

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



ORBIS JOINT COMMITTEE

DATE: 15 APRIL 2019

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: FEBRUARY BUDGET MONITORING

SUMMARY OF ISSUE:

To provide an update to the Joint Committee on the financial position of Orbis at the end of February 2019.

RECOMMENDATIONS:

The Joint Committee is asked to note:

1. Orbis operating budget variance of -£2.2m at year end.
2. £0.7m estimated full year spend on Orbis investment;
3. Year to date spend of £1.2m on redundancies.
4. Agency expenditure of £2.2m (4% of staffing).
5. Services are on target to achieve £4.6m efficiencies by year end.

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:

6. The 2018/19 Joint Operating Net Budget is £62.4m, including efficiency savings of £4.6m.

Orbis Joint Operating Budget

7. As at 28 February 2019 the forecast year end variance is -£2.2m, broadly in line with the year to date variance of -£2.4m. The full year variance has changed from -£0.9m reported at 30 November. The change and full year variance are mainly where vacancies are being held ahead of further re-structures or new structures are in place to deliver challenging savings of £3.2m next year. Anticipated income and associated costs are also higher, this will be reflected in the 2019/20 budget and surpluses will be used towards achieving the 2019/20 savings.
8. The following table shows 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	6,000	5,150	-850	6,545	5,945	-600
Finance	9,614	9,139	-475	10,488	10,038	-450
HR&OD	5,864	5,859	-5	6,397	6,407	10
IT&D	18,371	18,047	-324	20,040	19,640	-400
Management	2,079	1,814	-265	2,268	2,049	-220
Procurement	4,994	4,558	-436	5,448	4,983	-465
Property	10,317	10,259	-58	11,254	11,225	-30
Total Net Expenditure	57,238	54,825	-2,413	62,441	60,287	-2,155
Subjective Analysis						
Staffing	64,377	63,537	-840	70,230	69,186	-1,043
Non-Staffing	6,004	5,857	-147	6,550	6,837	287
Total Expenditure	70,381	69,394	-987	76,779	76,023	-756
Income	-13,143	-14,569	-1,426	-14,337	-15,736	-1,399
Net Expenditure	57,238	54,825	-2,413	62,442	60,287	-2,155
Contributions						
BHCC	12,225	11,709	-515	13,336	12,876	-460
ESCC	13,503	12,934	-569	14,730	14,222	-508
SCC	31,511	30,182	-1,328	34,375	33,189	-1,186
Total	57,238	54,825	-2,413	62,442	60,287	-2,155

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

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

9. The year to date underspend in Business Operations is higher than it should be due to timing of income.
10. Business Operations, Finance and Procurement are holding vacancies ahead of further re-structures. There are high levels of vacancies in Property which are offsetting most of the base budget staffing pressure which must be managed in 2019/20.

Orbis Investment

11. 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 is continually monitored and reported to the Orbis Leadership Team monthly and the Joint Committee quarterly.
12. The Investment expenditure to 31 March 2018 was £1.9m and the latest estimated spend in 2018/19 is a further £0.7m. This is primarily for IT projects required to deliver efficiencies and for external advice.
13. Redundancies are approved by the employing authority subject to a robust business case. The redundancy expenditure to date is £1.2m.
14. 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	111
External Advice	150
Innovation Fund	50
Core IT - Hygiene Factors	161
Business Services IT - approved	198
Business Services IT - to be approved	0
Total Orbis Investment	691
Contributions	
BHCC	284
ESCC	144
SCC	263
	691

Orbis Redundancies	Year to Date £000
Total Redundancies	1,189
Contributions	
BHCC	254
ESCC	280
SCC	655
	1,189

15. 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. Redundancies are funded as per the agreed contribution ratios.

Efficiencies

16. The Joint Operating budget includes challenging efficiency savings and increased income targets of £4.6m in 2018/19.
17. Services are on track to deliver the efficiencies although Property is yet to put permanent plans in place to deliver their savings. The savings are being achieved by higher than anticipated vacancies. Table 3 below shows the efficiencies and latest RAG.

Table 3: 2018/19 Efficiencies

Service	MTFP		Latest	
	£'000	RAG	£'000	RAG
Business Operations	197	GREEN	197	GREEN
Finance	1,131	AMBER	1,131	GREEN
HR & OD	774	GREEN	774	GREEN
IT & Digital	1,552	AMBER	1,552	GREEN
Procurement	56	GREEN	56	GREEN
Property	150	GREEN	901	Green
Property	751	AMBER		Amber
TOTAL	4,611		4,611	
Summary	3,434	AMBER	0	AMBER
	1,177	GREEN	4,611	GREEN
Total	4,611	Total	4,611	

Staffing

18. 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.
19. The full year forecast variance is -£1m mainly as a result of holding vacancies ahead of restructures. 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	10,194	9,759	-434	11,120	10,620	-500
Finance	11,244	10,867	-377	12,266	12,013	-253
HR&OD	6,387	6,655	268	6,967	7,009	42
IT&D	19,678	19,806	128	21,467	21,667	200
Management	638	653	15	696	686	-10
Procurement	4,995	4,582	-413	5,449	4,994	-455
Property	11,242	11,214	-27	12,264	12,197	-67
Total Net Expenditure	64,377	63,537	-840	70,230	69,186	-1,043

20. The Joint Committee is asked to review Orbis spend on Agency staff. The expenditure to date on agency staff is 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 2018/19 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	62	9,697	9,759	1%
Finance	332	10,535	10,867	3%
HR&OD	120	6,535	6,655	2%
IT&D	1,178	18,629	19,806	6%
Management	13	639	653	2%
Procurement	335	4,247	4,582	7%
Property	206	11,009	11,214	2%
Total Net Expenditure	2,246	61,292	63,537	4%

WHAT HAPPENS NEXT:

21. The Orbis Leadership Team will review the outturn position on 18th April and report this to the Joint Committee.

Contact Officers:

Louise Lawson – Senior Principal Accountant

Consulted:

Annexes:

Sources/background papers: