

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

ORBIS JOINT COMMITTEE



DATE: 20 JANUARY 2017

LEAD OFFICER: KEVIN FOSTER (CHIEF OPERATING OFFICER, EAST SUSSEX COUNTY COUNCIL) AND JOHN STEBBINGS (CHIEF PROPERTY OFFICER, SURREY COUNTY COUNCIL)

SUBJECT: ORBIS OPERATING BUDGET 2017/18

PURPOSE OF REPORT:

To provide an update to the Orbis Joint Committee on the 2017/18 Orbis Operating budget, in order for the Joint Committee to recommend the 2017/18 contribution to be made by East Sussex County Council and Surrey County Council.

INTRODUCTION

The Orbis Joint Committee is responsible for delivering services from a Joint Operating Budget and ensuring successful implementation of the partnership from a joint investment fund.

East Sussex County Council (ESCC) and Surrey County Council (SCC) contribute to the Joint Operating Budget in proportion to their service delivery requirements. The amount each contributes is determined as part of the financial planning process.

The Orbis Joint Committee is responsible for scrutinising and recommending any proposed Joint Operating Budget efficiencies and mitigation of budget pressures, identified in order for Orbis to meet the needs of the sovereign authorities. The Orbis Joint Committee should advise both councils on the likely impact of any reductions on service delivery. In accordance with the Inter Authority Agreement (IAA) the Orbis Joint Committee agrees the budget and formally proposes to each council the contribution it should make.

RECOMMENDATIONS:

The Orbis Joint Committee is recommended to:

Recommend the level of 2017/18 contributions to the Orbis Joint Operating Budget to both ESCC and SCC Cabinets for inclusion in the 2017/18 budget proposals for approval by the respective County Councils.

REASON FOR RECOMMENDATIONS:

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

DETAILS:

1. In October the Orbis Joint Committee was provided with an update of the latest position regarding the 2017/18 Orbis Joint Operating Budget. Since then Orbis has reviewed its plans and is able to recommend a budget for 2017/18 and the corresponding contributions to Orbis by each authority.

2017/18 Budget Review

Savings

2. In 2015 both East Sussex (ESCC) and Surrey County Council (SCC) Cabinets approved the business plan to establish a joint public-sector partnership 'Orbis', to deliver business and support services to each authority. The business plan delivers annual savings of £8.3m, on the Joint Operating Budget, by 2018/19 onwards and requires £7m investment.
3. Orbis has reviewed its savings plans and is able to recommend further savings of £0.8m in 2017/18. This is bringing forward £0.4m of 2018/19 business plan savings and delivering an additional **£0.4m** ongoing savings, therefore increasing the ongoing partnership savings to **£8.7m**. The proposed savings are shown in table 1.

Table 1: Orbis Partnership Savings

| Orbis Partnership Savings | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | Total £000 |
|---|-------------------------|-------------------------|-------------------------|-----------------------|
| Joint Operating Budget | | | | |
| Business Operations | -581 | -500 | -125 | -1,206 |
| Finance | -121 | -525 | -994 | -1,640 |
| HR | -85 | -400 | -625 | -1,110 |
| ICT | -85 | -1,099 | -1,258 | -2,442 |
| Management | 0 | -100 | 0 | -100 |
| Procurement | 10 | -345 | -15 | -350 |
| Property | -56 | -906 | -834 | -1,796 |
| Total OB Savings | -918 | -3,875 | -3,851 | -8,644 |
| IT Growth | 230 | 220 | 140 | 590 |
| Net Joint Operating Budget Savings | -688 | -3,655 | -3,711 | -8,054 |
| Managed Budgets - IMT | -280 | -110 | -110 | -500 |
| Pension Fund | -182 | 0 | 0 | -182 |
| Total Partnership Net Savings | -1,150 | -3,765 | -3,821 | -8,736 |

Note to table:

The partnership savings are being delivered from the operating budget, ESCC & SCC managed budgets and services provided to pension funds. The IT growth is the increased connectivity costs of the partnership.

4. The 2017/18 Joint Operating Budget savings are 7% of the 2016/17 costs. Although these savings are challenging, services are putting plans in place to deliver them whilst maintaining high levels of service. Indeed £1.8m of the 2017/18 Orbis Operating Budget savings are being delivered in 2016/17, as highlighted in the budget monitoring report. There is a risk to these savings if either Council's financial planning decisions require increased support from Orbis.
5. 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.
6. Orbis plans to deliver the 2017/18 savings using a combination of service restructures and holding of vacancies. 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.
7. 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 Orbis Joint Committee will continue to be kept informed on design decisions being taken within each service area through the regular updates provided at Joint Committee meetings.

Budget Proposals

8. The 2016/17 Orbis Operating Budget is £53.1m and the proposed 2017/18 budget is £50.7m. This includes savings of £3.9m, inflationary pressures of £0.8m and growth of £0.2m. This assumes that ESCC and SCC pay inflation rates are 1% and 1.8% respectively and that non-pay inflation is on average 1.5%, based on each authority's planning assumptions. The budget movements are shown in the following table.

Table 2: Orbis Operating Budget Movements

| | 2017/18 £000 |
|------------------------------------|-----------------|
| 2016/17 Budget | 53,105 |
| In year adjustments ¹ | 387 |
| Pressures and changes | |
| <u>Inflation</u> | |
| General inflation | 86 |
| Pay inflation | 895 |
| Income inflation | -163 |
| Total inflation | 818 |
| IT Growth ² | 220 |
| Total Pressures and changes | 1,425 |
| Savings | |
| Orbis Business Plan | -3,053 |
| Additional Savings | -822 |
| Total Savings | -3,875 |
| 2017/18 Budget | 50,655 |

1. In year adjustments between the managed budgets & the Joint budget, in line with IAA principles (see contribution movements section below)

2. Increased connectivity costs of the partnership

The proposed 2017/18 budget for each service within the joint operating budget is shown in table 2.

Table 2: Orbis Operating Budget by Service and type of expenditure

| | 2016/17 £000 | 2017/18 £000 |
|--------------------------------|-----------------|-----------------|
| Orbis Operating Budget | | |
| Business Operations | 5,171 | 5,194 |
| Finance | 9,421 | 9,001 |
| Human Resources | 5,250 | 4,764 |
| Information Technology | 17,005 | 16,833 |
| Management ¹ | 2,488 | 2,294 |
| Procurement | 3,496 | 3,192 |
| Property | 10,274 | 9,377 |
| Net budget ¹ | 53,105 | 50,655 |

Note 1: Management costs include an adjustment to ensure that the cost of pension contributions is similar in both SCC and ESCC

Table 3: 2017/18 Operating Budget by type of expenditure

| | 2016/17 £000 | 2017/18 £000 |
|---------------------------|-----------------|-----------------|
| Expenditure: | | |
| Staffing | 57,470 | 55,120 |
| Non staffing | 5,138 | 5,905 |
| Total expenditure | 62,608 | 61,025 |
| Income from third parties | -9,503 | -10,370 |
| Net budget | 53,105 | 50,655 |

This classification is indicative

Contribution to Orbis

9. The current contribution ratio is based on the 2015/16 cost of Orbis Services for each authority, as per the principles agreed in the IAA. The current contribution rates for ESCC and SCC are 29.97% & 70.03% respectively. It has become apparent that some joint operating budget costs were incorrectly included or excluded from the budget (in accordance with the IAA principles) when the ratios were agreed. For example some internal recharges were incorrectly included in the current operating budget when these should be in the managed budgets, as per the principle that internal funding is a sovereign budget. Appendix 1 lists all of the cost adjustments that should be included or excluded from the joint budget, in line with agreed IAA principles.
10. The Committee is asked to approve these adjustments which increase the Orbis Joint Operating budget by £0.4m and changes the contribution rates for ESCC and SCC to 30.14% & 69.86% respectively. This will not impact on the affordability for either authority as the budgets for these costs are in their medium term financial plans but are classified as sovereign budgets.
11. If the adjustment is approved the 2017/18 contributions to Orbis from ESCC and SCC would be £15.3m and £35.4m respectively. The Orbis Joint Committee is recommended to recommend this level of contributions to both ESCC and SCC Cabinets for inclusion in their budget proposals for approval by the respective County Councils.

WHAT HAPPENS NEXT:

12. The Joint Committee recommendations will be reported to the sovereign authorities as part of their financial planning.

Contact Officers:

Kevin Foster – Chief Operating Officer

Adrian Stockbridge – Orbis Programme Manager

Consulted:

John Stebbings – Chief Property Officer

Leatham Green – Orbis Programme Director

Appendices: Appendix 1 – List of Orbis Operating Budget Adjustments

Sources/ background papers: None