

## Notice of Meeting

# Orbis Joint Committee



**Date & time**  
Friday, 12 October  
2018 at 2.00 pm

**Place**  
Members' Conference  
Room, County Hall,  
Penrhyn Road,  
Kingston upon  
Thames, Surrey, KT1  
2DN

**Contact**  
Joss Butler  
Room 122, County Hall  
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**Chief Executive**  
Joanna Killian

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**This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Joss Butler on 020 8541 9702.**

### **Members of the Committee**

Cllr Helyn Clack (Surrey County Council) (Co-Chairman)  
Cllr David Elkin (East Sussex County Council) (Co-Chairman)  
Cllr Denise Turner-Stewart (Surrey County Council)  
Cllr Bob Standley (East Sussex County Council)  
Cllr Andrew Wealls (Brighton & Hove City Council)  
Cllr Leslie Hamilton (Brighton and Hove City Council)

## **AGENDA**

### **1 APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

### **2 MINUTES OF THE PREVIOUS MEETING**

(Pages 5  
- 10)

To agree the minutes as a true record of the meeting.

### **3 DECLARATIONS OF INTEREST**

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

- (i) Any disclosable pecuniary interests and / or
- (ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

#### **NOTES:**

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

### **4 PROCEDURAL MATTERS**

#### **a MEMBERS' QUESTIONS**

The deadline for Members' questions is 12pm four working days before the meeting (08/10/18).

#### **b PUBLIC QUESTIONS**

The deadline for public questions is seven days before the meeting (05/10/18).

### **5 ORBIS JOINT COMMITTEE FORWARD PLAN**

(Pages  
11 - 14)

To review and agree the Committee's Forward Work Programme.

### **6 AUGUST BUDGET MONITORING**

(Pages  
15 - 42)

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

**7 ORBIS PERFORMANCE MONITORING** (Pages 43 - 50)  
To provide an update on key performance metrics within the partnership.

**8 SCC TRANSFORMATION PROGRAMME** (Pages 51 - 68)  
Surrey County Council is undertaking a large scale transformation programme to address identified performance, financial and organisational culture issues to improve service delivery to residents and value for money.

The key components of the programme include a Vision for Surrey in 2030, a refreshed approach to partnership work, the development of 'Deals' with the community, full business cases for critical service areas and enabling functions, revised financial systems, processes and practices and a culture audit and change programme.

**9 SERVICE UPDATE - PROCUREMENT** (Pages 69 - 74)  
The Procurement Service has been operating under a jointly appointed Head of Procurement & Commissioning since September 2013 and began operating under an integrated Senior Management Team in April 2015 (this delivered 23% savings against the previous combined costs for Tier 2 and 3 for Procurement).

In April 2017, the integration of the ESCC and SCC procurement functions completed. Not only was this designed to reduce costs (£345k budget savings for 17/18, 11% of the operating budget) but the restructure offered the opportunity to also provide a broader 'cradle to grave' offer with a greater emphasis on the development of longer term category strategies to support commissioning; alongside a supplier and contract management focus to ensure value for money (VFM) is delivered through the lifecycle of our contracts.

Furthermore, a move away from small specialist teams, to wider professional groupings, offered the potential to use resource more flexibly and efficiently across teams and between authorities, as well as offering the possibility for improved knowledge sharing.

It is now nearly 18 months since this model went live (the formal integration of the BHCC has now also recently completed) and this paper offer the opportunity to assess the extent to which this ambition has been realised.

**10 DATE OF THE NEXT MEETING**  
The next meeting of the Orbis Joint Committee will be held on 21 January 2019.

**Joanna Killian**  
**Chief Executive**  
Published: Thursday, 4 October 2018

## **MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE**

Those attending for the purpose of reporting on the meeting may use social media or mobile devices in silent mode to send electronic messages about the progress of the public parts of the meeting. To support this, County Hall has wifi available for visitors – please ask at reception for details.

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*Thank you for your co-operation*

**MINUTES** of the meeting of the **ORBIS JOINT COMMITTEE** held at 2.00 pm on 6 July 2018 at Brighton & Hove City Council, Hove Town Hall, Norton Road, Hove, BN3 3BQ.

These minutes are subject to confirmation by the Committee at its meeting on Friday, 12 October 2018.

(\* present)

**Elected Members:**

- \* Mrs Helyn Clack (Co-Chairman)
- \* Councillor David Elkin (Co-Chairman)
- \* Ms Denise Turner-Stewart
- \* Bob Standley
- \* Andrew Wealls
- \* Cllr Leslie Hamilton

**In attendance**

John Stebbings, Chief Property Officer, Orbis  
Simon Pollock, Assistant Director of Business Operations, Orbis  
Gail Perryman, Programme Coordinator, Orbis  
Adrian Stockbridge, Head of Performance, Strategy and Change, Orbis  
Michael Coughlin, Executive Director (Customers, Digital and Transformation), Surrey County Council  
David Kuenssberg, Executive Director for Finance and Resources, Brighton and Hove City Council  
Abraham Ghebre-Ghiorghis, Executive Lead Officer for Strategy, Governance and Law, Brighton and Hove City Council

**1/18 PROCEDURAL BUSINESS [Item 1]**

(a) **Apologies**

- 1.1 Kevin Foster, Chief Operating Officer, East Sussex County Council sent his apologies.

(b) **Declarations of Interest**

- 1.2 There were none.

(c) **Exclusion of Press and Public**

- 1.3 There were no Part Two items on the agenda

**2/18 MINUTES [Item 2]**

- 2.1 **RESOLVED:** That the Committee agreed the minutes to be a correct record of the meeting on 12 April 2018.

**3/18 2017/18 BUDGET OUTTURN [Item 3]**

- 3.1 Officers introduced the report which showed that there had been a net underspend of the budget driven by meeting efficiency targets and savings in staffing costs as the number of agency staff declined.
- 3.2 In response to Councillor Wealls, Officers stated that the £70,000 transfer reflected several items moving in and out of the operating budget as listed in the appendix.
- 3.3 In response to Councillor Standley, Officers stated that the additional savings from staff vacancies would be a one off saving as these posts would be filled in the next financial year bringing the budget back in line with targets. The posts had not be recruited to as they were part of teams going through restructuring, but it would not be viable for these posts to be deleted in the long run.
- 3.4 In response to Councillor Clack, Officers stated that they would be able to provide a written response to confirm the total spend on redundancy. Officers confirmed that redundancy payments had been higher than expected due to the volume of voluntary redundancies taken across the authorities.
- 3.5 **RESOLVED:**  
That the Committee noted:
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)*
- That the Committee agreed:
5. £0.07m transfer to the Orbis operating budget

#### **4/18 PROPERTY SERVICE UPDATE [Item 4]**

- 4.1 The Chief Property Officer introduced the report which discussed the process of integration so far, what the next steps were and the challenges that property services faced such as very different geography between the three authorities, different landlord models and business plans which were out of synchronisation.
- 4.2 In response to Councillor Elkin, Officers responded that there was only one integrated post in Brighton & Hove City Council's property services. The aim was to achieve an integration of systems and processes rather than integrated posts. Orbis was currently looking to procure a new database system for property services which would be used across all three authorities.
- 4.3 In response to Councillor Wealls, Officers stated that savings would be driven by improved processes and not by staff reductions. The number of agency staff employed by property services had been reduced with front of house services being insourced.
- 4.4 In response to Councillor Wealls, Officers also clarified that the reporting structure for senior management was to the Chief Property

Officer as the Orbis liaison and to the respective Executive Directors in each Authority. Each Authority set its own objectives which were then managed from a personnel side by the Chief Property Officer and the Executive Director had strategic oversight.

4.5 In response to Councillor Clack, Officers stated that they agreed that travelling between authorities was an overstated issue as there were only 16 individuals with dual roles in property services and only 48 dual roles in the entire Orbis Partnership.

4.6 **RESOLVED:** That the Committee noted the update.

#### **5/18 ORBIS PERFORMANCE FRAMEWORK [Item 5]**

5.1 Officers introduced the report which was the latest in a series of reports on non-financial performance. Although all three authorities collected performance data work was needed to ensure that this data was consistent across the Partnership.

5.2 Councillor Standley noted that there were significant differences in sickness rates between the three authorities and that the sickness rate for Orbis staff was below the averages for the sovereign Authorities. He asked officers to expand on the causes of these differences.

5.3 Officers stated that the data was taken from a relatively short period and they would expect that the differences would lessen as more data was collected. The difference in sickness rates between authorities did have some historic precedent as Brighton & Hove as a city had a demographic with higher prevalence of risk factors associated with health issues leading to sickness. This was shown in Public Health data and was common across employers in the city. Brighton & Hove City Council also had an in house waste collection service which had a higher rate of injury than office based roles and so would increase sickness rates. Surrey County Council's data was uncorrected and was very likely to be significantly underreporting the levels of absence in the Authority.

5.4 Councillor Elkin suggested that it may be best practice for there to be a single absence reporting system or at least equivalent systems across the Partners to ensure that consistent data was being collected and could be reported.

5.5 In response to Councillors Wealls and Clack, Officers stated that there was a drop in satisfaction with Orbis services in Surrey which was expected given the challenging circumstances and restructure taking place. Surrey now had a sovereign lead for Orbis which would allow issues to be addressed much quicker and for more strategic oversight.

5.6 In response to Councillor Turner-Stewart, Officers responded that more forensic surveys were being carried out to investigate the performance results reported. Brighton & Hove and Surrey were also carrying out separate surveys of services including Orbis services.

5.7 **RESOLVED:** That the Committee noted the report.

**6/18 CONSISTENCY OF SERVICE DELIVERY [Item 6]**

- 6.1 Officers introduced the report which showed how far integration had been achieved and what the aspirations were in terms consistency of approach across authorities.
- 6.2 In response to Councillor Clack, Officers stated that they felt they had set realistic and achievable targets of between 80-85% constancy across the partners. This recognised that there were always likely to be small processes and minor divergences due to differences in circumstance between authorities. This would also be a process of continuous improvement as processes would need to change and adapt over time.
- 6.3 In response to Councillor Elkin, Officers stated that the information in the report would be used to inform business plans rather than being referred to day to day.
- 6.4 **RESOLVED:** That the Committee noted the report.

**9/18 SURREY COMMERCIAL SERVICES TRANSFER [Item 7]**

- 7.1 Officers introduced the report which informed the committee that Surrey Commercial Services had come under Orbis. The service catered to around 300 schools in Surrey and a neighbouring authority. The Service currently operated at a profit.
- 7.2 Councillor Wealls expressed concern that the presence of Surrey Commercial Services in Orbis could influence political decisions in the other Authorities to move to providing services in house which were being effectively managed as outsourced contracts.
- 7.3 Officers provided assurance that Orbis would not seek to influence political decisions in the Sovereign Authorities. However Surrey would be able to provide technical expertise to assist in writing a business case if another Authority sought to bring its school meal provision in house.
- 7.4 In response to Councillor Turner-Stewart, Officers stated that there was increased competition from private sector providers and that the service was seeking to rebrand in order to compete for contracts outside of Surrey.
- 7.5 **RESOLVED:** That the Committee noted the report.

**10/18 ORBIS REVIEWS [Item 8]**

- 8.1 Officers introduced the report which highlighted the reviews which were being carried out by Ernst & Young to identify areas which could be reduced in the future as financial pressure on Local Authorities was likely to continue and cuts to the back office were likely to be required. The report also covered the reviews taking place at Surrey which would become part of a wider strategic review at the Council.



- 8.2 Councillor Clack stated that she felt that the new team of people who had been brought in at Surrey would be able to bring the County up to the level it should be at and to quickly address the existing issues in Children's Services.
- 8.3 Councillor Elkin stated that he felt these reviews were important as Council's would have to make more cuts and it was important to know where future savings may come from.
- 8.4 **RESOLVED:** That the Committee noted the report.

**11/18**      **ORBIS JOINT COMMITTEE FORWARD WORK PROGRAMME**  
**[Item 9]**

- 9.1 County Council's Transformation Plan to be presented at the next Committee.
- 9.2 Committee Members asked Officers to look at moving the meetings from Friday afternoon and possibly looking at using a venue which was equidistant for the Members rather than meeting at a Town/ County Hall. Councillors also asked Officers to establish what quorum would be for the Committee to potentially allow a smaller contingent to meet to ratify a minor decision.
- 9.3 **RESOLVED:** That the Committee approve the forward plan.

Meeting ended at: 3.40 pm

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**Chairman**

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Orbis Joint Committee  
12 October 2018

## Orbis Joint Committee Forward Plan

### Purpose of the report:

For Members to consider and comment on the Committee's Forward Plan.

### Introduction:

A Forward Plan recording agenda items for consideration at future Orbis Joint Committee meetings is attached as **Annex 1**, Members are asked to comment on upcoming items and review new items added to the forward plan.

### Recommendations:

It is recommended that the Joint Committee reviews and approves the forward plan (Annex 1).

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### Report contacts:

Joss Butler, Democratic Services Assistant, Surrey County Council, Tel 020 8541 9702, [joss.butler@surreycc.gov.uk](mailto:joss.butler@surreycc.gov.uk)

Martin Jenks, Senior Democratic Services Advisor, East Sussex County Council, Tel: 01273 481 327, [martin.jenks@eastsussex.gov.uk](mailto:martin.jenks@eastsussex.gov.uk)

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**Orbis Joint Committee - Draft forward plan**

Date	Title	Summary	Responsible Officer(s)	Notes
<b>21 January 2018</b>	Budget Monitoring report	Regular monitoring budget report to provide an update on progress against savings targets.	Kevin Foster, Chief Operating Officer, ESCC  Michael Coughlin, Executive Director of Customers, Digital & Transformation, SCC  David Kuenssberg, Executive Director Finances & Resources, BHCC	
	Service Update	Members will receive an update on progress being made in within a specific service area	Kevin Foster, Chief Operating Officer, ESCC  Michael Coughlin, Executive Director of Customers, Digital & Transformation, SCC  David Kuenssberg, Executive Director Finances & Resources	
	Performance Update	Quarterly performance metrics update and progress against KPIs	Kevin Foster, Chief Operating Officer, ESCC  Michael Coughlin, Executive Director of Customers, Digital & Transformation, SCC	

David  
Kuenssberg,  
Executive  
Director Finances  
& Resources

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**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
<b>Total Net Expenditure</b>	<b>26,073</b>	<b>25,527</b>	<b>-547</b>	<b>62,576</b>	<b>62,360</b>	<b>-215</b>
<b>Subjective Analysis</b>						
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
<b>Net Expenditure</b>	<b>26,073</b>	<b>25,527</b>	<b>-547</b>	<b>62,576</b>	<b>62,360</b>	<b>-215</b>
<b>Contributions</b>						
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
<b>Total</b>	<b>26,073</b>	<b>25,527</b>	<b>-547</b>	<b>62,576</b>	<b>62,360</b>	<b>-215</b>

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

<b>Orbis Investment</b>	<b>Estimate £000</b>
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
<b>Total Orbis Investment</b>	<b>1,036</b>
<b>Contributions</b>	
<b>BHCC</b>	358
<b>ESCC</b>	225
<b>SCC</b>	452
	<b>1,036</b>

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

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
<b>TOTAL</b>	<b>4,611</b>		<b>4,611</b>	
<b>Summary</b>	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
<b>Total Net Expenditure</b>	<b>29,168</b>	<b>29,016</b>	<b>-152</b>	<b>70,003</b>	<b>70,353</b>	<b>350</b>

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%
<b>Total Net Expenditure</b>	<b>609</b>	<b>28,407</b>	<b>29,016</b>	<b>2%</b>

### 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:**



# Internal Audit Report

## Orbis Integrated Budget Management

### Final

Assignment Lead: Paul Fielding, Principal Auditor

Assignment Manager: Mark Winton, Audit Manager

Prepared for: East Sussex County Council, Surrey County Council and Brighton & Hove City Council

Date: 17 September 2018



## Internal Audit Report – Orbis Integrated Budget Management

### Report Distribution List

Kevin Foster, Chief Operating Officer (ESCC)  
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Adrian Stockbridge, Head of Strategy, Performance & Change - Orbis  
Louise Lawson, Finance Manager

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.

### East Sussex County Council - Internal Audit Key Contact Information

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## Internal Audit Report – Orbis Integrated Budget Management

### 1. Introduction

- 1.1. The review of the Orbis Integrated Budget Management process has assessed the budget management arrangements since the introduction of Brighton and Hove City Council to the Orbis Partnership. 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.
- 1.2. The Orbis Partnership is responsible for delivering services from a joint operating budget, which is shared by East Sussex County Council (ESCC), Surrey County Council (SCC) and Brighton & Hove City Council (B&HCC) in accordance with the Inter Authority Agreement (IAA).
- 1.3. The IAA details the responsibilities of the Orbis Joint Committee in respect of the joint operating budget and specifies the services included in the partnership. The joint operating budget must be managed effectively to ensure it is delivered in line with all Councils' expectations and to ensure that its benefits are fully realised.
- 1.4. The gross Orbis joint operating budget for 2018/19 is £76.4m. Income is budgeted at £13.8m, leaving a net budget of £62.6m. Each Council contributes to the net budget on a ratio of 55% SCC, 24% ESCC and 21% BHCC as defined within the IAA.
- 1.5. In addition to our audit testing, we met with seven budget holders who have budget monitoring responsibilities across two or three of the sovereign authorities.
- 1.6. It is important to acknowledge that significant effort has been put into providing an integrated budget and a unified approach to budget monitoring across the Orbis partnership. With the integration of Brighton & Hove City Council budgets coming into effect in April 2018, the combined budgets and use of the new monitoring tool are still in their infancy, and will continue to develop and improve; therefore, we did not expect to see a complete system fully in place. The findings, and by association, the actions agreed within this audit report are designed to add value to further support the development and embedding of the Orbis budget monitoring process.
- 1.7. This review is part of the agreed Internal Audit Plan for 2018/19.
- 1.8. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report.

### 2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
  - CO1: Governance structures, including roles and responsibilities, are clearly defined, understood and effective.
  - CO2: Adequate and timely management information is available that facilitates effective decision making.

## Internal Audit Report – Orbis Integrated Budget Management

- CO3: Budget management reports contain materially accurate and timely information to facilitate effective budget management.
- CO4: The operating costs of Orbis are identified and apportioned across the three Orbis partners on a consistent basis and are clearly understood. Mechanisms are in place to ensure that all income and expenditure is matched to the correct Orbis partner.
- CO5: Mechanisms are in place to ensure that changes to costs for one partner that are material can be measured and reflected fairly in the agreed contribution ratio.

2.2. This audit did not seek to provide assurance over the following areas, which were excluded from the scope:

- Budget setting;
- VAT;
- Orbis Public Law;
- Pricing Mechanisms.



### 3. Audit opinion

**Partial Assurance** is provided in respect of **Orbis Integrated Budget Management**.

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.

*Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

### 4. Basis of Opinion

- 4.1. We have been able to provide Partial Assurance over the controls operating within the area under review.
- 4.2. We found significant progress has been made in developing a tool that will combine transactions from all three accounting systems to enable budget reports to be produced. The difficult process of combining the three separate accounting systems has been well documented, with appropriate guidance and process maps being made available.
- 4.3. Since the introduction of the new budget monitoring process and integration of Brighton & Hove City Council (BHCC) into Orbis in April 2018, the level of budgetary control is considered by budget managers we interviewed to have reduced. This is in part due to budget managers no longer having clarity over how their budgets have been formed and the budget position, which will make it difficult for budget managers to identify potential budget pressures. Furthermore, while budgets are being assigned at a strategic partnership level, budget managers are being asked to provide responses at an operational level (i.e. staffing in one authority) where budgets have not been apportioned. Budget managers have found it difficult to provide appropriate responses for forecasting in these circumstances, as while they may have sight of the actual costs incurred they are not necessarily aware of whether these are in line with the expected budget. We consider that through the ongoing work being undertaken by the Orbis Finance team to assist budget managers and the further expansion of the new monitoring tool, the level of budgetary control will improve.
- 4.4. The new monitoring tool reports do not provide information in relation to commitments for non-staffing items within the respective accounting systems. We understand this method of reporting has been considered standard practice at Surrey County Council (SCC); however this is not the case for East Sussex County Council (ESCC) and BHCC. We found budget managers do not have access to all three accounting systems and cannot therefore review commitments held at sovereign authorities. Whilst the non-staffing elements are low value in comparison to the gross budget (circa 92% of the Orbis budget is staffing related) the importance of being able to effectively monitor the non-staffing element remains crucial, for which it is clear budget managers rely heavily on commitments.
- 4.5. Where some service areas have had budgets split between Orbis and those referred to as 'managed on behalf of' (MoBo), this has resulted in budgets positions no longer

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appearing balanced when viewed in isolation. This is where the costs for a service are within the Orbis budget, but the corresponding recharges are MoBo. While this situation is accepted by Finance and budget managers are still required to monitor against a gross budget, there are concerns that managers have a lack of understanding about the formation of their budgets.

- 4.6. Since the 2016/17 audit of the Orbis Integrated Budget, no progress has been made in the partnership’s ability to measure the outputs of Orbis services or in developing a process by which the Agreed Contribution Ratio (ACR) can be reviewed and recalculated. Given the continued budget pressures that all partners are facing, the need for the partnership to be able to react to sovereign authorities requiring additional savings from Orbis activities is of increased importance; with the need for the ability to measure the outputs of services required before the ACR can be accurately recalculated.
- 4.7. All the budget managers we met with throughout this audit, spoke highly of, and clearly relied heavily upon, the work and support provided to them by the Orbis Finance team.

### 5. Action Summary

Risk Priority	Definition	No	Ref
High	Major control weakness requiring immediate implementation	1	1
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	4	2, 3, 5 & 6
Low	Represents good practice but its implementation is not fundamental to internal control	2	4 & 7
<b>Total number of agreed actions</b>		<b>7</b>	

### 6. Acknowledgements

- 6.1. We would like to thank all staff that provided assistance during the course of this audit.

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Ref	Finding	Potential Risk Implication	Priority	Agreed Action
1	<p><b>Service Budgets</b></p> <p>In addition to our audit testing, we met with seven budget holders across Orbis to ascertain their understanding of their budget and the budget position. These discussions were held throughout June and July 2018.</p> <p>It was found that there was confusion and a lack of clarity with regards to how their budget was formed. Managers expressed concern that while they knew what their budget total was for the current financial year, where they now have integrated budgets for three authorities, they are unaware of the detail of how these budgets have been formed and this is making it difficult for them to identify budget pressures in the service and to undertake effective budget monitoring.</p> <p>In addition, while budgets have been assigned at a strategic / partnership level, in some areas budget managers are being asked to provide detailed responses at an operational level where budgets have not been apportioned. Managers have found it difficult to provide responses for</p>	<p>Where budget managers do not have clarity with regards to how their budgets are formed, this has potential to reduce the level of budgetary control, with managers unable to identify pressures within the budget therefore increasing the risk of potential over-spends.</p> <p>Where budgets are not assigned at an operational level, there is a risk that managers will not be able to effectively control their budgets as they would have no awareness of whether expenditure is in line with what is expected.</p>	High	<p>Communicate further guidance to Orbis budget managers, explaining the nature and workings of the Inter-Authority Agreement and the Orbis Joint Operating Budget and provide continued in-person finance support during the bedding in period following the recent addition of BHCC fully to the partnership.</p> <p>Many services are currently in the midst of restructures, once implemented this should help add further clarity for budget holders and their new roles and responsibilities.</p> <p>Roll-out of the budget monitoring tool to all budget holders and undertake a programme of learning and feedback to further refine as required.</p> <p>Ensure that budget managers are not holding on to old, now redundant processes.</p>

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Ref	Finding	Potential Risk Implication	Priority	Agreed Action
	forecasting in these circumstances, as while they may have sight of actual expenditure and income, they are not necessarily aware of whether these are in line with what is expected.			
<b>Responsible Officer:</b>		Louise Lawson, Finance Manager	<b>Target Implementation Date:</b>	December 2018

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Ref	Finding	Potential Risk Implication	Priority	Agreed Action
2	<p><b>Budget Monitoring Reports</b></p> <p>Since the integration of Brighton &amp; Hove City Council into the Orbis budget, a new spreadsheet based budget monitoring tool has been designed and created by the Orbis Finance team. This tool combines all the transactional data from the three separate accounting systems and is able to produce budget monitoring reports for both operational and strategic levels.</p> <p>However, the monitoring reports provided to budget managers do not provide information in relation to commitments within the respective accounting systems.</p> <p>While this has been considered standard practice at Surrey County Council, this is not the case for East Sussex County Council and Brighton &amp; Hove City Council, where commitments have historically, and continue to be included in non-Orbis budget monitoring, intended to better aid forecasting.</p> <p>In addition, budget managers do not have access to each of the authorities' accounting systems, so it is possible that</p>	<p>Where the responsible budget managers are not able to approve items of expenditure, there is an increased risk of over-spends against budgets as those approving items may not have sufficient oversight of the budget position.</p> <p>Furthermore, while the level of committed non-staffing expenditure is low level compared to the overall Orbis joint budget, where monitoring reports fail to provide information with regards to commitments, this has potential to reduce the reliability of budget forecasts which increases the risk of unforeseen under or over-spends against Orbis budgets.</p>	Medium	<p>To continue providing commitments in managers' "MoBo" management accounts as now.</p> <p>The level of recorded commitments in the Orbis Operating Budget is relatively immaterial to the overall budget. With the use of the risk based approach to monitoring, including commitments may not have a material impact upon the reasonableness of monitoring and forecasts. The team will continue to explain and give further guidance on the nature of the expenditure in the Orbis Operating Budget.</p> <p>Ensure that approval processes are refined where required to ensure on-going budget accountability and assurance.</p>

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Ref	Finding	Potential Risk Implication	Priority	Agreed Action
	they would not be aware of all commitments against their budget. As a result, the approval of expenditure within accounting systems will not necessarily be sent for approval to the responsible budget manager, resulting in a reduced level of control both over expenditure approvals and budget management.			
<b>Responsible Officer:</b>		Louise Lawson, Finance Manager	<b>Target Implementation Date:</b>	Implemented

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Ref	Finding	Potential Risk Implication	Priority	Agreed Action
3	<p><b>Changes in Budget Monitoring Process</b></p> <p>Some budget managers expressed concerns over the change in budget monitoring process from that which they had experienced previously at their sovereign authorities.</p> <p>Managers explained that previous budget monitoring involved one spreadsheet with all the information they needed in one place and provided them with an opportunity to add comments. The new process now involves a number of different spreadsheets, which managers have felt are less detailed and is also making the process more resource intensive for both finance officers and budget managers.</p>	<p>With budgetary information no longer being in one place for budget managers, there is potential that information may be missed or not included in decisions which may increase the risk of budgetary control being less robust.</p> <p>Where the budget monitoring process is becoming more resource intensive, there is a risk that the Councils could be less efficient, with managers being required to spend more time on budget monitoring and less on achieving service objectives.</p>	Medium	<p>Providing services to three organisations rather than just one is inevitably leading to changes in budget manager’s responsibilities and is more complex as the transactions are held on three different systems.</p> <p>Roll-out of the budget monitoring tool as per current plans to all budget holders. This tool holds both budgets and actuals in one place. Undertake a programme of communication &amp; learning and seek feedback to further refine as required.</p> <p>The Orbis Finance team will continue working to make things easier for budget managers by explaining the new ways of managing Orbis budgets and addressing their concerns and overcoming cultural resistance where it exists.</p>
<b>Responsible Officer:</b>		Louise Lawson, Finance Manager	<b>Target Implementation Date:</b>	Implemented

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Ref	Finding	Potential Risk Implication	Priority	Agreed Action
4	<p><b>Budget Guidance</b></p> <p>Budget managers across Orbis receive guidance and support from dedicated finance officers through monthly budget monitoring meetings and any additional correspondence that may be required.</p> <p>Since the integrated budget monitoring exercise was introduced, no formal guidance has been issued to budget managers to explain the information that they are receiving or clarify whether responsibilities around budget monitoring have changed. Furthermore, the assumptions to form a budget have not been documented along with the differences in approach to budget monitoring.</p> <p>Given the change in approach to budget monitoring for some managers across Orbis, the introduction of guidance on the new reporting methodology and changes to the process would help to clarify expectations and responsibilities for budget managers.</p>	<p>With no formal guidance issued to budget managers on the new budget monitoring process, there is a risk that budget managers won't be able to manage their budgets effectively resulting in budgetary control for Orbis being adversely affected.</p>	Low	<p>At the time of the audit, some managers had only been involved in one month of Orbis monitoring, or were responsible for budgets including BHCC services for the first time, or budgets had changed significantly.</p> <p>A priority for the finance team has been to enable budget manager self-sufficiency and significant progress has been made on this with a new tool being used from Period 3 monitoring. As well as ongoing in-person support to budget managers the team will prepare formal written guidance in line with the recommendations.</p>



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<b>Responsible Officer:</b>	Louise Lawson, Finance Manager	<b>Target Implementation Date:</b>	October 2018
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Ref	Finding	Potential Risk Implication	Priority	Agreed Action
5	<p><b>Measuring Orbis Level of Service</b></p> <p>In the 2016/17 audit of the Orbis Integrated Budget, an issue was raised regarding the lack of appropriate mechanisms to measure the level of service provided to each of the authorities within Orbis. No progress to rectify this issue has yet been made, nor has the issue been noted on the Orbis risk register.</p> <p>Without the ability to measure output, it becomes increasingly difficult to identify any changes in service levels being provided, which would need to be taken into account should one of the authorities make a decision to increase or decrease its use of Orbis services.</p> <p>Given the continued pressure to make savings across all authorities, by not being able to measure outputs, it makes it difficult to identify whether savings are sustainable or whether a reduction in costs would result in a lower standard of service being provided to authorities.</p>	<p>By not being able to measure outputs for Orbis there is potential risk that it would not be possible to identify whether one or two authorities is in receipt of more usage of services than the other, resulting in Orbis partners being disadvantaged from one another.</p>	Medium	<p>The three Chief Officers will continue to run Business Partner forums, within their own sovereign authorities, in order to monitor the performance of Orbis services received by each partner.</p> <p>This will then be discussed through the Joint Management Board to identify any potential need to react to pressures within one or more of the partner organisations.</p> <p>A performance dashboard will be developed for reporting to the Orbis Joint Committee.</p>

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<b>Responsible Officer:</b>	Kevin Foster, Chief Operating Officer (ESCC) Dave Kuenssberg, Executive Director of Finance & Resources (B&HCC) Michael Coughlin, Executive Director of Customers, Digital & Transformation (SCC)	<b>Target Implementation Date:</b>	October 2018
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Ref	Finding	Potential Risk Implication	Priority	Agreed Action
6	<p><b>Reviewing the Agreed Contribution Ratio (ACR)</b></p> <p>The Inter Authority Agreement (IAA) sets out the approval process and the frequency of when the ACR should be reviewed. However, the process by which this would be reviewed and recalculated has not been documented.</p> <p>This was discussed with officers within Orbis Finance who explained that in order to be able to recalculate the ACR, Orbis would need to be measuring the level of service for each authority to ensure that the ACR can be recalculated accurately.</p>	Without processes in place to be able to review and recalculate the ACR there is a potential risk that one or two partners may be subsidising the other, which would result in authorities becoming disadvantaged by the Orbis arrangement.	Medium	<p>Clarification with regards to the occasions when the Agreed Contribution Ratio will be reviewed and adjusted will be documented and agreed by all partners.</p> <p>We expect this to form part of the annual business planning process, so it can be aligned with sovereign budget setting processes, and in the short term, the three partners will review and agree any changes to the existing method of how the ACR will be calculated.</p>
<b>Responsible Officer:</b>		Kevin Foster, Chief Operating Officer (ESCC) Dave Kuenssberg, Executive Director of Finance & Resources (B&HCC) Michael Coughlin, Executive Director of Customers, Digital & Transformation (SCC)	<b>Target Implementation Date:</b>	January 2019

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Ref	Finding	Potential Risk Implication	Priority	Agreed Action
7	<p><b>MoBo budget splits</b></p> <p>In order to ensure that each authority's costs and income are apportioned correctly, exercises have been undertaken to split budgets into Orbis budgets and those that are considered sovereign. These budgets are referred to as 'managed on behalf of' (MoBo).</p> <p>While this exercise is needed to ensure that costs are apportioned correctly, it has resulted in some budgets having expenditure and income for services split between MoBo and Orbis. As a result, some budget positions no longer appear balanced, with some showing over or under spend positions.</p> <p>In order to resolve this, Orbis Finance make year-end adjustments to balance the position between Orbis and MoBo budgets. However, budget managers have raised concerns that they will not have a true position of their budget until the end of the financial year.</p>	<p>If budget managers do not have sufficient confidence in the budget monitoring process there is a risk that they will no longer engage with finance officers and budgetary control is reduced with managers not providing appropriate input for forecasting.</p>	Low	<p>Work will be undertaken with budget managers, through the use of continued monitoring and forecasting of internal recharges through the risk based approach and the support provided by the Orbis Finance team, to further improve the understanding of the Orbis Operating and MoBo budgets.</p>

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<b>Responsible Officer:</b>	Louise Lawson, Finance Manager	<b>Target Implementation Date:</b>	Implemented
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# Appendix A

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	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.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

## Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

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# Adjustments to Orbis Joint Operating budget and Managed on Behalf of Budgets in BHCC, ESCC & SCC

## Annex 2

BHCC / ESCC / SCC			2018/19 Adjustment				Notes
			Joint Budget £000	BHCC MoBo £000	ESCC MoBo £000	SCC MoBo £000	
Service	Description						
BHCC	Business Ops	Financial Systems	94.0	-94.0			1
BHCC	Finance	HRA Internal Audit Income	-61.0	61.0			2
BHCC	Finance	Staffing	22.0	-22.0			3
BHCC	Finance	Staffing - insurance claims	38.0	-38.0			4
ESCC	Finance	High Weald staff cost recharge	4.1		-4.1		5
BHCC	HR&OD	Schools Income	-76.7	76.7			6
SCC	HR&OD	Devolved training budget	-60.0			60.0	7
SCC	HR&OD	Skills for Care Disbursement Fee	-19.0			19.0	8
BHCC	IT&D	SEGfL subscription	-6.0	6.0			9
BHCC	IT&D	Income for call charges recovery	2.0	-2.0			10
BHCC	IT&D and Ops	BACS bureau costs	6.0	-6.0			11
SCC	Property	Reprographcs	48.0			-48.0	12
BHCC	Property	Property MoBo and Orbis review	103.5	-103.5			13
			<b>94.9</b>	<b>-121.8</b>	<b>-4.1</b>	<b>31.0</b>	

### Notes - reason for transfer

- 1 Adjustment for baseline unfunded financial systems.
- 2 Internal Audit HRA income is Orbis as it is a ring-fenced source of income rather than an internal recharge.
- 3 Adjustment for baseline unfunded staffing budget in baseline (aligning the vacancy factor).
- 4 Previously outsourced insurance claims handling: consistent treatment across all three partners.
- 5 Internal recharge budget for High Weald should be MoBo.
- 6 External income should be Orbis.
- 7 Devolved training budget consistent treatment of sovereign training budgets.
- 8 Disbursement Fee from Skills for Care. External income should be in Orbis.
- 9 South East Grid for Learning - consistency with ESCC & SCC where budget is MoBo.
- 10 Cost of calls incurred in MoBo so income should be in MoBo.
- 11 Cost of BACS bureau previously MoBo but costs are Orbis in line with treatment by other authorities
- 12 Reprographics staff - previously part of a MoBo contract
- 13 Various baseline adjustments following review of BHCC Orbis and Mobo budgets, in line with IAA principles.

### Revised Contribution 2018/19

Contribution	BHCC	ESCC	SCC	
Current	13,443	14,726	34,406	62,576
Adjustment	122	4	-31	95
Revised	13,565	14,730	34,375	62,671
<b>ACR</b>				
Current	21.5%	23.5%	55.0%	
Revised	21.6%	23.5%	54.9%	

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



**ORBIS JOINT COMMITTEE**

**DATE: 12 OCTOBER 2018**

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

**SUBJECT: ORBIS PERFORMANCE MONITORING**

**SUMMARY OF ISSUE:**

To provide an update on key performance metrics within the partnership.

**RECOMMENDATIONS:**

It is recommended that the Orbis Joint Committee note the performance statistics presented.

**REASON FOR RECOMMENDATIONS:**

The Joint Committee is responsible for the effective monitoring of Orbis Performance

**DETAILS:**

**Background**

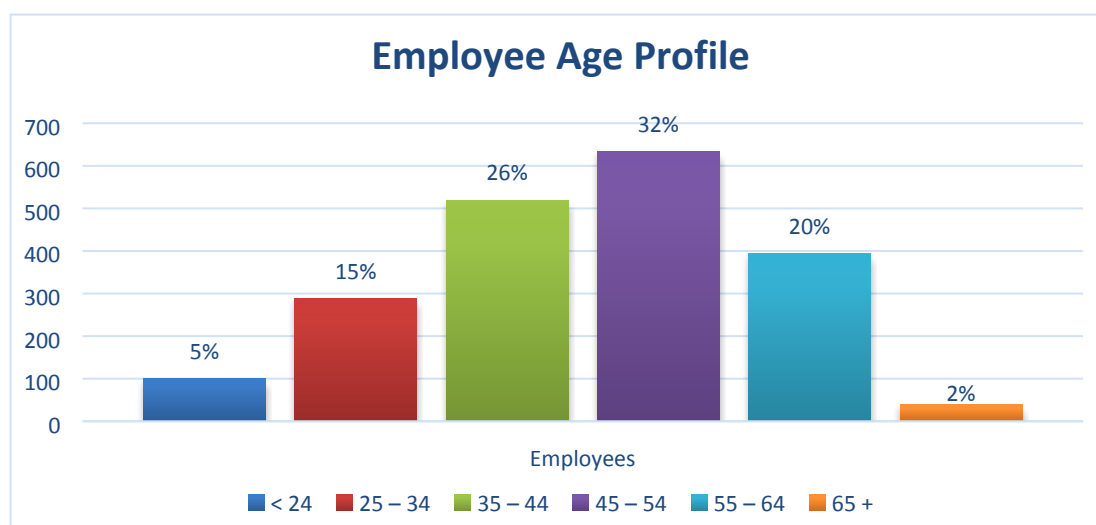
1. The terms of reference of the Joint Committee are to oversee and improve the delivery of the services for the benefit of the each participating council and in particular to:
  - a. Approve the Orbis Business Plan and performance measures
  - b. Monitor the Orbis Business Plan and performance of Orbis
2. A Performance Framework and dashboard continues to be developed to provide the Orbis Leadership team and wider community with the tools and insights needed to evaluate the performance of Orbis. This will also aid more informed decision making and identification of improvement areas.
3. Further to the report presented to the Committee in July, further progress has been made with direct support from the East Sussex Corporate Performance Team.
4. Data is provided based on availability and is mostly for April to June (Q1), see individual sections for details.

**Workforce Demographics**

Table 1 – Orbis employees by gender full/part time

Full Time / Part Time	Number of Employees	%
FT Female	657	64%
PT Female	368	36%
FT Male	845	89%
PT Male	103	11%
Total Gender	Total employees	%
Female	1025	52%
Male	948	48%

Chart 1 – Age profile of employees within Orbis



- Only 5% of employees are below the age of 24 which highlights an ageing workforce and is consistent with the wider challenge facing local government around how to attract and retain employees from younger generations.
- 54% of employees are over the age of 45, so there is significant experience and knowledge of local government within the workforce.
- Over 20% of the workforce are due to retire in the next 10 years.

Table 2 – Overall headline statistics by organisation

Headline measures	Orbis total	Brighton & Hove	East Sussex	Surrey
Average employee numbers FTE	1,868.52	643.36	460.16	765.00
Average daily contracted hours	13,674.05	4,760.86	3,405.16	5,508.03
Sickness absence, average days per FTE per month	0.45	0.51	0.32	0.49
Return to work interview, % complete	77.33% (ESCC and BHCC only)	75.12%	81.42%	N/A
Length of service of leavers	N/A	41.6% had less than 1 years' service	42.3% had 1-5 years' service	N/A
Agency staff spend YTD July	2.62%	N/A	N/A	N/A

## Staffing numbers

8. It is important to track the number of FTEs in any business to understand whether there are significant short term changes in the workforce. In an environment where savings are being delivered it is expected that the workforce would decrease over time.
9. The graphs below show there has been a steady decrease in FTEs for most services, there are a few exceptions such as SCC HR & Finance where additional interims have been recruited. There has also been a small rise in Business Operations in ESCC where there was a small increase during Q1 that is due to a number of vacancies (six) being filled with fixed term contracts.

Table 3 – Total Orbis FTE

FTE	April	May	June
<b>Orbis Total</b>	1889.0	1874.9	1841.7

Chart 2 – Brighton & Hove City Council (BHCC) FTE by service

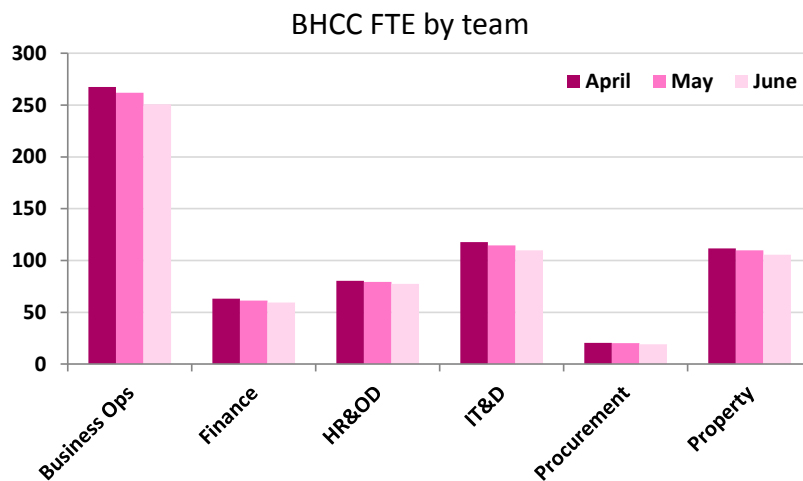


Chart 3 – East Sussex County Council (ESCC) FTE by Service

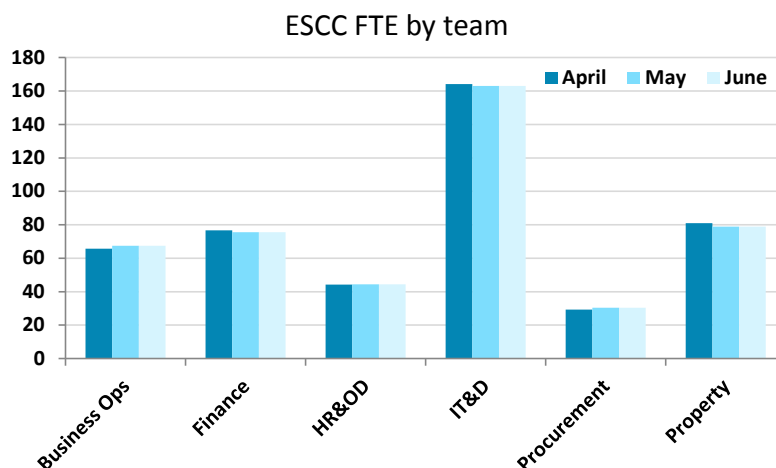
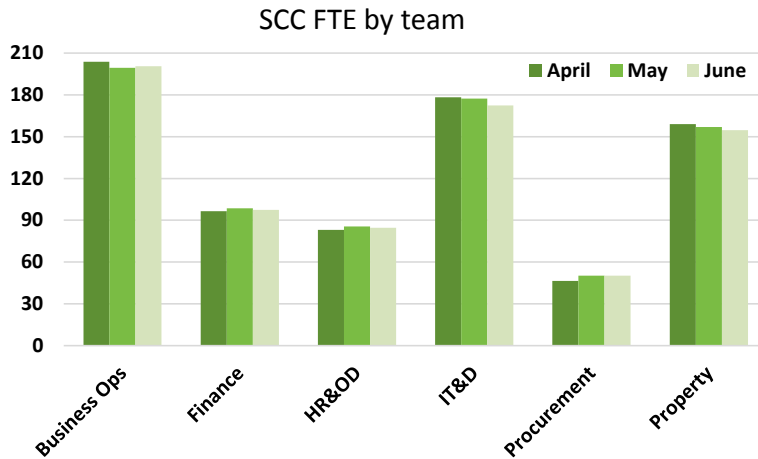


Chart 4 – Surrey County Council (SCC) FTE by Service



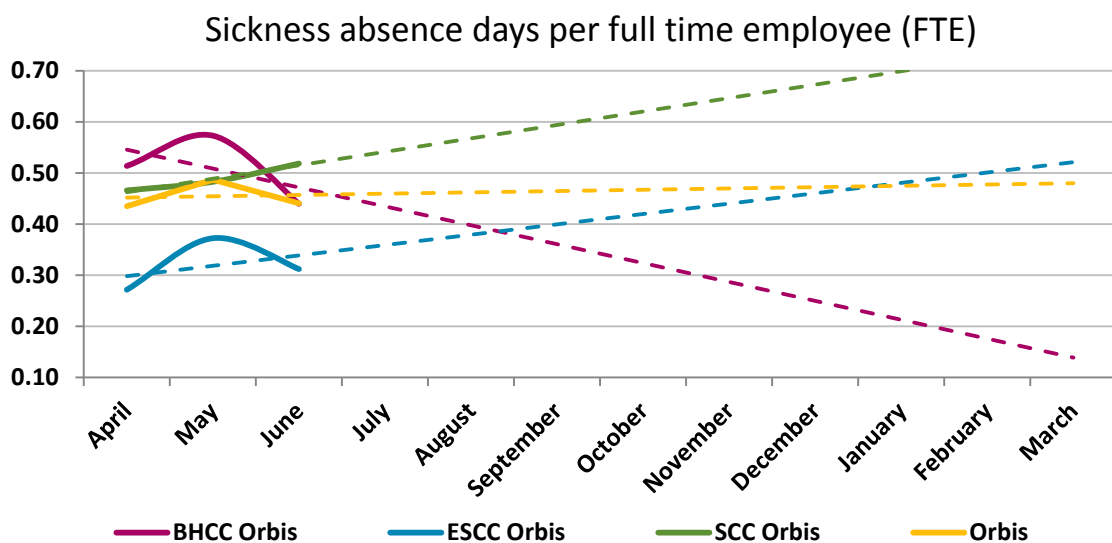
**Contracted Hours**

10. Contracted hours differ between the organisations with Surrey staff contracted to work a 36 hour week (7.2 hours per day), with East Sussex and Brighton staff contracted to work a 37 hour week (7.4 hours per day).
11. This means in an average month a Surrey employee would be contracted to work approx. 4.5 hours less than their ESCC & BHCC counterparts. Over the course of a year this would equate to approx. 7 days. This is somewhat offset in East Sussex through the use of 2 fixed concessionary days at Christmas and Surrey allowing staff two days per annum to undertake volunteering work.
12. There haven't been any significant fluctuations in the amount of contracted hours within teams. There has been a consistent reduction in the number of contracted hours during Q1, matching the reductions in FTE.

**Sickness Absence**

13. A primary area of focus is to be able to understand the relative sickness absence rates across the three councils and within each Orbis Service, this will enable trends to be monitored and action taken in the event of any specific changes within either a service or sovereign partner.

Chart 5 – absence rates by sovereign Q1 2018/19

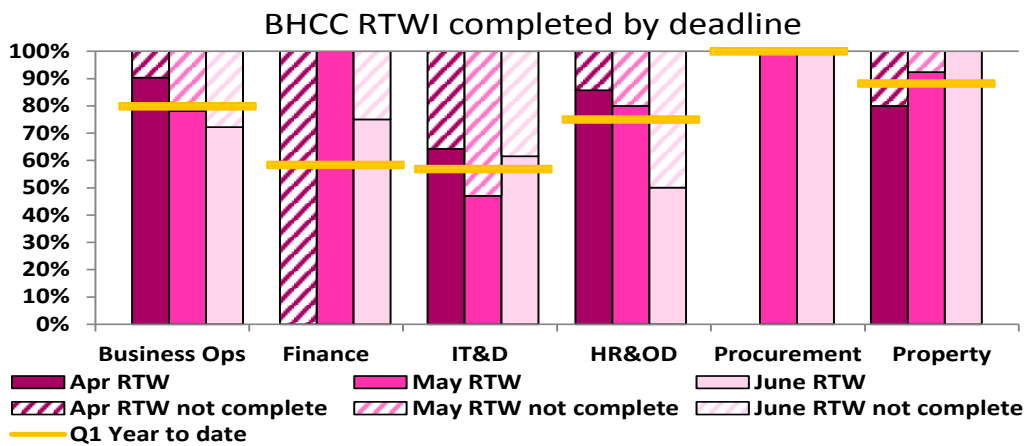


14. BHCC has higher rates of absence per FTE than SCC & ESCC. There was a notable increase in May for both ESCC & BHCC. The trend lines at this stage of the year are volatile due to the limited available data, these will become more meaningful as the year goes on.
15. SCC absence data is reported on a 12 month rolling basis so monthly variations have less impact on the monthly figure as it is a consolidation of a years' worth of data.
16. ESCC and BHCC both use Firstcare for sickness absence reporting, this ensures that sickness is captured on the first day the employee is off ensuring a more accurate measure. In SCC sickness is manually added by staff on their return from a period of absence.
17. Orbis absence rates are generally lower than wider sovereign averages, which is consistent with organisational reporting that shows higher rates of absence in frontline service areas such as Adults & Children's services. Orbis rates are approximately 30-40% lower than organisation averages.

**Return to work interviews (RTWI)**

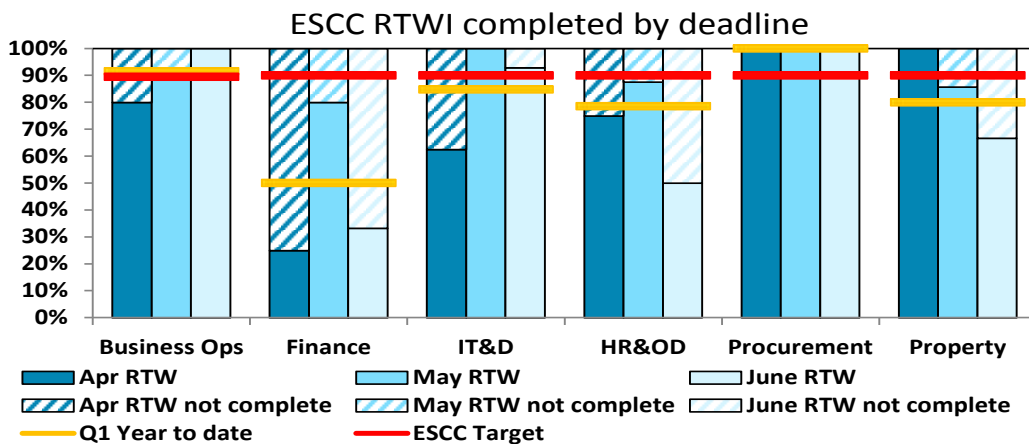
18. Data is available for ESCC and BHCC around return to work interviews

Chart 6 – BHCC return to work interviews



- Finance did not complete any RTWI by the deadline in April so achieve 0% that month (three absences)
- Procurement had zero absences in April but complete 100% of RTWI in May and June
- RTWI completion has been consistently low in IT&D

Chart 7 – ESCC return to work interviews



- ESCC has a target of 90% completion of RTWI
- Procurement completed 100% of RTWI in Q1
- Finance recorded consistently low RTWI April and June, however it should be noted that there were only a handful of absences each month

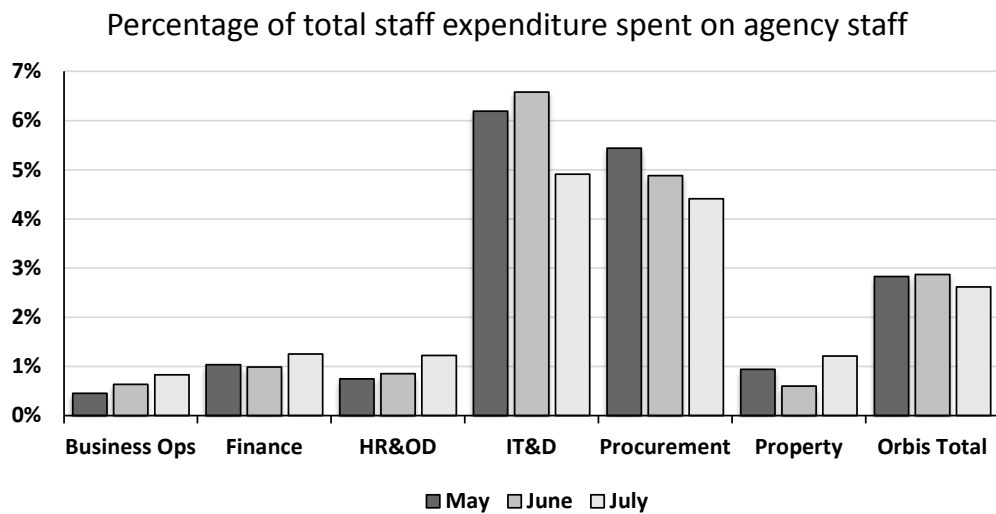
SCC return to work interviews

- There is currently no way in SCC to report against RTWI as they are not recorded on a system, they are managed locally by line managers

**Agency Spend**

19. Overall spend on agency staff has reduced from 2.83% in May to 2.62% in July. There have been fluctuations in most services with increases in Business Ops, Finance, HR&OD and Property, but decreases in IT&D and Procurement which have the largest proportion of the total agency spend.

Chart 8 – Agency spend by service

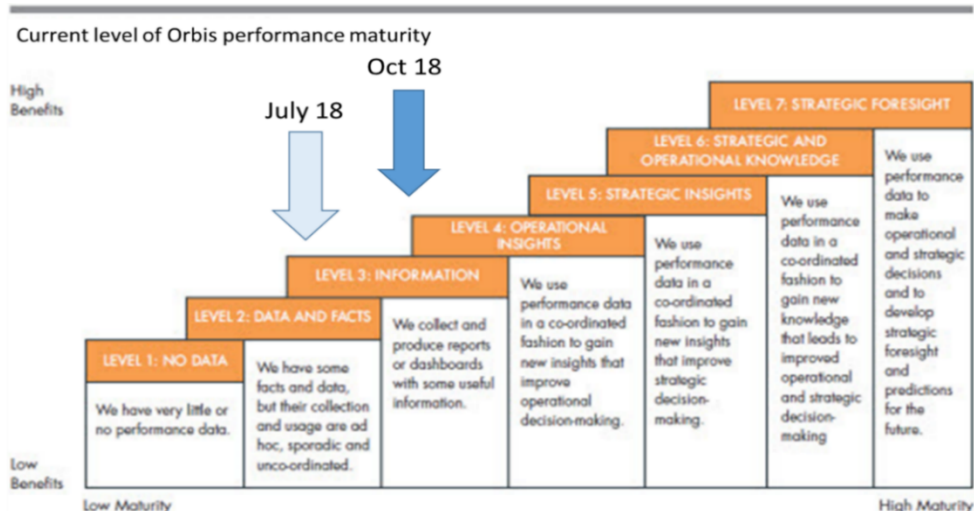


**Performance maturity**

20. Work has progressed well in relation to the Orbis Performance approach since July due to having support from the ESCC Corporate Performance Team.

21. The maturity model in the table below charts the progress made during the last quarter and details the steps that will need to be taken to develop this approach further and realise the aspirations in this important area.

Chart 9 - Performance maturity model





## **WHAT HAPPENS NEXT?**

1. Further work will continue to ensure data sets are provided that allow for insightful and valuable analysis. Much of the information is very granular in detail and will need to be analysed to provide the correct level of reporting, both to senior officers and Members, including the Joint Committee.
2. It is proposed that performance reporting is more in line with a “data journalism” approach, to really highlight key headlines and changes in statistics each month in an easy to read and understand format. This approach will require dedicated and experienced resource to achieve the full potential around analytics.
3. The proposed reporting will evolve and develop as business needs and requirements change. This framework should be flexible enough to be both proactive and reactive.

### **Contact Officer:**

Adrian Stockbridge – Head of Strategy, Performance & Change

### **Consulted:**

- Kevin Foster – Chief Operating Officer, ESCC
- Michael Coughlin – Executive Director of Customers, Digital & Transformation, SCC
- David Kuenssberg – Exec. Director of Finance & Resources, BHCC

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



**ORBIS JOINT COMMITTEE**

**DATE: 12 OCTOBER 2018**

**LEAD OFFICER: MICHAEL COUGHLIN (EXECUTIVE DIRECTOR OF CUSTOMERS, DIGITAL & TRANSFORMATION, SURREY COUNTY COUNCIL)**

**SUBJECT: SCC TRANSFORMATION PROGRAMME**

**SUMMARY OF ISSUE:**

Surrey County Council is undertaking a large scale transformation programme to address identified performance, financial and organisational culture issues to improve service delivery to residents and value for money.

The key components of the programme include a Vision for Surrey in 2030, a refreshed approach to partnership work, the development of 'Deals' with the community, full business cases for critical service areas and enabling functions, revised financial systems, processes and practices and a culture audit and change programme.

**RECOMMENDATIONS:**

It is recommended that the Orbis Joint Committee notes the detail of the transformation programme in Surrey and the key areas of focus.

**REASON FOR RECOMMENDATIONS:**

The Joint Committee requested further detail around the SCC transformation programme at the Committee meeting in July 2018

**DETAILS:**

**Transformation Programme**

1. Surrey County Council faces a number of performance, financial and cultural issues, including significant budget pressures as a result of substantial forecast demand for services and reducing funding. There is an estimated budget shortfall of £240m by the year 2020/21.
2. A new Chief Executive, Joanna Killian was appointed earlier this year and has strengthened the corporate leadership team to address the lack of strategic capacity and capability within the organisation.
3. A comprehensive and wide-ranging programme of activity has been initiated to transform the way services are delivered to residents. The transformation programme consists of nineteen specific projects and is being managed through a programme management office (PMO), the Transformation Support Unit (TSU).

4. In order to drive the change at speed and meet the tight deadlines associated with the budget setting process, each project submitted an outline business case (OBC) in early August with final business cases (FBC) submitted in September.
5. The nineteen priority areas identified by Cabinet are listed in Annex 1, together with a high level timeline for approval of the FBCs.

### **CIPFA Report**

6. The Leader and Chief Executive of Surrey County Council commissioned CIPFA to review the financial resilience of the Council and the effectiveness of its finance function.
7. CIPFA conducted discussions and interviews with key members of staff including the Chief Executive, the Corporate Leadership Team; the Leader of the Council and other key Elected Members. The team also conducted a 'deep-dive' examination on key aspects of the Medium Term Financial Plan 2018-21, and reviewed key documents, as well as undertaking a series of focus groups and conducting a survey of the Finance team.
8. The summary report sets out the findings of this review (Annex 2)

### **WHAT HAPPENS NEXT?**

1. The timeline in annex 1b sets out the approval steps required, with a target date of full Council approval on 13 November 2018.

### **Contact Officer:**

Adrian Stockbridge – Head of Strategy, Performance & Change Orbis

### **Consulted:**

- Michael Coughlin – Executive Director of Customers, Digital & Transformation, SCC

### **Annexes:**

- 1a - List of Transformation projects
- 1b - Timeline for approval
- 2 – CIPFA report on Finance
- 3 – SCC Finance Improvement plan relating to Orbis

### **Sources/background papers:**

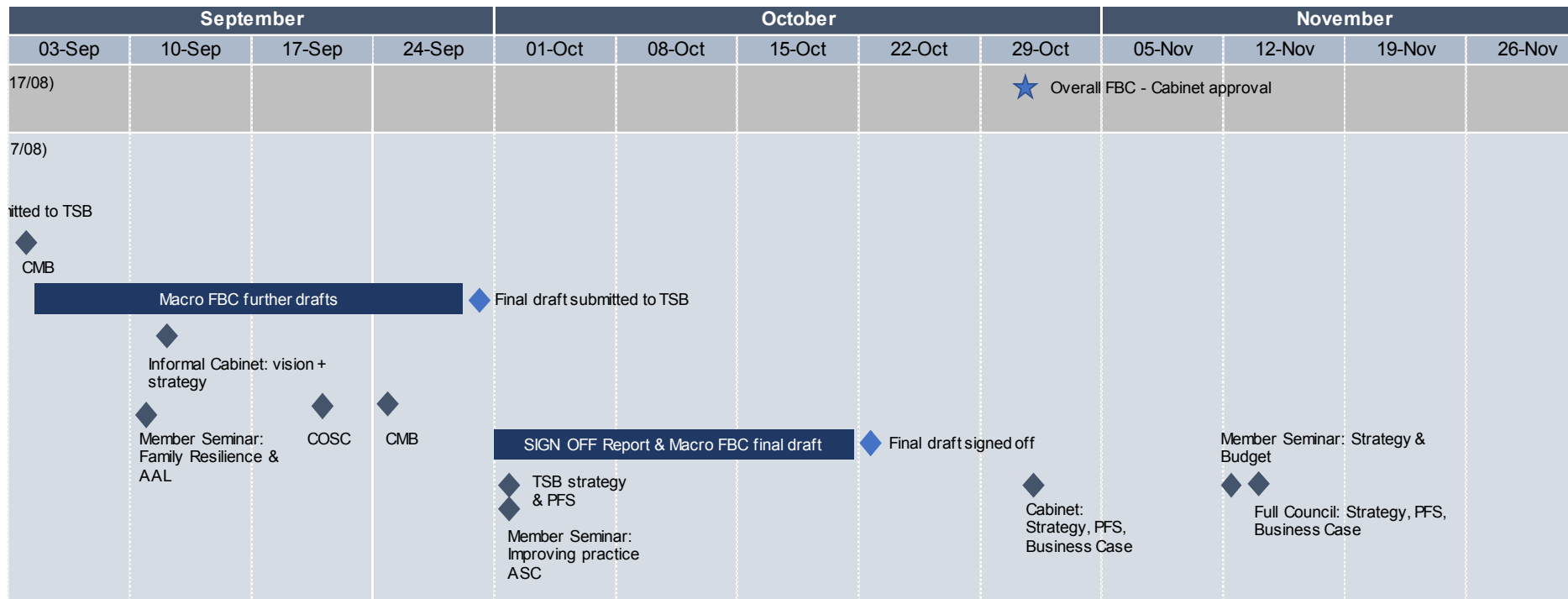
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## Annex 1a SCC Transformation Projects:

Ref No.	Project / Programme	Lead Member	CLT Sponsor
1	Accommodation with Care & Support	Mel Few	Helen Atkinson
2	Practice Improvement ASC	Mel Few	Helen Atkinson
3	Family Resilience (Early Help & Practice)	Clare Curran	Dave Hill
4	SEND Sustainability	Mary Lewis	Dave Hill
5	All Age Learning Disabilities	Mary Lewis	Dave Hill
6	Waste	Mike Goodman supported by Cameron McIntosh	Jason Russell
7	Finance Transformation	David Hodge	Kevin Kilburn
8	Highways Transformation (HTE)	Colin Kemp	Jason Russell
9	Health and Social Care Integration	Tim Oliver	Helen Atkinson
10	People and Places (inc. Property)	Colin Kemp	Tracie Evans
11	Mobile Workforce	Helyn Clack	Michael Coughlin
12	ORBIS vfm	Helyn Clack	Michael Coughlin
13	Performance Management & MI/Insight	Denise Turner-Stewart	Michael Coughlin
14	OD / Ratios	David Hodge	Michael Coughlin
15	Commissioning	Tim Oliver	Dave Hill
16	Commercial — services to other public bodies	John Furey	Tracie Evans
17	Fees & Charges	John Furey	Kevin Kilburn
18	Customer Experience - channel shift	Denise Turner-Stewart supported by Alison Griffiths	Michael Coughlin
19	Digital	Helyn Clack	Michael Coughlin



## Annex 1b SCC Transformation approval timeline



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# Surrey County Council Finance

CIPFA report

July 2018

## Section 1: Summary and conclusions

### Introduction

The Leader and Chief Executive of Surrey County Council commissioned CIPFA to review the financial resilience of the Council and the effectiveness of its finance function.

CIPFA conducted discussions and interviews with key members of staff including the Chief Executive, the Corporate Leadership Team; the Leader of the Council and other key Elected Members. The team also conducted a 'deep-dive' examination on key aspects of the Medium Term Financial Plan 2018-21, and reviewed key documents, as well as undertaking a series of focus groups and conducting a survey of the Finance team. This report sets out the findings of this review.

### Key findings

The main points from the CIPFA review are:

- **Surrey County Council is in a difficult financial position.** Despite repeated cost reductions, the expected increase in service pressures means that, as things stand, the Council will not have sufficient reserves to meet its expected budget gap in 2019-20 unless it acts now.
- **Despite some additional central government funding, Surrey County Council will need to reform fundamentally how it provides services to its communities.** A series of transformative projects are currently being developed and are due to be considered by Members in October 2018. Some of these initiatives will necessitate difficult decisions, but it is imperative that the potential costs and benefits are specified clearly and that implementation is not deferred.
- **In the meantime, the onus is on achieving savings in 2018-19 without the volatility in estimates and unexpected surprises experienced last year.** We are satisfied that the scale of the challenge set out in the MTFP is correct. Nevertheless, unexpected increases in demand and a failure to deliver a significant proportion of the planned savings in 2017-18 undermined the credibility of the financial estimates reported in-year and necessitated short-term spending cuts that can adversely impact on services.
- **As things stand, the pattern in 2017-18 is likely to repeat in 2018-19.** Our review of the MTFP identified a lack of granularity in some of the estimated pressures and changes facing the Council, and considerable uncertainties over the delivery of a number of the planned savings and utilisation of capital receipts.

- **There are no plans currently in place to resolve the data uncertainties in the estimates for 2018-19 and no 'plan B' to deal with unanticipated demand increases or the possible failure to deliver some of the proposed savings.** The Finance team is currently relying too much on 'workarounds', proxy measures and broad assumptions due to the lack of reliable performance data. These problems will take time to address and in the meantime contingencies are needed to mitigate the uncertainties they create.
- **The former Director of Finance developed a strong team bond within the Finance function. Drawing on the interviews we conducted, however, the team lacks sufficient drive and initiative to tackle the issues above.** The team had previously raised concerns on the Council's financial situation, but too much of its focus has been on delivering the traditional finance function. There was no evident appetite to drive changes across the organisation and current working practices have become normalised.
- **Service directorates were appreciative of the support they received from Finance, but we concluded that the team was too passive in its approach.** This is partly due to the short term cuts already imposed and the working culture that has built up. Staff told us that the increased number of vacant posts mean that they do not have time for a more strategic approach. The Finance team believe that they are already working at maximum capacity, yet a re-casting of the transactional work to more junior members of the team would free-up experienced staff time to raise financial awareness across the Council on the importance of delivering the MTFP savings required.
- **Whatever the reason for such passivity, a re-structuring of the Finance team is overdue.** The existing team is top-heavy and there is insufficient delegation of responsibility to more junior staff. The existing multi-tasking across the senior leaders in Finance means that the finance business partnering is less effective and there is insufficient focus on raising performance standards. The current focus of the team is focused too much on day-to-day tasks – 'what needs to get done' rather than strategic priorities - 'what's important' to the organisation and to the residents of Surrey'.
- **Uncertainties in the role of Orbis have contributed to the absence of changes to the Finance team.** The slow pace of integration has added to the need to make short-term spending cuts by not filling vacant posts in the Finance team and the lack of clarity on forward plans is becoming a hindrance to change.
- **If Surrey County Council wants to generate economies of scale from integration of back office services, then it will need to invest in driving that change.** Integration needs to be driven by those more experienced in change management and who can be fully focussed and accountable for

implementation. Our examination of the existing utilisation of £15 million of capital receipts in 2018-19 indicates that there are funds available to support such investment.

- **Alternatively, greater clarity of direction and the creation of ‘centres of expertise’ represent an opportunity for cultural change.** Uncertainty is adding to the lack of dynamism of the Finance team. Focusing instead on encouraging collaboration would also bring benefits, including: staff mentoring and development; the identification of opportunities for efficiency savings; good practices and lessons learned in business partnering; developing methods and techniques for forecasting future pressures and demands; and, using peer review to test the robustness of savings targets.
- **Once direction is confirmed, the pace of change will need to be quicker.** In comparison with shared services elsewhere, we would have expected a more advanced operating model for Orbis than what currently exists.

## Conclusions

There is an urgency in the need to build financial resilience in Surrey County Council. We very much welcomed the commitment to grasp this challenge that was demonstrated by those Members and the Council’s Senior Leadership team we interviewed. We have expressed our findings above very clearly, however, so that there is no doubts amongst all elected Members and the staff on the Council’s current financial position.

Tackling the financial difficulties that Surrey County Council involves addressing the following five key points:

- Securing the commitment of everyone connected to Surrey County Council to resolving the financial difficulties faced.
- Re-structuring the Finance team so that it has a more dynamic, central role in driving change across the organisation.
- Planning now for the known uncertainties in the estimates for 2018-19.
- Implementing the structural changes needed to maintain a balanced budget in 2019-20 and 2020-21.
- Building a more robust approach to business management so that the changes made can be sustained.

## Acknowledgements

We are very grateful to the constructive support we received from everyone connected with this review. Despite the scale of the challenges faced by Surrey County Council, it was very encouraging to see the commitment demonstrated by the Members and executive officers we met. This CIPFA review inevitably generated

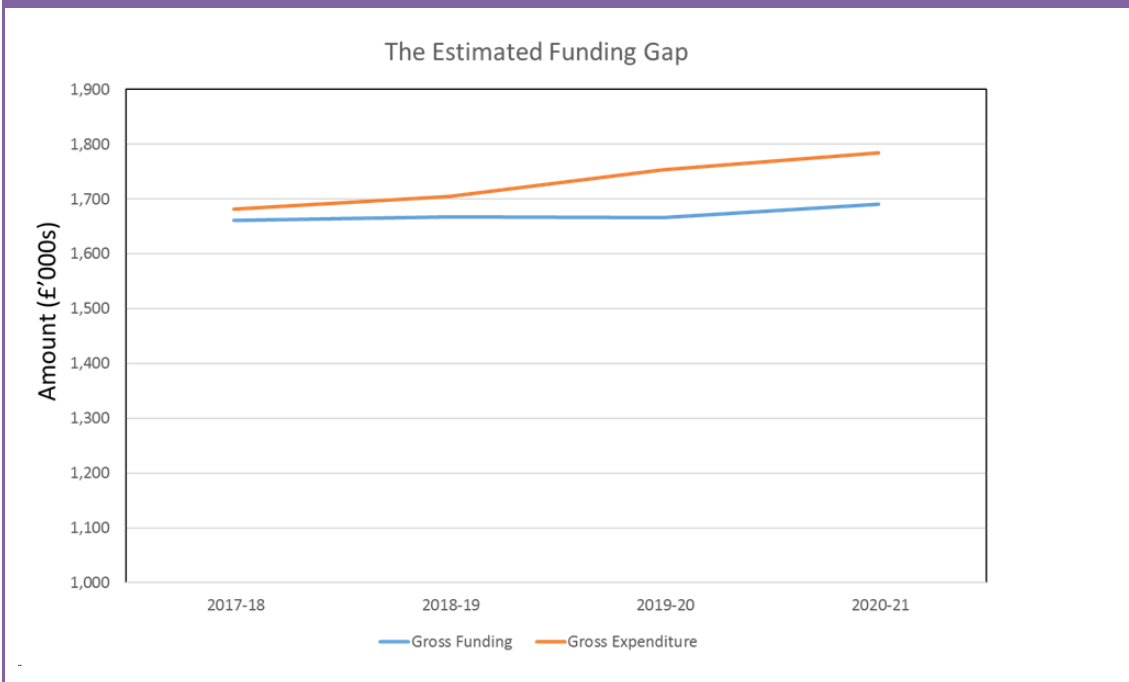
concerns and pressures for the Director of Finance and her staff in Surrey County Council. Nevertheless, they maintained a warm, constructive, and professional manner throughout the review. This welcoming and positive team spirit reflects the supportive and approachable leadership style of the Director of Finance.

## Section 2: The MTFP

### Background

Surrey County Council faces significant service pressures over the next three years that are unlikely to be offset by commensurate increases in funding. As figure 1 shows, gross expenditure is expected to increase by 6.5 per cent from £1.68bn in 2017-18 to £1.79bn in 2020-21, whereas gross funding is expected to increase by only 2.4 per cent from £1.66bn to £1.70bn over the same period. This would result in a funding gap of £36m in 2018-19, rising to £86m by March 2020, and to £94m by March 2021.

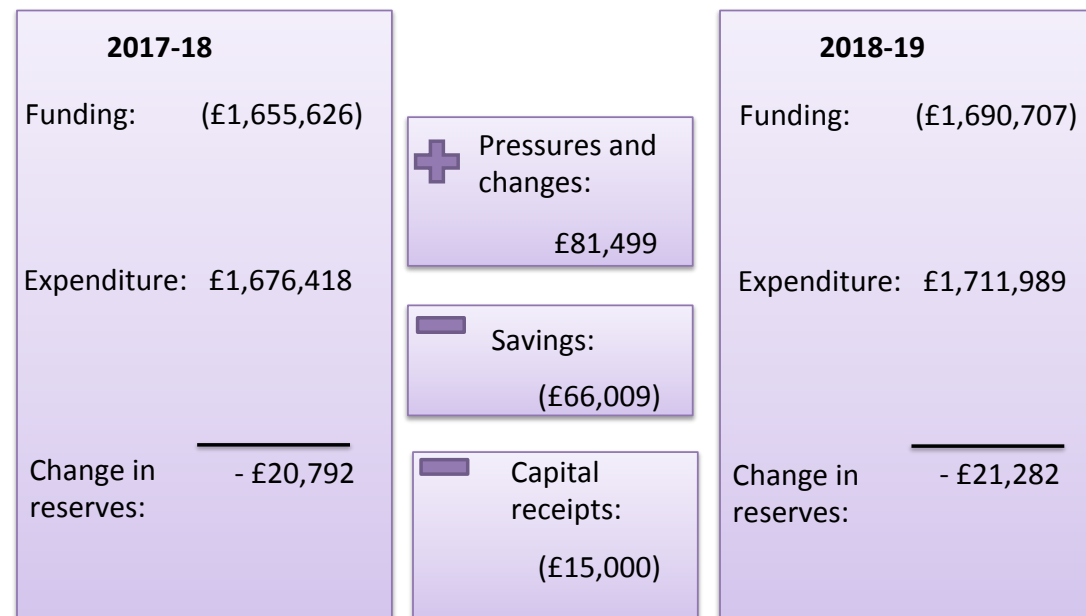
Figure 1: Projected Gross Expenditure and Funding



The Council no longer has the option of putting off change in the hope that circumstances might change. A series of transformative projects are being developed and the outline business cases are due to be presented to Cabinet in October 2018. The plans are still at too early a stage, however, for CIPFA to assess the likelihood that they will achieve the efficiency savings required in 2019-20 and 2020-21.

In the meantime, it is crucial that the Council delivers the efficiency savings planned for 2018-19. The additional pressures and changes (such as inflation and increases in demand) were anticipated to add an extra £81.5 million to spending in 2018-19. As a consequence, as figure 2 shows the increased budget gap would need to be met by savings of £66 million, the utilisation of £15 million of capital receipts and a further £21.2 million of earmarked reserves.

**Figure 2: The scale of the financial challenge for 2018-19**



**Source: MTFP 2018-21, Surrey County Council**

In practice, the reported underspend at the **2017-18 year end** of £1.3 million is relatively small when compared to gross revenue expenditure. Yet during 2017-18 there was considerable volatility in the forecasts, which undermined the confidence of many of those Members and Executive Directors we interviewed in the reliability of the management information.

The **pressures and changes** included in the Council's MTFP for 2018-21 represent the anticipated impacts of external factors on existing service delivery. As such, the estimate of £81.5 million comprises anticipated funding changes of -£26.6 million, inflation of +£34.7 million, changes in demand of +£60.9 million and changes in legislation and service delivery of +£12.5 million.

CIPFA selected the following areas for a deep-dive examination:

- **Contract inflation of £30.9 million.** The findings from our review were mixed. There was a reasonable explanation to support some estimates, but a lack of reliable underpinning data on others.

- **Changes in demand of £60.9 million.** We found similar difficulties in obtaining and scrutinising performance to estimate the financial consequences. It was evident from our discussions that there was very little performance data available to establish when and why such cases might arise. There is a lack of reliable and granular performance data to underpin such estimates.

These findings do not materially affect the rigour of the estimates presented in the MTFP, but they increase the risk of unexpected changes that might necessitate additional savings having to be found mid-year.

On **the planned savings**, the MTFP categorised the anticipated savings as comprising: £13.3 million ‘red’ – meaning that achievement of savings face severe challenges and barriers; £26.8 million as ‘amber’ – meaning that significant barriers exist to the savings being achieved and the service is developing plans to overcome this; and £25.8 million as ‘green’ – meaning that savings will be achieved with few internal or external barriers.

In terms of the RAG rating, our interviews identified inconsistencies over what was meant by the terms Blue, Red, Green and Amber and when savings should be marked as ‘achieved’ in the savings tracker. As a consequence, there were instances when the RAG rating for May did not match the description of progress.

On the planned **utilisation of capital receipts**, local authorities can use capital receipts from the sale of assets to help fund the revenue costs of transformation projects. At this stage, however, the Finance team is not able to demonstrate fully how the anticipated utilisation of £15 million capital receipts will be achieved.

### Section 3: The capacity and capability of the Finance team

Drawing on the best practice principles of CIPFA’s Financial Management Model<sup>1</sup>, we examined the performance of Surrey’s Finance team against the following approaches to financial management:

- **‘Delivering Accountability’** represents the traditional core function of the Finance team where the onus is on maintaining adequate financial records

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<sup>1</sup> The CIPFA FM Model was originally released in July 2004 and describes a model for best practice in financial management within the public sector. It is recognised by HM Treasury (UK) as setting out the fundamentals of best practice financial management within a public sector organisation.

and ensuring that everyone in the Council complies with the existing financial regulations.

- **‘Supporting Performance’** reflects the extent to which the Finance team works collaboratively with budget holders to identify better ways of working.
- **‘Enabling Transformation’** represents a Finance team that is actively driving transformational change – it has identified opportunities for more cost-effective working and is driving the changes required.

There are a number of strengths in Surrey’s Finance team. The former Director of Finance engendered a positive working environment that has enabled the team to cope well with existing cuts and the added pressures these have generated. The team is experienced and understands the work of the Council very well.

The Finance team continues to operate in a largely ‘traditional’ role, however, and the existing roles of the senior leadership team need to be more clearly defined. The blurring of roles and responsibilities between the Finance team and service directorates does not facilitate a mature working environment.

## Section 4: Orbis

Orbis is a partnership between Surrey County Council, East Sussex County Council and Brighton & Hove City Council to provide core operational services, such as Finance, HR and Procurement through a collegiate approach.

In comparison with shared services elsewhere, CIPFA considered the extent of integration in Orbis to be relatively immature. There are pockets of modernisation across Orbis but, given that the partnership is now in its third year, we had expected a more advanced operating environment than what currently exists.

It was apparent from our interviews that the integrated leadership team seems to work well together. Nevertheless, there appears to be a lack of well-aligned change management skills amongst the teams supporting each sovereign lead that may explain the slow progress with integration.

The lack of pace and drive in integrating Finance functions has generated uncertainty that is also beginning to impact on the performance of the Finance team within Surrey County Council. Participants in our focus groups cited the lack of clarity on what was required for Orbis as a key reason why Surrey Finance team had not re-structured to mitigate the impacts of unfilled posts.

A number of interviewees emphasised to CIPFA that the main benefit of the partnership agreement between the three Councils was to encourage collaboration, thereby building expertise and strengthening resilience. We did find instances from our interviews that some of the Finance team had utilised the linkages with East



Sussex and Brighton & Hove to gather collaborative data. This was very much the exception rather than routine, however, and we would have expected much more collaborative working.

Those Members and senior leaders in Surrey County Council we interviewed were frustrated with the returns to date from the investment of time and resources in Orbis. An outline business case is being prepared by Surrey County Council to review: the capacity and capability of Orbis to support Surrey's transformation programme; and, the potential for additional savings. It will be important to assess the appetite in East Sussex County Council and Brighton & Hove County Council for further integration as part of this review.

The central premise to any fully shared service operation is to establish what data are required to deliver a fully integrated set of processes and then to design, procure or integrate existing systems around this core design principle. This should be a central element to any review of the future of the Orbis partnership.

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# Surrey County Council Finance Improvement Plan

## Surrey Finance Improvement Plan: Cabinet – roles and responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
<b>1. Building a financial discipline that is fit for purpose</b>						
	<ul style="list-style-type: none"> <li>Determining the future role of Orbis in the Council's financial resilience plans</li> </ul>	Cabinet/CLT	<ul style="list-style-type: none"> <li>To establish how Orbis might deliver better economies of scale, generate centres of expertise and/or improve the resilience of the finance function</li> </ul>	<ul style="list-style-type: none"> <li>Consideration of the recommendations arising from the E&amp;Y review</li> </ul>	<ul style="list-style-type: none"> <li>Tbd – dependent on the outcomes of the current review</li> </ul>	Tbd

## Surrey Finance Improvement Plan: CLT Roles and Responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
<b>1. Building a financial discipline that is fit for purpose</b>						
	<ul style="list-style-type: none"> <li>Determining the future of Orbis</li> </ul>	MC	<ul style="list-style-type: none"> <li>To establish how Orbis might deliver better economies of scale, generate centres of expertise and/or improve the resilience of the finance function</li> </ul>	<ul style="list-style-type: none"> <li>Consideration of the recommendations arising from the E&amp;Y review</li> </ul>	<ul style="list-style-type: none"> <li>Tbd – dependent on the outcomes of the current review</li> </ul>	Tbd

## Surrey Finance Improvement Plan: Finance Roles and responsibilities

Work Package	Task	Responsible Owner	Purpose	Actions	Deliverable	Deadlines/Progress
<b>1. Building a financial discipline that is fit for purpose</b>						
	<ul style="list-style-type: none"> <li>Determining the future of Orbis</li> </ul>	LW	<ul style="list-style-type: none"> <li>To establish how Orbis might deliver better economies of scale, generate centres of expertise and/or improve the resilience of the finance function</li> </ul>	<ul style="list-style-type: none"> <li>To provide financial advice into the review of whether:               <ul style="list-style-type: none"> <li>Existing Orbis function offers better economies of scale than alternative shared service options</li> <li>The centres of expertise in Finance are offering added value</li> <li>Whether there is sufficient resilience in the Surrey finance team</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A review by E&amp;Y</li> </ul>	TBD

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



**ORBIS JOINT COMMITTEE**

**DATE: 12 OCTOBER 2018**

**LEAD OFFICER: ROSS DUGUID, ASSISTANT DIRECTOR, PROCUREMENT**

**SUBJECT: PROCUREMENT SERVICE UPDATE**

**SUMMARY OF ISSUE:**

The Procurement Service has been operating under a jointly appointed Head of Procurement & Commissioning since September 2013 and began operating under an integrated Senior Management Team in April 2015 (this delivered 23% savings against the previous combined costs for Tier 2 and 3 for Procurement).

In April 2017, the integration of the East Sussex County Council (ESCC) and Surrey County Council (SCC) procurement functions completed. Not only was this designed to reduce costs (£345k budget savings for 17/18, 11% of the operating budget) but the restructure offered the opportunity to also provide a broader 'cradle to grave' offer with a greater emphasis on the development of longer term category strategies to support commissioning; alongside a supplier and contract management focus to ensure value for money is delivered through the lifecycle of our contracts.

Furthermore, a move away from small specialist teams, to wider professional groupings, offered the potential to use resource more flexibly and efficiently across teams and between authorities, as well as offering the possibility for improved knowledge sharing.

It is now nearly 18 months since this model went live (the formal integration of the Brighton & Hove City Council (BHCC) has now also recently completed) and this paper offers the opportunity to assess the extent to which this ambition has been realised.

**RECOMMENDATIONS:**

It is recommended that:

1. The Joint Committee note the progress that the procurement department has made in delivering the ambition set out in the above summary.

- 
2. The Joint Committee is sighted of the further developments that are planned to address areas that have not yet been delivered (or are not in the process of being successfully delivered).

#### **REASON FOR RECOMMENDATIONS:**

To ensure the Joint Committee is kept informed about the progress to-date, including both successes and challenges, and understands the plans to address those areas that require further development.

#### **DETAILS:**

##### **Service Update for the Procurement Services Function.**

1. This section sets out progress made over the last 18 months against the three key objectives below:
  - Improved efficiencies through flexible use of resource etc.
  - A broader strategic offer encompassing the full procurement lifecycle.
  - Improved learning (and hence value for money) through effective joint working alongside underlying data, reporting and systems.

##### *Improved Efficiencies: Flexible resource model*

2. The level of cross-functional working has steadily grown over the past 12 months. We now have an increasing body of examples of individuals working cross-authority to support peaks in demand elsewhere. This ranges from Highways Pavement Management to ePayslips and numerous IT&D projects.
3. We have developed a simple resource management tool, operated by a central programme management team, that enables us to effectively forward plan resource and to identify where we have capacity across the department.
4. Recent analysis to understand further opportunities for improvement, however, does point to a number of instances where senior resource continues to lead on projects that are of low complexity (projects are now segmented at the outset based on complexity/risk) and can be handled better by more junior staff, alongside a lighter governance process (see below). This will drive further efficiencies.

##### *Improved Efficiencies: Process and Governance*

5. The Procurement Standing Orders (PSOs) across ESCC and SCC have been revised and largely harmonised (this supports flexible use of resource cross-authority) since February 2018. The revised BHCC orders are also in draft pending a governance review.

6. This review seeks to learn the lessons from the past year, specifically whether our level of governance is proportionate and at the most effective point in the process. As a result we will be proposing changes in October that will see earlier challenge in the procurement process and lighter governance for our less complex procurements (we estimate this will allow us to 'fast-track' 30% of our procurements).

Improved Efficiencies: tail end spend

7. A dedicated team has been created at ESCC and an existing team at SCC transferred into Procurement, to enable us to proactively manage our 'tail spend' i.e. the high volume, low value orders (£15-99k). The key focus of these teams is to identify opportunities to drive efficiencies and cash savings through measures such as aggregation, quick turnaround on one-off (tactical) procurement activities and use of an online marketplace, as well as supporting the development of local markets for micro/SME providers. They also provide 2<sup>nd</sup> line support for all Procurement related queries in partnership with the Help Desk. We will be reviewing the benefits of extending this approach to BHCC alongside the potential for further consolidation of the team.

Improved Efficiencies: Partnership working

8. There is significant reciprocal value to be gained by closer partnership working, particularly with Districts and Boroughs. Orbis procurement is able to offer resilience and additional capacity to D&Bs whilst at the same time joining up workplans provides additional efficiencies. As a result we have recently entered into an agreement with Adur & Worthing Councils to provide procurement leadership and support and will look to explore the possibilities of extending this further going forward.

A broader strategic offer: Supply and Contract Management

9. A small dedicated team was formed in April 17 to provide support to contract management undertaken by the services as well as direct involvement in ensuring/driving value from supplier relationships.
10. This team has built significant momentum and delivered a number of successes, including:
  - Segmentation of over 2100 contracts across Orbis based on a range of criteria (complexity, risk, value, opportunity etc.) – this segmentation has helped us to understand where we need to focus attention and the appropriate level at which different contracts need to be managed.
  - Launch of the contract management framework, comprising a set of tools that aid contract managers in the activities they need to undertake to successfully manage a contract (underpinned by the above segmentation).

- Launch of a supplier collaboration programme at SCC (opportunities across 266 contracts are being reviewed). An existing, more focused, programme is also in place at BHCC and the intent is to take the learnings from each to devise a common future approach.
- Implementation of a value for money tool, in conjunction with Cranfield University, to measure vfm across our key/strategic contracts; this has been applied successfully to the SCC Highways contracts (and will inform the future category strategy) and shortly will also be used across the ESCC Highways contract.
- Various other initiatives including: launch of supplier failure protocols to provide 'early warnings' of developing risks; launch of contract performance indicator tool; successful training of the team to practitioner level through the International Association for Contract & Commercial Management (IACCM); and recognition by central government of us as a leader in social value delivery and the part-time secondment of a member of one of the team to support them.

#### A broader strategic offer: Category Management

11. A small, dedicated team was also formed in April 2017 to develop long term category strategies. Initial work included the creation of a 'category map' that grouped spend into hierarchical segments, reflective of the markets. This map has allowed us to gain a consistent picture of spend across Orbis (see Tableau comments below).
12. The team successfully developed a draft three year programme of work and have delivered a number of strategies from this. However, changes within sovereign authorities have required them to reprioritise and progress has been slower than originally anticipated. Furthermore, the demand is noticeably different from each authority. It is an area that requires clear leadership focus going forward.

#### Improved learning: Joint Working

13. From April 2017 we have run 51 joint projects, across 2 or all 3 partners (out of a total of approximately 450 projects). As a minimum this has driven resource efficiencies (a single procurement exercise instead of multiple) but also has increased our attractiveness in the market. There is continued scope to increase the percentage of joint procurements, where this is appropriate. An illustrative example would be the recent soft FM tender which included all 3 Orbis partners. This has delivered £400k cash releasing benefit alongside over £500k Social Value commitment (it also complements the new Orbis Property Services structure and offer to customers, which will allow a consistent joined up service and approach to contract management to be delivered).

#### Improved learning: Data, reporting and systems

14. Significant effort has gone into improving the quality of the data we hold within our systems and the level of granularity we are able to gather from other systems. Furthermore, we have developed a common classification of our spend data for all 3 authorities that now allows us to view expenditure



across (sub)categories and suppliers by authority or cross-authority. This reporting, alongside other performance reporting (e.g. contract end dates, red/amber/green project status) is available to all procurement staff, across the 3 authorities, via Tableau.

15. Going forward Tableau will become the default tool from which we manage our performance reporting across all teams within the department, upto and including our SLT.
16. The spend reporting has been complemented by a number of market dashboards that contain key indices to support Services decision making; to date these have been developed for Highways, Property and shortly ASC.
17. The widespread take-up of 'Navigator' over the past 12 months (a SharePoint site that acts as a repository of all key information as well as a message board) across the whole procurement department has been a very successful tool. In particular, this has facilitated the effective sharing of knowledge/ experience on projects across the sites.
18. We remain constrained, however, by the lack of scalability of the existing programme management tool we have in place which means we are currently unable to run this reliably in BHCC; we are currently working with colleagues to assess suitable alternatives.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

19. The procurement department delivered within budget for 2017/18 and is on target to do so in 2018/19.
20. Annual Performance targets are in place as a method of assessing VFM. Aside from the coverage of category strategies, we are on target to deliver the other target measures (including savings, contract coverage, social value, local supplier spend).
21. To better understand the extent to which the department comparatively provides a value for money service, we undertook two benchmarking exercises across all 3 authorities at the end of 2017, one quantitative (ROSMA) and the other qualitative (NPS).
22. ROSMA (Return On Supply Management Assets) is a quantitative benchmark developed by AT Kearney and the Chartered Institute of Purchasing and Supply (CIPS). Respondents include both public and private sector organisations (675 total).
23. There were a number of issues with the benchmarking that need to be resolved in any future rounds. However, overall most Orbis scores fell within Quartile 2 (Quartile 1, best performing companies. Quartile 4, worst performing). In particular, Orbis procurement costs as a percentage of total expenditure occupied a strong second quartile position (note, due to timings only ESCC and SCC were included in this initial benchmarking).

24. NPS (National Procurement Strategy) benchmark is a qualitative benchmark, comprising of a self assessment versus other local authorities (there was a 60% response rate from upper and second tier councils).
25. Orbis' overall position across 4 key themes (all 3 Orbis authorities participated) again positioned us in Quartile 2 (average with significant number of good elements).
26. It is planned that this benchmarking becomes an annual exercise, which will become increasingly useful as it is refined and becomes more robust.

#### **WHAT HAPPENS NEXT:**

27. Continue to drive efficiencies from our strategic procurement activities by ensuring we focus resource on those areas where we can add significant value (typically complex).
28. Use the results of our benchmarking and progress against performance targets to identify areas of focus.
29. Begin to focus more on the development of our future commercial activity as an income source (analysis underway to identify where we have specific capabilities that will allow us to differentiate from others, in areas of high demand).
30. Increasingly develop partnership working, particularly with District & Boroughs.
31. Refine the current delivery model to make it more flexible so it can efficiently/effectively take account of the different pulls that come from each authority (e.g. category management).
32. Continue to develop our systems (and data), particularly programme management, to effectively support joint working.

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#### **Annexes:**

- None

#### **Sources/background papers:**

- None