

ONESOURCE JOINT COMMITTEE

Subject heading:

**one source P3 Financial Position
2021/2022**

Report author and contact details:

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Financial summary:

The oneSource Period 3 unaltered forecast is a £9.4m variance on the 2021/2022 budget. This reports sets out the management response to address financial pressures and contribute to the Medium Term Financial strategies of LBs Havering and Newham.

SUMMARY

1. A summary of one source's P3 forecast is set out in the following table:

One Source - Summary Position - Unaltered

Description	Period 3 (end of June)		
	Budget (£000)	Forecast (£000)	Variance (£000)
Newham Non-Shared	-10,984	-7,499	3,485
Havering Non-Shared	-1,602	521	2,123
Shared	1,034	4,847	3,813
Total One Source	-11,552	-2,131	9,421

1.1. The following table sets out a summary explanation of the variances.

Notes:

Breakdown of overspend position	£9.4m
Covid related loss of income	£2.7m
Procurement Savings	£2.1m
Other Unachieved Savings	£2.1m
Other	£2.5m

1.2. The 2020/21 outturn position was an overspend of £14m. The budget takes into consideration the Medium Term Financial Strategies for both partner authorities assuming the delayed delivery of savings targets for 2020/21 and updated savings targets for both 2021/22. The new savings incorporated in to the 2021/22 budget was £3.9m.

1.3. The one source management team have already identified a number of initiatives that could be put in place to mitigate the impact of the budget pressures summarised above.

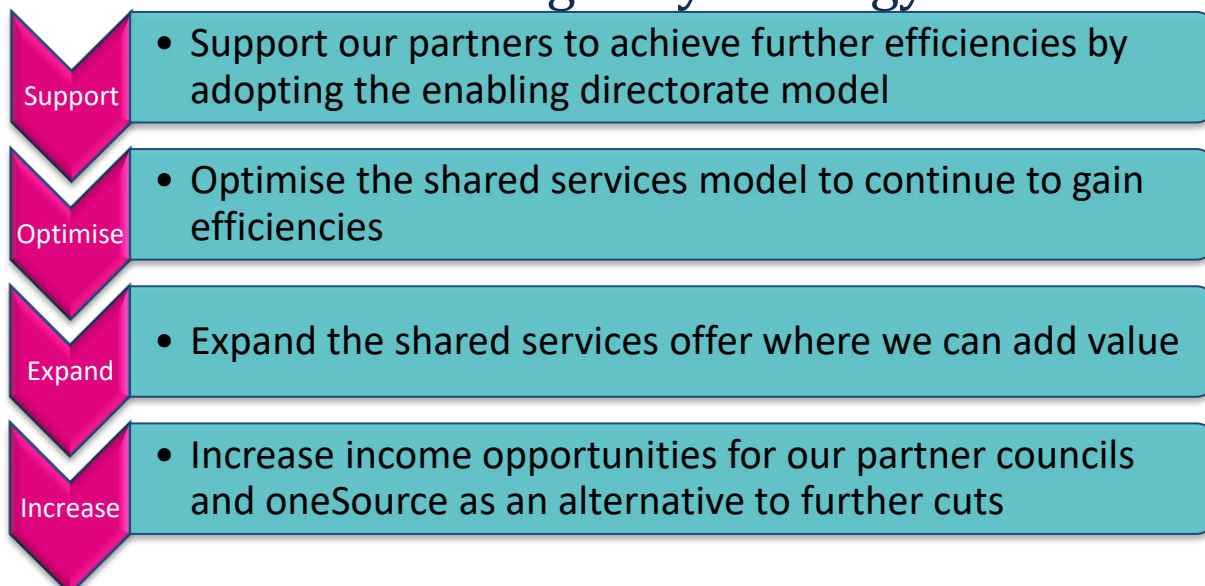
Service	Direct £000	Requires Consultation £000	Organisational Change Required £000	Total Sum of 2021/22 £000
E&TS	£639	£100		£739
Asset Management	£925	£469		£1,394
HR&OD	£14	£499	£0	£513
ICT	£673	£10	£0	£683
Strategic Delivery Unit	£114	£0		£114
Strategic Procurement	£95	£997	£660	£1,752
Legal	£208	£55		£263
Finance	£200			£200
Preliminary Total	£2,868	£2,130	£660	£5,657

1.4. The full-year impact of these savings total £9.7m. In isolation these actions will not be enough for the department to return a balanced outturn and further action will be required in the short-term even if this is in lieu of future investment in these areas. The full list of these initiatives are contained in the exempt Appendix A of this report for members' consideration. It is acknowledged that some of these proposals, even in the short term for 2021/22 may not be acceptable but it is important for officers to make these proposals so that members can take the political decisions that reflect their priorities.

1.5. As these initiatives are agreed and then implemented, their impact will be incorporated in to future monitoring reports.

2. Historically the one source strategy for delivering General Fund savings has concentrated on the centralisation of corporate expenditure, and particularly increases in external income as set out below.

one source Budgetary Strategy: 2021 +



2.1. Whilst this approach has been successful to a degree, as economic conditions alter, opportunities to increase income are not keeping pace with the department's requirement to contribute towards corporate savings target.

2.2. The economic impact of the Pandemic has significantly impacted upon one source services, particularly in relation to income collection and trading opportunities. Given that these are key elements to our budgetary strategy we need to be able to assess the on-going impact of the recovery from the pandemic and how that impacts upon us, and our ability to achieve our savings. At this stage of the national recovery it is premature to understand how it might impact on us.

2.3. This necessitates a difference in the approach the department is taking to delivering on its MTFS objectives, in that simply reporting on progress against these initiatives will not give Joint Committee the necessary assurances that one source are meeting its obligations

2.4. However the one source budgetary strategy is the right one for one source: we must focus on delivering more effective expenditure on central services; advising on opportunities for the renegotiation of existing contracts and supporting new procurement; and positioning ourselves to take advantage of the obvious trading opportunities that will become available going forward as other local authorities look to reduce essential but non-service facing expenditure

3. Service Level Forecast

3.1. The 2021/22 P3 forecast at a service level with indicative explanation is set out in the tables below:

Newham Non-Shared	Period 3 (end of June)			Explanation of Variance
	Budget (£000)	Forecast (£000)	Variance (£000)	
Finance	- 2,097	742	2,839	Procurement Savings targets not met ..work is underway regarding the delivery of these targets
Human Resources	570	550	- 20	no material variance
Legal & Democratic	601	419	- 181	Cost of trade union rep salaries and credit for accommodation charge
Asset Management	- 9,743	- 8,948	795	Pressures at Dockside and in Property due to increase in rent payable at Thornham Grove.
LBN Transactional Services	16	- 106	- 122	The estimated based on 20/21 outturn will be in the region of 121k.
ICT Services	- 332	- 157	175	Prudent forecast on known pressures but being reviewed
Total	-10,984	-7,499	3,485	

 Havering Non-Shared				
Description	Budget (£000)	Forecast (£000)	Variance (£000)	
Legal & Democratic Svs	2,483	2,527	44	no material variance
ICT Services	14	216	201	Prudent forecast on known pressures but being reviewed
Technical and Transport Services	380	909	529	Mainly in transport £329k, due to external income decrease.
Asset Management	- 3,262	- 2,231	1,032	Campus Services £633k mostly due to the Delay in Mercury House saving. £260k Romford Market income shortfall.
Strategic HR & OD	- 231	- 248	- 17	no material variance
Exchequer Services	- 1,266	- 1,266	0	no material variance
oS non Shared Finance	281	615	333	Premium on costs of interims being reviewed
Total	-1,602	521	2,123	

Shared				
Description	Budget (£000)	Forecast (£000)	Variance (£000)	
Procurement	- 222	143	365	Mostly due to unachieved income target (recharges to external bodies).
oS Strategic & Operational HR	291	279	- 12	
oS Asset Management Services	1,270	1,274	4	
oS ICT Services	- 1,424	272	1,696	Un achieved savings 21/22 £497k from prev year now in this year) & £195 20-21 & reduced printing income of £300k (improved variance due to increased telephony charge p2-p3)
oS Legal & Governance	- 25	92	117	Unachieved saving (recovery of legal costs and review of fees)
oS Exchequer & Transactional Services	1,240	2,138	897	Shortfall in enforcement agents' fees estimated at £559k, balance is due to efficiencies.
oS Business Services	173	690	517	Unachieved saving on the OS MD cost centre (A51030). Work being done to re-allocate
Finance	- 270	- 39	231	Premium on costs of interims being reviewed
Total One Source - Shared	1,034	4,847	3,813	

Total One Source - Overall	-11,552	-2,131	9,421	
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RECOMMENDATIONS

The Joint Committee is asked to note the P3 forecast for oneSource services for 2021/2022 and the proposed actions that the management team are seeking to implement to deliver a balanced budget.

REPORT DETAIL

Legal implications and risks:

There are no immediate legal implications arising from this report.

Human Resources implications and risks:

There are no immediate HR implications arising from this report.

Equalities implications and risks:

There are no equalities implications arising from this report.

BACKGROUND PAPERS

None