

ONESOURCE JOINT COMMITTEE

22 January 2016

Subject heading:

oneSource forecast financial position as at November 2015.

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Financial summary:

The oneSource Shared financial forecast shows a projected overspend of £569k as at November 2015, period 8.

Is this a Key Decision?

No

SUMMARY

The oneSource forecast financial position shows a projected overspend of £569k as at August 2015, period 8. 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.

The services managed by oneSource, but not shared, show a projected overspend of £99k and an underspend of (£666k) for Newham and Havering respectively.

RECOMMENDATIONS

The Joint Committee is asked to note the current oneSource forecast outturn position based on the financial monitoring as at the end of November 2015 and the future plans to bring oneSource back within budget.

REPORT DETAIL

This report provides Members of the Joint Committee with the financial forecast outturn position on both the budgets that are shared between Newham and Havering (Appendix A) and the budgets that oneSource manages on behalf of Newham and Havering (Appendices B and C).

The financial position has improved since the last report to the Joint Committee in October. The current shared overspend is £569k, with £409k relating to Newham and £160k relating to Havering. This is an improvement of £329k since the August forecast reported in October which showed a shared overspend of £898k.

Havering's non-shared budgets managed by oneSource are under spending by (£666k). Newham's non-shared budgets are overspending by £99k, but this is expected to improve before the end of the financial year.

The shared overspend is largely due to delays in implementing service review recommendations and associated service restructures. The delay of one year in the 1Oracle implementation in Newham has significantly contributed to the delay in realising savings across oneSource, especially in relation to Finance, Exchequer and Transactional Services and Strategic and Operational HR. The programme is currently on track for go-live on 4 April 2016 and therefore, work is underway to restructure all these services to reflect the new ways of working that result from the Oracle Enterprise Resource Planning system being available in both Havering and Newham.

These restructures will not reduce spending in 2015/16 but they will position oneSource to meet its financial savings targets for 2016/17 and 2017/18. The restructures are on track to be delivered by 1 August 2016. By delivering the 2017/18 savings targets at the same time, the part-year impact of the implementation should be mitigated. This will also allow the new 1Oracle system to bed in before staffing is reduced.

In 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.

A report will be brought to the next Joint Committee regarding the transfer of Newham's Democratic Service out of oneSource and back into Newham. This transfer will have an impact on the original oneSource Business Case and the implications on oneSource's savings targets still need to be agreed with the s151 officers in both boroughs. The figures in this report assume that the savings are still to be found even though the opportunity to realise them through sharing will not be there.

In the meantime, there is ongoing management action 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 opportunities to deliver savings and/or additional income. It is anticipated the shared overspend will continue to decrease over the remainder of the year. Should the overspend not be completely eliminated by 31 March 2016, a proportion of the 2014/15 over achievement of savings carried forward will be required to support the 2015/16 savings slippage.

As reported to the last Joint Committee, the original targets of £10.6 million set in the oneSource Business Plan have been increased by £3.5 million by the two boroughs. The following table sets out the current £14.1 million in savings targets across the next three financial years.

| | Additional Savings | | |
|-------------------------|----------------------|-------------------|-------------------|
| | By 2016/17 (£000) | 2017/18 (£000) | 2018/19 (£000) |
| Havering | 400 | 800 | 1300 |
| Newham | 700 | 1,400 | 2,200 |
| Sub Total | 1,100 | 2,200 | 3,500 |
| Previous savings | 8,943 | 9,748 | 10,612 |
| New Total | 10,043 | 11,948 | 14,112 |

oneSource is targeting the delivery of the total 2017/18 savings target and attempting to deliver as much of it as possible as early as possible during 2016.

As well as the restructures detailed above, planned to be in place by 1 August 2016, the other oneSource services e.g. ICT, Revenues and Benefits and Legal Services are examining their service delivery to identify different ways of providing services to reduce costs and bring in income. Projects that have been initiated include:-

- Moving ICT services into the Cloud
- Standardising and sharing ICT systems across the two Councils e.g. workflow systems

- Using business intelligence already in place to bring in additional income in areas such as Council Tax, NNDR and Housing Benefit overpayments
- Undertaking whole systems reviews and streamlining processes in Revenues and Benefits
- Bringing in legal work that is currently outsourced.

All services are looking for further opportunities to increase income from other boroughs e.g. from Bexley through the shared finance service, further sharing of the health and safety service, developing ICT products to sell on, selling bailiff services and winning more contracts for passenger transport.

In some cases, there may be a need for some invest to save funding, especially in new ICT, to deliver the savings and business cases will be presented to the Councils for consideration.

A fuller picture of the various savings proposals will be reported to a future Joint Committee meeting.

IMPLICATIONS AND RISKS

Financial implications and risks:

The financial position of oneSource Shared 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.

The financial position of non Shared services affect the relevant Council only.

Robust financial management processes are in place across oneSource and the financial position as at period 8 2015/16 is set out in the body of the report. The financial planning processes underway to address future savings targets are also summarised.

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

None

Appendix A – oneSource Shared

Period 8 2015/16

OneSource Financial Position

| 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 | 8,948,580 | (1,478,160) | 7,470,420 | 5,804,793 | 44,540 | 5,849,333 | 7,627,306 | 156,886 | Period 8 variance is due to slippage on review within Finance, offset to an extent by vacancies. |
| Business Services | 2,683,930 | (426,000) | 2,257,930 | 957,741 | 0 | 957,741 | 2,112,891 | (145,039) | Underspend relates to invest to save budget and vacancies. |
| Exchequer & Transactional Services | 18,789,196 | (1,759,797) | 17,029,399 | 11,550,702 | 2,386 | 11,553,088 | 17,208,771 | 179,372 | For period 8 the variance has decreased mainly due to growth of £135k being approved for allpay and postage in Ctax/HB. |
| Legal & Governance | 5,036,460 | (678,440) | 4,358,020 | 3,216,566 | 15,734 | 3,232,300 | 4,541,206 | 183,186 | Pressure includes saving targets based on shared services between electoral and democratic services. These are not achievable due to decisions by the partner authorities (£325K combined). Detailed work on the cost of the legal establishment is being undertaken. |
| ICT Services | 13,998,640 | (5,271,730) | 8,726,910 | 7,594,213 | 207,086 | 7,801,299 | 8,696,910 | (30,000) | |
| Asset Management Services | 5,389,564 | (3,754,890) | 1,634,674 | 3,626,462 | 17,658 | 3,644,120 | 1,821,191 | 186,517 | Ongoing pressures from efficiency targets. Improvement since period 7 is due to forecasting of Health and Safety income. |
| Strategic & Operational HR | 3,095,269 | (116,099) | 2,979,170 | 2,307,708 | 30,178 | 2,337,886 | 3,017,355 | 38,185 | Improvement in forecast since period 7 is due to resignations not being filled and funding received for project work. |
| TOTAL | 57,941,639 | (13,485,116) | 44,456,523 | 35,058,184 | 317,582 | 35,375,766 | 45,025,630 | 569,107 | |
| | | | | | | Havering | 28% | 160,123 | Period 8 forecast of £569k pressure is due to delays in service reviews which are not fully off-set by staffing vacancies and/or income. Delays are due to investigations with other partners, delays in implementation of 1Oracle and questions over some services' future within oneSource. The underspend within Business Services relates to vacancies and an underspend on the invest to save budget. Any overspend at year end will be met from the oneSource reserve (funded by the 14/15 underspend and development grant). |
| | | | | | | Newham | 72% | 408,984 | |

NOTES

The variance apportionment at activity level is based on 14/15 percentages and 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.

Appendix B – oneSource Newham Non Shared

Period 8 2015/16

OneSource Newham non-shared Financial Position at Summary Level

| 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 (oneSource MD, External Audit, Unallocated Overheads) | 1,043,600 | (30,000) | 1,013,600 | 476,272 | | 476,272 | 780,984 | (232,616) | Underspend resulting from non-shared oneSource MD budget and overhead costs. Plans are in place for use of this next year as part of the budget strategy. |
| Business Services (Verto/PMO team) | 285,420 | | 285,420 | 129,330 | | 129,330 | 285,420 | 0 | |
| Exchequer & Transactional Services (Housing Benefits, Pensions) | 290,469,000 | (289,601,000) | 868,000 | (74,240,770) | | (74,240,770) | 1,115,502 | 247,502 | Budget variance due to DWP grant reduction. S151 and Director of Finance aware of issues and have agreed to fund from 16/17. |
| Legal & Governance (Members costs and Borough Elections) | 1,556,400 | | 1,556,400 | 1,320,415 | 1,592 | 1,322,007 | 1,556,400 | 0 | |
| ICT Services (One Oracle implementation) | | | | 1,803,112 | | 1,803,112 | | 0 | One Oracle spending awaiting part capitalisation and transfer of revenue funding. |
| Asset Management Services (Commercial property, facilities management and schools) | 33,856,750 | (32,652,550) | 1,204,200 | 3,922,245 | 4,837 | 3,927,082 | 1,309,521 | 105,321 | Pressure forecasted within Asset Management is due to outstanding rent reviews and pressures within commercial property. Work continues to be undertaken to reduce this pressure. |
| Strategic & Operational HR (Union costs, Occupational Health, Training) | 929,300 | (90,500) | 838,800 | 399,427 | | 399,427 | 817,359 | (21,441) | Resignations not being filled and funding received for project work. |
| TOTAL | 328,140,470 | (322,374,050) | 5,766,420 | (66,189,969) | 6,429 | (66,183,540) | 5,865,186 | 98,766 | The projected overspend is largely due to a reduction in DWP grant and pressures within commercial property, partial offset by staffing vacancies. |

NOTES

The non-shared position has been included for information. The budgets and spend are not part of the cost sharing arrangement, however, they are managed by oneSource.

The budget figures above include controllable budgets only.

Appendix C – oneSource Havering Non Shared

Period 8 2015/16

OneSource Havering non-shared Financial Position at Summary Level

| 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 | | | | | | |
| Exchequer & Transactional Services (Housing Benefits) | 78,128,230 | (77,601,350) | 526,880 | (6,712,882) | 14,965 | (6,697,918) | 199,810 | (327,070) | Subsidy surplus forecast is £300k . Subsidy is a high risk volatile area therefore the forecast will continue to be intensely monitored each month. |
| Internal Shared Services (Pensions) | 356,040 | (360,240) | (4,200) | 305,874 | 0 | 305,874 | 86,544 | 90,744 | Period 8 variance due to increased system hosting and licencing costs which were agreed as part of the business case for a new Pensions system in 2013. Seeking to fund the actual system costs before year end. |
| Legal & Governance (Members costs and Elections) | 1,048,100 | | 1,048,100 | 880,731 | 34 | 880,765 | 867,193 | (180,907) | Underspend from vacancies within Members support; held to be set off against the likely non-achievement of shared savings in democratic services due to the delay / postponement of the delivery of a shared service with Newham. |
| Asset Management Services (Transport, Commercial Property, Schools, Premises Management) | 7,326,330 | (7,131,730) | 194,600 | 709,592 | 43,563 | 753,155 | (49,292) | (243,892) | Underspend from over-recovery in commercial rent, Transport income and reduced expenditure in premises management. |
| Strategic & Operational HR (Unions, Apprentices) | 578,660 | (158,286) | 420,374 | 246,984 | 2,047 | 249,030 | 415,338 | (5,036) | |
| TOTAL | 87,437,360 | (85,251,606) | 2,185,754 | (4,569,701) | 60,608 | (4,509,093) | 1,519,593 | (666,161) | The forecast underspend of £(666k) is largely due to subsidy surplus, increased income within Asset Management and vacancies in Members support. This is offset to some extent by licensing and hosting costs of the new Pensions system. |

NOTES

The non-shared position has been included for information. The budgets and spend are not part of the cost sharing arrangement, however, they are managed by oneSource.

The budget figures above include controllable budgets only.