

**ONESOURCE  
JOINT COMMITTEE  
28 July 2017**

**Subject heading:**

**OneSource 2016-17 Outturn  
Position and 2017-18 Early  
Indications**

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**Financial summary:**

**The overall oneSource shared  
2016-16 outturn position shows an  
underspend of (£0.080m).**

**The Havering, Newham and Bexley non  
shared outturn positions are an  
underspend of (£1.3m), an overspend  
of £1.4m and an underspend of  
(£0.560m) respectively.**

**Early indications show a forecasted  
oneSource shared 2017-18 overspend  
of £2.3m.**

**The Havering, Newham and Bexley non  
shared forecasted 2017-18 positions  
are (£0.038), £3.5m and nil variance  
respectively.**

**Is this a Key Decision?**

**No**

**SUMMARY**

**Outturn**

The overall oneSource shared outturn position shows an underspend of £0.080m, split between Havering, Newham and Bexley as follows; (£0.195m) to Havering, £0.045m to Newham and £0.070m to Bexley. The Havering underspend was transferred to its oneSource reserve held on the balance sheet. Newham met its pressure by transferring in funding from its oneSource reserve (funded by prior years' underspends). Bexley's overspend was offset by underspends elsewhere in the council.

The non-shared areas closed with the following variances:- Havering non-shared (£1.3m), Newham non-shared £1.4m and Bexley non-shared (£0.560).

### **Early Indications**

The period 3 forecasted outturn position for oneSource shared is £2.3m overspend largely due to growth in demand for ICT services. This pressure is split between Havering, Newham and Bexley as follows; £1.044m to Havering, £1.092m to Newham and £0.190m to Bexley.

The period 3 forecasted outturn position for oneSource non-shared areas are as follows:- Havering non-shared (£0.038m), Newham £3.5m and Bexley nil variance.

## **RECOMMENDATIONS**

The Joint Committee is asked to: -

- note the 2016-17 oneSource outturn position;
- note the early indications derived from the 2017/18 period 3 forecasted position;
- note the transfer out Exchequer Services from Newham non-shared to Newham's Communities directorate.

## **REPORT DETAIL**

### **Background**

OneSource shared areas are funded by Havering, Newham and Bexley Councils in order to deliver shared back office support services. The joint working is set to realise £12.6m of savings in the period up to 2018/19.

Savings of £9.5m for 2016/17 (since inception in 2014/15) have been delivered, as demonstrated in the outturn position. £1.6m of additional savings are anticipated to be delivered in 2017/18 on top of the £9.5m achieved to date.

OneSource is also responsible for the management of non-shared areas within each council, including the delivery of a large number of savings within the non-shared budgets (for example lettings income generation) and across the wider councils (for example Terms and Conditions reviews).

The 2016/17 financial position set out in this report is provisional and subject to the external audit process within each Council. No adjustments are anticipated.

The early indications forecasted at Period 3 are inclusive of additional savings loaded into budget as part of 2017/18 budget development for delivery by oneSource. These include an increase in the oneSource shared savings targets of £1.6m and an increase in savings of the non-shared areas as follows:- Havering (£0.328m), Newham (£0.512m) and Bexley (£0.097m).

## **OneSource 2016-17 Outturn Position**

### **Shared**

The 2016/17 total oneSource controllable outturn position shows an underspend of £0.080m. This is analysed by service in Appendix 1. The underspend is split between Havering, Newham and Bexley in the following amounts; Havering (£0.195m), Newham £0.045m and Bexley £0.070m.

The Havering underspend was transferred into their oneSource reserve at year end for use in future years. The Newham overspend was met via a transfer from their oneSource reserve which was created from past year underspends being transferred to the balance sheet. The Bexley overspend was met by underspends elsewhere in the council. A summary of the reserve position of each council is set out within the report.

The main variances within shared related to pressures on the legal services team which resulted in an over-establishment of posts and corresponding overspend on staffing. This has been addressed for the new financial year with Havering and Newham councils both recognising the need to provide additional funding for Legal Service in 2017/18. Exchequer and Transactional Services also closed with a pressure. This related to the Transactional Services restructure not being implemented until part way through the year. These overspends were offset by a mixture of one-off and ongoing underspends within Procurement and Business Services. Procurement accrued for some income relating to previous years as part of closedown processes which gave rise to one-off income. The Business Services area closed with an on-going underspend relating to over-achievement of savings against original business case; this over-achievement is planned to help offset increases in savings in subsequent years.

### **Havering non-shared**

The 2016/17 outturn for Havering non-shared is an underspend of (£1.3m). This is analysed by service in Appendix 2.

The underspends within the Havering non-shared outturn relate to the overachievement of income relating to; commercial property income, housing benefits overpayments and court fee income. Additional savings have been loaded into the budget relating to commercial property income for 2017/18. The underspends within Exchequer services have not been profiled into the budget for 2017/18 – Housing Benefit is a complex and volatile area involving material amounts of money, small percentage changes in overall activity can result in large swings in income and expenditure.

### **Newham non-shared**

The 2016/17 outturn for Newham non-shared is an overspend of £1.4m This is analysed by service in Appendix 3.

The overspend within Newham's non-shared Asset Management services relates to a shortfall on lettings income, savings targets which were previously part of oneSource shared and overspent buildings budgets (repairs and maintenance, cleaning and council tax). A paper has been submitted to the Newham S151 Officer giving a more detailed explanation of the reason for the variance and the movements between outturn and forecast with a view to getting the structural instabilities within the budgets addressed for 2017/18. The Asset Management pressure was offset in part by underspends within the Exchequer Services area relating to housing benefit subsidy and the debt arrears team (due to difficulties recruiting).

As of period three 2017/18, Newham benefits and council tax services have moved out of Newham oneSource non-shared to Newham's Communities directorate and so will no longer form part of the overall non-shared reporting position. It is not included in the early indications figures contained within this report.

### **Bexley non-shared**

The 2016/17 outturn for Bexley non-shared in an underspend of £0.560m. This is analysed by service in Appendix 4.

The Bexley non-shared underspend related to the exchequer services area. A year end review of the Housing Benefit bad debt provision requirement found that the amount needed was less than the budget available; this combined within some year end grant income contributed towards the underspend. The bad debt provision will be reviewed and forecasted

regularly/throughout the year in 2017/18 to mitigate the possibility of year end movements between forecast and outturn.

**Summary of shared and non-shared positions of each of the three councils:**

A summary position of the shared and non-shared positions (controllable subjectives only; pre transfer to/from reserves) for each council is included in the table below:

	Havering £m	Newham £m	Bexley £m	Total £m
Shared £m	(£0.195)	£0.045	£0.070	(£0.080)
Non-shared £m	(£1.3m)	£1.400	(£0.560)	(£0.460)
Total £m	(£1.495)	£1.445	(£0.490)	(£0.540)

The budget, spend and outturn figures included within Appendix 1, 2, 3 and 4 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.

**oneSource shared reserve, savings and previous years outturn positions:**

The table below gives a snap shot of the outturn and split/reserve movements since 2014/15:

	2014/15 £m		2015/16 £m		2016/17 £m	
Outturn	(£1.3m)		(£0.560)		(£0.080)	
Movement to Reserve	LBH	LBN	LBH	LBN	LBH	LBN
	(0.500)	(0.800)	(0.535)	(0.025)	(0.195)	0.045

Note the table above shows the figures for the services which were within oneSource shared in that year; the figures have not been retrospectively adjusted to reflect the revised amounts post the transfer out of democratic services, Newham council tax and Havering and Newham education capital and technical services.

The table above shows that as the savings have increased year on year the outturn variance has come under increasing pressure, however, oneSource has managed to deliver each year's savings successfully and has provided one-off funding to support other projects via transfer of its underspends into council reserves such as 1Oracle implementation.

The oneSource reserve for Havering currently stands at £1.058m. The Newham reserve was exhausted at the end of last financial year. Bexley do not have a oneSource reserve as 16/17 was the first year that it was part of oneSource.

oneSource shared is in a good position to be able to deliver the 2017/18 increase in savings because all the major restructures of services are now completed and have been designed to meet the future years savings targets. However, early indications from period three demonstrate that increase in demands for ICT services which have not yet been funded are currently causing a projected overspend.

## **Early Indications**

### **Shared**

The 2017/18 oneSource shared controllable forecasted outturn position at period 3 suggests a projected overspend of £2.3m. This is analysed by service in Appendix 5. The pressure is split between Havering, Newham and Bexley in the following amounts; Havering £1.044m, Newham £1.092m and Bexley £0.190m.

The main variances within shared relate to growth in the demand for ICT services at Havering and Newham. The service are experiencing pressures relating to datawarehouse support, CRM support, increased ICT security and compliance requirements and ICT business partnering posts as well as an inability to deliver on previously agreed savings targets which were predicated on the implementation of Oracle Cloud. The ICT service supported by finance are in the process of drafting reports for circulation and consideration at both councils outlining the need for additional funding on an ongoing basis. The Bexley variance relates to the pressures forecasted within the finance service due to agency staff and a shortfall against income target within enforcement (£95k). It should be noted that the enforcement and finance forecast is expected to improve over the coming months following management intervention and actions.

### **Havering non-shared**

The forecasted period three 2017/18 outturn for Havering non-shared is a projected underspend of (£0.039m). This is analysed by service in Appendix 6.

There are forecasted pressures within Asset Management which relate to the savings targets of the previously shared Education Capital Team and Technical Services team. There is also a forecasted pressure within the ICT service relating to the 1Oracle budget; part of this budget was funded on a temporary basis in previous years on the assumption that savings would be made once Havering moved to Cloud, however, this isn't happening in 2017/18. This is being picked up as part of the aforementioned growth bid which is seeking funding to meet pressures within both shared and non-shared ICT areas. Pressures within these two areas are offset by positive performance relating to income collection within Exchequer Services' court fee and housing benefit overpayment areas.

### **Newham non-shared**

The forecasted period three 2017/18 outturn for Newham non-shared is a projected overspend of £3.5m This is analysed by service in Appendix 7.

The majority of the overspend relates to the Asset Management service. This is a continuation of the structural pressures which contributed towards the 2016/17 £3.2m outturn variance and included pressures relating to lettings income, building's expenditure budgets and previously shared savings targets. A new pressure has emerged in 2017/18 relating to the discontinuation of recharging above cost to capital schemes, which is due to be discussed with the S151 Officers at their meeting in August 2017.

### **Bexley non-shared**

The forecasted period three 2017/18 outturn for Bexley non-shared in a projected balanced budget. This is analysed by service in Appendix 8.

### **Summary of shared and non-shared positions of each of the three councils:**

A summary position of the shared and non-shared positions (controllable subjectives only; pre transfer to/from reserves) for each council is included in the table below:

	Havering £m	Newham £m	Bexley £m	Total £m
Shared £m	£1.044	£1.092	£0.190	£2.326

Non-shared £m	(£0.039)	£3.545	£0	£3.506
Total £m	£1.005	£4.637	£0.190	£5.832

The budget, spend and outturn figures included within Appendix 5, 6, 7 and 8 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.

## **IMPLICATIONS AND RISKS**

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

The oneSource position will be reflected in each borough's Statement of Accounts in accordance with the provisions set out in the Joint Committee Agreement.

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

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

This report provides outturn details for oneSource in 2014/15. It is consistent with good administration for the Joint Committee to monitor information in relation to the plans and budgets it has adopted.

Section 3 of the Local Government Act 1999 requires the Councils as best value authorities to make arrangements to secure continuous improvement in the way in which their functions are exercised having regard to a combination of economy, efficiency and effectiveness. Monitoring of performance and budgets is an important way in which that obligation can be fulfilled.

The Councils are required by Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. The Section 151 officers have established financial procedures to ensure the Councils' proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for members to receive information about budget outturns and the financial progress of oneSource.



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**

None