

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

ORBIS JOINT COMMITTEE



DATE: 18 JULY 2016

LEAD OFFICER: DAVID KUENSSBERG (EXECUTIVE DIRECTOR, FINANCE & RESOURCES)

SUBJECT: BRIGHTON AND HOVE CITY COUNCIL UPDATE

PURPOSE OF REPORT:

To provide an update to the Joint Committee on the development and integration of Brighton & Hove City Council (BHCC) into the Orbis Partnership.

INTRODUCTION

To provide an update to the Joint Committee on the progress being made by Brighton & Hove City Council towards completing due diligence on joining the Orbis Partnership.

RECOMMENDATIONS:

It is recommended that the Orbis Joint Committee:

- i. Notes the progress being made by BHCC towards completing due diligence on joining the Orbis Partnership.
- ii. Notes the current intention to make a recommendation to the BHCC Policy, Resources & Growth Committee (P, R & G) in October.

REASON FOR RECOMMENDATIONS:

To ensure the Joint Committee is fully briefed on developments for expanding the Orbis Partnership.

DETAILS:

1. As of 28 April 2016, BHCC's Policy & Resources Committee (now Policy, Resources & Growth (PR&G)) agreed that due diligence on joining the Orbis Partnership should continue. This report was shared with Orbis partners. There are four issues that are in the process of being resolved, with the aim of completing due diligence robust enough to make a 'stop / go' recommendation to PR&G. If the recommendation is positive then this would lead to a 'soft launch' and ultimately the signing of an Inter Authority Agreement (IAA) by all three councils at some point in the future.
2. Progress towards the target operating models for each service is different. For example, the offer from Orbis for legal services and internal audit is clear, but there is more to do on Finance. BHCC has accepted therefore that in some cases we are in effect performing due diligence for services that are not yet in place. It

is also obvious that joining up services that do not have a heavy reliance on ICT systems integration is more straight forward compared to those that do.

3. BHCC resources are not sufficient to operate an open-ended work stream. We have therefore defined a process to take us to October and are managing it in a structured way to mitigate the risk that there is not enough information at that stage for BHCC members to take a decision. Annex 1 below sets out the 'tests' required by BHCC to provide sufficient due diligence.
4. The 'test' that presents the highest risk relates to BHCC's financial context up to 2020. If the trajectory of savings that Orbis offers is materially different from those required by BHCC, then some negotiation may be required with existing partners on how the budget can be made to work for all parties.
5. We are clear that East Sussex and Surrey will need to be satisfied with BHCC's own arrangements before accepting a third partner into the Orbis organisation. In this respect, due diligence is a two-way exercise.

RISK MANAGEMENT AND IMPLICATIONS:

6. A review of the Orbis Business Plan will be required in order to assess the implications of BHCC joining, as there will be an impact on the investment and savings profiles.

Legal Implications

7. A review of the legal implications of integrating BHCC into the Orbis Partnership will be required. This will be undertaken in conjunction with the development of a tri-party Inter Authority Agreement (IAA).
8. The IAA is a legally binding contract. Its terms will formalise the arrangements between the councils for the Orbis Partnership and provide the legal framework for its operation.

Equalities and Diversity

9. Equalities Impact Assessments will be completed for each service as plans for operational change are developed.

Contact Officers:

Chris Carter – BHCC Programme Manager (01273 296499)

David Kuenssberg – BHCC Director of Finance & Resources (01273 291333)

Consulted:

Kevin Foster – Chief Operating Officer

John Stebbings – Chief Property Officer

Leatham Green – Programme Director for People and Change

Adrian Stockbridge, Orbis Programme Manager

Annexes:

Annex 1 – BHCC Due Diligence Tests

Sources/background papers:

- P&R committee Paper 3 December 2015
 - P&R committee Paper 28 April 2016
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Annex 1 – BHCC Due Diligence Tests

The P & R paper from 28 April set a number of tests, and these provide a logical underpinning to the due diligence. The table below contains proposals for how we can reach a conclusion on each one. More detail is required, in particular for parts 1 and 3.

Test	Work required	Progress
<p>1. Finance and BHCC's ability to meet our savings targets.</p>	<ul style="list-style-type: none"> · Continue work to cost existing services and ensure consistency with East Sussex and Surrey, i.e. 'apples with apples'. · Calculate the 'break-even' point with regard to BHCC being able to achieve required savings. · Identify 'managed on behalf of' (MOBO) budgets. · Where trajectory and scale of savings required by Orbis and BHCC does not align, negotiate on possible solutions. 	<ul style="list-style-type: none"> · Financial analysis is close to completion, including the treatment of MOBO budgets. · BHCC need 30% savings by 2020, and will need to deliver a proportion of this through the MOBO route. · Principle of negotiation agreed with Orbis if required, however BHCC financials need to be appropriate for Orbis as well as the other way around.
<p>2. The level of investment that could be required in ICT infrastructure</p>	<ul style="list-style-type: none"> · Establish best-estimate range of investment required to: <ul style="list-style-type: none"> a) Support existing BHCC systems up to a 'natural' point for integration; and b) Integrate BHCC and partner core systems. 	<ul style="list-style-type: none"> · This work is well under way. The timing of when business critical systems need to be replaced broadly aligns across the three councils. · More work will be required to identify the costs of change, and system integration will not take place for at least three years.
<p>3. Service Level assessment, i.e. will the services be fit for purpose?</p>	<ul style="list-style-type: none"> · Consider using template approach to identify all services and then how BHCC compares to partners. · Identify level of efficiency versus partners using high level benchmarks. 	<ul style="list-style-type: none"> · Good progress has been made on Legal Services and Internal Audit. There is significant alignment in terms of how partners work. · Some progress has been made on ICT, Procurement, and Human Resources & Organisational Development with more work required in Finance, Property, and Business Operations.

	<ul style="list-style-type: none"> Identify services that BHCC uniquely provide and work with customers to understand need. Recommend to P, R & G which services we want to continue, but that we do not wish to place in Orbis. Identify quick wins (services that could be traded irrespective of Orbis). 	<p>Revenue & Benefits needs to be treated differently, as this is common to BHCC only – however there is potentially strong alignment with Business Operations.</p> <p>BHCC are assessing the work that could be placed in Business Operations by process mapping across a number of services.</p>
4. Legal form and governance.	<ul style="list-style-type: none"> David Kuenssberg to integrate into Orbis Leadership Team (OLT) as soon as possible. BHCC governance to be agile through due diligence phase. 	<ul style="list-style-type: none"> David has started attending OLT meetings. Orbis is a standing agenda item at weekly BHCC team meetings for Finance & Resources. The programme management resource has increased. Cllr Les Hamilton represents BHCC on the Orbis Joint Committee.