

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



ORBIS JOINT COMMITTEE

DATE: 12 APRIL 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 the 2018/19 contributions to be made by BHCC, ESCC & SCC.

RECOMMENDATIONS:

The Joint Committee is asked to:

1. Recommend level of 2018/19 contributions to the Orbis Joint Operating Budget to ESCC & SCC Cabinets and BHCC

REASON FOR RECOMMENDATIONS:

2. The Joint Committee is responsible for the effective management of the Orbis Joint Operating Budget.
3. An estimated 2018/19 Orbis operating budget was reported to the Joint Committee on 19 January 2018. The exercise to establish BHCC demand for Orbis services is now complete and the final 2018/19 budget and level of contributions from each partner requires approval by the committee.

DETAILS:

4. From 1 April 2018 the Orbis joint operating budget will include the service delivery requirements of BHCC as well as ESCC and SCC. The proposed 2017/18 budget, including BHCC, is £66m. 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, have now been identified. The available budget for the BHCC services to be delivered by Orbis is £14.2m. This is a movement of £0.7m from the budgets managed by Orbis, since the report in January. The main changes to the operating budget are increased IT&D expenditure and reduced HR&OD income, in line with the Inter Authority Agreement (IAA) principles.
6. Table 1 shows the estimated adjusted 2017/18 budget by service, including transfers and the BHCC budget. The transfers are from both ESCC & SCC's budgets managed by Orbis and were approved by the Joint Committee in January. They reflect necessary movements between the budgets, in line with agreed IAA principles. For example ESCC ASC procurement is transferring from ASC, therefore both the ESCC & SCC ASC procurement functions should transfer into Orbis as it is no longer a single SCC activity.

Table 1: 2017/18 estimated Orbis budget by service

	Base £000	BHCC Transfers £000	Revised £000	
Business Operations	5,214	1,858	-153	6,919
Finance	9,033	2,403	114	11,550
HR&OD	4,644	2,233	3	6,879
IT&D	16,883	4,107	47	21,037
Management	2,283	185	0	2,468
Procurement	3,199	862	1,153	5,214
Property	9,399	2,521	36	11,956
Total	50,655	14,168	1,200	66,023

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

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

7. The 2017/18 baseline forms the basis of the 2018/19 budget.

2018/19 Budget Review

Savings

8. There are no changes to the 2018/19 savings targets reported in January. For completeness they are shown in table 2.

Table 2: 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
Total	4,611

9. Although these savings are challenging services are putting plans in place to deliver them whilst mitigating their impact. £1.1m of the 2018/19 Orbis Operating Budget savings are already being delivered in 207/18 as highlighted in the budget monitoring report. There is a risk to the delivery of these savings if either council's financial planning decisions or transformation plans require increased support from Orbis.
10. The latest risk rating for these savings is shown in table 3.

Table 3: 2018/19 savings risk rating

Savings	2018/19 £000	RAG
Business Operations	197	G
Finance	701	G
Finance	430	A
HR&OD	774	G
IT&D	918	G
IT&D	634	A
Procurement	56	G
Property	150	G
Property	751	A
Total Net Savings	-4,611	

Analysis by Rating	
AMBER – significant barriers exist to the savings being achieved and the service is developing plans to overcome this;	-1,815
GREEN – savings will be achieved with few internal or external barriers	-2,796
	-4,611

11. As reported in January 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 should not alter the agreed contribution ratios. There is however a risk that this is not fully achieved which will be monitored. Orbis plans to deliver the 2018/19 savings by restructures. The savings are predominantly based on reduction of headcount, whilst maintaining or improving the level of service provision.

Budget Proposals

12. The proposed 2018/19 budget is £62.6m. This includes savings of £4.6m, inflationary pressures of £1.1m and growth of £0.1m. This assumes that pay inflation rates range from 1% to 2.2% and that non pay inflation is on average 2%, based on each authorities' planning assumptions. The budget movements are shown in table 4.

Table 4: Orbis Operating Budget Movements & Contributions

Orbis Operating Budget	£000
2017/18 Current Budget	50,655
BHCC Estimated Budget	14,168
Transfers from managed budgets ¹	1,200
Revised 2017/18 Budget	66,023
Pressures and changes	
General inflation	199
Pay inflation	1,114
Income inflation	-219
Total inflation	1,094
IT Growth ²	140
Total Pressures and changes	1,234
Savings	-4,611
2018/19 Net Orbis Operating Budget	62,646

Contributions	£000
BHCC³	13,443
ESCC³	14,842
SCC³	34,361
	62,646

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

13. The proposed ESCC & SCC contributions are respectively £0.1m and £0.2m more than each authority has included in their Medium Term Financial Plans. This increase is due to pay inflation pressures which both councils have made provision for.

14. 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	11,729	1,488	-6,380	6,836
Finance	11,536	692	-1,626	10,602
HR&OD	6,307	1,056	-1,135	6,229
IT&D	20,940	1,752	-2,726	19,966
Management	568	1,957	0	2,525
Procurement	5,407	26	-195	5,238
Property	11,757	1,314	-1,820	11,250
Total	68,244	8,284	-13,882	62,646

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

WHAT HAPPENS NEXT:

15. Once the committee recommends the proposed contributions these will be incorporated into each council's budgets.

Contact Officers:

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Consulted:

Kevin Foster – Chief Operating Officer

Sheila Little – Director of Finance

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