

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



**ORBIS JOINT COMMITTEE**

**DATE: 19 JANUARY 2018**

**LEAD OFFICER: KEVIN FOSTER (CHIEF OPERATING OFFICER, EAST SUSSEX COUNTY COUNCIL), SHEILA LITTLE (DIRECTOR OF FINANCE, SURREY COUNTY COUNCIL) & DAVID KUENSSBERG (EXECUTIVE DIRECTOR FINANCE & RESOURCES, BRIGHTON & HOVE CITY COUNCIL)**

**SUBJECT: ORBIS OPERATING BUDGET 2018/19**

**SUMMARY OF ISSUE:**

To provide an update to the Joint Committee on the 2018/19 Orbis Operating budget, in order for the Joint Committee to recommend an estimate of the 2018/19 contributions to be made by Brighton & Hove City Council (BHCC), East Sussex County Council (ESCC) and Surrey County Council (SCC).

**RECOMMENDATIONS:**

The Joint Committee is asked to:

1. Recommend an estimated level of 2018/19 contributions to the Orbis Joint Operating Budget to BHCC, ESCC and SCC Cabinet, noting that this may alter following the review outlined in the report.
2. Approve the proposed transfers between the operating budget and the ESCC and SCC managed on behalf of budgets.

**REASON FOR RECOMMENDATIONS:**

The Joint Committee is responsible for the effective management of the Orbis Joint Operating Budget.

**DETAILS:**

3. ESCC and SCC contribute to the 2017/18 Orbis Joint Operating Budget and in proportion to their service delivery requirements, currently 30% and 70% respectively. The 2017/18 Orbis Joint Operating Budget is £50.6m.
4. From 1 April 2018 the Orbis Joint Operating Budget will include the service delivery requirements of BHCC. The latest estimate of the 2017/18 budget, including BHCC, is £65.3m. The contributions from

each authority, based upon their historical budgets is likely to be BHCC 21%, ESCC 24% and SCC 55%.

## 2017/18 Budget

5. As part of the financial due diligence for the extended partnership the current BHCC service delivery requirements, based on budgets, are being identified. This exercise is not complete; however the latest estimate is that the available budget for the BHCC services to be delivered by Orbis is £13.5m.
6. In accordance with the process set out in the IAA the service delivery requirements of ESCC and SCC 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. For example ESCC ASC procurement is transferring from ASC, therefore both the ESCC and SCC ASC procurement functions should transfer into Orbis as it is no longer a single SCC activity. Annex 1 lists all of the costs that should be included or excluded from the joint budget, in line with agreed IAA principles.
7. The Committee is asked to approve these adjustments which increase the Orbis Joint Operating Budget by £1.2m and changes the ESCC contribution from £15.3m to £15.6m and the SCC contribution from £35.4m to £36.2m. This does not change the current 30/70 ratio; nor impacts 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 both ESCC and SCC Cabinets.
8. Table 1 shows the estimated adjusted 2017/18 budget by service, including the transfers and the BHCC budget.

Table 1: 2017/18 estimated Orbis budget by service

	Base	BHCC Transfers	Revised	
	£000	£000	£000	£000
Business Operations	5,214	2,015	-153	7,076
Finance	9,033	2,359	114	11,506
HR&OD	4,644	1,846	3	6,493
IT&D	16,883	3,758	47	20,688
Management	2,283	184	0	2,467
Procurement	3,199	785	1,153	5,137
Property	9,399	2,535	36	11,970
<b>Total</b>	<b>50,655</b>	<b>13,483</b>	<b>1,200</b>	<b>65,338</b>

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

The Base budget is MTFP plus permanent virements, e.g. pension adjustment

9. The 2017/18 baseline forms the basis of the 2018/19 budget, for the purposes of this report it should be noted that this baseline is not yet

finalised and agreed. Any changes and consequent changes to the 2018/19 budget and contribution will be reported to the Joint Committee in April.

## 2018/19 Budget Review

### Savings

10. In January 2017 the Joint Committee recommended 2018/19 savings of £3.9m. These were as set out in the Orbis business plan and subsequent review, in which 2018/19 was to be the final year, delivering ongoing savings of £8.6m per annum. This level of saving is 17% of the net 2015/16 budget. Table 2 shows the savings for the existing partnership:

11. Table 2: 2016-19 savings by service for the existing partnership.

	2016/17	2017/18	2018/19	Total
	£000	£000	£000	£000
Buisness Ops	581	500	125	1,206
Finance	121	525	994	1,640
HR&OD	85	400	625	1,110
IT&D	85	1,099	1,258	2,442
Management	0	100	0	100
Procurement	-10	345	15	350
Property	56	906	834	1,796
<b>Total</b>	<b>918</b>	<b>3,875</b>	<b>3,851</b>	<b>8,644</b>

12. Following the expansion of the partnership to include BHCC the recommended 2018/19 savings are estimated to increase to £4.6m. This follows the review of BHCC savings which will be delivered through integration. The proposed savings are shown in table 3.

Table 3: 2018/19 proposed Orbis partnership savings for the expanded partnership

	2018/19
	£000
Business Operations	197
Finance	1,131
HR & OD	774
IT & Digital	1,552
Management	0
Procurement	56
Property	901
<b>Total</b>	<b>4,611</b>

13. Although these savings are challenging, services are putting plans in place to deliver them whilst mitigating their impact. £0.8m of the 2018/19 Orbis Operating Budget savings are already being delivered in 2017/18 as highlighted in the budget monitoring report. There is a

risk to these savings if either council's financial planning decisions or transformation plans require increased support from Orbis.

14. The Orbis Leadership Team (OLT) recommends that the Joint Operating Budget savings should have a similar impact on each authority. This means that the savings would not alter the agreed contribution ratios.
15. Orbis plans to deliver the 2018/19 savings by restructures. The savings are predominantly based on reduction of headcount, so the restructuring within services will help to remove duplication and ensure that teams are integrated in order to achieve these reductions.
16. As stated within the Orbis Business Plan the intention is to maintain or improve the level of service provision. This will mean services may be delivered in a different way, for example using digital or self-sufficiency methods. The Joint Committee will continue to be sighted on design decisions being taken within each service area through the regular updates provided at Joint Committee meetings.

### Budget Proposals

17. The proposed 2018/19 budget is £61.6m. This includes savings of £4.6m, inflationary pressures of £0.8m and growth of £0.1m. This assumes that pay inflation rates are 1% and that non pay inflation is on average 2%, based on each authority's planning assumptions. The budget movements are shown in table 4.

Table 4: Orbis Operating Budget Movements

	<b>£000</b>
2017/18 Current Budget	50,655
BHCC Estimated Budget	13,483
Transfers from MoBo <sup>1</sup>	1,200
<b>Revised 2017/18 Budget</b>	<b>65,338</b>
<b>Pressures and changes</b>	
General inflation	201
Pay inflation	713
Income inflation	-224
<b>Total inflation</b>	<b>690</b>
IT Growth <sup>2</sup>	140
<b>Total Pressures and changes</b>	<b>830</b>
<b>Savings</b>	<b>-4,611</b>
<b>2018/19 Budget</b>	<b>61,557</b>
<b>BHCC<sup>3</sup></b>	<b>12,703</b>
<b>ESCC<sup>3</sup></b>	<b>14,736</b>
<b>SCC<sup>3</sup></b>	<b>34,118</b>
	<b>61,557</b>

1. In year adjustments between the managed budgets & the Joint budget, in line with IAA principles (see existing budget section above)
2. Increased connectivity costs of the partnership
3. Based on historical budget levels and subject to revision

18. The proposed estimated 2018/19 budget for each service within the Joint Operating Budget is shown in table 5.

Table 5: Orbis Operating Budget by Service and type of expenditure

	Staff £000	Non-staff £000	Income £000	Net £000
Business Operations	11,531	1,563	-6,157	6,936
Finance	11,491	709	-1,711	10,490
HR&OD	6,210	1,039	-1,459	5,791
IT&D	20,547	1,753	-2,810	19,490
Management	564	1,956	0	2,520
Procurement	5,330	25	-223	5,133
Property	11,690	1,329	-1,820	11,198
<b>Total</b>	<b>67,364</b>	<b>8,373</b>	<b>-14,180</b>	<b>61,557</b>

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

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

19. The final proposed contributions will be reported to the Joint Committee in April, in the meantime the sovereign authorities will be informed of the estimated recommended contributions as part of their financial planning.

#### **Contact Officers:**

Louise Lawson – Senior Principle Accountant

#### **Consulted:**

Kevin Foster – Chief Operating Officer

Sheila Little – Director of Finance

David Kuenssberg - Executive Director of Finance & Resources

Adrian Stockbridge – Orbis Programme Manager

#### **Annexes:**

Annex 1 – Transfers from Managed on Behalf of Budgets (MoBo)

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

- None

This page is intentionally left blank