

## ONESOURCE JOINT COMMITTEE

10 November 2017

### Subject heading:

**oneSource forecast financial  
position as at September 2017**

### Report author and contact details:

**Paul Thorogood**  
[paul.thorogood@oneSource.co.uk](mailto:paul.thorogood@oneSource.co.uk)  
0203 373 3848

### Financial summary:

The oneSource Shared financial forecast shows a projected overspend of £0.796m as at September 2017, Period 6. Non-shared budgets are forecasting variances of £0.034m overspend for Havering, £4.550m 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 £0.796m as at September 2017, Period 6. This is in the context of savings of £11.069m having been applied to shared budgets since oneSource's inception in 2014/15 and therefore means that savings of £10.273m are forecasted to have been achieved by the end of 2017/2018. The projected overspend split between the three boroughs is £0.341m to Havering, £0.170m to Bexley and £0.286m to Newham.

As at Period 6, the services managed by oneSource, but not shared are forecasting the following variances; £0.034m overspend for Havering, £4.550m overspend for Newham and nil variance for Bexley. These include an increase in savings of the non-shared areas as follows for the 2017/18 financial year:- Havering (£0.328m), Newham (£0.512m) and Bexley (£0.097m).

## RECOMMENDATIONS

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

<b>REPORT DETAIL</b>
----------------------

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 6 the oneSource shared forecasted financial position has improved from £2.327m forecasted overspend which was reported to Joint Committee in July 2017. The Period 6 forecasted overspend of £0.796m is estimated to be shared £0.341m to Havering, £0.169m to Bexley and £0.286m to Newham. The £1.531m improvement between Period 3 and Period 6 is largely due to an improvement in the ICT and Asset Management forecasts, offset by a worsening within the Exchequer and Transactional forecast.

In Period 3 the ICT service was forecasting an overspend of £2.143m due to growth in the demand for ICT services at Havering and Newham. This included pressures relating to unfunded ongoing support to the datawarehouse and the Customer Relationship Management system, increased ICT security and compliance requirements a recommendation to introduce ICT business partnering posts as well as inability to deliver on previously agreed savings targets which were predicated on the implementation of Oracle Cloud.

In Period 6 this forecasted pressure had reduced by £1.844m to £0.299m in light of Cabinet approval at Havering to fund £1.055m from their share of the oneSource reserve and confirmation from the Section 151 Officer at Newham that £500k of their pressure could be funded from contingency and £300k from transformation reserves. Discussions are still ongoing with Newham in relation to the unfunded element of this projected overspend. It is anticipated that the overspend will eventually either be funded or work will be cut back in Newham to remain within budget.

The Period 3 Asset Management forecast of £0.165m has reduced to (£0.215m) at Period 6 – this is due to the inclusion within the Period 6 forecast of Havering unflow costs recharge income which wasn't included within the Period 3 forecast.

These improvements have been offset by a worsening within Exchequer and Transactional services from a Period 3 position of nil variance to a Period 6 forecasted overspend of £750k.

This worsening is due to two factors; an income shortfall relating to enforcement services of £0.200m in part due to a reduction in council tax cases from Newham and a reduction of £0.542m in the level of funding from reserves for Havering's council tax and benefits service, compared to earlier assumptions. Conversations are actively taking place with both Section 151 Officers regarding these pressures. If the Havering Section 151 agreed to the funding requests that have been submitted this will have a positive impact on the reported shared position by £0.542m. This would result in a revised shared position as follows:

Service	Full Year Projected Outturn Variance
Finance	£0.282
Business Services	(£0.322)
Exchequer & Transactional Services	£0.209
Legal & Governance	£0.002,
ICT Services	£0.299
Asset Management	(£0.215)
Strategic & Operational Human Resources	0
Total	£0.255

With the £0.255 being distributed between the three boroughs in the following proportions:

Havering (£0.201)

Newham £0.286

Bexley £0.170

The majority of Bexley's 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 from Bexley 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.

A further £1.5m of savings will be removed from oneSource budgets in 2018/19 taking the total oneSource shared savings to £12.6m. oneSource services are well placed to meet these additional savings in most cases. The exception is the ICT service which has submitted growth

bids to Havering and Newham in relation to the items described above where there are overspends this year.

### **Havering non-shared**

Havering's non-shared budgets managed by oneSource are forecasting a small overspend as at Period 6 of £0.034m. This is made up of an underspend within Exchequer and Transactional Services and an overspend within Asset Management.

The underspend of (£0.124m) within Exchequer and Transactional services relates to positive performance around housing benefit overpayment income of (£0.358) offset by £0.235m of pressure relating to Emergency Assistance Scheme, council tax debt collection and a review of council tax discounts where spend presumed to be funded by reserves is taking place but reserve funding has not yet been agreed. As ever, 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. Discussions similar to those within the shared budgets are taking place with the Section 151 Officer regarding the use of reserves. If agreed this would mean Havering non-shared would be forecasting an underspend of (£0.201m).

The forecasted underspend within Exchequer and Transactional services is offset by a forecasted overspend within Asset Management. The Asset Management pressures relates to a technical change in relation to recharging to capital. In addition, Romford Market is showing a shortfall against income target of £0.250m which is currently being offset by an overachievement of commercial property income due to a buoyant rental economy and low number of voids.

The adverse movement of £73k since the Period 3 forecasted surplus of (£0.039k) is due to the inclusion in Period 6 of the reserve funding shortfall of £0.235m within Exchequer and Transactional Services offset by improvements in ICT relating to approved funding for the 1Oracle licencing and hosting shortfall plus the net effect of £28k of other minor movements.

### **Newham non-shared**

Newham's non-shared budgets are currently forecasting an overspend of £4.550m at Period 6 as compared to a forecast at Period 3 of £3.545m. The overspend continues to relate to shortfalls against income targets relating to commercial property generally but also specifically income targets for Dockside, East Ham town hall and Stratford town hall (the latter town halls no longer being the responsibility of oneSource), undelivered savings relating to the Bridge Road depot review (not a oneSource project), changes to the government's carbon reduction commitment scheme security costs associated with vacant premises and an overspend on business rates for operational buildings.

The forecasted overspend takes into account postponed and/or reduced facilities management spend on all but the most pressing costs associated with repairs, maintenance and compliance (which in itself carries the risks of increasing costs in future years) in order to prevent the forecasted overspend from being even higher.

The increase between Period 3 and Period 6 is largely down to a recent notification of an increase in business rates costs of £0.811m for the West Wing of Dockside. Of this £0.811m, £0.539m is a one-off back dated charge relating to 2015/16 and 2016/17 and £0.272m is the 2017/18 charge which will be made on an ongoing basis. Although an increase in business rates benefits the council from a corporate perspective, because Asset Management receives charges for a large number of council owned properties this increase adversely impacts on services budgets.

The Managing Director of oneSource is currently in discussion with Newham's Section 151 Officer around securing additional funding to offset some of the pressures which are out of Asset Management's control. If these discussions are successful this would result in an improved Period 7 forecast.

### **Bexley non-shared**

Bexley's non-shared budgets are currently forecasting a nil variance. There has been no movement since period 3 which was also 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.

The forecasts are estimates based on information available at the time; they are subject to change should any unforeseen circumstances present themselves.

### **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**

None