

HAVERING AND NEWHAM SHARED BACK OFFICE SUPPORT SERVICE

JOINT COMMITTEE

23rd October 2015

Subject heading:

oneSource forecast financial position as at August 2015.

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Financial summary:

The oneSource financial forecast shows a projected overspend of £898k as at August 2015, period 5.

Is this a Key Decision?

No

SUMMARY

oneSource has a number of key performance indicators (KPIs) in place for 2015/16. These have direct financial and service implications for the Councils:

- oKPI 1 - Customer satisfaction with oneSource services;
- oKPI 2 – Savings achieved (budget monitoring);
- oKPI 3 – Percentage of Council Tax collected;
- oKPI 4 - Percentage of National Non-Domestic Rates (NNDR) collected.

This report deals with oKPI 2 – 4, with oKPI 1 being reported separately elsewhere on the meeting agenda.

The oneSource forecast financial position shows a projected overspend of £898k as at August 2015, period 5. The overspend will be met from the 2014/15 underspend carry forward and is in the context of savings targets of £4.1m for 2014/15 and £3.7m for 2015/16.

Performance is detailed in appendices A and B.

RECOMMENDATIONS

The Joint Committee is asked to note the: -

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

REPORT DETAIL

OneSource KPIs

oneSource has a number of key performance indicators (KPIs) in place for 2015/16 as a measure of the service provided to customers.

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. There are four corporate oneSource KPIs which are detailed below.

oKPI 2 – Savings achieved (budget monitoring)

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.

August 2015 Financial Position

The oneSource forecast financial position shows a projected overspend of £898k. This is largely due to delays in implementing service review recommendations and associated service restructures.

The suspension of the Delphi programme (One Oracle implementation in Newham) has also significantly contributed to the delay, especially in relation to Finance, Exchequer and Transactional Services and Strategic and Operational HR. These services are showing a combined pressure in the region of £700k. This cannot be fully realised until processes can be aligned and rationalised, allowing reductions in staffing requirements. Savings in management costs have been made where possible as have other one-off savings.

Ongoing management action is in place to hold non-essential vacancies and delay other non-essential expenditure. Directors and managers are also continuing to review their budgets to identify further savings opportunities and realise any service review recommendations as soon as possible.

In Democratic Services, Technical Services and Schools Asset Management there is ongoing consideration of the best service delivery model; whether within oneSource and shared or otherwise. This is being explored between the Councils, but the uncertainty is delaying the ability to deliver associated savings in these areas that were assumed in the Business Case and therefore, the relevant budgets.

Meeting the future oneSource savings targets is deemed to be very challenging, but achievable in 2016/17 and beyond. It is expected that a significant proportion of the 2014/15 over achievement of savings carried forward will be required to support the anticipated savings slippage. The achievement of any additional savings targets required by the Councils will need detailed planning and a thorough understanding of the likely service implications.

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

oKPI 3 – Percentage of Council Tax collected

This KPI is monitored separately for each council and has direct revenue consequences for each organisations funding.

For the London Borough of Havering, performance during the current year was anticipated to fall slightly due to the introduction of the 15% minimum contribution for those in receipt of council tax support. This was coupled with the first increase in council tax in six years. However the rate of collection throughout the first six months of the year has remained comparable to that achieved over the same period last year and is slightly ahead as at the end of September, at 58.40%.

The collection rate for the London Borough of Newham has surpassed 2014/15's rate every month this year. The authority has achieved an outturn of 52.79% in September, an increase of 0.54% compared to last year.

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

This KPI is monitored separately for each council and has direct revenue consequences for each organisations funding.

For the London Borough of Havering, collection of NNDR is ahead of the same point last year and ahead of its profiled target of 59.09%.

NNDR collection has performed slightly lower at a rate of 60.29% for the London Borough of Newham in comparison to the collection rate of 61.77% for the same period last year. The recent inclusion of Olympic stadium, for which payments are not due until October 2015, has increased the overall collectible debit and therefore to some degree has distorted the collection rate.

For both Authorities, the number of ratepayers electing to pay their rates over 12 months has significantly increased, which affects the collection profile when measured against previous years.

Detailed KPI 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.

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 August 2015, period 5.

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 Financial Position - Period 5 August 2015

Appendix A

SERVICE	REVISED CONTROLLABLE BUDGET			YTD ACTUALS	YTD ENCUMBRANCES	ACTUALS + ENCUMBRANCES	FY PROJECTED OUTTURN	FY PROJECTED OUTTURN VARIANCE	REASON FOR FY PROJECTED OUTTURN VARIANCE
	EXPENDITURE	INCOME	NET						
Finance oneSource	8,957,386	(1,478,160)	7,479,226	3,499,604	48,712	3,548,316	7,604,225	124,999	The P5 variance is due to slippage on the review within Finance, offset to an extent by vacancies. This is largely as a result of the delay in implementing One Oracle within Newham.
Business Services	2,029,590	(426,000)	1,603,590	555,003	0	555,003	1,423,914	(179,676)	£100k relates to an underspend of the invest to save budget. The remainder relates to staffing.
Exchequer & Transactional Services	19,392,423	(1,880,707)	17,511,716	6,829,879	1,708	6,831,586	17,897,258	385,542	Variance for Period 5 is due to the delay in the one oracle implementation and service review.
Legal & Governance	5,102,109	(678,440)	4,423,669	1,878,382	41,626	1,920,009	4,558,359	134,690	Forecasted pressure represents slippage in implementing the new structure offset in part by vacancies. The position is also effected by the ongoing review of the most appropriate service delivery model for Democratic Services.
ICT Services	12,864,310	(4,725,930)	8,138,380	5,089,948	71,186	5,161,134	8,138,380	(0)	ICT is forecasting a balanced budget for 2015/16 including delivery against all agreed savings targets.
Asset Management Services	5,515,606	(3,754,890)	1,760,716	3,050,921	15,912	3,066,834	2,014,229	253,513	Pressures from the delay in implementing the transformation review recommendations and the ongoing exploration of the most appropriate service delivery method for Technical Services and Schools Asset Management within each council.
Strategic & Operational HR	3,190,764	(116,099)	3,074,665	1,340,223	32,229	1,372,452	3,253,816	179,151	Savings target for 2015/16 will not be achieved as restructure delayed until 2016 due to council corporate priorities and the delay in the One Oracle implementation.
TOTAL	57,052,188	(13,060,226)	43,991,962	22,243,960	211,373	22,455,333	44,890,181	898,219	

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.

The reported variance excludes the oneSource development grant and the reserve funded by the 14/15 underspend.

Newham

64%

573,098

Havering

36%

325,121

Period 5 forecast of £898k pressure is due to delays in implementing service review recommendations, which are not fully off-set by staffing vacancies. The underspend within Business Services largely reflects an underspend in the invest to save budget and staffing. Any overspend at year end will be met from the oneSource reserve (funded by the 14/15 underspend and development grant).

Appendix B - oneSource KPI figures for 2015/16

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	Indicator	Value	Data collection Frequency	Council	2014/15 YTD	2014/15 Annual Performance	2015/16 Annual Target	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	DoT
oKPI3	Percentage of NNDR collected	Bigger is Better	Monthly	LB Havering	57.64%	98.00%	98.00%	9.43%	22.28%	32.84%	41.99%	51.59%	59.51%	↑
				LB Newham	61.88%	99.80%	99.80%	12.84%	23.44%	33.84%	43.77%	51.68%	60.29%	↓
oKPI4	Percentage of Council Tax collected	Bigger is Better	Monthly	LB Havering	58.39%	97.17%	96.70%	12.74%	21.96%	30.99%	40.37%	49.16%	58.40%	↑
				LB Newham	52.25%	93.95%	94.00%	12.28%	20.76%	29.02%	37.18%	44.54%	52.79%	↑

RAG Rating		Direction of Travel (DOT)	
Green	On or within 1% of the annual target	↑	Performance is better than last year
Amber	More than 1% off the annual target and where performance has <i>improved or been maintained</i> compared to last year	→	Performance is the same as last year
Red	More than 1% off the annual target and where performance has <i>not improved</i> compared to last year	↓	Performance is worse than last year