

ONESOURCE JOINT COMMITTEE

5th April 2019

Subject heading:

**oneSource forecast financial
position as at February 2019**

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Financial summary:

The Period 11 oneSource Shared financial forecast is a projected underspend of (£0.375m) as at February 2019. Non-shared budgets are forecasting variances of £0.056m overspend for Havering, (£0.027m) underspend for Newham and nil variance for Bexley.

Is this a Key Decision?

No

SUMMARY

At the time of writing this report the oneSource accounts were in the process of being finalised. Therefore the Period 11 position is being reported and an updated outturn position will be presented at the next Joint Committee meeting.

The oneSource shared forecast for Period 11 is an underspend of (£0.375m). The projected outturn split between the three boroughs is (£0.146m) to Havering, £0.165m to Bexley and (£0.394m) to Newham.

The Period 11 forecast for non-shared areas managed by oneSource but not part of the cost share are as follows; £0.056m overspend for Havering, (£0.027m) underspend for Newham and nil variance for Bexley.

The shared and non positions are inclusive of the original oneSource business case savings of £14.88m, reduced to £13.517, following the removal of Democratic and Council Tax Benefit Services from the oneSource model in Newham. The split of the savings is as follows; shared; £12.191m and non-shared; £1.326m.

RECOMMENDATIONS

The Joint Committee is asked to note the Period 11 oneSource forecasted outturn position as at February 2019.

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 11 the oneSource shared forecasted financial position is expected to have improved by (£0.673m) to (£0.375m) from the £0.298m overspend which was reported to Joint Committee in December 2018. The Period 11 forecasted underspend of (£0.375m) is estimated to be shared (£0.146m) to Havering, £0.165m to Bexley and (£0.394m) to Newham. The £0.673m improvement between Period 8 and Period 11 is largely due to an improvement in the Exchequer Services forecast offset by a lesser extent by other smaller movements.

The Period 11 Exchequer Services forecast has reduced by £0.804m from a Period 8 position of £0.050m to a Period 11 underspend of (£0.754m) The bulk of this reflects additional income brought into the enforcement service. The enforcement service was forecasting income of (£1.850m) in Period 8 whereas by Period 11 this estimate had increased by (£0.650m) to (£2.500m) due to a continued focus on improving debt recovery for the partner councils through enforcement.

Bexley's share of the forecasted underspend of (£0.375m) is a pressure of £0.165m. This is due to:

- a shortfall of income against target in relation to enforcement due to council tax and business rate cases not being passed over to the oneSource enforcement service to collect on Bexley's behalf; and
- unbudgeted agency costs within the finance service due to difficulties in recruiting permanent members of staff; offset in part by

- an over-recovery of savings from previous years.

At present, the enforcement team are now being passed all the Bexley parking cases but only 20% of the Bexley council tax cases due to Bexley's arrangement with Capita. The Bexley contract which is currently out for renewal continues to only make provision for 20% of Bexley council tax cases to be passed to oneSource enforcement, therefore, it is likely that this shortfall against target will continue to be experienced unless the target is reviewed. Furthermore, the finance service is currently forecasting an overspend of £0.465m of which Bexley is due to receive £0.156m as part of the year end cost share model. A recruitment drive is planned for early in the new financial year and it is hoped that this will result in spend being brought back in line with budget for 2019/20.

Newham is estimated to receive an underspend of (£0.394m) from the forecasted oneSource shared outturn and Havering is estimated to receive an underspend of (£0.146). Newham is responsible for approximately 50% of the enforcement cases passed to the oneSource enforcement team, as a result they receive the largest share of the net income generated by that service. This equates to (£0.367m) based on Period 11 estimates. Havering is currently responsible for approximately 40% of enforcement cases; their forecasted share of the net income is (£0.306m). Newham and Havering are due to receive overspends associated with the forecasted finance position along with pressures in relation to recharge income shortfall within Asset Management, however, these are offset by underspend in other areas; namely vacancies within Transactional Services and recharge income within Legal Services.

Each council's share of the year end under/overspend will be taken into their respective oneSource reserves. If the balance of one authority's reserve is not sufficient to meet its year end overspend and the other authority/authorities have surplus reserves it/they will meet any shortfall to the extent that their reserve allows.

A further £0.944m of savings will be removed from oneSource shared budgets in 2019/20 taking the total oneSource shared savings to £13.135m. oneSource Directors have been tasked with finding ways to meet these savings in the shorter term whilst plans are drawn up to deliver these savings on a more permanent basis.

Havering non-shared

The Period 11 forecast for Havering's non-shared budgets managed by oneSource is an overspend of £0.056m. This is made up of:

- a forecasted overspend within Exchequer and Transactional of £0.177m in relation to costs associated with the implementation of Universal Credit and its impact on the ability to recover housing benefit overpayments; and
- an underspend of (£0.127) across Asset Management, Technical & Transport which is due to:
 - an overachievement of commercial property income attributable to a buoyant rental economy and low number of voids;

- an underspend of the Health and Safety provision budget; offset to a lesser extent by
- a shortfall in Romford Market income against target.

The Havering non-shared position has improved by (£0.376m) from the Period 8 position. The improvement is largely due to a reassessment of the extent of the adverse impact of Universal Credit.

Newham non-shared

Newham's non-shared budgets are currently forecasting an underspend of (£0.027m) compared to a forecasted Period 8 overspend of £0.339m. The reduction in overspend is due to delays in implementing planned corporate landlord compliance, repairs and maintenance work. This work is due to commence imminently and it is anticipated that 2019/20 will see a full year's worth of costs against budget.

Overall Asset Management report an underspend of (£0.357m) for period 11;

Following the period 8 budget monitoring period in Newham, a realignment of budgets took place across all Newham services, which saw Asset Management receive £1.8m of additional one off funding. The additional funding was used to offset pressures within the service;

- £0.540m – Dockside Lettings Pressure
- £0.770m – Shortfall in Commercial and Multi Occupied Rental Income
- £0.490m – Historic NNDR Budgetary Pressures

Other pressures reported within Asset Management include the anticipated £0.700m of costs to restate a number of historic PFI invoices incorrectly charged to schools. As well as additional costs to NNDR rates of £0.500m as a result of the Stair Case ruling which increased the valuation of buildings. It has been anticipated that the ruling would be reversed in 2018-19 and prior year NNDR increases would also be refunded, however the legislation to overturn the ruling is still pending.

In addition to the above, the Capital Programme team report a reduction in anticipated fees of £0.200m resulting from delays in a number of projects.

However these pressures reported within Asset Management are being offset by the one off reversal of PFI credits that were raised in error in 2017-18 of £1.1m.

Finance are reporting a pressure of £0.261m as a result of pension deficit costs, however it anticipated that these costs and budgets will move outside of oneSource from 2019-20.

LBN transactional services are reporting an overspend of £0.092m, due to unbudgeted costs incurred through externally provided services, which are used to assist in the identification of clients liable for business rates.

HR report an underspend of (£0.134m) following the delay to the recruitment of Newham's graduate programme and ICT report a £0.093m overspend through one off replatforming costs associated with the Oracle Financial system.

Bexley non-shared

Bexley's non-shared budgets are currently estimated to forecast a nil variance. There has been no movement since period 8 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.

Going Forward

Going forward, in 2019-20 there will be a full budget review across the oneSource areas to improve transparency and clarity of budgets and potentially identify areas where savings can be achieved through realistic income targets rather than reducing the services provided. A process review will also take place to identify any weaknesses in the financial monitoring processes to reduce the level of in-year variances and provide more certainty in the positions across the oneSource services.

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