

**ONESOURCE
JOINT COMMITTEE**

8 July 2016

Subject heading:

**OneSource 2015-16 Outturn
Position**

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Financial summary:

**The overall oneSource shared
2015-16 outturn position shows an
underspend of (£560k).**

**The Havering and Newham non
shared outturn positions are an
underspend of (£1.202m) and
(£1.910m) respectively.**

Is this a Key Decision?

No

SUMMARY

The overall oneSource shared outturn position shows an underspend of (£560k). This has been agreed to be carried forward to 2016/17 by the respective Council's to meet the ongoing transformation and development challenges.

The underspend is a mixture of one off and on-going variances, with the bulk relating to delayed expenditure, over-achievement of savings, vacancy management and income generation.

The Havering and Newham non shared outturn positions are (£1.202m) and (£1.910m) respectively.

In Newham this is largely due to one-off income within Asset Management relating to a back-dated NNDR rebate and historic service charge income. There is also additional Housing Benefit subsidy within Exchequer and Transactional Services. In Havering the variance is largely due to additional income, and underspends on commercial and council premises.

RECOMMENDATIONS

The Joint Committee is asked to: -

- note the 2015-15 oneSource outturn position for shared, non-shared Newham and non-shared Havering.

REPORT DETAIL

Background

OneSource is funded by Havering and Newham Councils in order to deliver shared back office support services. The joint working is set to realise at least £14.6m of savings in the period up to 2018/19. Since the original business case, an additional £3.5m savings target has been added as part of the 2016/17- 19 MTFS and a further £0.7m through Bexley joining the partnership.

Savings of £3.7m for 2015/16 have been delivered, as demonstrated in the outturn position. This is in addition to the £4.3m delivered in 2014/15, bringing the total savings achieved to £8.0m. Further savings of £3.1m are anticipated to be delivered in 2016/17.

OneSource also delivers non shared services on behalf of the partner Councils. These have their own additional savings targets as part of the respective Councils' MTFS. For Newham £3.087m of savings have been delivered for 2015/16 and £14.864m is anticipated to be delivered in 2016/17. For Havering £1.244m of savings have been delivered for 2015/16 and £0.1m is anticipated to be delivered in 2016/17.

The 2015/16 financial position set out in this report is provisional and subject to the external audit process within each Council. This will conclude by the 30th September 2016. No adjustments are anticipated.

OneSource Shared 2015-16 Outturn Position

The 2015/16 total oneSource shared controllable outturn position shows an underspend of (£560k). This is analysed by service and activity in the table below.

OneSource 2015/16 Final Outturn

SERVICE	NET REVISED CONTROLLABLE BUDGET	FINAL ACTUALS	FINAL OUTTURN VARIANCE	REASON FOR OUTTURN VARIANCE
Finance	7,503,120	7,727,212	224,092	
Audit, Risk, Insurance & Fraud	1,277,550	1,314,560	37,010	Minor Variance
Corporate & Operational Finance	5,169,320	5,187,937	18,617	Minor Variance
Procurement	1,056,250	1,224,716	168,466	Outturn variance reflects additional staffing costs and payment of an invoice in 2015/16 part of which relates to 2016/17 but was under the accrual threshold.
Business Services	2,231,047	1,421,045	(810,002)	Underspend due to over-achievement of savings across other oneSource shared services (£580k) as well as salary underspends due to resignations and unspent invest to save and technical training budget.
Exchequer & Transactional Services	17,318,052	17,002,672	(315,380)	
Council Tax & Benefits	11,301,270	11,645,840	344,570	Outturn position is due to inability to meet savings target due to restructure not taking place in 2015/16.
Debt Management & Recovery	64,856	(553,744)	(618,600)	Over achievement of income by enforcement service.
NNDR	565,760	662,620	96,860	Outturn position is an accumulative effect of a number of smaller pressures over a range of subjectives.
Transactional Services	4,633,034	4,543,530	(89,504)	Vacancy management and income generation.

SERVICE	NET REVISED CONTROLLABLE BUDGET	FINAL ACTUALS	FINAL OUTTURN VARIANCE	REASON FOR OUTTURN VARIANCE
Exchequer & Transactional Management	753,132	704,425	(48,707)	Minor Variance.
Legal & Governance	3,472,465	3,878,497	406,032	
Electoral Services	739,655	714,202	(25,453)	Minor Variance.
Legal	2,732,810	3,164,295	431,485	<p>There are at present some 6 unfunded posts in the structure which were introduced in September /October because of client demand. This was a significant driver on the legal overspend. These posts are all located within the commercial team where comparable work done externally is significantly more expensive. The work in this area covers the needs of a number of services for both boroughs and is required under the SLA and includes the red door and mercury housing projects, the transfer of schools to academies etc. The situation will be ameliorated to a significant degree this year (16/17) because of the agreement of Havering to allow for the payment of capital charges and the work carried out in service to ensure all capital works for both Havering and Newham are captured. The problem will in the longer term be eradicated as we move onto a trading basis where services pay for the work they actually instruct legal on.</p> <p>There has been limited underspend in our controllable budgets and work is on-going to look at our overall budget picture to more accurately forecast spend throughout the year.</p>
ICT Services	8,725,183	8,439,112	(286,071)	Delayed infrastructure investment into 2016/17
Asset Management Services	1,148,794	1,600,647	451,853	
Facilities Management	1,183,530	1,456,041	272,511	Overspend reflects unachieved savings target due to delay in restructure implementation.

SERVICE	CONTROLLABLE BUDGET	FINAL ACTUALS	OUTTURN VARIANCE	REASON FOR OUTTURN VARIANCE
Technical Services	(1,689,000)	(1,637,955)	51,045	Minor Variance.
Management of School Capital	201,080	344,255	143,175	Efficiency target not achieved as service is not shared but is traded.
Property	46,580	(49,673)	(96,253)	Vacancy control pending restructure and fee income offset by savings target account for net underspend.
Health & Safety	719,884	623,838	(96,046)	Vacancy management and income generation.
Asset Management Support	686,720	864,143	177,423	Variance arises from unmet efficiency target due to delayed implementation of restructure.
Post Room	943,287	580,696	(362,591)	Vacancy management and over-recovery of printing costs.
Strategic & Operational HR	3,133,670	3,266,194	132,524	Overspend was an accumulative effect of a number of smaller variances across a number of budgets.
TOTAL	44,475,618	43,916,077	(559,541)	oneSource shared outturn position reflects vacancy management, income generation and delayed expenditure; offsetting pressures relating to delays in restructuring.

NOTE - The budget figures above include controllable budgets only.

The budget figures above include controllable budgets only as controllable spend reflects expenditure and income, which service managers directly influence and control through the delivery of their services and financial management activity.

The non-controllable elements, which have been excluded, largely relate to corporate activity and technical accounting adjustments e.g. recharges, capital charges etc. No significant variances occur at the year end as the expenditure incurred is matched by any necessary budget adjustments. These adjustments are largely notional and do not affect each council's individual financial position.

Subjective Analysis of Expenditure

A breakdown of oneSource spend by subjective – type of expenditure – is set out below.

oneSource 2015-16 Outturn Subjective Analysis

Subjective Description	Amount £'000	%	Comments
Total oneSource 2015-16 Expenditure	43,916		
Gross Expenditure	67,400		
Salaries	41,536	61.6%	
Agency	7,968	11.8%	
Redundancy and Pension Costs	94	0.1%	
Staff Recruitment and Development	413	0.6%	
Premises	180	0.3%	Rents, rates, utilities, maintenance etc.
Transport	131	0.2%	Vehicle hire and travel allowances
ICT	5,666	8.4%	Hardware, software, licences, internet, phone costs etc.
Printing and Photocopying	1,080	1.6%	Printing and leasing costs including printing of council tax bills/letters. Committee reports and payslips
Postage and Courier Services	1,525	2.3%	
Equipment - Purchase/Hire/Maintenance	798	1.2%	
Payments to Other Local Authorities	3,456	5.1%	Year end adjustments between Havering and Newham broadly nets off with contributions from other local authorities below
Private Contractor Payments	1,983	2.9%	IT disaster recovery, allpay, IT networking, Virgin Media , LPFA
Consultancy and Legal Fees	573	0.9%	Support procurement system , legacy system hosting, top up benefit processing
Bank Charges	188	0.3%	
Books, Publications, Stationery and Resources	380	0.6%	
Miscellaneous Expenses	773	1.1%	Various including election canvassers & ICT consumables
Grants and Contributions	106	0.2%	Fees and subscriptions
Other Expenditure	550	0.8%	
Gross Income/Recharges	(23,484)		
Internal recharges	(3,421)	14.6%	Charges for internal services commissioned directly by service departments e.g. postage, mobile phones, Technical Services, Land and Property etc.
Legal Income	(361)	1.5%	Income recouped by legal from court and clients they represent for their services
Contributions from Other Local Authorities	(3,451)	14.7%	Year end adjustments between Havering and Newham broadly nets off against payments to other local authorities above
Recharges to External Bodies Including Joint Committees	(4,406)	18.8%	IT income from other boroughs and organisations plus income re various services provided to other organisations
Government Grants	(158)	0.7%	Social housing fraud grant and electoral registration maximisation grant
Other Income	(3,551)	15.1%	Bailiff fee income plus various other sales, fees and charges income
Recharges	(8,136)	34.6%	Recharges to HRA, recharge of staff time to capital projects etc.

This shows that around three quarters of expenditure relates to staffing. The majority of the non staffing expenditure is not directly related to oneSource itself, but incurred on behalf of the wider councils e.g. IT licences, photocopying etc.

Income is derived from a number of external sources as well as through internal charging, for directly commissioned work, to service departments and capital projects.

The remaining net cost of oneSource services (£43.9m) is recharged to service departments in the relevant proportions through each Council's support service methodology. This is required to comply with statutory accounting regulations.

Nature of the Outturn Underspend

The oneSource underspend is a mixture of one off and on-going variances, with the bulk of the variance relating to delayed expenditure, over-achievement of savings, vacancy management and income generation. These will contribute to oneSource's challenging future transformation savings targets.

It is envisaged that the bulk of the vacancies will be realised as service restructures are implemented over the coming year.

Treatment of the Underspend

The underspend has been agreed to be carried forward by the respective Council's to support the ongoing development of oneSource in the context of the anticipated significant ongoing service and financial challenges. It will also enable system and process development to maximise efficiencies, improve customer focus and support the transition to the new ways of working through self-service.

Movement from Period 11 Forecast

At period 11 an underspend of (£54k) was forecast. A summary of the movement to the outturn position is set out below: -

Description	Amount £'000	Comments
2015/16 Period 11 Forecast Outturn	(54)	
Finance	(141)	Recovery of Red Door Venture (RDV) expenditure.
Business Services	(107)	Lower than expected agency costs and vacancies.
Exchequer & Transactional	(273)	Year end adjustment for post room cost share and enforcement income exceeding forecast.
Legal & Electoral	58	Shortfall of income within Legal Services, partially offset by savings reallocation in Democratic Services, due to the movement from shared to non-shared.
IT	(136)	Delayed expenditure through management action into 2016/17.
Strategic & Operational HR	128	Accumulation of a number of un-forecasted variances
Asset Management	(35)	
2015/16 Final Outturn	(560)	

OneSource non-shared Newham 2015-16 Outturn Position

The 2015/16 oneSource Newham non-shared controllable outturn position shows an underspend of £1.9m. This is analysed by service and activity in the table below.

Newham Non- Shared 15/16 Final Outturn Position

SERVICE	NET REVISED CONTROLLABLE BUDGET	FINAL ACTUALS	FINAL OUTTURN VARIANCE	REASON FOR OUTTURN VARIANCE
Finance	(223,800)	(214,953)	8,847	Minor Variance.
Business Services	286,420	239,020	(47,400)	Minor Variance.
Exchequer & Transactional Services	794,400	(3,096)	(797,496)	Housing Benefit subsidy surplus against budget offset by pressure relating to reduced Admin Grant.
Legal & Governance	2,047,400	2,203,424	156,024	Pension contribution costs.
ICT Services	(488,000)	(488,000)	0	
Asset Management Services	(1,698,400)	(2,788,553)	(1,090,153)	Underspend relates to NNDR rebate and recovery of previous years' service charges.
Strategic & Operational HR	844,000	703,857	(140,143)	Underspent training budget.
TOTAL	1,562,020	(348,301)	(1,910,321)	

NOTE - The budget figures above include controllable budgets only.

Nature of the Outturn Underspend

The oneSource Newham non-shared underspend is largely due to one-off income within Asset Management relating to a back-dated NNDR rebate and historic service charge income. The underspend relating to Housing Benefit subsidy although large, is not significant in the context of the size of the income and expenditure budgets (approx. £270m); a small change in levels of activity (for example homelessness costs) could totally mitigate this underspend in future years.

OneSource non-shared Havering 2015-16 Outturn Position

The 2015/16 oneSource Havering non-shared controllable outturn position shows an underspend of £1.2m. This is analysed by service and activity in the table below.

Havering Non- Shared 15/16 Final Outturn Position

SERVICE	NET REVISED CONTROLLABLE BUDGET	FINAL ACTUALS	FINAL OUTTURN VARIANCE	REASON FOR OUTTURN VARIANCE
Exchequer & Transactional Services	288,990	(302,012)	(591,002)	Bulk of underspend relates to council tax income.
Legal & Governance	1,611,848	1,569,227	(42,621)	Minor Variance.
Asset Management Services	276,863	(298,725)	(575,588)	Variance relates to commercial property income exceeding income target, under-expenditure on works to commercial premises and unaccrued expenditure (due to being below accrual threshold).
Strategic & Operational HR	420,374	427,438	7,064	Minor Variance.
TOTAL	2,598,075	1,395,929	(1,202,146)	

NOTE - The budget figures above include controllable budgets plus transfer to reserves

Nature of the Outturn Underspend

The oneSource Havering non-shared underspend is largely due to additional Council Tax and commercial property income. In addition there was an underspend against budget on commercial and council premises.

IMPLICATIONS AND RISKS

Financial implications and risks:

The oneSource underspend will be reflected in each borough's Statement of Accounts in accordance with the provisions set out in the Joint Committee Agreement and the relevant legislative accounting requirements. The appropriate proportion of the underspend will be carried forward by each borough who will manage its use in consideration of their respective financial positions and priorities.

The costs of the closedown and external audit processes are met from within existing oneSource service, and corporate budgets respectively.

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
- OneSource Business Case
- Joint Committee 13th February 2015 - OneSource 2015/16 Budget