
ONESOURCE JOINT COMMITTEE 19 January 2018

Subject heading:

**Estimated oneSource forecast
financial position as at December
2017**

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Financial summary:

The estimated Period 9 oneSource Shared financial forecast is a projected overspend of £0.142m as at December 2017. Non-shared budgets are anticipated to forecast variances of (£0.348m) underspend for Havering, £4.715m overspend for Newham and nil variance for Bexley.

Is this a Key Decision?

No

SUMMARY

This report was written between Period 8 and Period 9 budget monitoring windows. Therefore, it presents what is anticipated as being the Period 9 position.

The oneSource shared forecast financial position is estimated to project an overspend of £0.142m as at December 2017. 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 £10.927m are forecasted to have been achieved by the end of 2017/2018. The projected overspend split between the three boroughs is (£0.140m) to Havering, £0.155m to Bexley and £0.127m to Newham.

Early Period 9 indications regarding non-shared areas managed by oneSource but not part of the cost share are as follows; (£0.348m) underspend for Havering, £4.715m overspend for Newham and nil variance for Bexley.

RECOMMENDATIONS

The Joint Committee is asked to note the estimated Period 9 oneSource forecasted outturn position as at December 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 9 the oneSource shared forecasted financial position is expected to have improved from the £0.796m overspend which was reported to Joint Committee in November 2017. The Period 9 forecasted overspend of £0.142k is estimated to be shared (£0.140m) to Havering, £0.155k to Bexley and £0.127k to Newham. The £0.654m improvement between Period 6 and Period 9 is largely due to an improvement in the ICT and Exchequer Services forecasts.

In Period 6 the ICT service was forecasting an overspend of £0.300m due to unfunded growth in the demand for ICT services at Newham. Havering and Newham had both committed at that point to funding additional spend relating to ongoing support to the data warehouse and the Customer Relationship Management system and increased ICT security and compliance requirements, however, Newham was questioning at that point the introduction of business partnering posts as well as inability to deliver on previously agreed savings targets which were predicated on the implementation of Oracle Cloud. Following further conversations between the oneSource Director of ICT and Newham's Director of Financial Sustainability the forecasted Period 9 position is a breakeven one which is due to be achieved by a combination of capitalisation of costs and/or delaying Newham related business partnering spend originally planned between now and year end.

The Period 6 Exchequer Services forecast of £0.750m overspend has reduced to an estimated Period 9 position of £0.393m. This reflects the expectation that funding requests submitted back in August 2017 to access reserves are approved in full. The remaining forecasted

pressure within this area relates in the main to enforcement services and is made up of approximately a £200k shortfall of income due to a reduction in the number of Newham council tax cases being passed to the oneSource enforcement team and £120k of write off costs relating to 2014/15 debtors for which there is no provision.

Bexley's estimated share of the oneSource shared forecasted overspend is £0.155m. The majority of this, £0.100m, relates to enforcement services. This is because net income (after costs/expenses) of (£0.030m) is forecasted to be due to Bexley by year end against a net income/savings target of (£0.130m). At present, the enforcement team are now being passed all of the Bromley parking cases but only 20% of the Bexley council tax cases due to Bexley's arrangement with Capita. The Capita contract is due for renewal in 30th June 2019 at which point it is hoped that the number of cases the oneSource enforcement team can pursue on behalf of Bexley council tax services will vastly increase meaning there will no longer be a shortfall against income target in future. The remainder of the forecasted overspend estimated to be attributed to Bexley at year end relates to agency costs within financial services, partly as a result of over establishment in Financial Systems but more due to the inability to fill all vacant posts permanently. It is hoped that both the forecasted enforcement income and the projected finance overspend might improve by year end, however, at this stage the improvement has not been built into the forecast.

Newham's estimated share of the oneSource shared forecasted overspend is £0.127m. The majority of this also relates to a mixture of enforcement income shortfall against target and pressures associated with agency costs on hard to fill posts.

Havering's estimated share of the oneSource shared forecasted overspend is (£0.140m). This is made up of a mixture of agency costs on hard to fill posts and prior year enforcement income write off costs which are more than offset by underspends in relation to printing/photocopying.

A further £1.534m of savings will be removed from oneSource budgets in 2018/19, as detailed in table 1 below, 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 both Havering (£0.930m) and Newham (£0.830m) Councils. These bids address both the aforementioned one-off in year funding and the ongoing requirement for 2018/19 onwards as part of the budget setting process and address both the growth in demand and the unachievable savings.

Table 1 - 2018/19 Increase in Savings per Service for 2018/19

Service	Saving (£'m)
Finance	(0.277)
Business Services	(0.106)
Exchequer & Transactional Services	(0.299)
Legal & Governance	(0.104)
ICT Services	(0.497)
Asset Management Services	(0.151)
Strategic & Operational HR	(0.100)
Total	(1.534)

Haverling non-shared

Haverling's non-shared budgets managed by oneSource are estimated to forecast underspends of (£0.348m) as at Period 9, the majority of which falls within the Exchequer and Transactional Services area and relates to income collection. This is an improvement of (£0.382m) from the Period 6 position of £0.034m. The improvement is largely due to the expected approval in full of reserve funding requests submitted by the Exchequer and Transaction Services area.

The underspend of (£0.285m) within Exchequer and Transactional services relates to positive performance around housing benefit overpayment income and court fee income. 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.

There is also a small underspend (£0.054m) forecasted within the Asset Management service. This is made up of a combination of underspends across premises and staffing budgets (£0.159m), and an overachievement of commercial property income due to a buoyant rental economy and low number of voids (£0.145m), offset by a shortfall of income against target relating to Romford Market £0.250m. The previously forecasted pressure relating to Technical Services due to a change in relation to recharging to capital has now been addressed by one-off funding this year and an on-going growth item for 2018/19 onwards will be considered as part of the budget setting process.

Newham non-shared

Newham's non-shared budgets are currently estimated to forecast an overspend of £4.715m at Period 9 as compared to a forecast at Period 6 of £4.550m. The overspend continues to relate predominantly to Asset Management £5.432m offset by an underspend in Transactional Services relating to a one-off correction of the balance sheet relating to duplicate payment

income (£0.750m). Within Asset Management key issues are shortfalls against income targets relating to commercial property generally £3.395m, but also specifically income targets for Dockside £0.700m, East Ham and Stratford Town Halls £0.390m (these town halls no longer being the responsibility of oneSource although the unachievable income targets did not transfer), undelivered savings relating to the Bridge Road depot review £0.130m (not originally a oneSource project), changes to the government's carbon reduction commitment scheme £0.180m, security costs associated with vacant premises £0.070m and an overspend on business rates for operational buildings £0.600m.

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 6 and Period 9 is largely down to slippage of the rental review time table – as such this income will be achieved in 2018/19 instead, combined with a rent-free offer in connection with Mayoral priorities. The previously forecasted pressure relating to the increase in NNDR costs for Dockside has been removed from the forecast following the budget announcement that legislation would be brought in to reverse these costs in 2018/19, however this does required a change in primary legislation.

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 as part of the 2018/19 budget setting process. If these discussions are successful this would result in an improved forecast for 2018/19.

Bexley non-shared

Bexley's non-shared budgets are currently estimated to forecast a nil variance. There has been no movement since period 6 which was also forecasting a nil variance. It should be noted that Bexley's non-shared area includes Housing Benefits Subsidy which is subject to the same volatilities mentioned under the Havering non-shared section.

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