MINUTES of the meeting of the **ORBIS** Joint Committee held at 2.00 pm on 22 January 2021 at Remote Microsoft Teams - Surrey.

These minutes are subject to confirmation by the Committee at its meeting on Thursday,3 June 2021.

Elected Members:

* Councillor Nick Bennett
* Councillor Bob Standley
* Councillor Dr Zully Grant-Duff
* Councillor Mel Few
* Councillor Daniel Yates
* Councillor David Gibson

1 APOLOGIES FOR ABSENCE [Item 1]

There were no apologies for absence.

2 DECLARATIONS OF INTEREST [Item 2]

There were none.

3 MINUTES OF THE PREVIOUS MEETING (16 OCTOBER 2020) [Item 3]

The minutes of the previous meeting were agreed as a correct record.

4 PROCEDURAL MATTERS [Item 4]

a. Members' questions [Item 4a]
There were none

b. Public questions [Item 4b]
There were none.

5 ORBIS PERFORMANCE MONITORING [Item 5]

Witnesses:

Nikki Neal - Head of Strategy, Performance and Change
Leigh Whitehouse - Executive Director of Resources (SCC)
Phil Hall - Acting Chief Operating Officer (ESCC)

Key points raised in the discussion:

1. The Head of Strategy, Performance and Change introduced the report and highlighted that there were amendments to section seven of the report 'People insight' which had been circulated with the Committee and is attached as Annex A showing tracked changes.
2. The Head of Strategy, Performance and Change summarised that:

a) There were a number of changes to the services within the Orbis Partnership last year, relating to the disaggregation of services and resulting contribution ratios. The two main changes were: the full disaggregation of the Property service from 1 April 2020 reverting to sovereign control in all partner locations; HROD and Finance services reverted to sovereign control (with the exception of some centres of expertise CoE) in SCC but remained integrated across BHCC and ESCC; and the agreement on 30 June 2020 to transfer the Pensions Administration service from Business Operations to ESCC and SCC finance functions to allow greater strategic capacity and alignment.
b) Regarding each of the services' three-year savings profile, IT&D and Procurement were on plan to achieve their individual savings targets taking over just £800k, but it was unlikely that the £750k savings target for Business Operations would be met. Plans for improvement had been paused due to Covid-19 and the service was working to close the gap through greater alignment between the three sovereign authorities -discussions were underway at the joint management board.
c) The ERP replacement projects in SCC: Digital Business & Insights (DB&I) programme and ESCC: Modernising Back Office Systems (MBOS) programme were at different stages. In SCC, Unit 4 had been awarded the contract and would manage critical processes, with a proposed go-live date of 1 December 2021. In ESCC, the main objective was to implement a modern system across the critical processes and was at the final stage of procurement with planned implementation in April 2023.
d) The Performance and Change team was delivering change programmes such as the Developing Partnering Excellence Programme and staff-based initiatives across the Partnership with over twenty-one unique sessions for staff last year and eighty-five digital events - which had higher attendance and so a 'virtual first' approach including e-learning was prioritised, a demonstration of the intranet site Orbis Home was provided which collated resources for staff.
e) The spending on agency staff for Orbis overall decreased slightly compared to Q1 2020/21, BHCC and ESCC FTE had remained stable with a reduction in FTE in SCC due to the transfer in June of Pensions Administration staff from Business Operations into the Finance service.

3. A Joint Committee member queried the disaggregation of services which contradicted the founding principle of the Orbis Partnership of integration across the sovereign authorities.

a) In response, the Executive Director of Resources (SCC) noted that over the last few years there had been a refinement of shared services across the Partnership which was consistent with the original aims of the Partnership, as integration was a benefit for some areas but a complication to other areas. He explained that he would provide the Joint Committee with a restatement of the Partnership position across the services and sovereign authorities.
b) Responding to the Joint Committee member further, that restatement would also include the business plan approach noting areas the Partnership was strongest at.

4. A Joint Committee Member queried what the differences were between the two different ERP applications in ESCC and SCC;

and why ESCC and SCC were not doing joint procurement as they share the same services and IT system.

a) In response, the Acting Chief Operating Officer (ESCC) noted that the system in ESCC had not yet been chosen as three suppliers were being evaluated one of which the same chosen by SCC.
b) In response, the Executive Director of Resources (SCC) explained that several years ago there was an exercise which looked at joint procurement across the Partnership, but due to the complexity of the task it was abandoned. SCC chose to go independently on its procurement due to the complexity and it was the only option within the timescale as SCC's existing system was at the end of its life.

5. The Joint Committee member further queried if the two different ERP systems was another example of the disaggregation of services within the Partnership; querying how back office functions would be modernised with two different computer systems.
    a) In response, the Executive Director of Resources (SCC) noted that there were shared teams working with the two systems, although that was not as far a step forward should a single system have been chosen. He noted that once ESCC's procurement phase was concluded, there would be a review of the extent to which the processes could be aligned.
    b) The Chairman responded that as part of the recommendations the Joint Committee had an opportunity to decide on which service should be the subject of the next spotlight performance review, proposing that it should be Procurement based on the discussions.
6. A Joint Committee member noted confusion between integration and disaggregation within the Partnership, noting the possible long-term benefits of sharing the same systems across the sovereign authorities.
    a) In response, the Acting Chief Operating Officer (ESCC), recognised the benefits of standardising processes where possible and that ESCC would consider that as part of the implementation process.
    b) The Chairman questioned that as SCC were moving forward with its implementation phase, whether there would be an opportunity to have joint conversations with ESCC on procurement.
    c) In response, the Executive Director of Resources (SCC) confirmed that the programme manager at SCC for the DB&I programme shared updates regularly with the MBOS programme lead at ESCC and that teams working on SCC's ERP programme would in turn work on ESCC's ERP programme, so there were opportunities to align.
7. The Chairman queried why agency spend remained high on Management.
    a) In response, a Joint Committee Member assumed that it was due to the separate IT systems and external consultants needed to scope the various programmes.
    b) The Executive Director of Resources (SCC) clarified that agency spend was high as there were several projects and

pieces of work across the Management service that required that short-term resource.

8. The Chairman queried whether the unfunded Data Protection Officer within IT&D was a single officer across the three sovereign authorities.
    a) In response, the Acting Chief Operating Officer (ESCC) clarified that the post for a single unfunded DPO was in place across the three sovereign authorities.

RESOLVED:

That the Joint Committee:

1. Noted the information presented as a reflection of 2020;

2. Noted the Orbis service performance information presented;

3. Agreed that the Procurement service should be the subject of the next service spotlight performance review.

Actions/further information to be provided:

c) The Executive Director of Resources (SCC) will provide the Joint Committee with a restatement of the Partnership position across the services and sovereign authorities; including the business plan approach noting areas the Partnership was strongest at.
d) The Head of Strategy, Performance and Change will provide Joint Committee members with an in-depth look at Orbis Home should they request it.

6 SERVICE SPOTLIGHT - INTERNAL AUDIT [Item 6]

Witnesses:

Russell Banks - Orbis Chief Internal Auditor

Key points raised in the discussion:

1. The Orbis Chief Internal Auditor introduced the report and summarised that:
    a) The Internal Audit (IA) service was an integrated Orbis Partnership function led by a single Chief Internal Auditor appointed in April 2017, with a new integrated structure in effect from April 2018.
    b) IA was a statutory service in the context of the Accounts and Audit Regulations 2015, which must comply with the Public Sector Internal Audit Standards (PSIAS).
    c) At the time of establishing IA, the service was restructured which saved 25% of the then net budget. Part of rationale for integration was to keep locally based services in each of the sovereign authorities but to also maximise the opportunity to utilise shared knowledge. Three smaller sovereign based teams were created along with two specialist teams in the areas of ICT Audit and Counter Fraud which operated across the Partnership.
    d) Streamlining was undertaken during the integration, with a new electronic audit management system implemented as well as a

range of efficiencies as staff across the Partnership operated in a standardised way using same systems, report templates and format of audit opinions.

e) There were a range of external clients such as Horsham District Council since 2018, which involved a TUPE transfer of a small number of staff -reducing resource risk - and external client work made a contribution to overall service overheads.

f) Historically, recruiting experienced IA staff was a challenge, so there was a recent shift to recruit entry level staff, invest heavily in professional training and reduce spending on agency staff. As a result, for the first time since the creation of the Partnership, the number of audit days across the three sovereign authorities would be increased without a budget increase for 2021/22.

g) As part of the approach to core service delivery, there was regular reporting throughout the year on the delivery of work and performance of IA service through the respective senior leadership teams and audit committees. Those reports were on a quarterly basis and tracked the performance indicators, with an annual report and IA opinion, as well as self-assessments and a full independent external assessment of the service at least once every five years - the last was commissioned in 2018 in the first year and received the highest level of performance against those standards; noting confidence though self-assessments that level of professional compliance was maintained.

h) IA reacted quickly to Covid-19, such as by suspending audit activity in frontline service delivery, as well as providing advice to services in recognising that normal systems and processes needed to be delivered in a different way.

i) Despite the change of activity, the service remained confident that it would deliver sufficient coverage across all three sovereign authorities in order to give the annual opinion for 2021, with plans underway for 21/22 with built-in flexibility.

2. A Joint Committee member noted concern with the 90% target for Productivity and Process Efficiency as part of the Orbis IA performance indicators; as well as concern with the 80% target for Our Staff as part of the Orbis IA performance indicators - which was of particular concern due to the earlier comment that Orbis was in the market looking for customers, as the services were unique to a particular unit and staff would be stretched beyond the three sovereign authorities to other external clients.

    a) In response, the Orbis Chief Internal Auditor explained that the target was to deliver 90% of those audits that were detailed in the audit plan to draft report stage by 31 March - the target was not 100% as there was no absolute cut-off, some audits that were still in progress at the end of the year would spill over.

    b) In response, the Orbis Chief Internal Auditor explained that the current level of achievement for qualified staff was slightly greater than the target, at 85%. The reason that it was not 100% was due to the shift in the recruitment approach, as detailed earlier. There were also a number of staff training for the professional qualification and so were not included in that 80% target. High quality staffing and adequate provision across the three sovereign authorities was vital.

    c) The Joint Committee member emphasised his concern about taking on new clients with unknown liabilities and without due diligence, as it strayed beyond the remit of the internal functions within the three sovereign authorities; noting that the Joint Committee should give it serious concern going forward.

3. A Joint Committee member queried whether the 90% satisfied target for Quality as part of the Orbis IA performance indicators, was the internal satisfaction of the audit investigated or of the client's response to the service provided.
   a) In response, the Orbis Chief Internal Auditor explained that the target for satisfaction related to the level reported by the client of the service that they have received from Orbis IA. A questionnaire seeking client feedback was issued for each assignment.
   b) In response to the Joint Committee member's further comment on the correlation between the audit opinion and the level of satisfaction, the Orbis Chief Internal Auditor noted that possible relationship.
4. A Joint Committee member agreed with the earlier comment on the need for due diligence when taking on new clients.
   a) In response, the Chairman recognised those reservations concerning new clients, noting caution over not stretching beyond the Partnership's capabilities with the need to assess the viability of service provision and ensuring due diligence.
   b) A Joint Committee member noted that it was only a serious concern if due diligence was not exercised.
   c) The Chairman noted that due diligence should be demonstrated and that there should be a full impact assessment on the impact across the Partnership, as well as a need for a business case when taking on new clients.
   d) In response, the Orbis Chief Internal Auditor reassured the Joint Committee that a comprehensive due diligence exercise was undertaken for the last client taken on board, Horsham District Council. A comprehensive business case was also undertaken which set out the justification for the arrangements and financial implications, which was signed off by finance colleagues. He added that unique to IA, was that each individual in the team accounted for their time spent on each activity so that could be accurately monitored.
5. The Chairman sought clarification on the current degree of the impact of Covid-19 in relation to the suspension of some audit activities and on resources and their prioritisation.
   a) In response, the Orbis Chief Internal Auditor clarified that Covid-19 continued to impact the IA service across a number of ways: such as access to timely information, the suspension of audit activities in Adult Social Care, other external services took longer to respond to IA enquiries due to the pandemic and staff in IA were redeployed to other services to support their delivery.
   b) The Orbis Chief Internal Auditor added that areas of priority such as the key financial systems of the sovereign authorities were being focussed on and the annual audit opinion was planned to be delivered on time. Suspended areas of work were not lost sight of and were considered in the plans for next year.
   c) In response to the Chairman's further query on whether detailed risk assessments were carried out when looking at the priority areas, the Orbis Chief Internal Auditor confirmed that was the case and that he was working closely with the heads of audit across the

country, looking at whether the priorities were consistent with others'.

RESOLVED:

The Orbis Joint Committee noted the achievements and on-going service developments for the partnership service.

Actions/further information to be provided:

The Joint Committee will monitor the issue of ensuring due diligence when taking on new clients, including full impact assessments and business cases

7 ORBIS BUDGET MONITORING REPORT [Item 7]

Witnesses:

Thomas Alty - Head of Finance

Key points raised in the discussion:

1. The Head of Finance introduced the report and summarised that:
   a) It reflected the new Orbis operating model from 2020/21 with "Fully integrated", "Partially integrated" or "Centres of Expertise".
   b) As a result of services being withdrawn under the new operating model, the 2020/21 budget was £39.3mn, compared to £60mn last year.
   c) As at Q2 the forecast year-end outturn was a £769k overspend due to the slippage of the savings delivery in Business Operations. With smaller underspends projected in Finance and HR due to lower levels of staffing turnover and an underspend in the CoE budget.
   d) The overspend in staffing was offset by underspends in non-staffing due to lower levels of training and travel expenses; and there was a slight over recovery of income due to more staff than was budgeted for.
   e) The highest amounts of agency spend were in IT&D and Management.
   f) Business Operations had a red rating in efficiency targets as savings were not on track to be delivered.
   g) Under the new operating model there were separate contribution ratios for the separate elements/level of integration in the partnership.
   h) The agreed percentages of contribution rates determined the net contribution per partner, with Surrey taking on the largest proportion.
2. In response to the Chairman's query on the variance at Q2 for the Orbis Operating Budget, the Head of Finance explained that the projected year-end variance could decrease from £770k.
3. A Joint Committee member noted concern with the current £750k savings deficit in Business Operations for 2020/21, as the three sovereign authorities would have to pay that deficit.
4. The Chairman recognised the above concern and noted concerns about budget preparations, suggesting that they be shared as early as possible such as in Q3.

RESOLVED:

The Orbis Joint Committee noted the report**.**

Actions/further information to be provided:

Budget preparations for all three authorities will be shared as early as possible, aiming for Q3.

8 DATE OF THE NEXT MEETING [Item 10]

The Committee noted that its next meeting would be held on 3 June 2021 and will be hosted by East Sussex County Council.

Meeting ended at: 3.22

Chairman