

HAVERING AND NEWHAM SHARED BACK OFFICE SUPPORT SERVICE

JOINT COMMITTEE	13 February 2015
Subject heading:	OneSource forecast financial position as at December 2014
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Financial summary:	The oneSource financial forecast shows a projected underspend of (£125k) as at December 2014, period 9.
Is this a Key Decision?	No

SUMMARY

The oneSource forecast financial position shows a projected underspend of (£125k) as at December 2014, period 9. This is detailed at service level in appendix A.

RECOMMENDATIONS

The Joint Committee is asked to note the: -

- current oneSource forecast outturn position;
- oneSource key performance indicators (KPIs).

REPORT DETAIL

Background

OneSource forecasting is undertaken using the Collaborative Planning (CP) system. Appropriate financial information is extracted from the Councils' ledgers, consolidated and presented to give joined up service financial positions, from which service managers then calculate forecasts.

From an outturn perspective only the consolidated oneSource position is relevant. Actual expenditure incurred within the individual Council's will be adjusted periodically to reflect the shares set out in the Joint Committee agreement. This allows flexibility over where costs are incurred on a day to day basis, although this will be monitored at a summary level, whilst meeting the partnership efficiency aims, and legal and accounting requirements.

December 2014 Financial Position

The overall oneSource forecast outturn shows a projected underspend of (£125k). At service level there are four significant variances. There are overspends of £230k and £123k in Asset Management and, Legal and Governance respectively. These are largely due to delays in completing the transformation reviews, and associated implementation of service improvements and efficiencies. These are offset by salary underspends and additional income generation in Finance, and Exchequer and Transactional Services. The variances are not expected to be ongoing and will be removed following the outcome of current and forthcoming service reviews and in meeting future savings targets.

There are no significant issues currently foreseen in meeting the future oneSource savings targets, with these being challenging but achievable.

The variance apportionment within Appendix A is shown at indicative summary level.

Budgets are shown net of recharges and the 2014/15 savings target of £4.1m has been removed.

OneSource KPIs

oneSource has a number of key performance indicators (KPIs) in place for 2014/15 as a measure of the service provided to our customers.

The following two key performance indicators have a direct financial implication to oneSource and the London Borough of Havering and the London Borough of Newham as they relate to the collection of Council Tax and Business Rates.

The oneSource KPIs are informed by the service performance indicators in the SLA service schedules and the key corporate performance indicator requirements of the customer councils.

oKPI 3 – Percentage of Council Tax collected

This KPI is monitored separately for each council as it is an important corporate indicator and revenue stream.

For the London Borough of Havering council tax collection, the performance indicator has exceeded target every month this year with an outturn for December 2014 of 85.77% which is £106.6m collected.

For the London Borough of Newham the collection rate for December 2014 council tax is 75.71% (£64.6m collected), which is up by 0.21% on the re-profiled target for the current year.

The lower payment rate for Newham households goes some way to explain the difference between the collection rates of the two councils. Aside from that, Havering has a greater proportion of household paying in 10 instalments than Newham and therefore will effectively finish collection in January. Newham offers 12 monthly instalments to all households entitled to Council Tax Reduction to enable them to spread the repayment of their minimum 20% liability as far as possible and more generally to other households where it will assist them in repaying in full for the year.

oKPI 4 - Percentage of National Non-Domestic Rates (NNDR) collected

This KPI is monitored separately for each council as it is an important corporate indicator and revenue stream.

For the London Borough of Havering NNDR collection there is a drop from 85% (£65.3m) in December 2013 compared to this year's 84.17% (£63.4m). This is due to businesses now being able to pay over 12 months as opposed to the previous 10 months. The monthly collectible figure has reduced and targets are yet to be redefined; however collection rates are on course to meet the annual target of 98%.

For the London Borough of Newham NNDR collection indicator has been performing slightly lower compared to same period last year with 87.18% (£115.4m) collected out of a total of £133.8m collectable debit. However this can be attributable to there not being a re-profiled target to take into account the changes to legislation allowing ratepayers to pay over 12 months as opposed to the previous 10 months.

Detailed performance by month is set out at appendix B.

IMPLICATIONS AND RISKS

Financial implications and risks:

The financial position of oneSource has a direct bearing on the financial position of both Havering and Newham Councils; with any savings or overspends being shared as set out in the Joint Committee agreement.

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Robust financial management processes are in place across oneSource. The budget monitoring process is summarised in the body of the report along with the financial position as at December 2014, period 9.

The collection rates of Council Tax and NNDR do not have a direct financial effect on oneSource itself. Within each respective Council, where there is a direct financial impact, the implications are monitored and reported accordingly.

Legal implications and risks:

There are no immediate legal implications arising from this report.

Human Resources implications and risks:

There are no significant HR implications and risks associated with this report.

Equalities implications and risks:

There are no significant Equalities implications and risks associated with this report.

BACKGROUND PAPERS

OneSource Joint Committee Agreement

Appendix A - OneSource Financial Position

Period 9 2014/15

SERVICE	REVISED CONTROLLABLE BUDGET			YTD ACTUALS + ENCUMBRANCES	YTD REMAINING BUDGET	FY PROJECTED OUTTURN	FY PROJECTED OUTTURN VARIANCE	REASON FOR FY PROJECTED OUTTURN VARIANCE
	EXPENDITURE	INCOME	NET					
Finance	9,946,346	(1,279,310)	8,667,036	6,695,380	1,852,560	8,274,019	(393,017)	There are favourable variances in finance due to staff vacancies and in fraud due to higher than budgeted income. These are partially offset by a delay in restructuring to meet savings targets.
Business Services	3,088,460	(687,000)	2,401,460	1,140,751	730,209	2,393,845	(7,615)	
Exchequer & Transactional Services	20,187,333	(1,716,927)	18,470,406	11,693,990	6,891,044	18,397,969	(72,437)	The variance is largely due to staffing underspending and additional court cost and payroll income.
Legal & Governance	5,246,857	(684,250)	4,562,607	3,642,489	862,341	4,686,101	123,494	A delay to the legal services restructure scheduled for 1 January 2015 has resulted in the efficiency savings for 2014/15 being incapable of full realisation.
ICT Services	13,520,189	(3,721,540)	9,798,649	12,983,785	(4,167,125)	9,818,413	19,764	
Asset Management Services	5,918,859	(3,853,380)	2,065,479	3,188,645	(1,795,056)	2,295,880	230,401	The variance reflects the inability to achieve the £964k combined savings target across both boroughs for 2014/5 within the current financial year.
Strategic & Operational HR	3,157,325	(12,099)	3,145,226	2,619,592	486,858	3,119,243	(25,983)	
TOTAL	61,065,369	(11,954,506)	49,110,863	41,964,632	4,860,831	48,985,469	(125,394)	

NOTES

The variance apportionment at service level may need to be repeated at a later date to reflect any subsequent budget adjustments.

The budget figures above include controllable budgets only.

Variance Apportionment

Newham	62%	(77,744)
Havering	38%	(47,650)

The overall oneSource forecast variance is due to salary underspending and the receipt of additional income within Finance and Exchequer and Transactional Services. This is partially offset by a delay in achieving the full year savings targets in Legal & Governance and Asset Management.

Appendix B – Detailed Analysis of KPI Performance

Indicator	Value	Data collection Frequency	Council	2013/14 Annual Performance	2014/15 Annual Target	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	DoT
Percentage of Council Tax collected	Bigger is Better	Monthly	LB Havering	97.14%	97%	12.75% (£15.7m)	21.98% (£27.1m)	31.1% (£38.4m)	40.22% (£49.7m)	49.18% (£60.9m)	58.39% (£72.4m)	67.68% (84.0m)	76.57% (£95.1m)	85.77% (£106.6m)	↑
			LB Newham	92.51%	92.50%	12.22% (£10.3m)	20.36% (£17.2m)	28.11% (£24.1m)	36.23% (£31.0m)	44.15% (£37.9m)	52.25% (£44.8m)	60.39% (£51.8m)	68.36% (£58.5m)	75.71% (£64.6m)	↑
Percentage of National Non-Domestic Rates (NDR) collected	Bigger is Better	Monthly	LB Havering	97.42%	98%	12.41% (£9.7m)	23.84% (£18.2m)	33.84% (£26.0m)	42.84% (£32.8m)	49.11% (£37.6m)	57.64% (£44.0m)	68.19% (£51.7m)	75.45% (£56.9m)	84.17% (£63.4m)	→
			LB Newham	99.78%	99.60%	13.48% (£18.4m)	25.75% (£35.5m)	35.14% (£47.8m)	44.37% (£60.3m)	52.76% (£70.6m)	61.88% (£82.9m)	70.49% (£94.0m)	78.62% (£104.9m)	87.18% (£115.4m)	→