



## Report of the Cabinet Member for Economy & Strategy

Special Cabinet – 20 February 2020

### Revenue and Capital Budget Monitoring 3rd Quarter 2019/2020

<b>Purpose:</b>	To report on financial monitoring of the 2019/20 revenue and capital budgets, including the delivery of budget savings.
<b>Policy Framework:</b>	Budget 2019/20. Transformation and Future Council (Sustainable Swansea –fit for the future)
<b>Consultation:</b>	Cabinet Members, Corporate Management Team, Legal and Access to Services.
<b>Recommendation(s):</b>	It is recommended that: <ol style="list-style-type: none"> <li>1) The comments and variations in this report, and the actions in hand to address these, are noted;</li> <li>2) The substantial improvement to date be noted and Directors remaining plans to assure Cabinet that service budgets can be sustainably brought back into line for 2019-20 and beyond continue and are implemented by 1 April 2020, and earlier still wherever possible;</li> <li>3) No officer may consider any material further spending commitments until those savings plans, as referenced in recommendation 2 to address service overspending are fully assured and delivered.</li> </ol>
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## 1. Background and Introduction

- 1.1 This report details forecast variations from the agreed budget for 2019/20, including the latest assessment of the delivery of savings.
- 1.2 In respect of Revenue Budgets, this report provides a consolidated forecast which combines:
- projected variations (mainly shortfalls) in relation to budget savings agreed by Council in February 2019
  - Variations arising from other service pressures not directly linked to specific savings plans (e.g. increased service demand, price and pay inflation, increased, but most often unfunded, regulatory obligations and burdens from both UK and Welsh governments)
- 1.3 The report includes comments from Directors in relation to the variations highlighted and the action that is in hand or proposed as appropriate.
- 1.4 The report also includes the latest completed Savings tracker summary in Appendix C that indicates the current overall forecast delivery % of the various savings streams by the services is at 84%. Any shortfalls in achieving savings will be reflected in the table at 2.3 and in Appendix A.

## 2. Revenue Outturn Forecast Based on 3rd Quarter position

- 2.1 Appendix 'A' to this report details the approved Revenue Budget for 2019/20 and the forecast variation at this time.
- 2.2 Other than projected variations on Directorate expenditure, it is still too early to forecast final variations that may arise on some significant Corporate items, including the level of Council Tax collection (which posted a deficit in 2018-19 of £0.3m though in previous years has returned a modest surplus) – it is assumed at the current time that these remain largely as per the approved budget.
- 2.3 The overall Directorate position is summarised below:-

### **DIRECTORATE**

	FORECAST VARIATION 2019/20 £000	SAVINGS VARIATION 2019/20 £000	OTHER VARIATION 2019/20 £000
RESOURCES	-596	1,757	-2,353
PEOPLE - SOCIAL SERVICES	-99	842	-941
PEOPLE - EDUCATION	1,629	0	1,629
PLACE	-500	731	-1,231
<b>NET DIRECTORATE EXPENDITURE</b>	<b>434</b>	<b>3,330</b>	<b>-2,896</b>

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- 2.4 Directors' comments on the above variations are shown at Appendix B:-
- 2.5 Within the *Sustainable Swansea* Delivery Programme, work continues to develop service delivery plans that will include all savings requirements across all strands. This includes the cross cutting nature of new reviews as well as the completion of current in-flight reviews.
- 2.6 Whilst continuing to significantly improve, the above potential service overspend, and more pertinently continued shortfall in original savings plans, remains a risk, albeit a diminishing one, more especially so given the overall position is helped temporarily by some one-off grant funding sources . A number of the overspend areas follow on from the outturn position for 2018/19 and need to be considered in the light of the forecast savings going forward within the 2019/20 budget, Medium Term Financial Plan, and the cumulative effect of non-achievement of savings going forward.
- 2.7 Corporate Management Team has re-enforced the current arrangements for budget monitoring in particular :-
- focus on a range of corrective actions;
  - targeted immediate spend reduction action;
  - spending control on all vacancies and contracts;
  - a continued reminder that **no Responsible Officer is authorised to overspend their budget in line with Financial Procedure Rules;**
  - and consequently that Directors have brought forward to Cabinet and Corporate Management Team detailed and realistic mitigation plans to contain service overspending.
- 2.8 Offsetting opportunities do exist to temporarily ameliorate the currently identified service demand and price pressures as follows.
- £1m was set aside in the budget for the potential costs relating to the impact of the Apprenticeship Levy. The final costs relating to this levy will only be known once final employee related costs are calculated at the year end. Should the full allocation not be required then any saving will be proposed to be used to mitigate service pressures at year end.
  - £2m was also set aside to meet any specific and significant inflationary increases arising in year. A Commercial savings target was held corporately in 2018/19 and initially 2019/20. Any actual contract/procurement savings were delivered within services and not allocated to this central target. For 2019/20 this total has been allocated to services and is funded from the Inflationary provision to avoid double counting against previous contract procurement savings. Given the overall financial projection at this stage it is proposed by the S151 officer that £1.1m is allocated to services to cover commercial pricing pressures as outlined in the 1<sup>st</sup> Quarter report and the remaining £0.9m be conserved for now as a hedge against potential service over spending with any final underspend being allocated equally to the Capital Equalisation Reserve and Restructure Reserve .

- Use of the Contingency Fund as detailed below.

### 3. Contingency Fund Provision for 2019/20

- 3.1 The contingency fund is set at the £7.072m contribution for 2019/20 as set out in the budget report approved by Council in February 2019. This is significantly higher than in recent years reflecting additional mitigation against any repeated overspending.
- 3.2 The current potential calls on the contingency fund for 2019-20 are:-

<b>Contingency Fund 2018/19</b>	<b>Prediction</b>
	<b>2019/20 (£m)</b>
Budgeted contribution for year.	7.072
One off interim support arrangements for Chief Executive and ongoing regional working.	-0.030
One off support to a range of events celebrating the 50 <sup>th</sup> anniversary of the granting of city status to Swansea .	-0.158
Support for Swansea Community Awards.	-0.003
Key Cities Subscription.	-0.010
High Street Multi Story Car Park urgent lift works.	-0.135
New Depot : CTU equipment(previous service earmarked reserve fully used in extremis to balance budget 18-19. Anticipated spend now funded in 19-20)	-0.314
Western Powerhouse subscription	-0.020
Community Help Fund	-0.025
Christmas trading City Centre car park support . BID to support in addition.	-0.050
Equalities consultation and co-production support	-0.005
ER/VR in year costs if ultimately exceeding balance on Restructure Reserve of £3m (this is currently not expected to be needed on basis of levels of ER/VRS).	0.000
Section 151 officer proposes to utilise current year underspend on contingency fund by allocating it between Capital Equalisation Reserve and Restructure Reserve	-6.322
<b>Balance 31st March 2020</b>	<b>0</b>

The above table lists current potential calls on the budgeted contingency fund. The final amounts will be dependent on a number of factors during the year including speed of implementation, actual costs/commitments incurred and final Directorate

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outturn position. Spend approvals will be deliberately limited to seek to maximise underspend here as part of mitigating budget savings action.

As set out in the 2018-19 Revenue outturn report to members some £3m remained within the Restructure Reserve to contribute toward ER/VR costs in 2019-20. The S151 officer proposes that any such costs over and above this £3m will be funded via the contingency. The final costs of ER/VR will only be known towards the end of the year once all management actions re savings proposals etc are implemented. At this stage it is assumed that all ER/VR costs will be able to be contained within the sum left in the Restructure Reserve.

Based on current forecast the S151 officer proposes to utilise the current year forecast underspend on the Contingency Fund of £6.322m to provide additional funding in the Capital Equalisation Reserve and the Restructure Reserve. This provides further flexibility to manage the large scale capital programme ambition in the short term for the former item and renewal of funding to continue to centrally underwrite staff restructuring costs (early retirements and voluntary redundancies if needed), including those proposed by schools themselves, for the latter item.

However , the S151 officer proposes to reserve his final position on the recommended levels of use of the restructure reserve and contingency fund until the absolute success or otherwise of reducing the forecast overspend is known at year-end.

- 3.3 The current indication is that, for 2019-20, there still needs to be some further closely targeted mitigating action and delivery of savings proposals if a fully balanced budget for services for the year is to be achieved .
- 3.4 The action being taken includes working through existing plans on an accelerated delivery basis :
- Management and Business Support Review: ongoing review of the management structure across the Council and future requirements given the Council's priorities, future challenges and the changing nature of the role of managers
  - Reducing the Pay Bill: review of options to reduce employee costs across the Council as part of our overall future workforce strategy (subject to trade union consultation at the appropriate time)
  - Commercialism through third party Procurement Savings and Income Generation: review of further options to increase income from fees and charges, trading etc, in addition to the targets already set for 2019/20
  - Progressing implementation of Commissioning Reviews and Cross Cutting Themes.
  - Further implementation of the Social Services Saving Plan through which we have identified mechanisms for bringing down overall costs.
  - Continuing the extant spending restrictions which have been reviewed, refreshed and reissued by Corporate Management Team.
  - Directors detailed action plans which are summarised in their commentary in Appendix B.

3.5 It should be noted that at this time, although the Council continues to pursue a number of VAT related claims, some are more advanced than others, there is NO certainty of windfalls from VAT refunds or any other external source being received in the current year.

### 4. Revenue Budget Summary

4.1 The position reported above reflects the best known current position. A net £0.434m of shortfall in service revenue budgets, offset wholly by £0.434m of identified additional savings from the non-allocation of the Inflation provision. This is materially better than the equivalent 3<sup>rd</sup> Quarter report for 2018-19.

4.2 Corporate Management Team have reinforced the expectation that both service and overall net expenditure **must** be contained within the relevant limits of the current year budget as set by Council.

4.3 As previously mentioned, it is too early to provide an accurate forecast as to the potential outturn on corporate items such as Council Tax collection which is in itself potentially affected by the effects of welfare reform measures, but offset by an often increasing tax base.

4.4 Included in the projected budget for 2019/20 for other corporate items are capital finance charges. At this early stage no variance is forecast, in any case any underspending or overspending will be transferred at year end to or from the capital equalisation reserve, a strategy previously agreed by Council. This will be reviewed and updated during the year as various capital schemes/programmes progress.

4.5 The overall judgement at this point is that there remains some residual need to identify and implement all existing budget savings across all Council Services to improve the 2019/20 position and beyond.

4.6 There remains a degree of confidence that some further inroads can continue to be made into the forecast overspend position by ongoing management and member action/mitigation.

4.7 There continue to be risks around general inflationary pay and price pressures in the forthcoming year including significant increases to the National Living Wage from April 2020 which will significantly impact contractors to the Council in some service areas. It may also put further pressure on the lower end of the current local government pay spine. Whilst entirely welcomed from a policy perspective, nevertheless the Council simply cannot afford to fund them in isolation, unless additional support is forthcoming from the UK and Welsh Governments, otherwise savings will have to be made elsewhere to meet such pressures.

4.8 Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis.

4.9 The Section 151 Officer has previously considered professional advice given as to funding levels within the Insurance Reserve and notwithstanding the ongoing modest draws from the reserve over the duration of the MTFP to help support the

revenue budget, he is satisfied there is at least a further £2.648m of headroom (over funding) beyond that reasonably likely needed to meet future claims. This enabled a previous transfer to be made between earmarked reserves and bolster the capital equalisation reserve yet further in anticipation of the substantial future capital spending which remains to be predominantly financed from unsupported borrowing. This transfer was approved by Council on the 24<sup>th</sup> October 2019 in the annual Review of Revenue Reserves report.

- 4.10 It remains imperative that sustainable base budget savings are found to replace in year one off actions to stabilise the 19-20 budget ahead of the finalisation of the 2020-21 budget round.

### 5. Capital Budget

- 5.1 Expenditure to 31<sup>st</sup> December 2019 is £86.448 million, summarised as follows:

Directorate	Budget 2019/20	Actual to 31/12/19	% spend
	£'000	£'000	
Corporate Services	3,299	1,289	39.1%
People	16,852	6,703	39.8%
Place (General Fund)	94,586	44,387	46.9%
Place (HRA)	60,746	34,069	56.1%
<b>Total</b>	<b>175,483</b>	<b>86,448</b>	49.3%

- 5.2 Expenditure on major capital schemes is detailed in Appendix D.

- 5.3 It should be noted that the actual spend to 31 December may only have 7 or 8 months costs relating to external invoices. The capital budgets were reviewed during October which resulted in some budgets being re-profiled into later years. Nevertheless it remains highly likely that some capital expenditure slippage will occur and this will help reduce the in-year revenue costs of capital financing.

### 6. Housing Revenue Account

- 6.1 The current repairs forecast is £100k underspent, which is mainly due to lower than forecast spend on responsive repairs; which is partly offset by some additional electrical maintenance costs. In addition to this, there is £150k income from technical design fees and an underspend on employee costs of £160k due to higher than anticipated vacancies. As it stands, the slippage on the Capital programme will lead to a reduction in capital finance costs, and we are forecasting this to be in the region of £1m. There are no other material budget issues to flag at this stage.

### 7. Legal Issues

- 7.1 There are no legal issues contained within this report.

## 8. Equality and Engagement Implications

8.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

8.2 The Revenue budget of the Council was approved following the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the EIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

**Background papers:** None.

### **Appendices:**

Appendix A – Revenue Budget forecast 2019/20

Appendix B – Directors comments on variances and action plans

Appendix C – Savings tracker summary

Appendix D – Expenditure on major Capital Schemes



## REVENUE BUDGET PROJECTION QUARTER 3 2019/20

<b><u>DIRECTORATE</u></b>	<b>BUDGET 2019/20 £000</b>	<b>PROJECTED 2019/20 £000</b>	<b>VARIATION 2019/20 £000</b>
RESOURCES	46,291	45,695	-596
PEOPLE - SOCIAL SERVICES	120,750	120,651	-99
PEOPLE – EDUCATION	170,600	172,229	1,629
PLACE	56,769	56,269	-500
<b><i>NET DIRECTORATE EXPENDITURE</i></b>	<b>394,410</b>	<b>394,844</b>	<b>434</b>
SPECIFIC PROVISION FOR APPRENTICESHIP LEVY/INFLATION	1,850	1,416	-434
CONTINGENCY FUND	6,322	6,322	0
<i>OTHER ITEMS</i>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	86	86	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	12,971	12,971	0
<i>CAPITAL FINANCING CHARGES</i>			
PRINCIPAL REPAYMENTS	14,478	14,478	0
NET INTEREST CHARGES	18,119	18,119	0
<b><i>NET REVENUE EXPENDITURE</i></b>	<b>448,236</b>	<b>448,236</b>	<b>0</b>
<i>MOVEMENT IN RESERVES</i>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-5,310	-5,310	0
<b><i>TOTAL BUDGET REQUIREMENT</i></b>	<b>442,926</b>	<b>442,926</b>	<b>0</b>
DISCRETIONARY RATE RELIEF	400	400	0
<b><i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i></b>	<b>443,326</b>	<b>443,326</b>	<b>0</b>
COMMUNITY COUNCIL PRECEPTS	1,465	1,465	0
<b><i>TOTAL REQUIREMENT</i></b>	<b>444,791</b>	<b>444,791</b>	<b>0</b>
<b><i>FINANCING OF TOTAL REQUIREMENT</i></b>			
REVENUE SUPPORT GRANT	242,197	242,197	0
NATIONAL NON-DOMESTIC RATES	80,014	80,014	0
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	121,115	121,115	0
COUNCIL TAX - COMMUNITY COUNCILS	1,465	1,465	0
<b><i>TOTAL FINANCING</i></b>	<b>444,791</b>	<b>444,791</b>	<b>0</b>

**Director's comments on budget variances****Director of Resources**

The directorate is undergoing a substantial realignment of all service budgets to address historic cumulative variances and this will see the undelivered historic items fully removed by 1 April 2020. For completeness the full range of variations, in year management one off and permanent actions and new year planned base budget proposals to mitigate those historic shortfalls will be reported for the remainder of 2019-20.

Variance	£000	Explanation and Action
<b><u>Savings Variation</u></b>		
18/19 Sustainable Swansea Savings targets:		
Management review of grade 10 and above	113	These three areas form part of Corporate Services proposals to merge and review cross-cutting functions across the Council related to Business Support functions, exploring new ways working including regional collaboration where possible. Limited opportunities are available regarding shared services and the regional working options are very slow in progressing, with little if any appetite across other organisations. Further Proposals and plans are now in place to achieve this saving by 1 <sup>st</sup> April 2020.
Service review/regional working/shared services	239	
Stopping or reducing services through new ways of working	597	
Merging of Land Charges with Planning and Building Control as per the Commissioning Review	25	The team has successfully merged with Planning and savings achieved in the Place Directorate. It was planned that new ways of working would release this £25k in legal, however, this is no longer possible.
Establishing Business Support hubs in the People and Place Directorates	-79	An additional saving achieved as a result of implementing the 'One Council' approach to Business Support.
19/20 balance	-125	Additional savings as a result of vacancy freeze and delay in appointing staff.
16/17 & 17/18 saving targets	531	Alternative proposals are now in place to deliver this by 1 <sup>st</sup> April 2020
Sub total	1,301	

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Other saving targets:		
Transfer and review of the Welsh Translation Unit, including cost and charges	150	The Welsh Translation Unit is reviewing ways of working however, the demand for Welsh translation continues to increase. In order for the Council to meet its statutory responsibilities and statutory deadlines. New proposals are in discussion related to this saving.
16/17 Communications model & Corporate Health & Safety/Wellbeing	306	This saving is challenging with the identified model of merging the marketing and communications from across the council into one team not able to progress. In addition, the increase in demand in the referrals to occupational health has not enabled the growth of this area to become income generating due to all spare capacity being used internally. Alternative proposals are now in place to achieve the saving by 1 <sup>st</sup> April 2020.
Total Savings variation	1,757	
Other Net Underspends	-2,353	Mainly as a result of Legal Services underspends of £-688k due to staff savings of £-427k and income from the Liberty Stadium court case £-130k, Financial Services underspends due to CTRS forecasted underspend of £-450k, however, this dependant on caseloads & net staff savings of £-503k, Digital and Transformation staff savings of £-400k and potential IT contract cost savings of £-295k due to Oracle support and maintenance contract which has been negotiated as part of the Oracle Cloud implementation, training of support team on new contact centre technology and other contract costs, however, these are subject to confirmation.
Total Variation	-596	

Corporate Services underwent significant change in 2017/18 which followed into 2018/19, in order to realise savings and rebalance the budget.

The Directorate has proactively and strictly managed spending throughout the year, and as a base budget has performed well. The legacy savings from the previous years have affected the budget and these have been offset by underspends on service areas mainly as a result staff savings through managing vacant posts and from a one off income item in relation to the Liberty Stadium court case and Council Tax Reduction Scheme (CTRS)

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underspend, which is dependent on caseloads. This has resulted in an overall Directorate variance of £-596k.

Detailed plans and proposals are now in place to deliver alternative savings to the above variances. The full year effect of those savings will not be felt until 1<sup>st</sup> April, but as a result of reflecting these savings against in-year budgets for some services this has created a new overspend position, even though the Directorate as a whole is underspending in-year. Individual service overspends have occurred where they have adopted a new unplanned saving mid-year which will not materialise until 2020/21. This is not without difficulty in some areas where vacant posts have been left unfilled and ultimately deleted in the savings proposals. This continues to create pressure across Resources and work has been prioritised accordingly.

Action Plans for Resources include:

- Releasing of vacancies in each service
- Ensuring all legacy savings are achieved, which were previously allocated to services
- Service budget reviews to release additional savings, reviewing the risk across the Council including impact on other Directorates.
- A range of other measures are being considered as part of in year and annual budget savings considerations , these include.
  - Review of the CTRS which is a demand-led service
  - Reductions in corporate services.
- Bringing forward savings as a result of digital wherever possible
- Reducing and stopping fees and subsidies wherever possible.

### **Director of Social Services**

#### **Social Services**

Variance	£000	Explanation and Action
<b>Savings Variation</b>		
Implement preferred options as outcome of Commissioning Review (Learning Disability, Physical Disability & Mental Health service provision)	500	This project continues with dedicated resource and senior management input. Initial retendering exercise underway. The continued effect of increases to minimum wage and the need to diversify the supplier base will cause costs to increase.
Review of CHC Arrangements/LD MH Right Sizing and Review	248	This scheme has had success in obtaining external funding for appropriate placements. This work will continue.
Review all packages of care to ensure fit for purpose and effectively manage new admissions to domiciliary care.	140	Domiciliary care continues to be subject to significant demand pressures. Rightsizing work is therefore likely to release capacity rather than reduce spend.
Direct Payments Strategy - Targeted increase in recourse to direct payments as alternative to non-complex	100	Savings in this area continue through reviews of allowances paid and, where appropriate, the reclaim of unused balances.

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Variance	£000	Explanation and Action
domiciliary care packages		
Income Targets	-500	Targets are expected to be exceeded in this area due to significant deferred payment receipts as well as funding transfers received in respect of legislative changes.
Maximise Income Opportunities in Outdoor Centres	25	Staffing changes have taken place in the centres, however there is an expected overspend in this area.
Creation of a single family support function across Poverty & Prevention and CFS	50	This target is 87% achieved. Unachieved savings are primarily a consequence of the Youth Offending Service's disaggregation from regional arrangements.
Increase income from training delivered	10	This saving target is dependent on income that will not be realised until later in the year.
Realignment of employability service to maximise efficiency of grant and management.	100	This saving is currently 50% achieved. An Employability Commissioning Review is underway to identify further opportunities to offset core funds to achieve this target in 19/20 and beyond.
Direct licensing model with Duke of Edinburgh Wales in line with other authorities.	20	The model is dependent on income generated to make savings and cover costs. As the area is expected to overspend, this saving target is unachieved.
Transfer Client Income and Finance from Social Services to Corporate Centre and make efficiencies in the process.	17	This saving has been largely achieved through increased income. It remains possible that this saving will be achieved.
Cross Cutting Savings	132	Cross cutting savings arising from a combination of proposed changes to terms and conditions are unlikely to be achieved.
<b>Other</b>		
Independent Child and Family Placements	1,360	This budget is subject to both fee and demand pressures, with a number of high cost placement in Q3.
Adoption Fees	200	The council contributes towards a regional adoption service where costs are shared between partners dependent on placement activity. This forecast corresponds with the latest placement information.
External Residential Care	-324	Tight management of costs and increased income mean than business as usual underspends are predicted in these areas.
External Domiciliary Care	-193	

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Variance	£000	Explanation and Action
Internal Staffing and Services	-3,219	A number of grants have been received that are able to support the overall financial position. Work to ensure services are designed in a way that enables the Council to access all funding sources continues and will cause significant underspends to appear in this financial year.
Third Party Spend	-265	The Directorate continues to maintain tight vacancy and cost management approaches.
MHLD Complex Care	1,500	This remains an area of significant pressure. Additional budget has been allocated but is being outstripped by pressures on demand and fees.
<b>Overall Variation</b>	<b>-99</b>	

### Director's Comments

For the first time in some years, we are predicting an overall underspend at the third quarter. This is largely driven by increased income, both client and grant. Work is underway to mitigate the time limited nature of the grants and to manage the challenge provided by increasing demand for services.

The Directors action plan as outlined in the Quarter 2 report for Social Services to mitigate the previous overspend forecast included:

In order to address the £1m gap, an in year review of gross expenditure across the Directorate compared to last financial year is being undertaken. For any increases above 2% wage inflation, remedial action will be taken to bring increased spend back below 2% by year end.

In addition to the above, a vacancy freeze will be implemented across the Directorate for any posts which do not give rise to either a safeguarding or business continuity risk.

Finally WG have announced a further tranche of regional grants to address Winter pressures and the local authority will seek to draw down further funding to accelerate transformational activity this financial year.

### Director of Education

Variance	£000	Explanation and Action
Home to School Transport	545	Inflationary fuel price pressures and continuing demand, particularly within the ALN and post 16 sector continue to increase costs. These demand and price pressures are inherently volatile and uncontrollable within current transport policy.
Catering and Cleaning	786	The service continues to be subject to substantial inflationary pressures on the

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		cost of food and staff. This has been partially offset by a combination of management cost control and positive take up of paid meals. Further means of reducing net cost are being examined.
Additional Learning Needs	600	This forecast primarily concerns the cost of placements within Independent Special Schools. The Council continues to see both cost and demand pressures in this area, despite continued efforts to increase the supply of such places locally.
Centrally funded non-delegated pressures.	679	This overspend is primarily attributable to ongoing historic pension costs borne by the Council on behalf of Schools. It also includes increases in the cost of maternity/paternity leave.
Potential one-off managed savings	-981	All savings opportunities are being explored to alleviate the pressures above.
<b>Overall Variation</b>	<b>1,629</b>	

*Many of the pay, price and demand pressures identified above are a continuation of the overspend position from 2018/19. Ongoing robust management action will continue.*

The Directors action plan outlined in the Quarter 2 report for Education to mitigate the forecast overspend at that stage included :

The scale of external demand and cost pressures facing education services is such that no continuing robust management action will be able to bring the net spending across the directorate into balance within the 2019-20 financial year. By far the most significant area of education spending is the delegated schools budget and whilst this cannot be reduced in year it would be possible to effectively 'top slice' the budget in 2020-21, as a one off base adjustment, to effectively recover any net overspend by the year end on the 1st April 2020. Any such retrospective 'top slicing' would be in addition to any cash or real terms reductions in funding for schools approved as part of the Council budget for 2020-21.

However, to mitigate and minimise any potential reduction to schools delegated budgets all LEA budgets will be reviewed further in the first instance.

### **Director of Place**

A number of issues need to be highlighted for the purpose of visibility. These include unfunded budget pressures as follows:

- Significant increased electricity costs for street lighting of £200k
- Reduced recycling prices in waste management reflecting an income shortfall of £222k
- Increased costs for maintaining and replacing aging social services fleet £381k

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In year savings of £731k have been identified as difficult to achieve by year end and these comprise mainly of Commissioning Review (Service in the Community), IT delays for rollout of mobile working and delayed and “cashable” Integrated Transport Unit savings and transport savings removed budget but authorisation to implement withdrawn

In addition there are some challenges in achieving all of the “cross cutting” saving requiring policy changes identified for 19/20 in particular

- Staff – Christmas closure, average holiday pay, 50% Honoraria reduction, 50% market supplement reduction and remove first aid payments (total £118k)

The directorate has identified appropriate mitigation to offset these spending pressures within its overall budget to enable it to offset these costs and return a balanced budget and has looked to accelerate other in year measures and income generation which will allow it to improve on its projected out-turn by declaring a forecast underspend of £500k.