

Annex 1

Paper presented to OPL Interim Leadership Team 8 February 2019

OPL Contributions – options for allocating costs

The Joint Operating budget for Orbis Public Law (OPL) is primarily the cost of staffing, associated team costs and all external income relating to these costs. Some costs are excluded from the joint operating budget since there is inconsistency of treatment across organisations and this would prevent the sharing of costs. External legal fees are outside of the joint operational budget as the accountability for them is not consistent across the partnership, in SCC and WSCC these costs are met from the Legal Services budget and in BHCC and ESCC these budgets are in other services. Other excluded costs include internally allocated costs such as postage recharges where there may be little or no influence over the cost.

OPL have agreed that the OPL budget is pooled from April. This will enable OPL to operate effectively and efficiently. It means that budgets can be pooled based on functions, such as Litigation. For example a manager employed by ESCC can be responsible for managing staff employed by each partner, allocating resources effectively and from a joint budget, paid by for all four authorities. This allows true integration and collaborative working.

If OPL agrees to operate from a pooled budget from 1 April 2019 it needs to agree the preferred method of calculating the partner contributions.

The options for calculating the contributions are shown below. The examples are based on 2018/19 budgets and actuals to the end of December 2018. Table 1 shows the actual position at the end of December.

Table 1: Actual Position December 2018	BHCC £000	ESCC £000	SCC £000	WSCC £000	Total £000
OPL Case Hours	52,238	42,653	67,356	66,517	228,764
OPL Costs	1,654	1,124	2,006	2,148	6,932
OPL Budget	1,614	1,246	2,323	2,591	7,774
OPL Variance	40	-122	-317	-443	-842

Option 1 – fixed ratios, based on the budget

The size of each partner's contribution budget should be a reflection of the service required from OPL and so could be used to allocate the costs to each partner. Table 2 shows the contributions using this method.

Table 2: Option 1 - 2018/19 Budget Ratios	BHCC	ESCC	SCC	WSCC	Total
2018/19 Budget	1,936	1,662	3,097	3,455	10,150
Contribution ratio	19%	16%	31%	34%	100%
OPL Contribution (P9)	1,322	1,135	2,115	2,360	6,932
OPL Budget (P9)	1,614	1,246	2,323	2,591	7,774
Variance	-292	-111	-208	-231	-842

This shows that this method may not reflect the service received where there is a change in service delivery or due to vacancies. For example the actual position for SCC is that it is not

using OPL service as much as anticipated, ie underspending by £0.3m. However if its contribution remains fixed at 31% its cost increase compared to the actual position. This does not allow for flexibility in demand.

Option 2 – case hours

OPL is maintaining a case hours system, this could be used to calculate the contributions. Table 3 shows the contributions using this method.

Table 3: Option 2 - Case Hours	BHCC	ESCC	SCC	WSCC	Total
OPL Hours	52,238	42,653	67,356	66,517	228,764
OPL Contribution (P9)	1,583	1,292	2,041	2,016	6,932
OPL Budget (P9)	1,614	1,246	2,323	2,591	7,774
Variance	-31	46	-282	-575	-842

This illustrates that councils which currently provide services using less senior staff, such as ESCC would pay more than they currently do.

Option 3 – weighted case hours

To reflect the existing service delivery models the case hours could be weighted to take into account differences in pay and seniority of staff. Table 4 shows the contributions using this method.

Table 4: Option 3 - Weighted Case Hours	BHCC	ESCC	SCC	WSCC	Total
Hours weighting	1.04	0.87	0.98	1.07	
P9 OPL Hours					
OPL Case Hours	52,238	42,653	67,356	66,517	228,764
OPL adjusted hours	54,584	37,093	66,200	70,886	228,764
OPL Contribution (P9)	1,654	1,124	2,006	2,148	6,932
OPL Budget (P9)	1,614	1,246	2,323	2,591	7,774
Variance	40	-122	-317	-443	-842

As expected the weighting using December actuals calculates the contributions as per the actual December position. A full year of data would be needed to fix these weightings to assure each partner that they are fair. Periodic review of actual service delivery would be needed to give further reassurance or to propose changed weightings.

For further clarity table 5 shows the contributions using this method if both the case hours and OPL costs increase by 10%.

Table 5: 10% increase in OPL hours (& costs)	BHCC	ESCC	SCC	WSCC	Total
	£000	£000	£000	£000	£000
OPL Case Hours	57,462	46,918	74,092	73,169	251,640
OPL adjusted hours	60,042	40,803	72,820	77,975	251,640
OPL Contribution	1,819	1,236	2,207	2,363	7,625
OPL Budget (P9)	1,614	1,246	2,323	2,591	7,774

Variance	205	-10	-116	-228	-149
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Contribution change (%)	10%	10%	10%	10%
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This shows that each partner's contributions increase by 10% reflecting the increase in hours received.

Table 6 gives a further example of the change in contributions, this time SCC increased hours by 10% & WSCC reduced hours by 15%.

**Table 6: Change in hours & costs WSCC (-15%),
SCC (+10%)**

	BHCC	ESCC	SCC	WSCC	Total
OPL Case Hours	52,238	42,653	74,092	56,539	225,522
OPL adjusted hours	54,584	37,093	72,820	60,254	224,751
OPL Contribution	1,648	1,120	2,199	1,820	6,810
OPL Budget (P9)	1,614	1,246	2,323	2,591	7,774
Variance	34	-126	-124	-771	-964
Contribution change (%)	0%	0%	10%	-15%	

This shows that each council's contribution reflects the service it receives.

Recommendation

It is important that the method for allocating costs is simple and transparent whilst being as fair as possible and allowing changes in service delivery. It is recommended that option 3 is used.

The OPL leadership team will be provided with monthly updates of the latest OPL expenditure and the calculated contributions. This will ensure that the allocation method reflects service delivery and will also flag any potential variations to budget. The Joint Committee will be provided with monitoring reports quarterly.

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