

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



ORBIS JOINT COMMITTEE

DATE: 12 OCTOBER 2018

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

SUBJECT: AUGUST BUDGET MONITORING

SUMMARY OF ISSUE:

To provide an update to the Joint Committee on the financial position of Orbis at the end of August 2018.

RECOMMENDATIONS:

The Joint Committee is asked to note:

1. Orbis operating budget variance of -£0.2m at year end.
2. £1m estimated full year spend on Orbis investment;
3. Year to date spend of £0.8m on redundancies.
4. Agency expenditure of £0.6m (2% of staffing).
5. Services plan to achieve £4.6m efficiencies by year end.
6. Audit report on Orbis budget management.

The Joint Committee is asked to approve:

7. £0.04m 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:

8. The 2018/19 Joint Operating Net Budget is £62.6m, including efficiency savings of £4.6m.

Orbis Joint Operating Budget

9. As at 31 August 2018 the forecast year end variance is -£0.2m. The year to date variance is -£0.5m and -£0.2m of this is staffing where there are vacancies due to recent or future restructures. The full year variance is mainly due to the lower pension adjustment, as services reduce their staffing spend to deliver savings.
10. The following tables show the full year forecast position of the Joint Orbis Budget by service and the revenue contribution for each authority.

Table 1 Joint Operating Budget by service

	Year to Date			Full Year		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
Business Operations	2,702	2,523	-178	6,484	6,484	0
Finance	4,423	4,401	-23	10,615	10,616	0
HR&OD	2,718	2,773	56	6,523	6,523	0
IT&D	8,329	8,138	-191	19,989	19,989	0
Management	972	892	-80	2,333	2,118	-215
Procurement	2,270	2,130	-140	5,448	5,448	0
Property	4,660	4,670	10	11,184	11,184	0
Total Net Expenditure	26,073	25,527	-547	62,576	62,360	-215
Subjective Analysis						
Staffing	29,168	29,016	-152	70,003	70,353	350
Non-Staffing	2,756	2,888	132	6,615	6,050	-565
Total Expenditure	31,924	31,904	-21	76,619	76,403	-216
Income	-5,851	-6,377	-526	-14,043	-14,042	0
Net Expenditure	26,073	25,527	-547	62,576	62,360	-215
Contributions						
BHCC	5,601	5,484	-117	13,443	13,397	-46
ESCC	6,136	6,007	-129	14,726	14,676	-51
SCC	14,336	14,035	-300	34,406	34,288	-118
Total	26,073	25,527	-547	62,576	62,360	-215

Management costs include an adjustment to ensure that the cost of pension contributions is similar in each authority.

Numbers have been rounded - which might cause a casting difference.

11. There are several risks that services are mitigating, the levels are highlighted in the efficiencies section below. In order to deliver the savings, restructures are taking place or beginning to imbed. This is leading to several vacancies in some services and IT&D in particular are facing pressures from interim staff costs. There are high levels of vacancies in Property which are offsetting staffing pressures which must be managed in 2019/20. In addition where services are pausing further integration some of the savings are at risk.

Orbis Investment

12. The original estimated amount of investment required to ensure the success of the partnership and deliver the efficiency savings was

£6.6m, over 5 years from 2014/15. In 2017/18 this total estimated amount reduced to £4.9m. The partnership is responsible for ensuring this is effectively managed and as a result it will be continually monitored and reported to the Orbis Leadership Team monthly and the Joint Committee quarterly.

13. The Investment expenditure to 31 March 2018 was £1.9m and the latest estimated spend in 2018/19 is a further £1m. This is primarily for IT projects required to deliver efficiencies.
14. Redundancies are approved by the employing authority subject to a robust business case. The redundancy expenditure to date is £0.8m.
15. Table 2 shows the latest 2018/19 Orbis Investment full year forecast and the year to date redundancy expenditure.

Table 2: Orbis Investment and Orbis Redundancy Costs

Orbis Investment	Estimate £000
Programme Level	20
Enabling Programme Support	114
External Advice	150
Innovation Fund	100
Core IT - Hygiene Factors	332
Business Services IT - approved	220
Business Services IT - to be approved	100
Total Orbis Investment	1,036
Contributions	
BHCC	358
ESCC	225
SCC	452
	1,036

Orbis Redundancies	Year to Date £000
Total Redundancies	761
Contributions	
BHCC	164
ESCC	179
SCC	418
	761

16. The contributions to Orbis investment are as per the agreed contribution ratio apart from where more expenditure is needed in an authority. As higher IT investment is needed in BHCC the contribution has increased accordingly.

Efficiencies

17. The Joint Operating budget includes challenging efficiency savings and increased income targets of £4.6m in 2018/19.
18. Services are on track to deliver £2.8m of the efficiencies however, as reported above, there are several risks to achieving all of the savings as shown in table 3 below.

Table 3: 2018/19 Efficiencies

Service	MTFP		Latest	
	£'000	RAG	£'000	RAG
Business Operations	197	GREEN	197	GREEN
Finance	701	GREEN	781	GREEN
Finance	430	AMBER	350	RED
HR & OD			125	RED
HR & OD	774	GREEN	649	GREEN
IT & Digital			280	RED
IT & Digital	918	GREEN	918	GREEN
IT & Digital	634	AMBER	354	AMBER
Procurement	56	GREEN	56	GREEN
Property	150	GREEN	150	Green
Property	751	AMBER	751	Amber
TOTAL	4,611		4,611	
Summary	0	RED	755	RED
	1,815	AMBER	1,105	AMBER
	2,796	GREEN	2,751	GREEN
	Total	4,611	Total	4,611

Staffing

19. 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.
20. The year to date staffing variance is -£0.2m as a result of vacancies. HR&OD is forecasting a full year staffing overspend of £0.4m due to one-offs such as interim staff and severance packages. This is offset by an underspend on non-staffing, mainly from fees and consultants. Table 4 below provides a breakdown of the staffing year to date and full year forecast variance for each service.

Table 4: Year to date and full year staffing variance

Staffing	Year to Date			Full Year		
	Budget	Actual	Variance	Budget	Forecast	Variance
	£000	£000	£000	£000	£000	£000
Business Operations	4,614	4,451	-163	11,073	11,073	0
Finance	5,077	5,042	-35	12,185	12,185	0
HR&OD	2,903	3,110	207	6,967	7,317	350
IT&D	8,945	8,857	-88	21,467	21,468	0
Management	290	352	63	696	696	0
Procurement	2,270	2,105	-166	5,449	5,449	0
Property	5,069	5,098	29	12,165	12,165	0
Total Net Expenditure	29,168	29,016	-152	70,003	70,353	350

21. The Joint Committee is asked to review Orbis spend on Agency staff. The expenditure to date on agency staff is 2% 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: Year to date agency and non-agency staffing expenditure

	Agency YTD £000s	Non Agency Staffing £000s	Total Staffing YTD £000s	Agency %
Business Operations	30	4,421	4,451	1%
Finance	51	4,991	5,042	1%
HR&OD	31	3,079	3,110	1%
IT&D	348	8,509	8,857	4%
Management	26	326	352	7%
Procurement	74	2,031	2,105	4%
Property	49	5,049	5,098	1%
Total Net Expenditure	609	28,407	29,016	2%

Orbis Budget Management Audit Report

22. Orbis Audit has carried out a review of the Orbis Integrated Budget Management process following the introduction of BHCC to the Orbis Partnership in April 2018. Its aim was to provide assurance on the overall effectiveness of the system's controls and identify areas of concern or weakness where improvements can be made.
23. The review acknowledged that significant effort has been put into providing an integrated budget and a unified approach to budget monitoring across the Orbis partnership. Furthermore it did not expect to see a complete system fully in place as the integration of BHCC budgets only came into effect in April 2018. The report findings, and by association, the actions agreed are designed to add value to further support the development and embedding of the Orbis budget monitoring process.

24. The full report is attached as Annex 1 and in summary the review found that partial assurance is provided. This opinion means that there are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk. However the report also states that due to the ongoing work being undertaken to assist budget managers and the further expansion of a new monitoring tool, the level of budgetary control will improve.

Orbis Operating Budget Transfers

25. 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. The majority of these relate to BHCC budget transfers to correct the 2017/18 baseline. Annex 2 lists all of the costs that should be included or excluded from the joint budget, in line with agreed IAA principles.
26. The Committee is asked to approve these adjustments which increase the Orbis Joint Operating budget by £0.1m and changes the BHCC contribution from £13.4m to £13.6m, the ESCC and SCC contributions remain broadly the same, at £14.7m and £34.4m respectively. This does not change the current 21/24/55 ratio; nor impact on the affordability for either 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:

27. The Orbis Leadership Team will review the position each month and report this to the Joint Committee, it will brief both members in the months the committee does not have a meeting.

Contact Officers:

Louise Lawson – Senior Principal Accountant

Consulted:

Annexes:

Sources/background papers:
