



**BRIGHTON & HOVE CITY COUNCIL, EAST SUSSEX  
COUNTY COUNCIL, SURREY COUNTY COUNCIL AND  
WEST SUSSEX COUNTY COUNCIL**

**ORBIS PUBLIC LAW JOINT COMMITTEE**

**DATE: 2 JULY 2018**

**LEAD OFFICERS: PHILIP BAKER (ASSISTANT CHIEF EXECUTIVE,  
ESCC),  
RACHEL CROSSLEY (ASSISTANT DIRECTOR,  
CHIEF OF STAFF, SCC),  
ABRAHAM GHEBRE-GHIORGHIS (EXECUTIVE  
LEAD OFFICER FOR STRATEGY, GOVERNANCE  
AND LAW, BHCC),  
AND  
TONY KERSHAW (DIRECTOR OF LAW AND  
ASSURANCE, WSCC)**

**SUBJECT: FINANCE UPDATE**

**PURPOSE OF REPORT:**

The partners have agreed to establish a Joint Operating Budget from 1<sup>st</sup> April 2019. In advance of this, the management team and committee are monitoring a shadow operating budget.

This report provides a note of the outturn position for the shadow budget for the year ending 31<sup>st</sup> March 2018, confirmation of the shadow budget for the current financial year 2018/19 and upcoming finance project activities to support the establishment of the joint budget.

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**DETAILS**

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The Joint Operating Budget for Orbis Public Law to be delegated to the Joint Committee by each partner is primarily the cost of staffing and associated team costs. Some costs, which are the responsibility of each Legal department, are excluded since there is inconsistency of treatment across organisations and thus this would prevent the sharing of costs which is agreed to be based upon the casework delivered to each partner. The report (annex 1) provides a note of the year end position for the shadow operating budget for 2017/18 and confirmation of the budgets for the current financial year.

The partners have agreed that external legal fees will not be delegated to the Joint Committee. The report however provides a summary of the actual spend on all external legal costs by each partner to provide an indication of the opportunities available to bring some of this spend in-house. The Committee will note that not all these costs are addressable in this way since external costs include court fees, expert

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witnesses, counsel and external advice.

There are a number of Finance activities underway or about to commence in preparation for the delegation of the Joint Operating Budget. The report provides a brief outline of these projects.

## RECOMMENDATIONS

The Joint Committee is asked to note:

1. A shadow operating budget variance of £1.0m for 2017/18 due to staffing underspends.
2. A total spend on external legal costs of £5.9m. This includes spend on court fees, counsel, expert witnesses as well as external legal advice – and therefore not all this spend is addressable by OPL.
3. Changes to the notional contributions to the shadow operating budget as a result of differences between partners in expectations for savings and changes in headcount.

## REASON FOR RECOMMENDATIONS

The Joint Committee will be responsible for ensuring the sound financial management of the partnership, monitoring the shadow operating budget provides the opportunity to prepare for the joint budget arrangements effective from 1<sup>st</sup> April 2019.

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**Contact Officer:** Susan Smyth (Head of Strategic Finance)

**Appendices:** Finance Report

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## FINANCE REPORT: June 2018

### SECTION 1: FINANCIAL MONITORING REPORT: FULL YEAR ACTUALS 2017/8

#### a] Joint Operational Budget

The table below provides an overview of the shadow joint operational budget as at year end 31<sup>st</sup> March 2018.

Shadow Operating Budget	Year end Actual		
	Actual £000s	Budget £000s	Variance £000s
<b>BHCC</b>			
Staff	2,338	2,384	-46
Temporary Staff	55		55
Non-Staff	142	74	68
Income	-694	-558	-136
Net Expenditure	<u>1,841</u>	<u>1,900</u>	<u>-59</u>
<b>ESCC</b>			
Staff	1,575	1,734	-159
Temporary Staff	178	10	168
Non-Staff	56	82	-26
Income	-142	-281	139
Net Expenditure	<u>1,667</u>	<u>1,545</u>	<u>122</u>
<b>SCC</b>			
Staff	2,982	3,423	-441
Temporary Staff	134	0	134
Non-Staff	149	155	-6
Income	-677	-403	-274
Net Expenditure	<u>2,588</u>	<u>3,175</u>	<u>-587</u>
<b>WSCC</b>			
Staff	2,975	3,345	-370
Temporary Staff	263	175	88
Non-Staff	156	103	53
Income	-584	-303	-281
Net Expenditure	<u>2,810</u>	<u>3,320</u>	<u>-510</u>
<b>TOTAL</b>			
Staff	9,870	10,886	-1,016
Temporary Staff	630	185	445
Non-Staff	503	414	89
Income	-2,097	-1,545	-552
Net Expenditure	<u>8,906</u>	<u>9,940</u>	<u>-1,034</u>

During 2017/18 there were underspends on staffing expenditure in all locations primarily due to vacancies and difficulties in recruitment. This has two consequences – an increased reliance and spend on temporary staff and more significantly an increase in external fees. Childcare casework volumes remain high and there continues to be a reliance on external advocacy.

The overspend in ESCC is offset by underspends of £82,000 on other cost headings that do not form part of the Joint Operating Budget leaving a small over-spend of £40,000 for the department when looking at these different budget headings together and from an individual partner (ESCC) perspective. This is because the Joint Operating Budget includes only cost types that are consistent across the partners in order to enable the sharing of costs based upon casework delivered to each partner in the future. The shadow year helps to identify whether budget adjustments are required to individual budget headings and some corrections will be made as required.

### b]: External legal costs

External legal costs incurred by both Legal Services and other services within each partner authority is noted below. These costs are not part of the Joint Operating Budget since there is inconsistency in budget responsibilities between the partners however there is a relationship between internal and external spend as noted above.

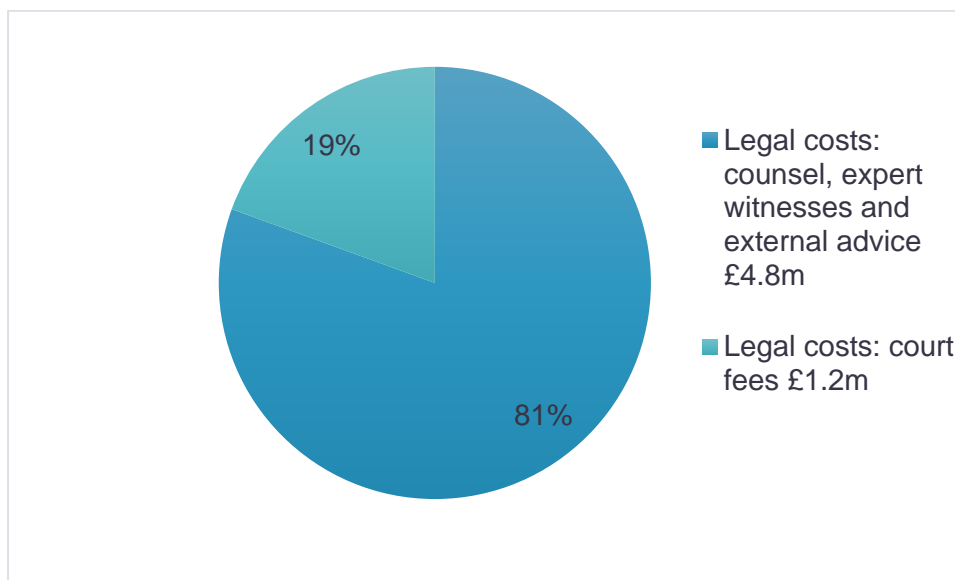
<b>As at end March 2018</b>	<b>Full Year Actual</b>				
External Legal Costs by department	BHCC	ESCC	SCC	WSCC	Total
	£000s	£000s	£000s	£000s	£000s
Legal Services: Full Year Actual	0	17	1,086	1,445	2,548
Legal Services: Full Year Budget	0	64	619	732	1,415
Variance	0	-47	467	713	1,133
Other departments: Full Year Actual					
Childrens Services	722	436	435	0	1,593
Education Services	7	0	48	0	55
Adult Services	38	50	5	0	93
Trading Standards	0	12	34	0	46
Highways	81	93	2	38	214
Environment, Waste & Planning	28	30	50	0	108
Housing	88	0	0	0	88
Coroner	0	60	735	0	795
Property	6	10	215	0	231
Other back office	10	30	13	0	53
All other services	53	48	12	0	113
<b>Total External Legal Costs</b>	<b>1,033</b>	<b>769</b>	<b>1,549</b>	<b>38</b>	<b>3,389</b>
Other departments: Full Year Budget	771	629	613	0	2,013
Variance	262	140	936	38	1,376

<b>As at end March 2018 Summary</b>	<b>Full Year Actual Summary</b>				
External Legal Costs by department	BHCC	ESCC	SCC	WSCC	Total
	£000s	£000s	£000s	£000s	£000s
Total: Full Year Actual	1,033	786	2,635	1,483	5,937
Total: Full Year Budget	771	693	1,232	732	3,428
Total: Variance	262	93	1,403	751	2,509

The information for the tables is taken from the general ledger systems of each partner and is noted against the service where the costs are recorded. All legal costs are included within the analysis including costs that are not necessarily controllable by Legal Services and includes court costs, expert witnesses, counsel and external advice. The analysis does not include legal expenses that are incurred as part of a capital project (e.g. property purchases). This table is the result of a review recently undertaken to identify all legal spend in order to focus on addressable spend going forward.

This analysis shows a full year spend on all external legal costs of £5.9m.

As noted not all external spend is addressable by actions that are being or could in the future be taken by OPL – for example an increase in in-house resource will not impact upon the cost of court fees which are significant at £1.2m and 19% of spend as illustrated by the breakdown below-



## SECTION 2: BUDGET 2018/19

The detailed budgets for 2018/19 for Legal Services have been received from all partners. The table below shows the opening position for the shadow year joint operating budget based upon the information received and consistent with the agreed principles.

Orbis Public Law: Joint Operating Budget	BHCC	ESCC	SCC	WSCC	Total Operating Budget
2018/19 Budget	£000s	£000s	£000s	£000s	£000s
Staff	2,395	1,716	3,334	3,820	11,264
Non-Staff	75	66	158	121	419
Income	-618	-120	-414	-314	-1,465
Net Expenditure	<u>1,852</u>	<u>1,661</u>	<u>3,079</u>	<u>3,627</u>	<u>10,219</u>
2018/19 Budget Contribution Ratio	18.1%	16.3%	30.1%	35.5%	100.0%
2017/18 Budget Contribution Ratio	19.1%	15.5%	31.9%	33.4%	100.0%
	-1.0%	0.7%	-1.8%	2.1%	0.0%

Note) Comparison to 2017/18 estimated contribution is based upon the year-end budgets

The estimate of Agreed Contribution Rates (ACR) provides an indication of the planned resource requirement for each partner based upon the budget position. Changes in the ACR are primarily being driven by the requirement for savings by each partner with the exception of WSCC which includes an increased staffing budget for additional posts and as a result of a change in costing methodology for salaries.

The confirmed position for savings per each partner's financial plan (MTFP) is noted in the table below. These savings requirements are expected to alter with future iterations of each partner's financial planning process.

MTFP Savings	Shadow Year	Joint Operating Budget	
	2018/19	2019/20	2020/21
	£000s	£000s	£000s
BHCC	59	40	0
ESCC	0	0	0
SCC	142	39	22
WSCC	0	150	100
Total Savings	<u>201</u>	<u>229</u>	<u>122</u>

The actual contribution to the joint budget will be periodically reviewed (at least annually) to reflect the actual resource utilised by each partner. This will be determined by reviewing case hours as recorded on the legal time recording system and will therefore be reliant upon time recording compliance.

### SECTION 3: FINANCE PROJECT ACTIVITIES 2018/19

The graphic below provides an outline of the key project activities that will be delivered by the Finance workstream in support of a joint budget for OPL from April 2019.

