
**ONESOURCE JOINT
COMMITTEE
3 August 2018**

Subject heading:

**oneSource 2017/18 Outturn
Position**

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Financial summary:

The overall oneSource shared outturn position for 2017/18 was a total underspend of £1.3m, which was transferred to each partner authority's reserve in line with the agreed cost share.

The non-shared position for Havering, Newham and Bexley was an underspend of (£0.8m), an overspend of (7.1m) and an underspend of (£0.4m).

SUMMARY

Outturn

The overall oneSource shared outturn position was an underspend of (£1.342m), split between Havering, Newham and Bexley as follows; (£0.630m) to Havering, (£0.649m) to Newham and (£0.063m) to Bexley. The Havering underspend was transferred to its oneSource reserve held on the balance sheet. Newham and Bexley both transferred their underspends to a corporate earmarked reserve held on the balance sheet.

The non-shared areas closed with the following variances: - Havering non-shared (£0.812m), Newham non-shared £7.065m and Bexley non-shared (£0.407m).

RECOMMENDATIONS

The Joint Committee is asked to: -

- Note the 2017-18 oneSource outturn position;

REPORT DETAIL

Background

OneSource shared areas are funded by Havering, Newham and Bexley Councils in order to deliver shared back office support services. The joint working is set to realise £14.880m of savings in the period up to 2018/19.

Savings of £12.853m for 2017/18 (since inception in 2014/15) have been delivered, as demonstrated in the outturn position. The split between each authority was as follows Havering (£4.483m), Newham (£7.629m) and Bexley (£0.741m).

OneSource is also responsible for the management of non-shared areas within each council, including the delivery of a large number of savings within the non-shared budgets (for example lettings income generation) and across the wider councils (for example Terms and Conditions reviews).

The 2017/18 financial position set out in this report is provisional and subject to the external audit process within each Council. No adjustments are anticipated.

OneSource 2017-18 Outturn Position

Shared

The 2017/18 total oneSource controllable outturn position shows an underspend of £1.342m, this is analysed by service in Appendix 1. The split between Havering, Newham and Bexley as follows; Havering (£0.630m), Newham (£0.649m) and Bexley (£0.063m).

Each authority transferred their underspends to individual reserves which are held on their respective balance sheets, resulting in a nil variance being reported on shared within each authority. The reserve balances will be looked to be spent in following years on various projects to improve and transform the oneSource service, such as the new Financial Reporting System, HR Case Management system. A summary of the reserve positions will be outlined later in the report.

The main reasons for the underspend variances at year end was as a result of;

Legal

An underspend generated from Legal Services of (£0.222m), resulted from; an increase in rechargeable work to schools and capital projects throughout the year as well as uncertain one off income being realised by year end.

Asset Management

Asset Management reported a total underspend of (£0.176m), this was mainly as a result of an over-recovery of print room costs, a number of vacancies which were held in year. Additional support in relation to work on Mayoral priorities was agreed at year end to be met from non-shared, which improved the shared outturn position.

Exchequer and Transactional Services

The underspend of (£0.516m) was as a result of a number of vacant posts that remained unoccupied during the year, as well as a number of one off grants being received within Benefits from the Department for Work and Pensions. The pressure that was being forecast within Enforcement Services earlier in the year as a result of reduced fees being projected following the decision from Newham to remove Council Tax Support was mitigated due to improved performance.

Finance

The finance outturn variance of (£0.217m) underspend was as a result of one off funding being received and a delay in a number of vacant posts being recruited to in year, the overall underspend formed part of the overall balance that was transferred to reserve which will be earmarked for the implementation of the Axiom finance system.

Havering Non-Shared

The 2017/18 outturn for Havering non-shared is an underspend of (£0.817m). This is analysed by service in Appendix 2.

The outturn position within the Havering non-shared was as a result of;

Asset Management

Asset Management underspend of (£0.771m), this resulted from an overachievement of income from commercial properties of (£0.275m), a number of one off sources of income received including one that will be transferred to a capital project in 2018-19 (£0.108m). A number of posts being vacant within the year, contributed to the remaining underspend for the service.

Exchequer Services

Exchequer Services final underspend outturn position (£0.074m), was due to an increase in the number of Housing Benefit invoices being raised, which was part offset by the resulting increase to the bad debt provision.

Newham Non-Shared

The 2017/18 outturn for Newham non-shared is an overspend of £7.065m, this is analysed by service in Appendix 3.

The outturn position within Newham non-shared was as a result of;

Asset Management

The outturn position of Asset Management was an overspend of £7.508m, the result was driven by a number of factors;

The service struggled achieving its commercial income targets including the letting of Dockside and Stratford/East Ham Town Hall equating to over £3m pressure. Growth of £1.178m has been

allocated for 2018-19 which will part offset the pressures going forward and work is ongoing to generate further income. The projected shortfall for 2018-19 for Dockside lettings and commercial income is c£0.6m and c£0.9m respectively, if following reviews of potential income generating activities a shortfall remains this will need to be part of Newham's MTFS moving forward.

The Schools Private Finance Initiative (PFI) and Building Schools for the Future (BSF) cost centres reported an adverse variance of £1.906m; as a result number of issues;

- £1.187m – Over receipting of PFI invoices – This will be reversed in 2018-19, which will result in a one-off benefit to the service
- £0.480m – Two BSF invoices relating to 2016-17 was not adjusted for and full impact was realised as a one of pressure in 2017-18.
- £0.224m – Income received in 2016-17 for a BSF invoice raised was cancelled in 2017-18 which resulted in a further one-off pressure.

A thorough review and reconciliation will be undertaken to ensure these issues are not repeated in 2018/19.

The changes in legislation around business rates valuation following the stair case ruling resulted in an increase of business rate charges against properties. It was expected that the ruling would be reversed during 2017-18 and subsequent invoices would be refunded. However this did not take place and the result increased the outturn position by c£1.2m, the expectation is still for the ruling to be reversed and the refund will now be backdated. If the ruling is reversed Asset Management will receive a one off benefit of c£1.2m.

The historic NNDR charges accounted for c£0.6m of the overall pressure in Asset Management, this pressure formed part of the pressure paper presented in 2017-18, however no further budget was allocated and will remain an on-going pressure.

Below is a summary of the main issues that affected Asset Management 2017-18 and the potential impact on 2018-19 and going forward.

	2017-18 Outturn Pressure (£'m)	Action	Est. pressure for 2018-19 (£'m)	Est. pressure future years (£'m)
Pressures				
Commercial and Multi Occupied Rent Income	2.6	Funding allocated as part of MTFS	0.9	0.9
Dockside Lettings	0.6	Funding allocated as part of MTFS	0.6	0.6
Unachievable Savings on Stratford on East Ham Town Hall	0.4	Funding allocated as part of MTFS	0.0	0.0
NNDR - Stair Case Ruling	1.2	To be Reversed in 2018-19	(1.2)	0.0
NNDR - Historic Pressure	0.6	No further funding allocated	0.6	0.6
PFI - Over-receipted	1.2	To be Reversed in 2018-19	(1.2)	0.0
BSF - 2017-18 Payments made relating	0.5	one off in 2017-18	0.0	0.0

to 2016-17				
BSF - 2016-17 Invoice Cancelled in 2017-18	0.2	one off in 2017-18	0.0	0.0
Total	7.3		(0.3)	2.1

Transactional Services

The overall overspend in Newham non-shared, was mitigated by the underspend within Transactional Services of (£0.792m); this was due to one-off income being realised on revenue for duplicate payments being released from the balance sheet.

Bexley Non Shared

The year-end underspend position of (£0.353m), resulted from no increase to the bad debt provision being made in relation to Housing Benefit, of which a budget of (£0.250m) was made and was being projected during the year, as well as a number of one off grants being received for administering the scheme. The outturn position is analysed by service in Appendix 4.

Summary of shared and non-shared positions of each of the three councils:

A summary position of the shared and non-shared positions (controllable subjective's only; pre transfer to/from reserves) for each council is included in the table below:

	Havering (£'m)	Newham (£'m)	Bexley (£'m)	Total (£'m)
Shared	(0.630)	(0.649)	(0.063)	(1.342)
Non-Shared	(0.817)	7.065	(0.353)	5.895
Total	(1.447)	6.416	(0.416)	4.553

The budget, spend and outturn figures included within Appendix 1, 2, 3 and 4 include controllable budgets only as controllable spend reflects expenditure and income, which service managers directly influence and control through the delivery of their services and financial management activity.

The non-controllable elements, which have been excluded, largely relate to corporate activity and technical accounting adjustments e.g. recharge capital charges etc. No significant variances occur at the yearend as the expenditure incurred is matched by any necessary budget adjustments. These adjustments are largely notional and do not affect each council's individual financial position.

Reserve

It was agreed for 2017-18 that the oneSource year end underspend was to be transferred to reserves, below details the in year movement in 2017-18. From 2018-19 it has been agreed that the balance on the reserves will be used for future transformation projects within oneSource.

	Havering (£'m)	Newham (£'m)	Bexley (£'m)	Total (£'m)
Opening Balance 2017-18	(1.058)			(1.058)
ICT Growth	1.055			1.055
2017-18 Revenue Outturn	(0.630)	(0.649)	(0.063)	(1.342)

Opening Balance 2018-19	(0.633)	(0.649)	(0.063)	(1.345)
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Early Indications for 2018-19

The early indications for 2018-19 following the period 2 budget monitoring, has highlighted the known pressures within Newham Asset Management, in relation to the commercial income target including the Dockside and East Ham lettings pressures shortfall c£1.5m (after growth of £1.178m was allocated).

Further funding of £1.5m has been allocated within Asset Management to offset the pressures of historic NNDR pressures and pressures from the maintenance of corporate buildings.

Additional savings for 2018-19 in line with the oneSource business case has been factored into the 2018-19 oneSource budgets of which pressures being raised of the full delivery of current and previously agreed savings, this will be monitored throughout the year.

Legal implications and risks:

There are no immediate legal implications and risks

Financial Implications and risks:

The oneSource position will be reflected in each borough's Statement of Accounts in accordance with the provisions set out in the Joint Committee Agreement.

The costs of the closedown and external audit processes are met from within existing oneSource service, and corporate budgets respectively.

HR Implications and risks:

There are no immediate HR implications and risks

Background Papers

None