

## HAVERING AND NEWHAM SHARED BACK OFFICE SUPPORT SERVICE

<b>JOINT COMMITTEE</b>	<b>26<sup>th</sup> June 2015</b>
<b>Subject heading:</b>	<b>OneSource 2014-15 Outturn Position</b>
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<b>Financial summary:</b>	<b>The overall oneSource 2014-15 outturn position shows an underspend of £1,291k</b>
<b>Is this a Key Decision?</b>	<b>No</b>

### SUMMARY

The overall oneSource outturn position shows an underspend of £1,291k. This has been agreed to be carried forward to 2015/16 by the respective Councils.

The underspend is a mixture of one off and ongoing variances, with the bulk relating to staffing areas. These are either as a result of the early achievement of transformation savings or vacancies being held pending the transformation reviews. It is envisaged that these vacancies will be realised to contribute to the challenging future oneSource savings targets. The other key element of the underspend relates to the investment budget, created to aid the implementation of oneSource. This will be required to support the ongoing service review and development programme.

## RECOMMENDATIONS

The Joint Committee is asked to: -

- note the 2014-15 oneSource outturn position;
- approve the change to the oneSource service portfolio.

## 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 £10.6m of savings in the period up to 2018/19.

Savings of £4.1m for 2014/15 have been delivered, as demonstrated in the outturn position. £3.7m of additional savings are anticipated to be delivered in 2015/16.

The 2014/15 financial position set out in this report is provisional and subject to the external audit process within each Council. This will conclude by the 30<sup>th</sup> September 2015. No adjustments are anticipated.

### OneSource 2014-15 Outturn Position

The 2014/15 total oneSource controllable outturn position shows an underspend of £1,291k. This is analysed by service and activity in the table below.

## OneSource Financial Position – Outturn 2014/15

REVISED CONTROLLABLE BUDGET						
SERVICE	EXPENDITURE	INCOME	NET	YTD ACTUALS	FY OUTTURN VARIANCE	REASON FOR FY PROJECTED OUTTURN VARIANCE
Finance	10,520,862	(1,728,950)	8,791,912	8,009,441	(782,471)	<p>There are favourable variances in finance due to staff vacancies. These are being held and otherwise managed to support the ongoing service reviews. Further salary savings were also achieved through the early delivery of the integrated procurement team.</p> <p>In addition grant funding was received to deliver audit initiatives and fraud income was higher than anticipated.</p>
Audit, Risk, Insurance & Fraud	2,961,380	(774,120)	2,187,260	1,767,056	(420,204)	Underspend on salaries due to vacancies held pending the transformational review. This is combined with grant funding received for audit initiatives and additional fraud income.
Corporate & Operational Finance	6,019,822	(599,570)	5,420,252	5,202,127	(218,125)	Underspend on salaries due to vacancies pending the transformational review of finance.
Procurement	1,539,660	(355,260)	1,184,400	1,040,258	(144,142)	Underspend due to the early delivery of the integrated procurement team.

SERVICE	EXPENDITURE	INCOME	NET	YTD ACTUALS	FY OUTTURN VARIANCE	REASON FOR FY PROJECTED OUTTURN VARIANCE
Business Services	2,593,510	(790,640)	1,802,870	1,361,013	(441,857)	Underspend against investment budget. Some of the investment required was able to be funded from service budgets. Salary savings in business improvement due to delay in recruiting to posts.
Exchequer & Transactional Services	19,455,819	(1,500,777)	17,955,042	17,246,926	(708,116)	Exchequer and Transactional Services underspend is due to vacancy management pending service reviews and over achievement of income – including the establishment of the new bailiff service.
Benefits	935,180	0	935,180	1,026,004	90,824	Additional external Benefits processing support to manage workload peaks and system development consultancy.
Council Tax	10,251,040	(28,300)	10,222,740	10,092,077	(130,663)	Variance mainly due to vacancy management pending the full service review.
Debt Management & Recovery	1,566,260	(1,265,010)	301,250	(25,992)	(327,242)	Variance from the recovery of bailiff fees, due to new legislation and guidance on fee charges.
NNDR	562,060	(13,800)	548,260	562,856	14,596	Minor overspend.

SERVICE	EXPENDITURE	INCOME	NET	YTD ACTUALS	FY OUTTURN VARIANCE	REASON FOR FY PROJECTED OUTTURN VARIANCE
Transactional Services	5,255,809	(193,667)	5,062,142	4,759,292	<b>(302,850)</b>	Variance due to vacancy management pending full service review and an increase in income for Payroll services.
Exchequer & Transactional Management	885,470	0	885,470	832,689	<b>(52,781)</b>	Staffing underspends.
<b>Legal &amp; Governance</b>	<b>5,347,145</b>	<b>(684,250)</b>	<b>4,662,895</b>	<b>4,957,212</b>	<b>294,317</b>	<b>Total overspend due to the deferral of Legal Services restructure, offset by a minor staffing underspend due to vacancies.</b>
Democratic & Electoral Services	1,894,250	(61,740)	1,832,510	1,791,776	<b>(40,734)</b>	Underspend due to vacancies in Member Services and Committee Services.
Legal	3,452,895	(622,510)	2,830,385	3,165,437	<b>335,052</b>	Pressure due to deferral of the Legal Services restructure.
<b>ICT Services</b>	<b>14,102,660</b>	<b>(4,102,140)</b>	<b>10,000,520</b>	<b>10,091,725</b>	<b>91,205</b>	<b>The variance was caused by the absorption of costs in supporting the development of the oneSource aspects of the Delphi project.</b>

SERVICE	EXPENDITURE	INCOME	NET	YTD ACTUALS	FY OUTTURN VARIANCE	REASON FOR FY PROJECTED OUTTURN VARIANCE
Asset Management Services	5,504,299	(3,963,640)	1,540,659	1,979,616	438,957	Underspends/income management have helped to offset the majority of the oneSource efficiency target pending completion of the final service transformation and related restructures. The remaining pressure results from an underachievement of fee income within Property Services.
Facilities Management	1,524,430	(98,600)	1,425,830	1,348,765	(77,065)	Underspend on salaries due to vacancies held pending conclusion of the transformational review of facilities management.
Technical Services	319,950	(1,926,900)	(1,606,950)	(1,467,879)	139,071	Delay in achieving savings target prior to the conclusion and implementation of the transformational review.
Management of School Capital	863,490	(631,150)	232,340	346,293	113,953	Delay in achieving savings target prior to the conclusion and implementation of the transformational review.
Property	808,130	(920,230)	(112,100)	180,335	292,435	An underachievement of fee income within Property Services, due to the nature of work undertaken in year. This was partially offset by salary underspends.
Health & Safety	916,169	(110,020)	806,149	697,772	(108,377)	Largely vacancies, including 3rd tier manager post vacant for half the year.

SERVICE	EXPENDITURE	INCOME	NET	YTD ACTUALS	FY OUTTURN VARIANCE	REASON FOR FY PROJECTED OUTTURN VARIANCE
Asset Management Support	1,072,130	(276,740)	795,390	874,330	<b>78,940</b>	Delay in achieving savings target prior to the conclusion and implementation of the transformational review.
Post Room	<b>1,273,500</b>	<b>(313,700)</b>	<b>959,800</b>	<b>847,191</b>	<b>(112,609)</b>	<b>Additional printing income.</b>
Strategic & Operational HR	3,440,279	(118,439)	3,321,840	3,251,481	(70,359)	Salary underspends.
<b>TOTAL</b>	<b>62,238,074</b>	<b>(13,202,536)</b>	<b>49,035,538</b>	<b>47,744,604</b>	<b>(1,290,934)</b>	<b>The overall oneSource forecast variance is due to salary underspending and the receipt of additional income within Finance and Exchequer &amp; Transactional Services, as well as an underspend on the oneSource growth budget. This is partially offset by a delay in achieving the full year savings targets in Legal &amp; Governance and Asset Management and the absorption of Delphi project costs within ICT Services.</b>

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: -

Subjective Description	Amount £'000	Percentage	Comments
<b>Total oneSource 2014-15 Expenditure</b>	<b>47,744</b>		
<b>GROSS EXPENDITURE</b>	<b>69,505</b>	<b>100%</b>	
Salaries	44,429	63.92%	
Agency	6,781	9.76%	
Redundancy and Pension Costs	530	0.76%	
Staff Recruitment and Development	237	0.34%	
Premises Management	259	0.37%	Rents, rates, utilities, maintenance etc.
Transport	198	0.28%	Vehicle hire and travel allowances
ICT	7,478	10.76%	Hardware, software, licences, internet, phone costs etc.
Printing and Photocopying	1,418	2.04%	Printing and leasing costs including printing of Council Tax bills/letters, committee reports and payslips
Postage and Courier Services	1,655	2.38%	
Equipment - Purchase/Hire/Maintenance	788	1.13%	
Payments to Other Local Authorities	2,396	3.45%	Year end adjustments between Havering & Newham - broadly nets off with Payment from Other Local Authorities below
Private Contractor Payments	999	1.44%	IT disaster recovery, allpay, IT networking, Virgin Media, LPFA
Consultancy and Legal Fees	577	0.83%	Support to Procurement system, Legacy system hosting, top up benefit processing
Bank Charges	112	0.16%	
Books, Publications, Stationery & Resources	435	0.63%	
Miscellaneous Expenses	678	0.98%	Various including election canvassers & ICT consumables
Grants and Contributions	117	0.17%	Fees and subscriptions
Other Costs	418	0.60%	
<b>GROSS INCOME</b>	<b>(21,761)</b>	<b>100%</b>	
Internal recharges	(3,055)	14.0%	Charges for internal services commissioned directly by service departments e.g. Postage, Mobile Phones, Technical Series, Land and Property etc.
Legal Income	(387)	1.8%	Income recouped by legal from courts and clients they represent for their services
Contributions from Other Local Authorities	(2,505)	11.5%	Year end adjustments between Havering & Newham - broadly nets off against Payment to Other Local Authorities above
Recharges to External Bodies Including Joint Committees	(3,285)	15.1%	IT income from other boroughs and organisations, plus income re various services provided to other organisations
Government Grants	(317)	1.5%	Social Housing fraud grant and electoral registration maximisation grant
Other Income	(2,016)	9.3%	Bailiff fee income plus various other Sales, Fees and Charges income
Recharges	(10,196)	46.9%	Recharge 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 (£48m) are 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 ongoing variances, with the bulk of the underspend relating to staffing areas. These are either as a result of the early achievement of transformation savings or vacancies being held pending the transformation reviews. It is envisaged that these vacancies will be realised to contribute to the challenging future transformation savings targets. The other key element of the underspend relates to the investment budget, created to aid the implementation of oneSource. This will be required to support the ongoing service review and development programme.

### **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 significant service and financial challenges anticipated over the coming year. It will also support the implementation of the One Oracle system, specifically in terms of ensuring the solution facilitates joint working between the partner boroughs and other potential customers. The delay in system implementation puts significant pressure on the achievement of savings, by making it more difficult to fully merge teams and realise operational efficiencies. The carry forward will also help to support any necessary transitional arrangements until recommendations from the emerging service reviews can be fully implemented.

### **Movement from Period 9 Forecast**

At period 9 an underspend of (£125k) was forecast. A summary of the movement to the outturn position is set out below: -

Description	Amount £'000	Comments
<b>2014/15 Period 9 Forecast Outturn</b>	<b>(125)</b>	As reported to the Joint Committee 13-2-15
<b>oneSource Budget Adjustments</b>		
Pension Backfunding	(417)	Additional funding for the increase in Newham pension backfunding contributions
Agency Worker Pension Backfunding Contribution	(120)	Additional funding for the agency worker contribution to the Havering corporate pension backfunding liability
Alignment of processes and practices between Councils	(197)	Bailiff service core funding adjustment and review of saving assumptions to ensure consistent treatment
Development Expenditure	(442)	Development expenditure deferred to fund future projects as they arise from the service review programme and specifically the oneSource implications of One Oracle
Electoral Grant Carry Forward	147	Carry forward of unspent Electoral grant
Other Miscellaneous Movements	(137)	Other net movements as referred to in the outturn variance narrative.
<b>2014/15 Final Outturn</b>	<b>(1,291)</b>	

Many of these items have been as a result of corporate decisions within each Council that have had a consequential effect on oneSource and the business case assumptions. For example an increase in the corporate contribution to the respective pension deficits means additional payroll charges. Without equivalent funding this would lead to a significant budget pressure and put the achievement of the oneSource savings at risk.

The other adjustments largely relate to the ongoing alignment of processes and practices between the Councils. This will be supported by the service review currently in progress, although the implications are expected to decrease as the more significant and higher priority areas are addressed.

Many of the above items were known about as issues at period 9, but were not included in the forecast until they had been fully investigated and an appropriate decision made about their treatment.

## **Change to the oneSource Service Portfolio**

The Pension Administration costs of both authorities have now been reclassified as non shared oneSource activities. This is because the services are charged directly to the respective Council's pension fund and are therefore, not appropriate to be shared through the agreed business case methodology. This adjustment is reflected in the information contained within this report.

### **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. The relevant proportion of the underspend will then be carried forward by each borough and made available for use by oneSource in 2015/16.

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**

- OneSource Joint Committee Agreement
- OneSource Business Case
- Joint Committee 13<sup>th</sup> February 2015 - OneSource forecast financial position as at December 2014