

## ONESOURCE JOINT COMMITTEE

18<sup>th</sup> November 2022

**Subject heading:**

**oneSource 2021/22 Financial  
Outturn Position**

**Report author and contact details:**

**Dave McNamara – (Interim)  
Director of Finance**  
[Dave.mcnamara@oneSource.co.uk](mailto:Dave.mcnamara@oneSource.co.uk)

**Financial summary:**

The OneSource 21/22 outturn position was an overspend of £4.9m (against a period 10 forecast of £6.4m). The 22/23 total budget currently stands at £33.8m. The 22/23 P6 forecast is £5.2m overspend.

2

### SUMMARY

The 2021/22 year end outturn position across the shared and non-shared areas was £4.9m (an improvement of 1.5m on the period 10 forecast of £6.4m overspend). As part of 22/23 budget setting, £4.55m of savings were removed from the oneSource budgets and £1.7m of growth was allocated. The 2022/23 period 6 forecasted overspend is £5.2m.

### RECOMMENDATIONS

The joint committee are asked to note:

- the 2021/22 outturn position and its improvement from period 10;
- the updated 2022/23 budget;
- 2022/23 period 6 forecast;

### REPORT DETAIL

#### 1. Background

One Source shared areas are funded by Havering and Newham Councils in order to deliver shared back office support services. One Source is also responsible for the management of non-shared areas within each council, including the delivery of commercial property income generation, elections, procurement savings and schools education and ICT capital programmes.

The budget spend and outturn figures include controllable budgets only i.e. those which the service managers directly influence and control through delivery of their services. The non-controllable element, which have been excluded, largely relate to corporate recharges and do not result in any variances (overspend or underspends) at year end as the expenditure incurred is matched by the necessary budget.

## **2. 2021/22 Outturn**

### **Shared**

2.1 One Source shared ended 2021/22 with an outturn of £1.2m against budget, which is an improvement of £0.4m on the period 10 position of £1.6m. The final overspend was shared £1m to the London Borough of Havering and £0.2m to the London Borough of Newham. Note these figures are inclusive of £1.2m 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.

2.2 The improvement between period 10 and outturn reflects the continuation of holding vacancies wherever possible and the correction of a number of over-receipted purchase orders relating to prior years within the ICT service.

2.3 The outturn overspend is due in part to an inability to collect enforcement fees to the same extent as pre-pandemic levels within the Exchequer & Transactional service for the first three months of the year, delays in implementing the ICT restructure (£0.4m) and an increase cost of Microsoft Enterprise licences (£0.7m) and agency spend within the Procurement and Finance services.

### **Newham non-shared**

2.4 Newham non-shared closed 2021/22 with an overspend of £1.9m. This is an improvement of £0.8m on the period 10 forecast of £2.7m. The improvement related to corporate landlord spend on buildings which was projected to take place in 2021/22 slipping into 2022/23 and additional rental income relating to Dockside.

2.5 The overspend of £1.9m is due in the main to unmet procurement savings targets of £2.8m and unfunded NNDR costs of £0.8m, unbudgeted commercial property bad debt provision costs of £0.8m and £0.5m of overspend relating to escalating card charge costs offset in part by covid funding of £2.7m and underspends within the corporate landlord area.

### **Havering non-shared**

2.6 Havering non-shared closed 2021/22 with an overspend of £1.9m. This is an improvement of £0.2m on the period 10 forecast of £2.1m. The favourable swing between period 10

forecast and outturn was due in the main to an under-forecasting of commercial property income at month 10.

2.7 The Havering non-shared overspend relates to historic income pressures of approx. £0.3m associated with Romford Market income, a savings target of £0.6m associated with the decant of Mercury House which remains unachieved due to the outstanding relocation of the CCTV control room, back dated mobile phone overage charges and agency pressures/costs.

### General Trajectory and 22/23 Outlook

2.8 The 2021/22 financial year started with a period 3 forecast of £9m overspend; a combination of management action, additional funding and improved forecasting resulted in the overspend reducing to £4.9m by year end.

2.9 It is expected that although 2022/23 will not experience the same covid-related pressures that were experienced in 2021/22, nor will the same level of covid-related funding be available. In addition to this, there will be further savings loaded into the 2022/23 budget and inflationary cost pressures to contend with.

### 3. 22/23 Budget

3.1 A summary of the movement between 2021/22 outturn and 2022/23 period 6 net controllable budgets is outlined below:

Description	2021/22 Closing Budget (£000)	Savings	Growth – Permanent	Growth – one off	Removal of H&S Service	Removal of one-off funding	22022/23 Budget (£000)
Newham Non-Shared	6.6	-1.8	1	3.3		-2.2	6.9
Havering Non-Shared	3	-0.65	0.4				2.8
Shared	27.4	-2.1	0.3	1.1	-0.7	-1.9	24.1
<b>Total One Source</b>	<b>37</b>	<b>-4.55</b>	<b>1.7</b>	<b>4.4</b>	<b>-0.7</b>	<b>-4.1</b>	<b>33.8</b>

3.2 Details of the budget adjustments above are listed below:

#### Savings

- Newham non-shared savings relate to:
  - o An additional £1.05m procurement savings;
  - o £0.25m commercial property income;
  - o £0.5m reduction in building related costs (corporate landlord);
- Havering non-shared savings relate to:
  - o £0.2m housing benefit overpayment income;
  - o £0.1m commercial property income;
  - o £0.3m premises related cost reductions;
  - o £0.05m procurement related savings;
- Shared savings relate to:
  - o £0.7m ICT savings (corporate telephony, application rationalisation, review of licences);
  - o £0.95m increase in enforcement income;
  - o £0.3m agency and staffing reduction;

- £0.15m number of smaller items

#### Permanent Growth

- Newham non-shared permanent funding relates to:
  - £0.6m realignment of business rates budget to costs;
  - £0.4m inflation increase
- Havering non-shared permanent funding relates to:
  - £0.2m Romford Market income target reduction;
  - £0.15m reversal of long-standing unachieved borough wide Wi-Fi saving
- oneSource shared permanent funding relates to:
  - £0.3m National Insurance increase budget adjustment;

All the temporary funding contained within the budget has been provided by the London Borough of Newham and relates to the following:

- £3.3m relates to offsetting the total value of the remaining procurement savings in recognition of the fact that, at present, contracts are being procured in a high inflation environment;
- £0.4m within shared to fund the increased cost of Microsoft Enterprise Licences; and
- £0.7m to reduce Newham's share of the enforcement income target down in recognition of the impact that the cost of living crisis is having on households' ability to service debt.

One-off funding which was in last year's budget but not in this year's budget relates to:

- £3.4m covid-funding;
- £0.5m Havering council tax grant and reserves funding;
- £0.2m legal and governance lawyer funding

3.3 Note that as the year progresses it is likely that further budget adjustments will be made (i.e. funding of one-off fusion project and civica pay costs, elections reserve funding drawdowns, NI increase reversal adjustment and pay award adjustments to name a few).

#### 4. 22/23 Period 6 Forecast

##### Shared

4.1 The projected overspend at period 6 is £3.3m which is split £0.9m to the London Borough of Newham and £2.4m to the London Borough of Havering through the cost sharing model. This reflects the fact that Newham has allocated the aforementioned one-off temporary funding into its one source shared budgets, the benefit of which is attributed solely to that Council.

4.2 Of the £3.3m overspend, £1.5m relates to pressures with the ICT budgets where there is an increase in the cost of Microsoft Enterprise Licences (Havering only as Newham have provided one-off funding to meet this increase in cost in 2022/23), in part due to a fall in the value of the pound against the dollar. In addition to this, prior years' savings of £0.4m relating to a planned ICT restructure and £0.7m of 2022/23 savings are being forecasted as unmet in this financial year whilst a review of the service is undertaken.

4.3 The procurement service is forecasting an overspend of £0.5m which is made up of a combination of a reduction in rebate income relating to an office supplies contract and agency

and consultancy costs which have been incurred in an effort to meet each council's corporate procurement savings targets.

- 4.4 Business Services is forecasting an overspend of £0.5m which relates to the non-delivery of prior years' savings targets. The targets were predicated on a number of assumptions around increasing trading and bringing more services into the one source model which have not materialised.
- 4.5 The enforcement service is forecasting a shortfall of income against target; this could be a reflection of a.) resident's efforts to avoid debt collection fees in light of the cost of living crisis and b.) an increase in the amount of customers paying enforcement fees by way of a payment plan; ultimately the same amount of income will be received as would be the case if the entirety of the fees were paid in one go but it will take longer for the income to be received and some will fall into next financial year. However, it should be noted that service is in talks with a number of other authorities and it is hoped that new contracts will result in an increase in the amount of income generated in this area in the future, albeit the impact might not be experienced until next financial year.
- 4.6 Legal services are forecasting an overspend of £0.3m in relation to agency/interim costs; as and when recruitment concludes the forecasts will be updated accordingly.

### **Havering non-shared**

- 4.7 The majority of the £1.5m forecasted overspend being projected at period 6 relates to Asset Management and includes the following items:
- £0.4m commercial property; shops rental income experiencing pressure in part to hesitancy of prospective tenants over plans relating to the Hilldene regeneration area.
  - £0.4m Mercury House decant savings – work to vacate Mercury House is underway, however, this £0.6m savings target won't be delivered in full in 2022/23 whilst some occupation continues. The forecasted partial in-year delivery relates to a combination of some reduced running costs, NNDR exemptions and rental income relating to River Chambers;
  - £0.2m corporate landlord overspend;
  - £0.3m accumulative effect of a number of smaller variances across a range of areas;

### **Newham non-shared**

- 4.8 Of the forecasted £0.3m overspend, £0.5m is a result of an increase in the amount of card charges being paid by the authority due to a reduction in the use of cash and cheques and an increase in the rates being charged by providers. It is expected that an upcoming re-procurement of the current contract will deliver savings and improve the forecasted position.
- 4.9 Other material variances include slippage on a £0.3m legal services saving aimed at driving a reduction in costs incurred by the wider council by ensuring a higher degree of compliance with on-framework suppliers as a result of all spend being commissioned directly by Legal Services. Offsetting this is an underspend in Asset Management of £0.5m where a range of measures targeted at reducing the Directorate level overspend have been enacted including a reduction in the level of security provided at two council-owned sites, utilising Dockside more intensively by closing two floors of the West Wing of Dockside from January onwards and a re-prioritisation of corporate landlord spend.

**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 outturn overspend of the oneSource budgets which is in itself of financial significance to both Councils.

**HR Implications and risks:****Background Papers**