

**ONESOURCE JOINT COMMITTEE**

**22 January 2016**

**Subject Heading:**

**London Borough of Bexley joining the oneSource Joint Committee.**

**Report Author and contact details:**

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**Financial summary:**

Sharing of financial service with Bexley through the oneSource joint committee is expected to save oneSource £298k in 2016/17 increasing to £360k in following years. Future sharing of other back office functions with Bexley could deliver further savings in future years.

**Is this a Key Decision?**

**No – Decision will be made by the Cabinets of each council.**

**SUMMARY**

This report looks at a recommendation to Newham and Havering Councils that the London Borough of Bexley should join the oneSource partnership between Havering and Newham. This report is for information only as formal approval requires executive agreement to Bexley becoming a member of the Joint Committee and agreement to the variation to the Joint Committee agreement at Annex A.

It is intended that Bexley's Financial Services will join oneSource initially with their agreement to delegate the relevant functions to the Joint Committee. The three partner authorities will then explore sharing other back office services with a view to their joining oneSource in future phases if parties agree. The savings achieved by eliminating duplication and improving processes and maximising efficiency across the finance service will be shared across all three boroughs using an agreed formula.

Sharing the finance service of another council will give greater resilience to the combined service and therefore to each council. The inclusion of the finance service of Bexley demonstrates to other councils that it is relatively straight forward to join oneSource and make savings. This may help to attract further partners/customers thus generating further savings.

## RECOMMENDATIONS

This report is for information only. The Cabinet of each council will make the decision as to whether Bexley should join the partnership and share finance services with Havering and Newham Councils through oneSource. However, the Joint Committee is asked for any comments on this proposal.

## REPORT DETAIL

### Background

As part of efforts to generate savings and balance the Councils' budgets, oneSource has been exploring alternative methods of delivering services and the outcomes outlined in the oneSource Strategic Plan i.e. finding new partners to share services with.

In the spring of 2015 the London Borough of Bexley approached oneSource to explore the sharing of financial services. The scope of sharing services then increased to cover potential other back office functions.

A memorandum of understanding was signed with The London Borough of Bexley in July 2015 and detailed exploratory work was carried out. The outcome of this work was that all three councils could achieve significant savings through the sharing of financial services through oneSource. In addition this will improve and maintain service delivery for all three councils via the oneSource route as well as delivering on oneSource vision / strategic plan.

### Sharing Financial Services

It is proposed that the financial services to be shared with Bexley are as listed below:

- Transactional Finance (accounts payable, accounts receivable, reconciliations)
- Financial systems
- Operational Finance and Finance Business Partners
- Strategic/Corporate Finance
- Audit, Insurance & Risk
- Client Management of the Bexley Capita contract covering Council Tax, Benefits, NNDR and debt recovery.
- Financial enforcement services for the non-payment of council tax and parking.

The potential savings to oneSource and Bexley are shown below. The savings shown are the minimum that could be delivered.

	2016/17				2017/18				2018/19 onwards			
	Havering £000	Newham £000	Bexley £000	Total £000	Havering £000	Newham £000	Bexley £000	Total £000	Havering £000	Newham £000	Bexley £000	Total £000
Financial Services	97	97	549	743	128	128	845	1,101	128	128	845	1,101
Contribution to overheads	35	69	-104	0	35	69	-104	0	35	69	-104	0
Total	132	166	445	743	163	197	741	1,101	163	197	741	1,101

Through sharing these financial services with Bexley oneSource is expected to save £298k in 2016/17 increasing to £360k in 2017/18 onwards. Each Councils share of this is shown in the table above.

The oneSource savings above include Bexley making a contribution to oneSource overheads. This will be a contribution towards the cost of the transformation team, business development and senior management of oneSource. Any potential redundancy costs will be shared on the basis of savings share.

The financial services above for both oneSource and Bexley (exc. Council Tax, Benefits, NNDR and debt recovery) are currently going through transformation reviews and new structures are being developed to deliver a shared service. The new structures will be designed by the end of February 2016 and staff will be formally consulted from March 2016 onwards with the aim of implementing the shared service as soon as possible thereafter.

A review of Council Tax and Benefits will commence in February 2016 and will consider how the Bexley Capita contract can be managed within the shared service. Currently no savings are included in this report.

### **Other Benefits of Sharing with Bexley**

As well as delivering financial savings to the three councils the sharing of financial services will allow oneSource (and therefore the three councils) to have greater resilience across the service. The enlargement of the service will allow for additional cover across functions where there is a danger of single points of failure such as treasury management skills, VAT advice etc.

On-boarding another council to oneSource, albeit at present for finance services only, is in line with the oneSource strategic plan. The on-boarding of the finance service for Bexley will demonstrate to other councils that it is possible to join oneSource in a flexible way and should help to demonstrate to other councils that there is the ability to make savings through partnership working with oneSource.

The on-boarding of Bexley and sharing finance services demonstrates the success of oneSource in demonstrating the financial savings that can be made through working in partnership with other councils through sharing back office services.

### **Sharing Other Services**

The sharing of other back office services is being explored. Potentially the following services could be shared between the three councils through oneSource:

- Legal Services

- Human Resources and Organisational Development
- ICT (Bexley outsources contract and client management team)
- Procurement Services.

There are also potential savings for Havering and Bexley to achieve savings through sharing the following services (Newham are planning to make savings through other means in these areas):

- Policy
- Democratic Services

Work was undertaken on a desktop basis to identify potential savings to each council. This shown in the table below:

	2016/17				2017/18				2018/19 onwards			
	Havering £000	Newham £000	Bexley £000	Total £000	Havering £000	Newham £000	Bexley £000	Total £000	Havering £000	Newham £000	Bexley £000	Total £000
Potential Further Services												
HR, ICT (Client), Procurement, Legal.					51	74	124	249	102	125	226	453
Policy & Democratic Services					120		120	240	240		240	480
Contribution to overheads					96	150	-246	0	96	150	-246	0
Total					267	224	-2	489	438	275	220	933

However, more detailed work is required before it will be possible to identify where actual savings could be made through sharing these services. It is therefore recommended that this further work be undertaken to look at these services in more detail and to report back to the Joint Committee and the three councils with any recommendations sometime in the future but at the latest by the autumn of 2016.

### Governance Issues - Joint Committee and Delegation Agreement

oneSource is governed through the Joint Committee. As members are aware, the Joint Committee operates as a council committee and has the discharge of the Council functions delegated to it by the participating Councils, which are then delegated onwards to officers via a Scheme of Delegation.

The Joint Committee and Delegation Agreement sets out the governance of the Committee. Attached to this report in Annex A is a draft revised Agreement to enable Bexley to join the Joint Committee to enable the delegation and sharing of financial services.

The key changes made are as follows:

Committee membership: Agreement must be reached on the level of Bexley's membership on the Committee. Currently, Havering and Newham Councils have three seats each on the Joint Committee. There are no proposals to change this number. Based on the financial turnover being brought into the shared service, it is recommended that Bexley has one seat on the Joint Committee and this is agreed in principle by the participating authorities. If further services are brought into the shared service then membership of the committee can be reviewed.

Chair: Havering and Newham will continue to rotate as chair of the Joint Committee as now with the council not acting as chair having the vice chair. However, Bexley will also have its member as a vice chair of the committee.

Savings and cost sharing formulae: Schedule 4 of the Agreement has been rewritten so as to identify the savings and cost sharing formula in line with a new partner joining the shared service. The cost and savings formula is broken down to an activity level and only covers 2016/17. It is based on the provision 2016/17 budgets and takes into account existing planned savings for both oneSource and Bexley. It is proposed that any redundancy costs are shared on each Council's expected savings share.

Delegations: Neither Havering nor Newham Councils are required to change any of its delegations to the Joint Committee previously approved. Bexley will be required to approve its relevant delegations and the Joint Committee will then review its Scheme of Delegation to ensure the effective onwards delegation of functions to officers.

The signing of a new Joint Committee Agreement outlining governance arrangements for the London Borough of Havering, Newham and Bexley will be recommended to be delegated to the Managing Director (oneSource) in consultation with the relevant Lead Member of each council. Schedule 4 will need to be reapproved by the Joint Committee each year in consultation with the three councils.

The cabinets of Havering and Newham are being recommended to:

- Agree to the London Borough of Bexley joining oneSource as a member of the Joint Committee.
- Agree to the shared delivery of financial services and functions with Bexley as set out in this report and its appendices.
- If 1 and 2 are agreed, agree the revised Joint Committee and Delegation Agreement attached in Annex A.
- To delegate to the Managing Director of oneSource in consultation with the relevant Lead Member of each council, all further actions and decisions required to finalise the revised Joint Committee Agreement.
- Cabinet is also being asked to note:
  - Further negotiations are taking place for additional services to be added to oneSource
  - The revised Distribution Formula attached as Schedule D to the Agreement with the recalculation of the funding agreement percentages to be finalised as soon as practicable in the next financial year after the final budgets are known for each Joint Committee member.



## REASONS AND OPTIONS

Reasons for the decision:

- Sharing services with Bexley will lead to minimum savings of £132k for Havering. Savings could increase if further services are shared.
- Sharing the finance service of another council will give greater resilience to the combined service and therefore to each council.
- The inclusion the finance service of Bexley demonstrates to other councils that it is relatively straight forward to join oneSource and make savings. This may help to attract further partners/customers thus generating further savings.

### Other options considered:

As Bexley are only interested in sharing services through joining the existing Joint Committee arrangements, no other option has been considered. If the proposal is not agreed, the potential to expand oneSource services and deliver greater resilience and deliver savings as set out in this report cannot be achieved

## IMPLICATIONS AND RISKS

### Financial implications and risks:

The financial position of oneSource has a direct bearing on the financial position of the member Councils with any savings or overspends being shared as set out in the Joint Committee Agreement. Through sharing the finance service with Bexley it is anticipated that £298k will be saved in 2016/17 increasing to £360k in 2017/18 onwards. Havering's share of these savings is £132k in 2016/17 and £163k in future years.

oneSource has a target of £14m to make by 2017/18. The savings achieved through sharing services with Bexley will contribute towards the achievement of these savings targets.

### Investment Costs

At this stage no investment costs have been identified. Should any significant investment provide necessary the total costs and each Council's share would be agreed with the member Councils in advance. At this point it will be the responsibility of each Council to identify appropriate sources of funding for their contribution.

### Redundancy Costs

Any redundancy costs will be shared on the basis of the funding agreement. This will be regardless of the council incurring the costs, e.g. if more redundancy costs fall to one council as a result of staff changes to the Joint Committee, both councils will meet their share of costs.

### Risks

Whilst every effort has been made to ensure the robustness of the savings/cost estimates above, it should also be noted that actual figures may differ as the changes are implemented. However, these risks are no different than the current risk of under/overspend faced by the Councils in delivering services.

### **Legal implications:**

Legal comments have been made to the revised Joint Committee and Delegation Agreement attached to this report allows for Bexley joining the Joint Committee arrangement. It is important to note that no other major variations have been made to the agreement already in place between Havering and Newham.

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

The sharing of financial services with Bexley will require a restructure of the service early in the new financial year. This was planned for oneSource in any case. With the scale of savings required it is likely that the majority of the savings will need to come from staffing budgets. There is therefore a potential for redundancies within oneSource. Any change process will be undertaken in accordance with each Councils Organisational Change Management policies and procedures, oneSource protocols and employment legislation. The revised Joint Committee Agreement deals with the issue of how the potential cost of any redundancies is shared between the three councils.

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

There are no adverse equalities implications under s.149 of the Equality Act 2010 arising from the structural changes to the discharge of functions proposed by this report. An Equalities Assessment will be undertaken as part of any restructure proposals.

## **BACKGROUND PAPERS**

oneSource Strategic Plan