

**ONESOURCE JOINT
COMMITTEE**

11th March 2022

Subject heading:

**oneSource Financial Position as at
Period 10 2021/22**

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Financial summary:

The OneSource period 10 forecast is a variance of £6.4m against the 2021/22 budget. This is an improvement of (£0.9m) from the period 6 position of £7.3m.

SUMMARY

A summary of OneSource’s period 10 forecast and the movement from period 6 is set out in the table below:

Description	Period 10 (end of January)			Period 6	
	Budget (£000)	Forecast (£000)	Variance (£000)	Variance (£000)	Movement (£000)
Newham Non-Shared	(7.4)	(4.7)	2.7	3.1	(0.4)
Havering Non-Shared	(1.2)	0.9	2.1	2.1	0
Shared	5.2	6.8	1.6	2.1	(0.5)
Total One Source	(3.4)	3	6.4	7.3	(0.9)

RECOMMENDATIONS

The joint committee are asked to note the period 10 position and its improvement from the period 6 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 £1.6m against budget within the oneSource shared area which is an improvement of £0.5m on the period 6 position of £2.1m. Of the forecasted overspend it is calculated that £0.4m is due to the London Borough of Newham and £1.2m is due to the London Borough of Havering. These figures are inclusive of £1m of Covid funding loaded into the shared area by the London Borough of Newham of which 100% of the benefit is attributed to Newham via the cost sharing model, reflecting the fact that the London Borough of Havering's Covid funding is retained centrally.
- 1.2 The improvement between period 6 and period 10 reflects the aforementioned covid funding of £1m offset by delays recruiting permanent staff.
- 1.3 The remaining forecasted overspend of £1.6m is split across all services other than Human Resources and reflects a range of issues including an inability to collect enforcement fees to the same extent as pre-pandemic levels within the transactional and exchequer service for the first three months of the year, the part year effect of the ICT, Asset Management and Transactional and Exchequer restructures and agency spend within the Procurement and Finance services.

2. Newham non-shared

- 2.1 Newham non-shared is forecasting an overspend of £2.75m. This is an improvement of £0.38m from the period 6 position of £3.13m. The movement is due to an increase in projected commercial property income due to a combination of new lettings and rent reviews.
- 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 of which £0.4m is currently forecasted as being achieved in relation to the new mobile phone contract. Savings over and above this have been identified over the course of the year via the new procurement gateway review process, however, due to being ring fenced and/or capital in nature they are not able to be recorded against this target. A savings discovery exercise commissioned by the procurement service is nearing completion and will be moving into the realisation phase imminently; at this stage it is expected savings will be recorded against and hopefully exceed this target albeit this now won't be until the new financial year.
- 2.3 There are projected overspends within Newham non-shared 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 in the region of £2m, however, these are being netted off in 2021/22 by Covid funding in this area of £2m. 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 and the business rates budget pressures have been flagged as part of the 2022/23 budget setting process.

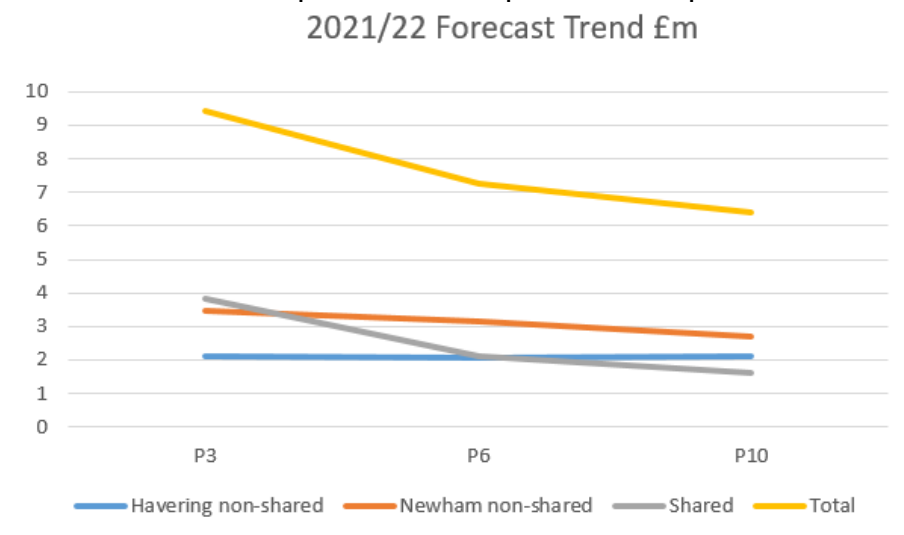
3. Havering non-shared

3.1 Havering non-shared is forecasting an overspend of £2.1m; this is the same as the forecast at period 6.

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 are not expected this year due the complexities in moving the CCTV control room which cannot take place until Phase 1 of the Town Hall project is complete but should be delivered in 2022/23.

4. General Trajectory and 2022/23 Outlook

4.1 The oneSource management team have reduced the forecasted overspend from the start of the financial year by taking action wherever possible. This has resulted in the reduction of the forecasted overspend between period 3 and period 10 as the graph below demonstrates:



4.2 It is expected that as economic conditions improve so too will the 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 in 2022/23. Furthermore, as part of 2022/23 budget setting additional permanent budgetary growth has been secured in relation to business rates and Romford market.

4.3 However, it is noted that potentially offsetting some of these improvements will be recent rapid increases in inflation across a number of cost-types, additional savings targets loaded into the budgets of approx. £5m and the removal of approx. £3m of Covid funding. Therefore, it is likely that the 2022/23 budget position will be under considerable strain from the outset.

4.4 This can be summed up as follows:

Projected 21/22 outturn	£6.4m
Pressures	
- Additional savings	£5m
- Removal of Covid Funding	£3m
- Inflationary Pressures	£0.2m
Mitigations	
- New Year Savings delivery	(£5m)
- Additional Funding/growth re rates, market and inflation	(1.5m)
- Delivery on Slipped Savings – procurement	(£3.0m)
- Delivery on Slipped Savings – other	(£1.5m)
- Return to pre pandemic income and expenditure behaviours	(£3m)
- Other measures	(£0.6m)
Anticipated 22/23 position	£0.0m

4.5 Although the figures in the table above contain broad estimates, it is acknowledged that there remains further work to be done in order to endure the oneSource budgets end 2022/23 in a balanced position.

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 continued 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 for the remainder of 2021/22 and into the new financial year and will continue to report on the progress of this through monthly monitoring and outturn reporting processes.

HR Implications and risks:

Background Papers