0.74M primarily from an under spend on Capita Valuation fees and disposal costs / review of bad debt provision, a favourable movement of £0.34M compared with quarter 3. Again this is due in part to resourcing within Capita but also reflects the changing type of property and investment activity undertaken by the service.

LPOR 4 – Corporate Communications £0.12M favourable (£0.06M adverse movement)

The favourable variance relates in part to a £0.07M underspend against the centralised advertising and publicity budget and represents the early achievement of budget proposals for 2017/18 and ongoing, an adverse movement of £0.06M compared with quarter 3.

In addition an in-year underspend of £0.05M has arisen on salaries as a result of vacancies, a favourable movement of £0.02M compared with Quarter 3.

LPOR 5 – Democratic Representation & Management £0.08M favourable (£0.02M favourable movement)

The favourable variance 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, a favourable movement of £0.02M compared with quarter 3.

LPOR 6 – Land Charges £0.14M favourable (£0.07M favourable movement)

The favourable variance has arisen from additional in-year income, a favourable movement of £0.07M compared with quarter 3. 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.

LPOR 7 – HR Services £0.19M adverse (£0.06M adverse movement)

A new adverse variance of £0.08m has arisen due to a shortfall within the Temporary Employment Agency service (internal temps). At quarter 3 the service was in transition from Capita to Hays and the financial position was unavailable at that time. The charging arrangements will be reviewed for 2017/18 to assess the anticipated volumes in arriving at the level of rates to maintain a break-even position on the service.

The quarter 3 forecast included a pressure on recruitment costs arising from the new Hays contract. However these have now been included as part of Strategic Management below, creating a favourable movement of £0.13M within HR Services compared with quarter 3.

In addition an adverse variance of £0.11M has arisen due to additional staffing costs / use of temporary resources within the service during the period of transition for the HR Advisors from Capita to SCC and also reflects additional resources required to support the overall restructure / transformation programme; this represents an adverse movement of £0.11M compared with quarter 3.

LPOR 8 – Strategic Management of the Council £0.02M adverse (£0.17M adverse movement)

A favourable variance of £0.13M has arisen due to salary under spends from vacancies within the new structure following the Phase 1 implementation, an adverse movement of 0.02M compared with quarter 3.

This has been offset by a new adverse variance of £0.15M due to additional recruitment costs incurred under the new Hays contract. The future approach to recruitment and the associated costs have been addressed as part of the 2017/18 budget and ongoing.

LPOR 9 – Licensing £0.07M favourable (£0.07M favourable movement)

The new favourable variance of £0.07M has arisen following the introduction of the Licensing contract with Eastleigh Borough Council. This is a one-off in-year benefit as the Council received income from EBC but was able to initially support the new contract within existing staffing resources. From 2017/18 and ongoing the new contract / income will be supported by a revised staffing structure.

LPOR 10 – City Development £0.06M favourable (£0.01M favourable movement)

Due to the restructure of the Capital Assets team, vacancies that have occurred during the year have not been filled, resulting in an underspend of £0.06M on staff employment and travel costs, a favourable increase of £0.01M compared with quarter 3.

UNACHIEVED SAVINGS 2016/17

Saving Reference	Description	Unachieved Savings 2016/17 £M	Explanation of ongoing impact and mitigating actions.
LEAD 15	Property Rationalisation & Disposals	0.30	Linked to disposal of service properties, none of which achieved to date but are forecast to be achieved in 2017/18. This will be linked to ongoing redevelopment and disposal decisions.
LEAD 16	Public Sector PLC	0.05	Increase in income not achieved. Further potential schemes are now under consideration and this saving will be achieved.
Total		**0.35**	

TRANSFORMATION PORTFOLIO

KEY ISSUES – OUTTURN 2016/17

The Portfolio has unachieved savings of **£3.31M** at year-end. The Portfolio outturn variance has moved **adversely** by **£0.68M** from the position reported at Quarter 3.

	Forecast Variance £M	Movement from Quarter 3 £M
Final Portfolio Outturn	3.31 A	0.68 A
Carry Forward Requests	-	-
Unachieved Savings 2016/17	3.31	-

A summary of the movements in the Portfolio outturn variance, compared to Quarter 3, are shown in the table below:

Division / Service Activity	Outturn Variance £M	Forecast Variance Quarter 3 £M	Movement £M	Ref.
Phase 1 & 2 Restructure	2.39 A	1.85 A	0.54 A	TRANS 1
Phase 3 Digital & Business Ops	0.37 A	0.23 A	0.14 A	TRANS 2
SCR – Schools	0.55 A	0.55 A	0.00	TRANS 3
Total	**3.31 A**	**2.65 A**	**0.68 A**	

The SIGNIFICANT issues for the Portfolio are:

Trans 1 – Phase 2 Restructure £2.39M adverse (£0.54 adverse movement).

Following the review of the Organisational Design, the reduction of posts in Phase 2 of the management restructure was lower than anticipated. Additionally, whilst the Phase 1 restructure will achieve the full saving in future years, one off additional costs were incurred in 2016/17 whilst a permanent recruitment exercise was undertaken.

Trans 2 – Phase 3 Digital & Business Ops £0.37M adverse (£0.14 adverse movement).

A number of changes have been made to the original project scope and timetable following consultation and implementation costs have been identified.

<u>Trans 3 – SCR - Schools £0.55M adverse (nil movement).</u>

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

No identifiable additional income has arisen as a result of this exercise. A review of the Service Level Agreement process with schools will be required in 2017/18, alongside a service review and a commercialisation exercise. This position will be will be updated following this process

UNACHIEVED SAVINGS 2016/17

Saving Reference	Description	Unachieved Savings 2016/17 £M	Explanation of ongoing impact and mitigating actions.
TRANS 2	Service Excellence	0.35	Saving reduced as part of approved budget 2017/18.
TRANS 2	Activity Analysis	0.02	Saving reduced as part of approved budget 2017/18.
TRANS 2	Schools Service Cost Recovery	0.55	To be reviewed in 2017/18 as part of Schools Service Level Agreement process.
TRANS 3	Phase 2 Operating Model	2.39	Saving reduced as part of approved budget 2017/18.
Total		**3.31**	