

ONESOURCE JOINT COMMITTEE

18 March 2016

Subject heading:

OneSource 2016-17 Budget

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Financial summary:

The overall oneSource shared 2016-17 budget is £43.595m. This is analysed at service level in the body of the report. The Havering and Newham non shared budgets are £0.783m and £4.518m respectively.

Is this a Key Decision?

NO

SUMMARY

The total oneSource shared budget for 2016-17 is £43.595m. This is the controllable budget and after the 2016/17 savings target of £3.1m has been removed. These figures include the services Bexley are bringing into the partnership from April 2016.

The Havering and Newham non shared budgets are £0.783m and £4.518m respectively.

RECOMMENDATIONS

The Joint Committee is asked to: -

- note the 2016-17 oneSource shared and non shared budgets;
- note the period 9 2015/16 oneSource shared and non shared forecast outturns;
- approve the 2016-17 budget allocation to services.

REPORT DETAIL

Background

OneSource (shared) is funded by Havering, Newham and Bexley Councils in order to deliver shared back office support services. The joint working is set to realise at least £14.6m of savings in the period up to 2018/19. This includes the original business case savings of £10.4m, an additional £3.5m added as part of the 2016/17- 19 MTFS and a further £0.7m of savings achievable through Bexley joining the partnership.

Savings of £4.1m and £3.7m for 2014/15 and 2015/16, are already included within the existing baseline. £3.1m of additional savings are reflected in the 2016/17 budget.

Each Council has approved funding to oneSource as part of their respective budget reports and Council Tax setting.

OneSource also manages a range of other services, which are not shared on behalf of the individual partner Councils– oneSource non shared budgets.

The 2015/16 Forecast Budget Position as at Period 9 (December 2015) and Impact on the Future Year's Financial Position

The period 9 oneSource shared forecast shows a pressure of £549k, with £88k relating to Havering and £461k relating to Newham. The split between Councils is variable and dependent on the outturn position at service level. This reflects the assumptions set out in the original Full Business Case. Further detail of the forecast position is shown in appendix 1.

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 to be implemented as early as possible and by delivering the 2017/18 savings targets at the same time, the part-year impact of the implementation should be partially mitigated. This will also allow the new 1Oracle system to bed in before staffing is reduced.

Democratic Services/Committees and Scrutiny Team will be transferred out of oneSource shared. This will have an impact on the original oneSource Business Case and the associated savings targets. These are reflected in the report and include a £19k worsening of the oneSource forecast period 9 position, due to the removal of the service variance to the respective Councils.

The management arrangements of the remaining Electoral services within oneSource will be further explored over the coming months.

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. This has been agreed with both 151 officers.

The oneSource non shared budgets for both Havering and Newham, both show a projected underspend position. Outturn variances on non shared services effect the relevant council only.

The Havering forecast of (£2.494m) is due to underspends reported in relation to the Emergency Assistance Scheme (for which a carry forward request of £1.5m has been submitted), Subsidy, Members' Support and Commercial Property income, offset in part by licencing and hosting costs of the new Pension system (for which funding is being sought).

The Newham projected underspend of £669k is largely due to the NNDR rebate within Asset Management. This is offset in part by a reduction in DWP grant and pressures within commercial property.

Service Reviews

The Transformation Update elsewhere on this agenda sets out in detail the service review programme and assumptions. The major reviews to be finalised during 2016/17 are Asset Management, Finance, Exchequer and Transactional Services and Strategic and Operational HR. A review is also underway of the Council Tax and Benefits service.

A summary of the expected savings to be realised next year in relation to these, against the notional targets is set out below: -

Anticipated Savings Delivery from Programmed 2016/17 Service Reviews

Service	Indicative Saving Targets 2016 - 2018			Total	Saving Implementation Date	2016/17 Part Year Effect	2016/2017		
	Havering	Newham	Bexley				Savings To Be Achieved	Savings Target	Surplus/(Shortfall)
Finance Corporate/Strategic/Operational Finance	362	951	421	1,735	Aug 16	67%	1,156	1,390	234
Exchequer & Transactional Transactional - Finance, HR, Payroll	368	770	179	1,316	Sept 16	58%	768	1,081	313
Council Tax and Benefits	494	826		1,320	Jan 17	25%	330	1,013	683
Human Resources and OD	184	489		673	Sept 16	58%	393	571	178
Total	1,408	3,037	600	5,044			2,647	4,055	1,408

Excess Savings Achieved (728)

Shortfall/(Surplus) 680

This shows an expected shortfall in the achievement of savings of £680k for 2016/17. The shortfall is due to the part year effect of the implementation of service restructures and as such will not be an issue for future years.

However, there are a number of mitigations in place to manage the 2016/17 position and these are set out below.

Overall oneSource Financial Position

Although 2016/17 will be a testing year there are robust plans in place to ensure a sound financial basis is maintained for oneSource.

Taking into account current assumptions there will potentially be an overspend position at the end of 2015/16 and difficulties in achieving a full year of savings from the service reviews. This has been known for a period of time and accordingly plans have been put into place to mitigate and address these challenges.

As the reviews are undertaken management action will continue to be put into place to minimise expenditure. This has been particularly successful over the last year, whilst continuing to deliver a high level of service. In addition past reviews have repeatedly delivered more than the notional targets; although with the increased saving levels required it is prudently assumed this will not continue.

The financial situation will be continually reviewed and early discussions undertaken with regard to the requirement for any of the unused carry forward.

The financial position is summarised in the following table: -

Forecast 2016/17 Budget Position (including funding of any 2015/16 year end variance)

2016/17 Budget Assumptions	Amount	Notes
	£'000	
Forecast Pressures		
2015/16 Period 9 Forecast Overspend	549	This is a one off issue for 2015/16 and any remaining variance at the year end will be met from the 2014/15 carried forward underspend
Shortfall in 2016/17 Savings Targets	680	16/17 only; saving shortfall due to the part year effect of service review savings
Total Forecast Pressures	1,229	
Potential Mitigating Action / Funding		
Savings Achieved Through Continued Management Action (assumed 40% of savings targets)	(765)	To be delivered pending the full implementation of service review recommendations. Ongoing activities such as holding vacancies and delaying other non essential expenditure
Use of Available 2014/15 Carry Forward	(549)	This is dependent on the agreement of the appropriate S151 officers and is assumed will offset any 2015/16 overspend
Total Potential Mitigating Action / Funding	(1,314)	
Forecast 2016/17 Closing (Surplus)/Deficit Position	(85)	

This table shows indicative resource levels and will be reviewed as assumptions are refined. Any available resource will be reinvested in services, carried forward to meet future challenges or returned to partner Councils as appropriate.

OneSource 2016/17 Budget

The 2016/17 total oneSource shared controllable budget is £43.595m. The non shared budgets for Havering and Newham are £0.783m and £4.518m respectively. These are analysed by service in the tables below.

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OneSource Shared

Service	16/17 Budgets			Total
	Havering	Newham	Bexley	
Finance				
Corporate/Strategic/Operational Finance	1,899	3,169	1,521	6,589
Audit, Risk, Insurance & Fraud	278	610	353	1,241
Procurement	188	781		969
Exchequer & Transactional				
Finance	1,167	1,383	449	2,999
HR	543	383		926
NNDR	209	345		554
Council Tax and Benefits	1,759	8,668	233	10,660
Debt Management / Recovery	(70)	(59)	(133)	(262)
Debt Management - Other	3	127		130
Payroll	248	824		1,072
DETs Management	754		16	770
ICT / Business Systems	4,444	3,531		7,975
Legal Services				
Legal	859	1,580		2,439
Electoral Services*	416	300		716
Asset Management				
Facilities management	111	930		1,041
Management of Schools Capital	59	76		135
Health & Safety	306	368		674
Property	(38)	(5)		(43)
Technical Services	(638)	(1,161)		(1,799)
Post Room	490	373		863
Asset Management Support	598	30		628
Human Resources and OD	1,063	1,997		3,060
Business Services & MD	1,193	1,016	49	2,258
Total	15,841	25,266	2,488	43,595

* Excludes Democratic Services/Committees and Scrutiny Team

OneSource Non Shared

Service	16/17 Budgets	
	Havering	Newham
Havering Non Shared		
Exchequer & Transactional Services (Housing Benefits)	(1,122)	
Internal Shared Services (Pensions)	(4)	
Legal & Governance (Members costs and Elections)	1,522	
Asset Management Services (Transport, Commercial Property, Schools, Premises Management)	27	
Strategic & Operational HR (Unions, Apprentices)	360	
Newham Non Shared		
Finance oneSource (oneSource MD, External Audit, Unallocated Overheads)		843
Business Services (Verto/PMO team)		285
Exchequer & Transactional Services (Housing Benefits, Pensions)		1,156
Legal & Governance (Members costs and Borough Elections)		2,022
Asset Management Services (Commercial property, facilities management and schools)		(466)
Strategic & Operational HR (Union costs, Occupational Health, Training)		678
Total	783	4,518

Controllable budgets as shown reflect 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.

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As part of budget development the oneSource allocation has been subject to a number of adjustments to take account of additional savings and one off budget adjustments. The movement from the 2015/16 period 9 position is summarised at appendix 2.

In addition a number of other minor adjustments, largely in relation to inflation, will be made from central allocations before the start of the financial year. These are not significant.

The figures above reflect the transfer of the Democratic Services/Committees and Scrutiny Team budget of £1m. This will be moved to oneSource non shared in Havering and to the Corporate Services budget in Newham. A transfer of the associated savings target of £294k is also similarly reflected.

OneSource One Off Funding

Development Grant

OneSource received a grant of £750k from the DCLG – Challenge Transformation Award for the development of partnership working. This was partly utilised on an innovative proof of concept exercise to explore if oneSource staff could access One Oracle for Havering and Newham through a single sign-on. Unfortunately, this eventually proved not to be technically possible. The remainder will support the ongoing service review teams into 2016/17 and further investment in technology to support joined up and mobile working.

Carry Forward From 2014/15

OneSource achieved an underspend of £1.3m in 2014/15, which was carried forward by the partner Councils. This was largely in recognition of the challenging savings targets in future years and difficult circumstances in which they were to be achieved.

The use of the carry forwards is not under the direct control of oneSource, but in consultation with the relevant Section 151 officers in consideration of the wider financial position of the partner Councils.

Further detail is set out in the table below.

Available One Off Funding

Description	Havering (£'000)	Newham (£'000)	Total (£'000)
Development Grant	(263)	(487)	(750)
Oracle Partnership Working - Proof of Concept	109	202	311
Total Unallocated Development Grant	(154)	(285)	(439)
 2014/15 Underspend Carry Forward	 (500)	 (800)	 (1,300)
Forecast Overspend (As at period 9)	88	461	549
One Oracle Funding		430	430
Other Resources		(91)	(91)
Total Unallocated Carry Forward	(412)	0	(412)

IMPLICATIONS AND RISKS

Financial implications and risks:

OneSource shared is funded by the partner Councils, Havering, Newham and Bexley. The budgets shown are net of the 2016-17 savings target of £3.1m and contribute towards the delivery of the respective medium term financial strategies. An established programme of service reviews is in place to deliver the savings target along with ongoing management action to minimise expenditure.

Any budget variances at the year-end will directly affect the financial positions of each authority. Robust financial management processes are embedded to minimise the risk of any budget overspends.

The non shared oneSource budgets relate to the relevant Council only and are also subject to review and savings targets.

All oneSource budgets are managed through robust financial procedures.

Legal implications and risks:

There are no immediate legal implications arising from this report.

Human Resources implications and risks:

There are extensive HR implications from the restructures that need to be undertaken during 2016/17 across oneSource. These risks will be managed through the established oneSource reorganisation process, in full consultation with staff and the unions across the three councils and in accordance with relevant corporate policies.

Equalities implications and risks:

There are no significant Equalities implications and risks associated with this report. Equality impact assessments will be undertaken alongside all reorganisations.

BACKGROUND PAPERS

OneSource Joint Committee Agreement
OneSource Business Case

OneSource Financial Position - Period 9 2015/16

Appendix 1

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	6,541,843	22,599	6,564,442	7,635,028	164,608	Period 9 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	1,016,506	0	1,016,506	2,111,232	(146,698)	Underspend relates to invest to save budget and vacancies.
Exchequer & Transactional Services	18,936,086	(1,771,687)	17,164,399	13,083,648	13,131	13,096,779	17,304,639	140,240	The variance is due to slippage on the service review, offset to an extent by vacancies.
Legal & Governance	3,982,597	(624,740)	3,357,857	3,099,540	9,743	3,109,283	3,592,476	234,619	Pressure is due to part year effect of service review, partly offset by vacancies.
ICT Services	14,015,307	(5,271,730)	8,743,577	8,055,303	208,853	8,264,156	8,713,577	(30,000)	ICT is forecasting a £30k underspend, achieved by delaying some elements of desktop refresh into 2016/17.
Asset Management Services	5,389,564	(3,754,890)	1,634,674	3,414,100	17,820	3,431,920	1,817,468	182,794	Pressure represents outstanding balance of £1.4m efficiency target and inability to deliver savings from Technical Services as a result of non-sharing.
Strategic & Operational HR	3,251,509	(116,099)	3,135,410	2,632,964	20,178	2,653,142	3,138,402	2,992	
TOTAL	57,207,573	(13,443,306)	43,764,267	37,843,904	292,324	38,136,228	44,312,822	548,554	Period 9 forecast of £549k 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. Any overspend at year end will be met from the oneSource reserve (funded by the 14/15 underspend and development grant).
NOTES							Havering	16%	87,769
							Newham	84%	460,786

The variance apportionment between Councils is based on the current forecast and will vary to reflect the final outturn position.

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.

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OneSource Havering non-shared Financial Position at Period 9 2015/16

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	(5,841,909)	0	(5,841,909)	(1,661,941)	(2,188,821)	Period 9 forecast shows underspends that need to be carried forward to fund the resilience contract and the Emergency Assistance Scheme for future years (there is no permanent grant allocation). Subsidy forecasted surplus has increased from £300k to £500k, however, subsidy is a volatile area therefore the forecast will continue to be intensely monitored each month.
Internal Shared Services (Pensions)	356,040	(360,240)	(4,200)	450,671	0	450,671	50,585	54,785	Period 9 forecast shows a pressure of £55K as only 90% of the pension admin cost is funded. Further discussions are continuing on this issue. Growth bid to be considered.
Legal & Governance (Members costs and Elections)	1,565,408	(700)	1,564,708	1,451,080	60	1,451,140	1,521,733	(42,975)	Underspend from vacancies within Members support have been offset in part by transfer in of previously shared democratic budgets and associated savings targets. Transfer out of sharing arrangement due to Newham's decision to align the service elsewhere within the borough.
Asset Management Services (Transport, Commercial Property, Schools, Premises Management)	7,326,330	(7,131,730)	194,600	(426,119)	16,191	(409,928)	(117,785)	(312,385)	Improving forecast is derived 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	272,365	2,046	274,411	415,338	(5,036)	
TOTAL	87,437,360	(85,251,606)	2,702,362	(4,577,834)	18,291	(4,559,543)	207,930	(2,494,432)	The forecast of (£2,494,432) is due to underspends reported in relation to the Emergency Assistance Scheme (for which a carry forward request has been submitted), Subsidy, Members' Support and Commercial Property income, offset in part by licencing and hosting costs of the new Pension system (for which funding is being sought). This has increased from (£666k) in Period 8 because the carry forward of the EAS underspend was assumed within last month's figures.

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.

OneSource Newham non-shared Financial Position at Period 9 2015-16

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)	873,100	(30,000)	843,100	566,604	0	566,604	780,984	(62,116)	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	148,982	0	148,982	237,300	(48,120)	
Exchequer & Transactional Services (Housing Benefits, Pensions)	290,469,000	(289,601,000)	868,000	(118,994,021)	0	(118,994,021)	1,028,269	160,269	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)	2,092,955	(53,000)	2,039,955	1,785,708	1,592	1,787,300	2,009,300	(30,655)	Underspend associated with democratic area previously within oneSource shared.
ICT Services (One Oracle implementation)	0	0	0	1,991,525	0	1,991,525	0	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	3,392,453	4,618	3,397,071	481,909	(722,291)	Significant improvement in P9 forecast primarily as a result of 5year NNDR rebate for East Ham Town Hall. Offset in part by pressure 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	449,576	0	449,576	872,868	34,068	
TOTAL	327,969,970	(322,374,050)	6,079,475	(66,189,969)	6,429	(110,996,224)	5,410,630	(668,845)	The projected underspend is largely due to the NNDR rebate within Asset Management. This is offset in part by a reduction in DWP grant and pressures within commercial property.

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.

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Budget Development Movements from Period 9 2015/16 to Estimated Original 2016/17

Appendix 2

Description	Havering (£'000)	Newham (£'000)	Bexley (£'000)	Total	Comments
OneSource Shared					
Revised Period 9 Budget 2015/16	16,931	26,766	2,933	46,630	
Less one-off funding in 2015/16	(56)	(18)		(74)	Redundancy payments, other adjustments
Less Savings for 2016/17	(1,004)	(1,579)	(445)	(3,028)	Includes £60k adjustment for Democratic Services transfer
Estimated Original Budget 2016/17	15,871	25,169	2,488	43,528	
	15871	25169	2488		
OneSource Non Shared					
Revised Period 9 Budget 2015/16	2,186	5,596		7,782	
Less one-off funding in 2015/16	(1,777)				Emergency Assistance Scheme grant funding, Resilliance contract and Apprentice carry forward from 14/15 funded from reserves
Less Savings for 2016/17	(100)	(1,831)		(1,931)	
Add Growth for 2016/17		288 *		288	14/15 and 15/16 Housing Benefit Admin grant reduction funding
Estimated Original Budget 2016/17	309	4,053		6,139	

* note - further growth will be sought once the 16/17 HB Admin grant allocation reduction notification has been received