
**ONESOURCE JOINT
COMMITTEE**

18 October 2019

Subject heading:

oneSource Financial Forecast Period
5

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Financial summary:

The oneSource shared forecast
financial position as at August 2019
is an overspend of £0.432m.

The oneSource non-shared forecast
financial position as at August 2019
for Newham, Havering and Bexley is
£0.172m, £0.177m overspend and
(£0.114m) underspend respectively.

SUMMARY

The overall oneSource shared outturn position shows an overspend of £0.432m. This is projected to be split between the three authorities as part of the year-end cost share calculation as follows; £0.223m Newham, Havering £0.138m and £0.071m Bexley.

The oneSource non-shared budgets are forecasting overspends of £0.172m for Newham, £0.177m for Havering and an underspend of (£0.144m) for Bexley.

Management action is underway to attempt to reduce the forecasted overspends by year-end.

RECOMMENDATIONS

The Joint Committee is asked to: -

- note the oneSource forecast outturn position as at August 2019
- note the oneSource reserve position and outlined planned spend

REPORT DETAIL

This report provides Members of the Joint Committee with the forecast outturn position of both the oneSource shared budgets (Appendix A) and the non shared budgets that oneSource manages on behalf of the individual partners (Appendices B, C and D).

Shared

The current shared overspend is £0.432m. This is projected to be split between the three authorities as part of the year-end cost share calculations as follows; £0.223 Newham, £0.138m Havering and £0.071m Bexley.

Newham's share of the projected overspend, £0.223, relates to Asset Management's commercial property team where shortfalls of internal recharge income against target in relation to the HRA and capital are resulting in a projected pressure for Newham of £0.171m. Furthermore, a forecasted pressure within Human Resources due to demand exceeding establishment are resulting in a forecasted overspend for Newham of £0.145m. This is offset in part by vacancy management within transactional services coupled with an over-achievement of enforcement income resulting in a forecasted underspend of (£0.124m). The remaining £0.031m of the projected overspend relates to a number of smaller variances across a range of areas.

Havering's share of the projected overspend, £0.138m, also relates to the aforementioned issues within Asset Management, £0.135m and HR £0.068m. In a similar fashion to Newham, these pressures are offset to an extent by transactional services' vacancy management and enforcement income totalling (£0.084m). The remaining £0.019m of the projected overspend relates to a number of smaller variances.

Bexley's share of the projected overspend, £0.071m relates in the main to a shortfall of income against target relating to enforcement services, £0.060m. The cost share income in this area is based on caseloads and early indications suggest that there are insufficient numbers of cases being passed to oneSource's enforcement team in order to meet the Bexley income target. The remaining £0.011m of the projected overspend relates to a number of smaller variances.

The enforcement service are currently actively engaging with a number of other authorities with a view to providing their enforcement service on their behalf. It is hoped this work will manifest itself in increased income projections later in the year/into 2020/21 and beyond.

Newham non-shared

Newham non-shared is forecasting an overspend of £0.172m as at Period 5. The majority of this pressure is due to one off expenses including £0.530m of additional NNDR costs for Dockside relating to the now over-turned staircase ruling and £270k of costs relating to Stratford Workshops litigation. This is offset in part by a forecasted underspend of £500k in connection with Newham's corporate landlord budget where a reprioritisation of spend concerning building maintenance and repairs has taken place in order to assist in mitigating the projected overspend which would otherwise be significantly higher. Furthermore, there is a one-off underspend of £0.186m relating to the corporate apprenticeship budget owing to delays in recruitment; this is set to be fully spend as of 1st April 2020 when the full complement of apprentices will be in place. There is a possibility

the projected position for Newham non-shared will worsen at Period 6 due to the allocation of previously centrally held unmet savings targets relating to fees and charges and apprentice posts

although the managers will work towards meeting the challenge these additional savings represent.

Havering non-shared

Havering non-shared is forecasting an overspend of £0.177m as at Period 5. In the main this pressure is due to shortfalls of income against target relating to Romford Market £0.244m and Passenger Transport £205m. This is offset in part by a one-off over-achievement of commercial property income of (£0.302) due to a backdated receipt. There are also large variances relating to ICT services and Exchequer Services. ICT are currently forecasting a pressure of £0.150m due to an unmet savings target relating to borough wide wifi. Conversely, Exchequer services are projecting an underspend of (£0.224) due to receipt of housing benefit overpayment income due to the move to Universal Credit not slowing as quickly as initially feared due to the slower than expected roll out of UC within the borough. The remaining £0.104m is made up of a number of smaller variances.

Work continues to try and maximise income wherever possible including the ongoing Romford Market project and attempts to win the provision of routes on behalf of other authorities.

Bexley non-shared

Bexley non-shared is forecasting an underspend of (£0.114m) as at Period 5. This is due to retained New Burdens funding of approximately £0.120m and an assessor vacancy of £0.026m totalling savings of £0.146m. Offset against this is a clawback of corporately awarded inflation growth of £0.034m.

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

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

	Havering (£'m)	Newham (£'m)	Bexley (£'m)	Total (£'m)
Shared	0.138	0.223	0.071	0.432
Non-Shared	0.177	0.172	(0.114)	0.235
Total	0.315	0.395	(0.043)	0.667

The budget, spend and outturn figures included within Appendix A, B, C and D include controllable budgets only as controllable spend reflects the expenditure and income which services managers directly influence 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 eg depreciation etc. No significant variances should occur at year-end in relation to these budgets 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 2018/19 that the oneSource shared year-end over/underspend was to be transferred into reserves. Below details the movements and balances on the oneSource reserve across the three authorities. It has been agreed that the balance on the reserve will be used for future transformation projects within oneSource. Below details the planned spend:

	Bexley £	Havering £	Newham £	Total £
Closing Balance as at 31st March 2019	(63,112)	(867,880)	(995,042)	(1,926,034)
Potential use of reserves in 19/20				-
<u>Drawn down</u>				-
Bolstering Legal Support*			362,000	362,000
Bolstering Finance Support* <u>Projected</u>			166,000	166,000
Bolstering H&S Funding*			142,000	142,000
Income system		50,000	50,000	100,000
Power BI	5,000	25,000	25,000	55,000
Forecast Closing Balance as at 31st March 2020	(58,112)	(792,880)	(250,042)	(1,101,034)
Offsetting 19/20 overspend	71,000	138,000	223,000	432,000
Forecast Closing Balance as at 31st March 2020 post cost share	12,888	(654,880)	(27,042)	(669,034)

It can be seen that as it currently stands the reserve will not be able to meet the projected year end variance in all cases. However, it is hoped that the forecasted position will improve between now and year end if the mitigating actions cited are successful. Furthermore, the transfers under the heading 'Projected' are yet to be carried out and so may not happen in all cases. Those with the * after them represent items where Newham has chosen to draw down from its oneSource reserve to meet the cost of items which have since been built into the 20/21 based budget (and into Havering's 19/20 base budget).

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 variances being shared as set out in the Joint Committee agreement.

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

Any use of carried forward underspends 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 5 2019/20 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

None