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## **JOINT COMMITTEE**

**21st April 2017**

### **Subject Heading:**

**oneSource Budget 2017/2018**

### **Report Author and contact details:**

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### **Financial summary:**

**The oneSource base budget for 2017/2018 is £52.068m made up of £35.979m for oneSource Shared and £16.089m for oneSource non Shared.**

## **SUMMARY**

The report sets out the base budget for oneSource services for both shared and non shared for the financial year 2017/2018 including the apportionment between the three partner Councils.

The base budget for oneSource shared is £35.979m and £16.089m for non shared after taking into consideration non recurring funding from 2016/2017 and agreed growth and savings for 2017/2018.

## **RECOMMENDATIONS**

The Joint Committee is asked to note the based budget for oneSource services for 2017/2018.

## **REPORT DETAIL**

### **Base Budget 2017/2018 – oneSource Shared**

The closing budget for the 2016/2017 financial year for oneSource shared services is £37.418m. Taking into account non recurrent funding, growth and savings previously

agreed for 2017/2018 this reduces the budget by £1.439m to provide an opening budget of £35.979m for the 2017/2018 financial year. The summarised position is set out in the table below:

*Table 1 - oneSource Shared Budget Opening Budget*

	Income £'m	Expenditure £'m	Net Income/ Expenditure £'m
Closing Budget 2016/2017	(11.297)	48.715	37.418
Removal of One Off Funding		(0.336)	(0.336)
Additional Growth		0.649	0.649
Removal of Savings		(1.752)	(1.752)
Opening Budget 2017/2018	(11.297)	47.276	35.979

The net expenditure is funded by the three partner Councils based on set percentages agreed on a service by service basis. The £35.979m is budgeted to be funded 6.79% by the London Borough of Bexley, 45.26% by the London Borough of Havering and 47.95% by the London Borough of Newham. The tables below summaries the movement in budget by Council.

*Table 2a - oneSource Shared Budget for Bexley Opening Budget*

	Income £'m	Expenditure £'m	Net Income/ Expenditure £'m
Closing Budget 2016/2017	(0.242)	2.980	2.738
Removal of Savings		(0.296)	(0.296)
Opening Budget 2017/2018	(0.242)	2.684	2.442

*Table 2b - oneSource Shared Budget for Havering Opening Budget*

	Income £'m	Expenditure £'m	Net Income/ Expenditure £'m
Closing Budget 2016/2017	(1.371)	18.244	16.873
Removal of One Off Funding		(0.206)	(0.206)
Additional Growth		0.237	0.237
Removal of Savings		(0.620)	(0.620)
Opening Budget 2017/2018	(1.371)	17.655	16.284

*Table 2c - oneSource Shared Budget for Newham Opening Budget*

	Income £'m	Expenditure £'m	Net Income/ Expenditure £'m
Closing Budget 2016/2017	(9.684)	27.491	17.807
Removal of One Off Funding		(0.130)	(0.130)
Additional Growth		0.412	0.412
Removal of Savings		(0.836)	(0.836)
Opening Budget 2017/2018	(9.684)	26.937	17.253

### **One Off Funding – oneSource Shared**

As set out in Table 1, the 2016/2017 net budget for oneSource Shared included non recurrent funding of £0.336m which was funded 61.31% by Havering and 38.69% by Newham. This funding was in respect of:

*Table 3 – oneSource Shared one off Funding for 2016/2017*

	Expenditure £'m	Funded by Havering £'m	Funded by Newham £'m
Information Communication Technology	0.286	0.156	0.130
Strategic & Operational Human Resources	0.050	0.050	
<b>Total</b>	<b>0.336</b>	<b>0.206</b>	<b>0.130</b>

During the 2016/2017 financial year there will have been further additional funding for oneSource services for projects and programme support however in a number of cases expenditure was charged straight to the respective service within the Council. For transparency on the full cost of oneSource services, financial procedures for the 2017/2018 financial year are being reviewed to ensure this is fully traceable.

### **Growth – oneSource Shared**

As set out in Table 1, the 2017/2018 net budget for oneSource Shared includes additional funding of £0.649m which is funded 36.54% by Havering and 63.46% by Newham. This funding is recurring and has been agreed by both Councils Senior Leadership Teams and is in respect of:

*Table 4 – oneSource Shared Growth for 2017/2018*

	Expenditure £'m	Funded by Havering £'m	Funded by Newham £'m
HR Agency Worker Posts	0.088	0.035	0.053
Legal Capacity	0.561	0.202	0.359
<b>Total</b>	<b>0.649</b>	<b>0.237</b>	<b>0.412</b>

*HR Agency Working Posts*

This is recurring funding to deliver comprehensive contract management of the MSTAR framework. The pressing need to find savings from this contract will only be realised with strong contract management as we enter into more third-party arrangements to identify further savings. The biggest savings will come from managing these contracts effectively, it is more than ensuring that suppliers meet their contractual obligations, it is about continuous improvement throughout the life of the contract. The arrangements will include checking of invoices and incorrect payments to ensure the provider deliver their obligations, as well as ongoing monitoring to drive out further savings and to advise managers on alternative ways of resourcing.

*Legal Capacity*

As reported to the Joint Committee in January 2017, the oneSource legal service has consistently seen an increase demand for legal services from both Havering and Newham. This has resulted in additional capacity being in place since at least October 2015 and to date this additional expenditure has been funded through oneSource, however this position is not sustainable. The additional funding will support the service in continuing to meet the demands of the Councils and provide a sustainable workforce.

**Savings – oneSource Shared**

As set out in Table 1, the 2017/2018 net budget for oneSource Shared includes additional savings of £1.752m. The apportionment of this saving is 16.89% Bexley, 35.41% Havering and 47.70% for Newham.

These savings are predominantly in respect of a reduction in employee related expenditure as set out in the original business cases for oneSource. As reported previously to the Committee in a number of cases Directors delivered restructures in 2016/2017 to achieve both the 2016/2017 and 2017/2018 saving in order that only one restructure was required. Due diligence on the remaining deliverable savings for 2017/2018 is currently underway and will be reported to the next meeting of the Joint Committee.

The savings split by oneSource service are set out in the table below:

*Table 4 – oneSource shared increase in savings for 2017/2018*

	Saving £'m	Saving for Bexley £'m	Saving for Havering £'m	Saving for Newham £'m
Audit, Risk, Insurance & Fraud	(0.177)	(0.060)	(0.081)	(0.036)
Procurement (incl strategic)	(0.036)	(0.000)	(0.013)	(0.023)
Corporate/Strategic/ Operational Finance	(0.344)	(0.170)	(0.042)	(0.132)
ICT / Business Systems	(0.383)	(0.000)	(0.158)	(0.225)
NNDR	(0.011)	(0.000)	(0.004)	(0.007)
Transactional	(0.235)	(0.090)	(0.038)	(0.107)
Debt Management/Recovery	(0.068)	(0.000)	(0.037)	(0.030)
Benefits - Havering	(0.042)	(0.000)	(0.042)	(0.000)
Council Tax - Havering	(0.029)	(0.000)	(0.029)	(0.000)
Legal	(0.081)	(0.000)	(0.030)	(0.051)
Facilities management	(0.034)	(0.000)	(0.012)	(0.021)
Health & Safety	(0.111)	(0.000)	(0.055)	(0.056)
Property	(0.034)	(0.000)	(0.013)	(0.022)
Post Room	(0.027)	(0.000)	(0.010)	(0.017)
Directors Support	(0.006)	(0.000)	(0.002)	(0.004)
Human Resources & Organisational Development	(0.102)	(0.000)	(0.026)	(0.075)
Business Services	(0.031)	(0.000)	(0.058)	0.028
<b>Total</b>	<b>(1.752)</b>	<b>(0.320)</b>	<b>(0.630)</b>	<b>(0.824)</b>

### **Breakdown by Service – oneSource Shared**

Appendix A to this report provides the split of the 2017/2018 oneSource shared budget by service.

### **Reserves**

In previous years where oneSource has underspent a reserve has been set up in the respective Council to hold this balance to fund future year financial pressures or to be utilised as an invest to save funding stream. After year end adjustments for 2016/2017 it is expected the reserve will have a balance of £0.763m as set out below.

*Table 5 – oneSource Shared Reserve for 2017/2018*

	Balance £'m	Funded by Havering £'m	Funded by Newham £'m
Closing Balance 2015/2016	1.867	1.189	0.679
Estimated Used in 2016/2017	(1.034)	(0.526)	(0.508)
Forecast Closing Balance 2016/2017	0.834	0.663	0.171

The estimated use in 2016/2017 includes the forecast overspend as reported for month eleven and funding to support incurred expenditure in respect of finance transformation, business improvement and IT services.

### **Base Budget 2017/2018 – oneSource non Shared**

The closing budget for the 2016/2017 financial year for oneSource non shared services is £17.593 Taking into account non recurrent funding, growth and savings previously agreed for 2017/2018 this reduces the budget by £1.504m to provide an opening budget of £16.089m for the 2017/2018 financial year. The summarised position is set out in the table below:

*Table 6 - oneSource non Shared Budget Opening Budget (3 councils combined)*

	Income £'m	Expenditure £'m	Net Income/ Expenditure £'m
Closing Budget 2016/2017	(512.642)	530.235	17.593
Removal of One Off Funding		(1.913)	(1.913)
Additional Growth		1.286	1.286
Removal of Savings	(0.570)	(0.307)	(0.877)
Opening Budget 2017/2018	(513.212)	529.301	16.089

The table above shows the total oneSource non-shared budgets combined. However, it should be noted that these budgets are not part of the cost-sharing arrangement. All three councils' budgets have been combined within the above table to provide information regarding the size of the non-shared budgets for which oneSource managers are responsible outside of/over and above the oneSource cost sharing arrangement resources.

The tables below summaries the movement in budget by Council.

*Table 7a - oneSource non Shared Budget for Bexley Opening Budget*

	Income £'m	Expenditure £'m	Net Income/ Expenditure £'m
Closing Budget 2016/2017	(101.665)	106.195	4.530
Removal of One Off Funding		0.000	0.000
Additional Growth		0.126	0.126
Removal of Savings		(0.097)	(0.097)
Opening Budget 2017/2018	(101.665)	106.224	4.559

*Table 7b - oneSource non Shared Budget for Havering Opening Budget*

	Income £'m	Expenditure £'m	Net Income/ Expenditure £'m
Closing Budget 2016/2017	(85.745)	87.820	2.075
Removal of One Off Funding		(1.603)	(1.603)
Additional Growth		0.760	0.760
Removal of Savings	(0.236)	(0.070)	(0.306)
Opening Budget 2017/2018	(85.981)	86.907	0.926

*Table 7c - oneSource non Shared Budget for Newham Opening Budget*

	Income £'m	Expenditure £'m	Net Income/ Expenditure £'m
Closing Budget 2016/2017	(325.232)	336.220	10.988
Removal of One Off Funding		(0.310)	(0.310)
Additional Growth		0.400	0.400
Removal of Savings	(0.334)	(0.140)	(0.474)
Opening Budget 2017/2018	(325.566)	336.170	10.604

Note – this doesn't include the apportionment of Newham 2020 savings or the Newham vacancy factor savings which are due to be allocated across Newham budgets in 2017/18.

### **One Off Funding – oneSource non Shared**

The one off funding for each of the boroughs relates to transfers from reserves which have taken place throughout 2016/17 for a variety of reasons such as; funding of demountable

buildings, Oracle Cloud exploration costs, terms and conditions review staffing costs and emergency assistance scheme funding.

### **Growth – oneSource non Shared**

Growth has been agreed in all three councils for a number of reasons including pay inflation and contract inflation.

### **Savings – oneSource non Shared**

Each of the authorities have tasked oneSource non-shared with savings targets. These are set out below:

Bexley:

- Pension deficit savings relating to early retirement £8k
- Capital contract saving £89k

Havering

- Stubbers County Park saving £70k
- Commercial Property income £236k

Newham

- HR contract saving £10k
- Commercial Property income £333k
- Depot Review £130k

### **Breakdown by Service – oneSource Shared**

Appendix B, C and D provide the information cited above at service level.

## **REASONS AND OPTIONS**

The oneSource budget is developed from the three partner Councils revenue budgets which have already been agreed by full Council for each of the respective of the partners. The content of this report is for noting by the committee and is consolidating the oneSource budget from that held by the respective Councils.

### **Reasons for the decision:**

Not applicable.

### **Other options considered:**

Not applicable.



## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

The financial position of oneSource for both shared and non shared has a direct bearing on the financial position of Bexley, Havering and Newham Councils; with any overspends being shared as set out in the Joint Committee agreement. Delivering of oneSource services within the set budget is therefore vital to each council meeting their Financial Strategy.

Robust financial management processes are in place across oneSource and the financial performance against the set budget will be monitored through the Joint Committee inline with current practice.

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

There are no immediate legal implications arising from this report.

### **Human Resources implications and risks:**

There are no immediate HR implications arising from this report.

### **Equalities implications and risks:**

There are no equalities implications arising from this report.

## **BACKGROUND PAPERS**

oneSource Joint Committee Agreement