

**ONESOURCE JOINT
COMMITTEE**

3rd December 2021

Subject heading:

**oneSource Financial Position as at
Period 6 2021/22**

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Financial summary:

The OneSource period 6 forecast is a variance of £7.2m against the 2021/22 budget. This is an improvement of (£2.2m) from the period 3 position of £9.4m.

SUMMARY

A summary of OneSource’s period 6 forecast and the movement from period 3 is set out in the table below:

Description	Period 6 (end of September)			Period 3	
	Budget (£000)	Forecast (£000)	Variance (£000)	Variance (£000)	Movement (£000)
Newham Non-Shared	-9,095	-5,966	3,129	3,485	-356
Havering Non-Shared	-1,514	537	2,051	2,123	-72
Shared	2,759	4,850	2,091	3,813	-1,722
Total One Source	-7,850	-579	7,271	9,421	-2,150

RECOMMENDATIONS

The joint committee are asked to note the period 6 position and its improvement from the period 3 as well as the continued work being undertaken by the oneSource management team to further reduce the projected overspend and bring spend back in line with budgets.

REPORT DETAIL

1. oneSource shared

- 1.1 There is a forecasted overspend of £2.1m against budget within the oneSource shared area which is an improvement of £1.7m on the period 3 position of £3.8m. Of the forecasted overspend it is calculated that £1m is due to the London Borough of Havering and £1.1m is due to the London Borough of Newham.
- 1.2 The improvement between period 3 and period 6 reflects the progress made to date in delivering items outlined in the budget recovery action plan which was reported at the last Joint Committee meeting in August combined with a reduction in the use of agency and holding vacancies wherever possible.
- 1.3 The remaining forecasted overspend of £2.1m is derived from an inability to collect enforcement fees to the same extent as pre-pandemic levels within the transactional and exchequer service £0.5m, a delay in implementing the ICT restructure £0.4m and a delay in delivering targets held within Business Services pending progression of implementation plans £0.5m coupled with the cumulative effect of a number of smaller variances across a range of other areas.
- 1.4 The ICT restructure is currently at the stage of consultation with HR and Trade Unions; The ICT restructure for Target Operating Model is progressing, the Service is in the second phase of the restructure. Phase 2 identified savings of £95k from reduction of IT management posts supporting existing IT services although this phase is a dependency for phase 3. It is anticipated that the duration for phase 3 will stretch beyond the timeline originally agreed which will mean the restructure will be partly delivered in 21/22.
- 1.5 Recent changes to rules regarding the collection of enforcement fees should result in an increase in income in the second half of the year. The oneSource management team continue to work towards the items outlined in the budget recovery plan reported to the Joint Committee at the last meeting and as and when progress with delivery is made the forecasts will be updated accordingly.

2. Newham non-shared

- 2.1 Newham non-shared is forecasting an overspend of £3.1m. This is an improvement of £0.4m from the period 3 position of £3.5m. The movement is due to an improvement in the forecast within the ICT service where a review of forecast in the One Bill cost centre for private contractors which in period 3 was £0.6m, this has been reduced to £0.2m thereby driving down projected costs
- 2.2 The majority of the Newham non-shared forecasted overspend is derived from the £2.8m procurement savings target which is held in this area which is currently forecasted as unachieved. However, it should be noted that a large amount of activity has taken place in this area over recent months, the impact of which should soon be reflected in the forecast in this area. A new gateway process has been implemented which has already identified a significant amount of savings, however, they are not factored into the period 6 forecast as

yet because they either relate to capital, non-general fund budgets and/or aren't due to commence until next financial year. A ten week savings discovery exercise is due to be undertaken within the next month with the aim of expediting the identification of even more opportunities for procurement driven savings. The upcoming procurement restructure is designed to ensure these opportunities are acted on and the associated savings are delivered.

2.3 The remainder of the forecasted pressure in the Newham non-shared area relates to Asset Management premises budgets where a combination of essential maintenance and compliance work, business rates costs and energy inflation costs are contributing to projected overspends. A backlog of maintenance and compliance work has built up in some areas such as the depot pending the outcome of a review of the corporate property strategy. Some of the back log of maintenance is now being undertaken as the works are required to keep the properties in good order.

2.4 Furthermore, a revaluation exercise is awaited in connection with Dockside where the rates exceed the budgets by £0.5m; should the rates be set at a lower level this will be backdated and will help to bring costs back in line with budget albeit there will be an associated detrimental impact on the Council's collection fund. The increasing cost of energy prices has been flagged as part of the 2022/23 budget setting process.

3. Havering non-shared

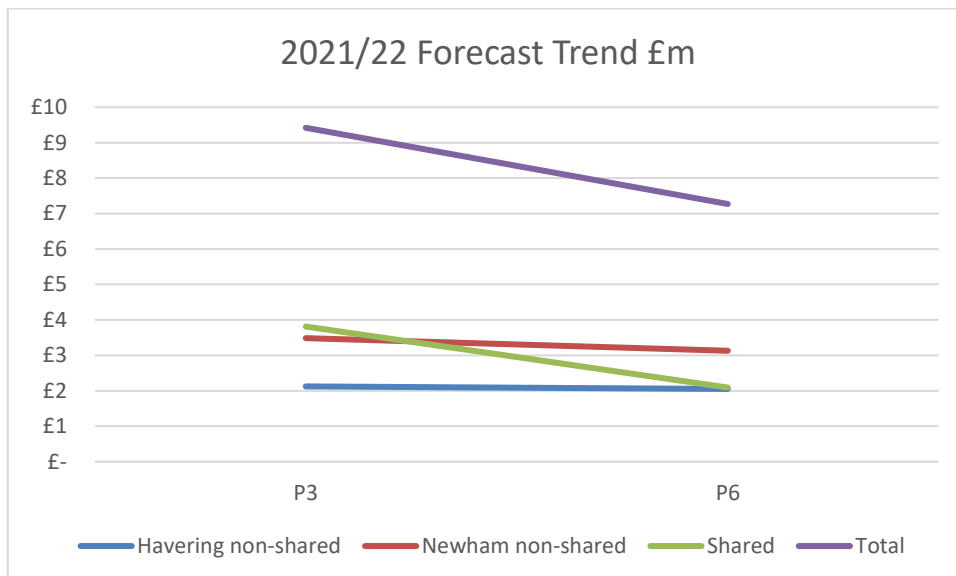
3.1 Havering non-shared is forecasting an overspend of £2.1m; this is the same as the forecast at period 3.

3.2 The majority of the Havering non-shared forecasted overspend, £1.7m, is due to pressures within the Asset Management area. These include historic income pressures of approx. £0.3m associated with Romford Market income which have been exacerbated by a decline in trade due to the pandemic by an additional £0.2m. Furthermore, the Transport Service is forecasting a shortfall of income against target of £0.4m due to the loss of a couple of external contracts and a decline in the number of school trips in the spring and summer terms and the savings target of £0.6m associated with the decant of mercury house remains unachieved due to the relocation of the CCTV control room which cannot take place until Phase 1 of the Town Hall project is complete in April 2022. The longstanding shortfall of income in relation to Romford Market has been flagged as part of 2022/23 budget setting processes and it is hoped an upturn in activity associated with the ending of restrictions will address the pandemic-related element of the pressure in this area. Similarly, the Transport Service are anticipating an improvement in the level of income generated from schools' contracts in the autumn term. Progress in delivering the Mercury House savings target not expected this year due to the complexities in moving the CCTV control room which cannot take place until Phase 1 of the Town Hall project is complete.

4. General Trajectory

4.1 The current forecasted overspend is a combination of delays to the delivery of savings and pressures associated with covid-19, particularly in the area of income generation. The oneSource management team have been tasked with bringing the projected overspend back into line with budget as far as possible between now and year end. Much of their activity centres around progressing the items outlined in the budget recovery plan and the impact of this action can be seen in the general trend the forecasts have taken over the course of the last few months (outlined in the graph below).

4.2 The expectation is that as economic conditions improve and recovery more generally, then so too will the aforementioned pressures the budgets are experiencing in terms of covid related income loss. This coupled with the increased activity taking place to deliver procurement savings will hopefully result in a further improvement to the forecasts as at period 9 although it is noted that inflation across a number of cost-types might mitigate some of this progress.



Legal implications and risks:

Financial Implications and risks:

There are no financial implications resulting directly from the recommendations set out in this report, however, the report itself makes reference to the projected overspend of the oneSource budgets and the actions taken to redress this which in itself is of financial significance to both Councils. The oneSource Finance team will continue to work with the services to reduce their projected overspends and will continue to report on the progress of this through monthly monitoring and reporting processes.

HR Implications and risks:

Background Papers