

**ONESOURCE JOINT COMMITTEE**

19<sup>th</sup> June 2024

**Subject heading:**

**oneSource Finance Update**

**Report author and contact details:**

**Conrad Hall and Kathy Freeman**

**Financial summary:**

The final 23/24 outturn position budgets managed by oneSource (ICT, Legal, Reconciliations and Transactional & Exchequer) was £1.9m for Havering and (£0.1m) for Newham. This is against P10 forecasts of £1.7m for Havering and £0.8m for Newham.

Havering and Newham will contribute additional budget of £1.4m and £1.2m respectively to fund Transactional & Exchequer services and ICT services

**SUMMARY**

The table below summarises the 23/24 period 10 forecast and final outturn position for those areas remaining under the management of oneSource as at the start of 2024/25 (ie ICT, Legal, Reconciliations and Transactional & Exchequer):

Forecast vs Outturn by Directorate and Borough (£m)	Revised Net Controllable Budget £m			Period 10 Forecasted Variance			Outturn Variance		
	Havering	Newham	Total	Havering	Newham	Total	Havering	Newham	Total
Shared	9.9	11.5	21.4	1.7	0.6	2.3	1.3	0.1	1.4
Non-Shared	0.1	2.1	2.2	0	0.2	0.2	0.6	-0.2	0.4
<b>Total</b>	<b>10.0</b>	<b>13.6</b>	<b>23.6</b>	<b>1.7</b>	<b>0.8</b>	<b>2.5</b>	<b>1.9</b>	<b>-0.1</b>	<b>1.8</b>

For the avoidance of doubt, this figure does not include any forecasted variances in connection with Asset Management, Human Resources, Pensions and Treasury, , Procurement and oneSource Business Services and Business Partnering as these have all transferred to the respective councils.

The 2024/25 budget setting processes at each council has sought to correct a number of the intransigent structural budget issues which have manifest as reported overspends within oneSource areas in recent years.

Net growth of £0.679m and £0.462m for Havering and Newham respectively has been included for transactional and exchequer services, largely to write down enforcement income targets. Furthermore growth of £1.440m has been provided for ICT service; this has been split £0.69m from Havering and £0.75m from Newham.

## RECOMMENDATIONS

The joint committee are asked to note:

- the 23/24 period 10 forecast and 24/25 outturn position; and
- the adjustments to those budgets under the sharing arrangement in 2024/25

## REPORT DETAIL

### 1. Background

oneSource was set up in 2014/15 to deliver shared back office support services. Havering and Newham councils recently took the decision to return a number of services to sovereign control over the course of 2023/24 (2025/26 in the case of ICT) leaving a smaller number of retained services within the sharing arrangement. oneSource will continue to manage the non-shared areas associated with each of those budgets, most notably Havering's housing benefit subsidy and both councils' corporate telephony and device refresh budgets.

Each council reports its own share of the oneSource position through its own monitoring, budget setting and outturn processes. However, it is also presented here in a combined presentation for the benefit of Joint Committee.

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. 2023/24 Outturn including movements from Period 10 Forecast

#### Shared

2.1 oneSource shared (Transactional & Exchequer, ICT, Reconciliations and Legal Services) forecasted an overspend of £2.3m at period 10 of which £1.7m was attributable to Havering and £0.6m to Newham. The final combined overspend at outturn reduced to £1.4m of which £1.3m was attributable to Havering and £0.1m overspend for Newham.

2.2 The apparent inequity in the share of the overspend between the two councils is due to the fact that in period 9 Newham provided one-off funding totalling £1.1m of which they derive 100% of the benefit in the year end cost share calculation. This funding in effect centralised

historically unmet savings relating to enforcement income targets and ICT in readiness/anticipation of growth built into the 2024/25 budget (see section 3 below).

- 2.3 Of the overspend, £0.4m related to enforcement income targets, however, at period 10 the projected overspend was £1.4m, therefore, the majority of the improvement in outturn compared to forecast can be attributed to this area. The last three months saw some of the service's best ever performance in terms of income collection which coupled with lower than projected transport and commission payments resulted in this area being less overspent than predicted.
- 2.4 The ICT service finished 2024/25 with a £2.4m overspend split £1.5m to Havering and £0.9m to Newham. This stemmed from Havering's remaining unmet savings target, agency pressures within the Fusion systems team, contract pressures relating to Microsoft Enterprise and Dynamics licences and cloud consumption costs and reductions in print services income all of which generated pressures on budgets. Both councils have included growth within 2024/25 budgets in order to mitigate some of this pressure next year.
- 2.5 Other areas of notable variance include the council tax and benefits service (Havering-only) where carry forwards of funding from 2023/24 coupled with new grant funding received in 2024/25 resulted in the service underspending by £0.9m.
- 2.6 Despite forecasting a pressure of approx. £0.15m, Legal services closed on budget. Most of the improvement related to historic court fee recovery amounts which were identified within suspense during year end processes.

### **Newham non-shared**

- 2.7 Newham non-shared's final outturn position was a (£0.2m) underspend. This was an improvement of £0.4m against the period 10 projected overspend of £0.2m. The improvement was largely driven by an underspend of (£0.3m) against budget in relation to laptops/devices which helped to offset the impact of unmet savings in connection the Information Rights team and external legal services spend.

### **Havering non-shared**

- 2.8 Havering non-shared's final outturn position was a £0.6m overspend. This was a worsening of £0.6m against the balanced forecast at period 10. Of the adverse movement, £0.430m related to the adjustment of the bad debt provision for council tax court summons income. The adjustment represented several years' worth of increase as the provision had not been adjusted since 2019/20. Monitoring processes for 2024/25 will take account of historic debt and collection rates and incorporate any necessary adjustments into revenue forecasts.

## **3. 24/25 Budget Setting – Shared**

- 3.1 Each council set out savings and growth proposals for both shared and non-shared areas as part of their own standard budget setting processes. However, owing to the need for cross borough agreement on adjustments to those budgets forming part of the cost sharing arrangement, the 2024/25 amounts relating to shared budgets are shown below.

	Havering £m	Newham £m	Total £m	LBH %	LBN %
23/24 net enforcement budget	- 1.228	- 0.786	- 2.014		
Income target write down	0.618	0.400	1.018		
24/25 net enforcement budget	- 0.610	- 0.386	- 0.996		
23/24 Payroll Management/SME budget	0.048	0.048	0.096	50%	50%
Growth	0.061	0.062	0.123	50%	50%
24/25 Payroll Management/SME budget	0.109	0.110	0.219	50%	50%
			-		
23/24 ICT budget	4.953	5.247	10.200	48%	52%
Growth	0.690	0.750	1.440	48%	52%
24/25 ICT budget	5.643	5.997	11.640	48%	52%

(Note the 23/24 budget figures above exclude transfers from reserves/one-off funding)

3.2 Amounts have been calculated in such a way as to maintain existing cost sharing percentages in all cases other than enforcement whose cost sharing basis is caseloads rather than revised budget contributions.

3.3 Lastly, each council has ambitious staffing savings targets relating to senior management reductions and vacancy factors of which oneSource will deliver a combined amount of £0.15m.

#### **Legal implications and risks:**

There are no legal implications arising directly out of this report or its recommendations.

#### **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 2023/24 forecasted overspend of the oneSource budgets and 2024/25 budget proposals which is in itself of financial significance to both Councils.

The 23/24 outturn figures outlined in this paper are presented here for the benefit of Joint Committee, each borough includes their shared in their own statement of accounts, the audit of which has not yet completed at either authority.

#### **HR Implications and risks:**

There are no HR implications arising directly out of this report or its recommendations.

Forecast vs Outturn by Directorate and Borough (£m)	Period 10 Forecasted Variance			Outturn Variance		
	Havering	Newham	Total	Havering	Newham	Total
Shared	1.7	0.6	2.3	1.3	0.1	1.4
Non-Shared	0	0.2	0.2	0.6	-0.2	0.4
Total	1.7	0.8	2.5	1.9	-0.1	1.8

Shared outturn against budget (£m)	Shared Budget	Shared Actual	Shared Variance	Havering Variance	Newham Variance
Reconciliations	0.488	0.393	-0.095	-0.035	-0.061
Transactional & Exchequer	5.956	5.065	-0.891	-0.222	-0.669
Legal	3.714	3.717	0.003	0.034	-0.031
ICT	11.230	13.631	2.401	1.514	0.888
Total	21.388	22.806	1.419	1.292	0.127

Newham non-shared outturn against budget (£m)	Budget	Actual	Variance
Transactional & Exchequer	-0.478	-0.566	-0.088
Legal	0.611	0.554	-0.057
ICT	2.013	1.908	-0.105
Total	2.145	1.896	-0.250

Havering non-shared outturn against budget (£m)	Budget	Actual	Variance
Business Services	0.023	0.191	0.169
Transactional & Exchequer	-1.616	-1.365	0.251
Legal	0.681	0.862	0.181
ICT	1.014	1.024	0.010
Total	0.101	0.711	0.610

	23/24 Budgets (excluding one-off/reserve funding) £m			LBH%	LBN%	24/25 Budgets £m			LBH%	LBN%				
	Havering	Newham	Total			Havering	Newham	Total						
AP/AR	0.767	0.870	1.637	0.47	0.53	0.767	0.870	1.637	47%	53%	-	-	-	
Enforcement	- 1.228	- 0.786	- 2.014			- 0.610	- 0.386	- 0.996			0.618	0.400	1.018	Growth: Income Write Down
NNDR	0.288	0.442	0.731	0.39	0.61	0.288	0.442	0.731	39%	61%	-	-	-	
Payroll	0.314	0.587	0.901	0.35	0.65	0.314	0.587	0.901	35%	65%	-	-	-	
Payroll Management	0.048	0.048	0.096	0.50	0.50	0.109	0.110	0.219	50%	50%	0.061	0.062	0.123	Growth: SME & Management
Establishment	0.685	0.522	1.207	0.57	0.43	0.685	0.522	1.207	57%	43%	-	-	-	
DETS Management	0.341	0.181	0.522	0.65	0.35	0.341	0.181	0.522	65%	35%	-	-	-	
Business Improvement	0.015	0.015	0.030	0.50	0.50	0.061	0.061	0.122	50%	50%	0.046	0.046	0.091	(Full Year effect of BI posts)
Employee Pilot		0.050	0.050	-	1.00	-	0.050	0.050	0%	100%	-	-	-	
						-	-	-			-	-	-	
Legal	1.280	2.440	3.721	0.34	0.66	1.280	2.440	3.721	34%	66%	-	-	-	
			-			-	-	-			-	-	-	
ICT	4.953	5.247	10.200	0.49	0.51	5.643	5.997	11.640	48%	52%	0.690	0.750	1.440	Growth: ICT costs
Total	7.464	9.567	17.030	4	5	8.878	10.824	19.702			1.415	1.258	2.672	Growth Total