

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



ORBIS JOINT COMMITTEE

DATE: 6 JULY 2018

LEAD OFFICER: KEVIN FOSTER (CHIEF OPERATING OFFICER, EAST SUSSEX COUNTY COUNCIL), MICHAEL COUGHLIN (EXECUTIVE DIRECTOR FOR CUSTOMERS, DIGITAL & TRANSFORMATION, SURREY COUNTY COUNCIL) & DAVID KUENSSBERG (EXECUTIVE DIRECTOR FINANCE & RESOURCES, BRIGHTON & HOVE CITY COUNCIL)

SUBJECT: 2017/18 BUDGET OUTTURN

SUMMARY OF ISSUE:

To inform the Joint Committee of the 2017/18 Orbis Outturn and to seek approval of transfers to and from the Orbis operating budget.

RECOMMENDATIONS:

The Joint Committee is asked to note:

1. Orbis operating budget variance of -£2.5m at year end.
2. £1.5m spend on Orbis investment and redundancies.
3. Services achieved £5m efficiencies by year end.
4. Agency expenditure of £2m (4% of staffing).

The Joint Committee is asked to approve:

5. £0.07m transfer to the Orbis operating budget.

REASON FOR RECOMMENDATIONS:

The Joint Committee is responsible for ensuring the sound financial management of the partnership, delivering the business plan and monitoring the investment.

DETAILS:

Orbis Joint Operating Budget 2017/18 Outturn

6. The 2017/18 Joint Operating Budget was £50.7m including £3.9m planned efficiency savings. The outturn was £48.2m, a variance of -£2.5m comprising of one-off savings of £1.4m and early delivery of 2018/19 savings of £1.1m.
7. The Joint Operating Budget variance was mainly from staffing (-£2m), where services held vacancies ahead of delivering a further £4.6m of

savings in 2018/19 or where restructures took place earlier than anticipated. There also variances on non-staffing and income. The pension administration service expenditure and income budget variances offset each other (£0.6m). The remaining income variance of -£0.5m related to one-off income from BHCC for staff costs prior to joining the partnership (-£0.2m) and on-going additional income from activities such as financial support of investment properties.

8. The full year variance has changed by -£0.1m since the estimate at the end of February, reported to the Committee in April.
9. Table 1 shows the 2017/18 Joint Orbis Budget outturn by service and the revenue contribution for each authority.

Table 1 2017/18 Joint Operating Budget by service

	Outturn		
	Budget	Actual	Variance
	£000s	£000s	£000s
Business Operations	5,306	5,133	-173
Finance	9,068	8,319	-749
HR&OD	4,675	4,484	-191
IT&D	16,987	16,312	-675
Management	1,974	1,557	-417
Procurement	3,216	2,957	-259
Property	9,456	9,404	-52
Total Net Expenditure	50,681	48,166	-2,516
Subjective Analysis			
Staffing	55,235	53,285	-1,950
Non-Staffing	6,575	7,198	623
Total Expenditure	61,809	60,482	-1,327
Income	-11,128	-12,316	-1,189
Net Expenditure	50,681	48,166	-2,516
Contributions			
ESCC	15,342	14,580	-761
SCC	35,340	33,586	-1,754
Total	50,681	48,166	-2,516

Management costs include an adjustment to ensure that the method of calculating pension contributions is similar in both ESCC & SCC.

Orbis Investment

10. The 2017/18 Orbis investment expenditure was £0.4m and the cost of Orbis redundancies was £1.1m
11. The 2017/18 approved budgets for Orbis Investment totals £1m. This is primarily for the Orbis Programme Team, external advice and core IT, this expenditure was £0.4m. The variance to budget is mainly due

to reduced spend on external advice and vacancies in the programme team. Further investment funding is subject to business case approval before proceeding.

12. Redundancies are approved by the employing authority subject to a robust business case. The redundancy expenditure was £1.1m, this is higher than originally estimated at the time of the original Orbis business plan, however these are partly delivering additional early savings.
13. Table 2 shows the 2017/18 investment and redundancy expenditure outturn.

Table 2: 2017/18 Orbis Investment

	Plan	Outturn	FY Var
	£000	£000	£000
Programme Level	160	125	-35
Enabling Programme Support	266	78	-188
Total Programme Expenditure	426	203	-223
External Advice	350	196	-154
Core IT	165	57	-108
Orbis IT	110	25	-85
Contribution from BHCC	-67	-80	-13
Total Approved Investment	984	401	-583
Redundancy	400	1,060	660

Efficiencies

14. The 2017/18 Joint Operating budget included challenging efficiency savings and increased income targets of £3.9m. Services are putting plans in place to achieve a further £4.6m in 2018/19, as detailed in the Orbis Business Plan.
15. Services delivered £3.9m planned efficiencies and, as reported above, £1.1m of the 2018/19 Orbis Joint Operating budget savings were delivered early as reflected in table 3 below.

Table 3: 2017/18 Efficiencies

	Plan	Outturn
Efficiency Saving	2017/18	2017/18
	£000	£000
Business	-500	-673
Finance	-525	-755
HR&OD	-400	-591
IT&D	-1,099	-1,549
Management	-100	-100
Procurement	-345	-395
Property	-906	-958
	-3,875	-5,021

Staffing

16. The Orbis Joint Committee is responsible for managing all aspects of the Joint Operating Budget, including staffing. The staffing budget is set on the estimated establishment needed to deliver services, after deducting costs for an estimated level of vacancies.
17. There was a -£2m staffing variance where services held staff vacancies to deliver future savings and completed restructures early. This is no change to the amount previously reported. Table 4 provides a breakdown of the staffing for each service.

Table 4: Full year staffing variance

Staffing	Outturn		
	Budget £000	Actual £000	Variance £000
Business Operations	9,772	9,553	-219
Finance	10,161	9,467	-694
HR&OD	4,595	4,499	-96
IT&D	17,319	16,891	-428
Management	449	405	-44
Procurement	3,063	2,889	-174
Property	9,876	9,581	-295
Total Net Expenditure	55,235	53,285	-1,950

18. The staffing expenditure includes agency staff, this was 4% of total staffing spend. The use of agency staff is avoided where possible however there are a limited range of circumstances where it is appropriate, for example specific skills for a project or to cover business critical vacant posts in the short term. Table 5 shows the 2017/18 agency spend by service.

Table 5: Agency non-agency staffing expenditure

	Agency Outturn £000s	Non Agency Staffing £000s	Total Staffing Outturn £000s	Agency %
Business Operations	203	9,349	9,553	2%
Finance	288	9,179	9,467	3%
HR&OD	47	4,452	4,499	1%
IT&D	1,181	15,710	16,891	7%
Management	6	399	405	2%
Procurement	271	2,617	2,889	9%
Property	118	9,464	9,581	1%
Total Net Expenditure	2,114	51,170	53,285	4%

Orbis Operating Budget Transfers

19. In accordance with the process set out in the Inter Authority Agreement (IAA) the service delivery requirements of each authority are under review. This work is ongoing and analyses whether there have been significant changes in service delivery. In addition, it has become apparent that some joint operating budget costs should now be included or excluded from the budget when using the IAA principles. For example the Orbis element of the ESCC Amey contract was estimated, now this contract has ended the true costs should be reflected in the Orbis budget. Appendix 1 lists all of the costs that should be included or excluded from the joint budget, in line with agreed IAA principles.
20. The Committee is asked to approve these adjustments which reduce the Orbis Joint Operating budget by £0.07m and changes the ESCC contribution from £14.8m to £14.7m, the BHCC and SCC contributions remain the same, at £13.4m and £34.4m respectively. This does not change the current 21/24/55 ratio; nor impact on the affordability for any authority as the budgets for these costs are in their medium term financial plans classified as sovereign budget. The Committee is advised to recommend this level of contributions to each authority's Cabinets.

WHAT HAPPENS NEXT:

21. The Orbis Leadership Team will review the position each month and report this to the Joint Committee. All Members will be briefed in the months the Committee does not have a meeting.

Contact Officers:

Louise Lawson – Senior Principal Accountant

Appendices:

Appendix 1 – Detail of budget transfers

Sources/background papers:

None
