

JOINT COMMITTEE

21st April 2017

Subject heading:

oneSource forecast financial
position as at February 2017

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Financial summary:

The oneSource Shared financial forecast shows a projected overspend of £334k as at February 2017, period 11. Non-shared budgets are forecasting variances of £1.1m underspend for Havering, £259k overspend for Newham and nil variance for Bexley.

Is this a Key Decision?

No

SUMMARY

The oneSource shared forecast financial position shows a projected overspend of £334k as at February 2017, period 11. This is in the context of savings of £9.4m having been applied to shared budgets since oneSource's inception in 2014/15 and therefore means that savings of £9.1m are forecasted to have been achieved by the end of 16/17. The projected overspend split between the three boroughs is £194k to Havering, £112k to Bexley and £28k to Newham.

As at period 11, the services managed by oneSource, but not shared are forecasting the following variances; £1.1m underspend for Havering, £259k overspend for Newham and nil variance for Bexley. This is in the context of savings of approximately £700k being removed from Havering non-shared budgets and £3.2m being removed from Newham non-shared budgets since the start of oneSource.

RECOMMENDATIONS

The Joint Committee is asked to note the current oneSource forecasted outturn position based on the financial monitoring as at the end of February 2017.

REPORT DETAIL

This report provides Members of the Joint Committee with the financial forecast outturn position on the budgets that are shared by Newham, Havering and Bexley (Appendix A) and the budgets that oneSource manages on behalf of Newham, Havering and Bexley (Appendix B, C and D).

Shared

As at period eleven the oneSource shared forecasted financial position has worsened from the £111k overspend in November (period eight) which was reported to the Joint Committee in January. [However, early indications at the time of writing suggest that the overall closing position for oneSource shared is likely to be on budget.] The period 11 forecasted overspend of £334k is estimated to be shared £194k to Havering, £112k to Bexley and £28k to Newham. The £223k worsening is largely due to the recruitment of agency staff required to fill vacancies which remained post restructure within the Finance service in order to deliver business critical year end closure processes and budget setting activities in adherence to statutory deadlines.

The majority of the Bexley share of the forecasted overspend relates to their enforcement services income target which has not been achieved due to a lack of through put of cases to the oneSource enforcement team. It is estimated that the number of cases passed over from Bexley to the oneSource enforcement service is due to increase over the course of 2017/18 as complexities surrounding the Bexley partnership with Bromley (parking) and their Capita contract (council tax) are worked through. Havering are also experiencing a shortfall against income target within enforcement services combined with pressures concerning unfunded legal posts resulting in a forecasted share of the overspend of £194k. Conversely, Newham's share of the pressure relating to unfunded posts within Legal Services is offset by their enforcement income due to Newham being responsible for the majority of cases passed over to the oneSource enforcement team.

There have been no further movements of services in or out of the oneSource shared area since the January 2017 report to Joint Committee which noted the removal of:

- Asset Management's Technical Services and Education Schools Capital; and
- Newham's Exchequer & Transactional Service's, Council Tax and Benefits.

Since the 20th of January report to Joint Committee approval has been gained from Havering and Newham's Section 151 officers to transfer each council's year end balance to/from their oneSource reserve. The forecasted pressure attributable to Bexley has been communicated to their Section 151 officer and incorporated into their monitoring position. It is anticipated that it will be offset by underspends elsewhere within the council.

It is anticipated with the majority of restructures now being completed and designed to accommodate the increases in future years savings targets, that the organisation is well placed to meet the challenges of the net reduction in funding of £1.439m being removed from oneSource shared budgets as part of the 2017/18 budget setting process. Furthermore, additional funding for legal services has been secured from Havering and Newham as of 2017/18 which will offset the pressures experienced in 2016/17 in this area concerning unfunded posts. That being said, there are some areas within the oneSource shared area where further work will have to be done to identify how the increase in savings for 2017/18 will be met.

Non-shared

Havering's non-shared budgets managed by oneSource are forecasted to be underspent by £1.1m. The bulk of this relates to three areas; commercial property, housing benefits' subsidy and Legal and Governance. Commercial property is forecasting an overachievement of income against target in the region of £296k due to a buoyant rental economy and low number of voids. Positive performance regarding recovery of housing benefit overpayments and NNDR court fee income has resulted in a forecast surplus in this area totalling £600k. However, it should be noted that housing benefits subsidy is a large and complex area where small changes in activity drivers as a proportion of the overall total, can result in large changes in income and expenditure. Legal and Governance are reporting an underspend of £172k largely due to staffing vacancies. Other services are reporting minor variances.

Newham's non-shared budgets are currently forecasting an overspend of £259k as at period 11. This overspend equates to final Oracle implementation costs which could not be accommodated within the remaining 2016/17 capital budget. It should be noted that this forecast assumes the costs associated with the exploration of Oracle Cloud will be funded prior to yearend. There is also a large variance within the Asset Management area which is offset by a forecasted underspend within Exchequer Services. The Asset Management forecasted pressure of £1.4m is due to a shortfall of income against target for lettings (Dockside, Stratford Town Hall and East Ham Town Hall), unachieved savings targets of former shared areas (Technical Services and Education Capital Teams) and overspends on repairs and maintenance budgets. The forecasted underspend of £1.6m within Exchequer Services is derived largely from the shortfall on housing benefit grant income vs expenditure being more than offset by invoicing to collect overpayments. The aforementioned volatility concerning housing benefit subsidy income and expenditure applies across all three boroughs.

Bexley's non-shared budgets are currently forecasting a nil variance.

IMPLICATIONS AND RISKS

Financial implications and risks:

The financial position of oneSource Shared has a direct bearing on the financial position of Havering, Bexley and Newham Councils; with any savings or overspends being shared as set out in the Joint Committee agreement. Achievement of expected savings is therefore key to each council meeting their Financial Strategy.

The financial positions of non-shared services affect the relevant Council only.

Any use of or contribution to carried forward underspends from previous years must be agreed with the relevant partner Councils, in consideration of their respective financial positions and priorities.

Robust financial management processes are in place across oneSource and the financial position as at period 11 2016/17 is set out in the body of the report.

Legal implications and risks:

There are no immediate legal implications arising from this report.

Human Resources implications and risks:

There are no significant HR implications and risks associated with this report.

Equalities implications and risks:

There are no significant Equalities implications and risks associated with this report.

BACKGROUND PAPERS

oneSource Joint Committee Agreement