

**EAST SUSSEX COUNTY COUNCIL AND
SURREY COUNTY COUNCIL**

ORBIS JOINT COMMITTEE



DATE: 22 APRIL 2016

LEAD OFFICER: KEVIN FOSTER (CHIEF OPERATING OFFICER) AND JOHN STEBBINGS (CHIEF PROPERTY OFFICER)

SUBJECT: JOINT BUDGET APPROACH

PURPOSE OF REPORT:

To provide an update to the Joint Committee on development of the Joint Operating Budget of the Orbis Partnership.

INTRODUCTION

The Orbis partnership will be responsible for delivering services from a joint operating budget. The Inter Authority Agreement (IAA) detailed the responsibilities of the Joint Committee in respect of the Joint Operating Budget and specified the services included in the Partnership.

The Joint Operating Budget needs to be managed and monitored effectively to ensure good financial management in line with both East Sussex County Council's (ESCC) and Surrey County Council's (SCC) expectations and to ensure that benefits are tracked and realised. Finance Officers have developed an operational approach that will enable managers within the partnership to undertake this activity.

RECOMMENDATIONS:

It is recommended that the Orbis Joint Committee:

- i. notes the approach to managing joint budgets and;
- ii. agrees to review the budget monitoring position quarterly.

REASON FOR RECOMMENDATIONS:

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

DETAILS:

1. The Joint Operating Budget captured in the Inter Authority Agreement (IAA) is the result of due-diligence carried out by finance officers following the agreement to the Business Plan by each partner. In the due-diligence process the 2015/16 Business Services' budgets were analysed to determine which costs should be in the Joint Operating Budget and which budgets remain under the direct control of the sovereign authorities.

2. The Joint Operating Budget comprises primarily of staff costs. East Sussex County Council (ESCC) and Surrey County Council (SCC) contribute to the joint budget in proportion to their service delivery, currently 30% and 70% respectively.
3. Staff within the Orbis partnership manage budgets on behalf of each council, for example staff within Property manage the cost of utilities for both council's office buildings. Budgets that are managed in this way are not part of the Joint Operating budget and are not overseen by the Joint Committee.
4. The 2016/17 net Orbis Partnership Joint Operating Budget is £53.1m and was approved by ESCC Full Council on 9 February 2016 and SCC Cabinet on 22 March 2016 and is attached as Annex 1. Also included in this annex are the Orbis investment and savings, as identified in the Business Plan and the most recent forecast.
5. In order to ensure sound financial management, appropriate processes and procedures have been put in place. The Committee is asked to note and support these.
6. The Orbis budget holders will forecast their likely income and expenditure each month. The Orbis Leadership Team will review these forecasts monthly as part of each council's budget monitoring process. Any variances will be reported and actions agreed to mitigate any overspends. The status of the Orbis Business Plan efficiency savings will form part of this monitoring to ensure that any risks are identified and addressed as soon as possible.
7. To ensure the Joint Committee is managing the joint operating budget effectively it is recommended that the budget position, including efficiencies, is formally reported to the Joint Committee quarterly. The Committee would be responsible for reviewing and challenging any forecast variances and budget savings risks.
8. Budget transfers within the Joint Operating Budget will be approved by the relevant members of the leadership team. Changes to the net operating budget can only be made with the agreement of each council using the process described in the IAA for example, if one authority requests additional resources to deliver its agreed capital programme. Changes to the net operating budget would be addressed as part of a review which, if agreed, may change the contribution ratios.
9. The estimated amount of investment required to ensure the success of the partnership and deliver the efficiency savings is £7.6m. The partnership is responsible for ensuring this is effectively managed and, as a result, this will continually be monitored and reported to the Leadership Team monthly and the Joint Committee quarterly.
10. The Orbis Business Plan identified the likely cost of redundancies to deliver the efficiency savings. All redundancies will be approved by the Leadership Team before being presented to each employing authority for approval.

Financial Arrangements

11. The finance teams in both councils have been working closely to establish the future financial arrangements for both the Orbis Joint Operating Budget and the budgets managed on behalf of each authority by the partnership.
12. There are some risks to managing the joint budgets and finance teams are working together to overcome these. The financial management tools in both authorities are different and separate. As a result the joint expenditure and budgets will be maintained on spreadsheets. Finance will carry out monthly reconciliations to ensure the integrity of the data. Budget holders responsible for the joint budget will be supported by one accountable member of the Finance team.
13. The budget reporting cycles in both authorities are different, ESCC reports to Cabinet quarterly and SCC reports to its Cabinet monthly and deadlines vary. This could lead to information being shared with one partner before the other. Therefore summary information will be shared with the Joint committee on a monthly basis by email.
14. The accounting practices in both authorities are different, meaning that the reported year to date expenditure and income may not be consistent. SCC make adjustments at month end to reflect the cost of activities not yet paid for (accrual accounting). This is completed in ESCC at year end only. As the majority of the joint expenditure budget is staff costs which are automatically generated from payroll this is not likely to create any material issues other than in respect of income. However, as staff in the partnership manage budgets on behalf of each authority they will need to understand these differences and will be supported accordingly. Finance will work towards standardising the accountancy treatment over time as the partnership develops.

WHAT HAPPENS NEXT:

15. The Joint Committee will review the operational budget quarterly, starting in July.

Contact Officer:

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Consulted:

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Thomas Alty – Finance Manager
Susan Smyth – Strategic Finance Manager
Marie Nickalls – Head of Finance
Kevin Foster – Chief Operating Officer
John Stebbings – Chief Property Officer
Leatham Green - Programme Director for People and Change

Appendices:

Appendix 1
Joint 2016/17 Budget, Business Plan Investment & Savings

Sources/background papers:

- Inter Authority Agreement
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