



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

ORBIS PUBLIC LAW JOINT COMMITTEE

DATE: 12 OCTOBER 2018

LEAD OFFICERS: PHILIP BAKER (ASSISTANT CHIEF EXECUTIVE, ESCC),
RACHEL CROSSLEY (DIRECTOR OF STRATEGIC COMMISSIONING, 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 April 2019. In advance of this, the management team and committee are monitoring a shadow operating budget.

This report provides a note of the position for the shadow budget at 31 July 2018, latest 2019/20 savings targets and upcoming finance project activities to support the establishment of the joint budget.

DETAILS

The Joint Operating Budget for Orbis Public Law (OPL), 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 forecast for the shadow operating budget for 2018/19.

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 external legal costs by each partner, to provide an indication of the opportunities available to bring this spend in-house.

Financial planning for 2019/20 is underway in each authority, the Joint Committee will be asked to recommend a 2019/20 OPL budget. As

such the latest 2019/20 savings targets are included in the report, these could be achieved from OPL or Legal Services external costs budgets.

There are a number of joint projects underway. The report provides a summary of the likely 2018/19 cost of these projects and how they will be funded.

RECOMMENDATIONS

The Joint Committee is asked to note:

1. A shadow operating budget variance of £-0.2m for 2018/19 due to staffing underspends.
2. A total spend to date on relevant external legal costs of £0.9m. This excludes spend on court fees and expert witnesses, and therefore is all addressable by OPL.
3. The current 2019/20 savings targets, totalling £0.7m, these could be achieved from either OPL or Legal Services external costs budgets.
4. The likely 2018/19 project costs are £0.4m, to be funded as per the estimated contribution ratio.

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 April 2019.

Contact Officer: Louise Lawson (Senior Principal Accountant)

Appendices: Finance Report

FINANCIAL MONITORING REPORT: TO END JULY (P4) 2018

SECTION 1: JOINT OPERATIONAL BUDGET

The table below provides an overview of the shadow operational budget position at the end of July. SCC is forecasting a very small underspend due to increased income and reduced staffing. WSCC is forecasting an underspend of £0.2m, mainly due to staffing.

| Table 1: OPL Summary | Year to Date Actual | | | Full Year Forecast | | |
|----------------------|---------------------|-----------------|-------------------|--------------------|-----------------|-------------------|
| | Actual £000s | Budget £000s | Variance £000s | Forecast £000s | Budget £000s | Variance £000s |
| BHCC | | | | | | |
| Staff | 783 | 868 | -85 | 2,439 | 2,439 | 0 |
| Temporary Staff | 3 | 0 | 3 | 0 | 0 | 0 |
| Non-Staff | 55 | 37 | 18 | 115 | 115 | 0 |
| Income | -118 | -134 | 16 | -618 | -618 | 0 |
| Net Expenditure | <u>723</u> | <u>771</u> | <u>-48</u> | <u>1,936</u> | <u>1,936</u> | <u>0</u> |
| ESCC | | | | | | |
| Staff | 509 | 545 | -36 | 1,654 | 1,654 | 0 |
| Temporary Staff | 71 | 21 | 50 | 63 | 63 | 0 |
| Non-Staff | 30 | 18 | 12 | 55 | 55 | 0 |
| Income | -103 | -40 | -63 | -120 | -120 | 0 |
| Net Expenditure | <u>507</u> | <u>544</u> | <u>-37</u> | <u>1,652</u> | <u>1,652</u> | <u>0</u> |
| SCC | | | | | | |
| Staff | 1,002 | 1,111 | -110 | 3,042 | 3,334 | -292 |
| Temporary Staff | 75 | 0 | 75 | 285 | 0 | 285 |
| Non-Staff | 78 | 46 | 32 | 155 | 140 | 15 |
| Income | -181 | -138 | -43 | -439 | -414 | -25 |
| Net Expenditure | <u>974</u> | <u>1,020</u> | <u>-46</u> | <u>3,043</u> | <u>3,060</u> | <u>-17</u> |
| WSCC | | | | | | |
| Staff | 974 | 1,176 | -202 | 3,326 | 3,528 | -202 |
| Temporary Staff | 49 | 60 | -11 | 179 | 179 | 0 |
| Non-Staff | 78 | 55 | 23 | 266 | 166 | 100 |
| Income | -195 | -105 | -90 | -400 | -314 | -86 |
| Net Expenditure | <u>906</u> | <u>1,186</u> | <u>-280</u> | <u>3,371</u> | <u>3,559</u> | <u>-188</u> |
| TOTAL | | | | | | |
| Staff | 3,268 | 3,700 | -433 | 10,461 | 10,955 | -494 |
| Temporary Staff | 198 | 81 | 117 | 527 | 242 | 285 |
| Non-Staff | 241 | 156 | 85 | 591 | 476 | 115 |
| Income | -597 | -417 | -180 | -1,577 | -1,466 | -111 |
| Net Expenditure | <u>3,110</u> | <u>3,521</u> | <u>-411</u> | <u>10,002</u> | <u>10,207</u> | <u>-205</u> |

SECTION 2: INCOME

Each authority is implementing new ways of recording income to improve understanding of the different types: 'sales' are managed and controlled by OPL and 'costs awarded' are largely unplanned for. Analysis of the income will inform an OPL income strategy in relation to sales. The position at period 4 is shown in table 2, year to date costs awarded and recovered are offsetting shortfalls in planned sales.

| Table 2: OPL Income | Year to Date Actual | | | Full Year Forecast | | |
|---------------------|---------------------|-----------------|-------------------|--------------------|-----------------|-------------------|
| | Actual £000s | Budget £000s | Variance £000s | Forecast £000s | Budget £000s | Variance £000s |
| BHCC | | | | | | |
| Sales | -55 | -54 | -1 | -162 | -162 | 0 |
| Costs Recovered | -63 | -80 | 17 | -456 | -456 | 0 |
| Costs Awarded | 0 | 0 | 0 | 0 | 0 | 0 |
| [not yet analysed] | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Income | <u>-118</u> | <u>-134</u> | <u>16</u> | <u>-618</u> | <u>-618</u> | <u>0</u> |
| ESCC | | | | | | |
| Sales | -29 | 0 | -29 | 0 | 0 | 0 |
| Costs Recovered | -42 | 0 | -42 | 0 | 0 | 0 |
| Costs Awarded | 0 | 0 | 0 | 0 | 0 | 0 |
| [not yet analysed] | -31 | -40 | 9 | -120 | -120 | 0 |
| Total Income | <u>-103</u> | <u>-40</u> | <u>-63</u> | <u>-120</u> | <u>-120</u> | <u>0</u> |
| SCC | | | | | | |
| Sales | -23 | 0 | -23 | -128 | 0 | -128 |
| Costs Recovered | -101 | -138 | 37 | -251 | -410 | 159 |
| Costs Awarded | -57 | 0 | -57 | -57 | 0 | -57 |
| [not yet analysed] | 0 | 0 | 0 | -2 | -4 | 1 |
| Total Income | <u>-181</u> | <u>-138</u> | <u>-43</u> | <u>-439</u> | <u>-414</u> | <u>-25</u> |
| WSCC | | | | | | |
| Sales | 0 | -105 | 105 | -200 | -314 | 114 |
| Costs Recovered | -195 | 0 | -195 | -200 | 0 | -200 |
| Costs Awarded | 0 | 0 | 0 | 0 | 0 | 0 |
| [not yet analysed] | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Income | <u>-195</u> | <u>-105</u> | <u>-90</u> | <u>-400</u> | <u>-314</u> | <u>-86</u> |
| TOTAL | | | | | | |
| Sales | -107 | -159 | 51 | -490 | -476 | -14 |
| Costs Recovered | -401 | -218 | -184 | -907 | -866 | -41 |
| Costs Awarded | -57 | 0 | -57 | -57 | 0 | -57 |
| [not yet analysed] | -31 | -40 | 9 | -122 | -124 | 1 |
| Total Income | <u>-597</u> | <u>-416</u> | <u>-180</u> | <u>-1,577</u> | <u>-1,466</u> | <u>-111</u> |

SECTION 3: EXTERNAL LEGAL COSTS

All external legal costs are outside of the joint operational budget however there are certain external costs, such as legal advice (counsel), which OPL can control and manage effectively on behalf of the partner authorities. Table 3 shows these external costs managed by Legal Services to the end of July. It should be noted that in SCC and WSCC these costs are met from the Legal Services budget and in BHCC and ESCC these budgets are in other services.

| Table 3: External Legal Costs managed by Legal | Year to Date Actual | | | | Total £000s |
|--|---------------------|---------------|--------------|---------------|----------------|
| | BHCC £000s | ESCC £000s | SCC £000s | WSCC £000s | |
| Child Care - Counsel | 12 | 108 | 387 | 177 | 683 |
| Child Care - External Solicitors | 1 | 0 | 0 | 44 | 45 |
| Other External Solicitor / Counsel | 79 | 0 | 45 | 0 | 124 |
| Total | 92 | 108 | 431 | 221 | 852 |

SECTION 4: 2019/20 BUDGET

The 2018/19 OPL budget forms the basis of the 2019/20 budget along with any pressures, such as pay inflation, and any agreed savings. As part of each partner's financial planning, savings are proposed and the Joint Committee must respond with a recommended budget.

The currently proposed 2019/20 Legal Services' savings for each authority are shown in table 4 below. These savings could be made from either the OPL or Legal Services External Costs budgets, for completeness these are also shown in table 4.

| Table 4: Legal Services 2019/20 Savings and 2018/19 Net Budget | BHCC £000s | ESCC £000s | SCC £000s | WSCC £000s | Total £000s |
|--|---------------|---------------|--------------|---------------|----------------|
| 2019/20 Savings | -93 | 0 | -339 | -250 | -682 |
| 2018/19 Legal Services Budgets | | | | | |
| OPL | 1,936 | 1,652 | 3,060 | 3,559 | 10,207 |
| Legal Services External Costs | 0 | 0 | 595 | 715 | 1,310 |
| Total | 1,936 | 1,652 | 3,655 | 4,274 | 11,517 |

The Executive Board will review the options available to achieve these savings and recommend the level of OPL savings and pressures to the Joint Committee in January.

SECTION 5: PROJECT COSTS

The total forecast 2018/19 OPL project costs are shown in table 5 below. These costs are funded, from existing budgets, by the four partners in accordance with the agreed contribution ratio.

| Table 5: 2018/19 Project Resource | FY Forecast | FY Savings | Notes |
|---|----------------|---------------|-------|
| | £000s | £000s | |
| Project resource | 115 | | 1 |
| IT – Case management database rationalisation | 189 | 14 | 2 |
| IT – Digital court – software and hardware | 46 | 120 | 3 |
| Training / workshops | 5 | 12 | 4 |
| Total | 355 | 146 | |
| Contributions | | | |
| BHCC | 66 | | |
| ESCC | 60 | | |
| SCC | 103 | | |
| WSCC | 126 | | |
| | <u>355</u> | | |

Notes

1. Project Manager, Business Development Manager & Project Officer.
2. Case management costs are already included in section 1 (non-staffing). OPL have renegotiated the contract which will total £334.5k over 5 years; a saving of £69k. £189k is the year 1 cost for this new contract.
3. Savings based on SCC case study and will be realised for the Sussex authorities when fully implemented and embedded. SCC hardware costs excluded as already spent in 17/18, contribution adjusted to reflect this.
4. £12k cost avoidance for 6 months of 2018/19 based on 116 places of free training notionally costed at £100 per hour.