

Brighton & Hove City Council

Cabinet

Agenda Item 108

Subject: Future model of Orbis IT&D, Procurement and Internal Audit services

Date of meeting: 22 January 2026

Report of: Cabinet Member for Finance & City Regeneration

Lead Officer: Director of Property and Finance

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 This report outlines changes to the delivery model for our Information Technology & Digital (IT&D) services, Procurement services and Internal Audit to support the delivery of a responsive and well-run council. As the council continues to innovate and provide services that put the needs of residents, local businesses and visitors at the heart of everything we do, it has become clear that changes are needed to how we provide some of our corporate services. Bringing IT&D and procurement (currently run as a shared service called 'Orbis' with East Sussex and Surrey County Councils) into direct control will support our ambition to increase the use of digital and technology to innovate how we work, improve our procurement and contract management processes and support new ways of working that will meet changing needs, increasing demand and significant financial pressures.
- 1.2 Cabinet approval is sought to revise the future shared delivery model for the Internal Audit service and disaggregate our IT&D and Procurement services from the Orbis Partnership. In respect of the latter two, Brighton and Hove City Council (BHCC) will be responsible for management of all BHCC staff, responsibilities and ownership of relevant contracts, and establishing sovereign services aligned to Council priorities.

2. Recommendations

- 2.1 Cabinet agrees to end the shared IT&D service arrangements with East Sussex County Council (ESCC) and Surrey County Council (SCC) under the Orbis Partnership.
- 2.2 Cabinet agrees to continue sharing core data centres with SCC subject to appropriate contractual agreements being in place.

- 2.3 Cabinet approves the additional recurring revenue budget of £457,000 to fund and establish a sovereign IT&D service for Brighton & Hove City Council.
- 2.4 Cabinet agrees to delegate authority to the Corporate Director, City Operations, in consultation with the relevant cabinet member, to take any action necessary or incidental to the implementation of the above including (but not limited to) agreeing the new structure for a Brighton & Hove City Council IT&D service, and entering into partnership or contractual agreements with ESCC and SCC regarding data centres.
- 2.5 Cabinet agrees to end the shared procurement service arrangements with ESCC and SCC under the Orbis Partnership.
- 2.6 Cabinet agrees to delegate authority to the Director of Property and Finance, in consultation with the relevant cabinet member, to take any action necessary or incidental to the implementation of the above including (but not limited to) agreeing the new structure for a BHCC procurement service.
- 2.7 Cabinet notes that the future model of the Internal Audit service will move away from the current Orbis Partnership service and authorises the Director of Property and Finance to work on the development of a shared Internal Audit service with ESCC.
- 2.8 Cabinet notes that the other services within the Orbis Partnership will remain, including the centres of excellence for treasury management and insurance and claims handling.

3. Context and background information

- 3.1 BHCC entered the arrangements within Orbis on 1st April 2017, following agreement at the Policy, Resources and Growth Committee on 13th October 2016¹. Since that time, the benefits of shared resources have allowed for significant cost efficiencies to be made against our budget.
- 3.2 Orbis is a strategic shared services partnership between BHCC, ESCC, and SCC. Orbis is governed by a Joint Management Board (JMB), that comprises a senior officer at each of the partner councils.
- 3.3 Throughout 2025, there have been reviews undertaken of the services within the Orbis Partnership. In-depth reviews of Procurement and IT&D services have been completed, and the review of Internal Audit services is ongoing.
- 3.4 The work undertaken included conducting interviews, reviewing documentation and referring to examples from elsewhere across the sector to bring lessons learned and good practice. Further engagement with stakeholders within BHCC and relevant cabinet members also informed these proposals. The reviews identified:

¹ <https://democracy.brighton-hove.gov.uk/documents/s101476/Item%2055%20-%20Orbis%20Partnership%20PRG%20Report.pdf>

- That staff across each service had significant expertise across the three Councils and were valued and respected across the respective organisations.
- Internal Audit functioned effectively and the shared service arrangements provide benefits in ensuring the relative independence of the function, and the ability to share resources and expertise across the partnership.
- There remain benefits and efficiencies to continue sharing data centres for IT&D services (see 3.7 and 4.4 below).

However, the model of delivery through the Orbis partnership highlighted several challenges that include:

- Lack of historic flexibility and agility; particularly its failure to drive transformative digital innovation in each of the participating authorities
- Lack of clear ownership of tasks between procurement and other service areas, operating across multiple procurement platforms; operational silos at senior management level; pay disparities and recruitment challenges and risks associated with a lack of clarity.
- Orbis works largely 'despite' rather than 'because' of the effectiveness of the current operating model. Orbis is a brand rather than a legal entity, and Orbis faces numerous challenges and inefficiencies to effective and efficient service delivery.
- The procurement service is not 'visible' in terms of both people and activities and it's not clear if it is delivering value for money (VFM) particularly in terms of roles of some parts of the service.
- BHCC requires a different procurement approach and technology solutions to the other two partners. As a unitary authority, it is responsible for additional services beyond those of the county councils, including housing, planning, waste, sport and leisure facilities, environmental health, council tax and business rates.

- 3.5 Therefore, the option, supported by the options appraisal, concluded that a sovereign model for IT&D and Procurement is the preferred option to provide the autonomy needed to provide services that will align fully to the Council Plan priorities and provide the support needed for innovation and transformation.
- 3.6 Should a sovereign model of delivery for IT&D and procurement services be agreed, careful consideration will need to be given to transitional arrangements to ensure continuity of service, as well as ensuring that future arrangements for shared activity is properly worked through.
- 3.7 BHCC officers concur with the findings of the IT&D review that a shared data centre should be maintained between the three councils. Our data centre, hosted by SCC, stores most of our organisation's data and systems. Data centres are a costly capital investment which is best shared; migrating to other options takes considerable planning and cost, which is infeasible to achieve in a short timetable. It is sensible and prudent to continue this arrangement for the immediate future pending any fuller review. These costs are already budgeted for as part of our existing agreement, and will continue.

- 3.8 Beyond maintaining the service at its current level of capability, BHCC aspires to invest in technologies that help it combat financial pressures and deliver services more efficiently and to a higher quality. Over the last six months, officers have run a programme of technology tests (“Turbocharging Innovation”) which has successfully identified technologies and tech projects that will deliver substantial efficiencies.
- 3.9 Owing to the need to bring in new skills to deliver the technologies which help the City Council balance the budget, officers will bring forward plans for a further investment in the IT service at part of the 2026-27 budget, incorporating both the costs of investment and the proposed savings to BHCC.
- 3.10 As part of BHCC’s wider organisational transformation, and the opportunities presented by merging the current mix of sovereign and shared services, the Council has the opportunity to consolidate all technology skills and support into a single IT service (“functional alignment”). Similarly, procurement functions will be aligned into a single service. Officers will undertake this work, migrating and consolidating roles and capabilities to drive greater efficiency.

4. Analysis and consideration of alternative options

IT&D service

- 4.1 As there is no support from the other two partners for a continued partnership for fully integrated IT&D services, BHCC has no choice but to exit the partnership.
- 4.2 Both the Director of Digital Innovation and the Chief Digital and Information Officer of Orbis IT&D have contributed to proposals offering a variety of delivery models for IT&D services.
- 4.3 Conversations were held with relevant executive directors from both other two partners to explore options for a reformed IT&D partnership, but it was made clear that there was no political support for this in either authority.
- 4.4 The cost of sovereign data centres would be an unnecessary additional cost to all partners and yield no tangible benefits. Further, migrating a data centre of our complexity is normally a piece of work measured in years, carrying significant cost. It would not be feasible to achieve this on the same timetable, notwithstanding the lack of clear benefits to BHCC. There are therefore no beneficial alternatives to continuing this provision.
- 4.5 The only alternative option relates to the cost of the service; that is, BHCC could choose not to fund critical staff positions made vacant by the loss of shared sovereign ESCC and SCC staff. We deem this an unacceptable risk to a critical service, as it would remove skills needed for the service to function, resulting in a significant risk of catastrophic failure of IT systems and their supporting processes.

Procurement service

- 4.6 Alternative options were considered in the initial review of the procurement service and reviewed by all partners. The options considered were:
- The current operating model - staff within the service are employed by one of the three partner authorities. Services are shared based on an Inter Authority Agreement.
 - Sovereign model - each Authority will be responsible for managing their own procurement service including people, systems, resources and operational teams.
 - Local Authority Trading Company (LATCo) - a commercial entity that is wholly or jointly owned by a local authority. They operate as commercial companies.
 - A hosted model - a procurement service is hosted by one local authority and provides the procurement service to other authorities or public bodies.
 - A local authority joint committee - a group formed by two or more local authorities to jointly discharge certain functions. This is often done through a formal agreement under Section 102 of the Local Government Act 1972.
- 4.7 All options had an initial analysis of advantages and disadvantages with a strategic and achievability lens, and then a full options appraisal process has further considered the hosted model, sovereign model and LATCo in relation to financial cost, efficiencies, compliance with the National Procurement Policy Statement and the context of Local Government Reorganisation (LGR).
- 4.8 Although the LATCo model scored highly strategically, the costs associated with this and the timing of LGR would suggest that this option is not achievable for at least 5-7 years. There was no appetite for this option.
- 4.9 Upon further review, taking into account the impacts of LGR and following interviews with the JMB, BHCC, ESCC and SCC, there was no appetite from any partner to host a shared service.
- 4.10 Therefore, the preferred option, concluded from the options appraisal, was a sovereign model for procurement services.
- 4.11 The only additional consideration to this option relates to the cost of the service; that is, BHCC could choose not to fund critical staff positions made vacant by the loss of shared sovereign ESCC and SCC staff. We deem this an unacceptable risk to a critical service, as it would remove skills needed for the service to function, resulting in significant risk of procurement failure leading to significant financial, legal and political implications.
- 4.12 While most of the procurement service exists in Brighton and Hove, there are functions that are shared across the current partnership, in particular contract management and the sourcing solutions team (which looks after low value procurement activity). A transition period will be needed to ensure

continuity of these services while expertise is developed within Brighton and Hove.

Internal Audit

- 4.13 The Internal Audit service is widely regarded as a good service across the partnership, adding significant value to the relevant authorities, management teams and Audit Committees. Through discussion with other councils, it has become clear that continuing with the current model of delivery is not possible. From a BHCC perspective, we are keen to retain as much of the current good service as possible, as well as continue to benefit from the economies of scale that a shared arrangement brings. For this reason, officers in BHCC and ESCC are keen to develop a shared model of Internal Audit across the two authorities. If agreed by Cabinet, work to develop this model will be taken forward and a report will come back to Cabinet following the outcome of this work.

5. Community engagement and consultation

- 5.1 Stakeholder feedback was gathered from officers across all three local authorities through surveys and interviews. This has shaped the proposals going forward.
- 5.2 BHCC's Corporate Leadership Team and relevant cabinet members, the Cabinet Member for Finance & Regeneration and the Cabinet Member for Customer Services & Public Realm have been kept updated on risks, cost and planning throughout the process.

6. Financial implications

- 6.1 Under the current arrangement the council makes an annual net contribution to the Orbis Partnership of £2.975m of which Procurement totals £1.155m and IT&D £0.994m. Should the recommendation be approved to end the current shared agreement for both services the only contribution remaining would be for Internal Audit, Treasury Management, Insurance and the cost of the data centre, all of which totals £0.882m. This therefore releases £2.093m in budget (£1.155m relating to Procurement and £0.938m to IT&D).
- 6.2 However, the creation of a sovereign Procurement and IT&D Service would replace this cost. The proposed Procurement structure still needs to be confirmed however; the initial review looks to increase the Procurement service but at the same time realising a saving for the council which is currently being considered as part of the 2026/27 budget setting process. This is a result of having a structure that would be suitable for the council and not carrying the cost of other organisations.
- 6.3 Initial structure proposals for IT&D indicate recurring budget pressure funding is required of £0.457m. This funding will enable the service to provide the same level of support provided under the current Orbis arrangement. Any further investment would be subject to business cases being approved outlining the value for money and investment return. The

recurring pressure of £457k is included within the 26/27 budget proposals and was built into the December 2025 budget update to Cabinet.

- 6.4 If approved, from financial year 2026/27 budgets will be varied from the current line of 'Orbis Contribution' to the relevant directorates, meaning Procurement budgets will fall within Finance & Property and IT&D within City Operations.
- 6.5 Costs associated with the data centre and Schools ICT are included within the Council's ICT budgets for 2025/26 and will continue to be funded from these budgets in 2026/27. No separate or additional budget provision is required for these areas, as they remain part of the core ICT financial planning.
- 6.6 Financial modelling on the Internal Audit service suggests that setting up a sovereign (in-house) Internal Audit service would be more expensive (£58k) than the current Orbis arrangement, but if a model was developed across BHCC and ESCC, the cost would be broadly the same as the current cost.

Name of finance officer consulted: Craig Garoghan Date consulted: 05/01/2026

7. Legal implications

- 7.1 The Council may vary the services under the Orbis Partnership by agreement with the partner Councils. Legal due diligence will be required before seeking to agree and implement the proposals and to ensure continuity of service.
- 7.2 The Transfer of Undertaking (Protection of Employment) Regulations 2006 (the "regulations") will apply to any employee currently employed by ESCC or SCC where it is assessed that the majority or a substantial part of their work is undertaken on behalf of BHCC and not the two other partners. If this is the position, then consultation will have to be undertaken with the affected employees. Further, the regulations will apply to any employee currently employed by BHCC where it is assessed that the majority or a substantial part of their work is undertaken on behalf of ESCC and/or SCC and not BHCC. Early assessment indicates that TUPE is unlikely to be a significant factor in this disaggregation.

Name of lawyer consulted: Siobhan Fry Date consulted: 05/01/2026

8. Risk implications

- 8.1 'Failure to invest in and maximise use of digital technology to enable a responsive council with well-run services' and 'failure to procure and manage contracts to ensure value for money and achieve the best outcomes for the city' are strategic risks for BHCC.

- 8.2 With regards to IT&D contracts, as most of these are held directly by BHCC, we do not see any contractual risks. The remainder relate to smaller contracts that will either be unaffected by a loss of economies of scale, or else can be discontinued to balance any rises in cost beyond normal inflation.
- 8.3 There are always inherent risks in changing an organisation's structure and responsibilities. Upon agreement to proceed, an appropriate project manager and HR business partner will be appointed to oversee the mitigation of these risks, specifically:
- *Risk of change for staff.* Any change in structure can be unsettling for staff; we will work to provide clarity and support through an appropriate transition process.
 - *Risk of confusion over responsibilities.* It is important that all current responsibilities are migrated over in the structural change. Current functions performed by Orbis IT&D and Orbis Procurement and particularly those by partnership staff in ESCC and SCC who will no longer work on behalf of Brighton and Hove City Council, will be rehomed appropriately.
 - *Risk to service delivery through transition.* It is important that all responsibilities are covered in the future model for procurement services and there is a detailed transition plan in place. This includes consideration of shared systems and contracts.

9. Equalities implications

- 9.1 The proposed disaggregation moves all responsibilities for Procurement Services and IT&D to BHCC and does not disadvantage or impact any group by nature of their protected characteristics. The equality impacts will, however, continue to be reviewed as implementation progresses.

10. Sustainability implications

- 10.1 There are no sustainability implications arising from this proposal.

11. Social Value and procurement implications

- 11.1 Shared contracts will be reviewed with advice from procurement. Only seven contracts are expected to be continued within IT&D, and these are all well below procurement thresholds. These can be continued and/or reviewed as they come up for renewal.
- 11.2 A separate service level agreement will be entered into with ESCC for the continuation of integrated support and cross-charged resources for Schools ICT to fulfill existing multi-year service agreements with schools.
- 11.3 The future model considers the current shared centralised functions, especially dedicated shared resources in procurement policy, social value, systems and data analytics, to mitigate any potential social value and procurement implications. With autonomy of design over the future model, the City Council can prioritise social value and procurement outcomes.

12. Conclusion

- 12.1 Through a review of the options available and due to the planned withdrawal of our two Orbis partners, and the need to run sustainable IT&D and Procurement services, the proposal to disaggregate IT&D and Procurement services from Orbis is recommended to Cabinet. Internal Audit services will continue to be shared, but will no longer include SCC as a partner.

