

**Report to:** Cabinet

**Date of meeting:** 13 December 2016

**By:** Chief Operating Officer

**Title:** Expansion of Orbis partnership with reference to Brighton & Hove City Council

**Purpose:** To consider whether to expand the Orbis partnership to include Brighton & Hove City Council

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## **RECOMMENDATIONS**

***Cabinet is recommended to:***

**1) approve, subject to the satisfactory completion of the assessments as set out in the report, to Brighton & Hove City Council (BHCC) joining Orbis as a founding partner and to BHCC joining the Orbis Joint Committee upon completion of the Inter Authority Agreement; and**

**2) delegate authority to the Chief Operating Officer, in consultation with the Lead Member for Resources, to:**

- a) determine whether the results of the assessment referred to above are satisfactory; and**
  - b) to take any actions necessary arising from or to give affect to the integration of BHCC in the Orbis partnership including (but not limited to) agreeing the timings and terms of the integration, and the terms of the Inter-Authority Agreement (IAA) and any other Agreements the COO considers appropriate.**
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## **1 Background**

1.1 Cabinet approved the Orbis three year Business Plan on 13 October 2015 that set out the roadmap to achieve integrated back office services with Surrey County Council. The business plan detailed the benefits of the partnership but also stated the ambition to grow and attract additional customers and potential partners.

1.2 Brighton & Hove City Council (BHCC) have been part of the initial and ongoing development of the Orbis Partnership and have always been offered the ability to be a founding partner along with East Sussex County Council (ESCC) and Surrey County Council (SCC). It was recognised that BHCC would not be able to progress initially at the same pace as ESCC and SCC and therefore Orbis have been supporting BHCC in assessing the fit of Orbis to BHCC vision and priorities

1.3 In December 2015, BHCC gained approval from their Policy, Resources and Growth Committee to join Orbis following a detailed options appraisal process. This decision was subject completion of a number of tests around savings and efficiencies that would be enabled in order to meet the BHCC medium term financial plans.

1.4 BHCC concluded these tests during the summer of 2016 and approval was gained at the Policy, Resources and Growth Committee on 13 October 2016 to proceed with their request for integration of BHCC services into the Orbis partnership.

1.5 The attraction of a new partner to Orbis in its first year of the Business Plan is both exciting and an endorsement of the partnership. Working in partnership provides further opportunities to deliver services in new and innovative ways to improve quality, resilience and to contribute to the financial challenges of each Sovereign Authority.

1.6 As a City Council and unitary authority, BHCC will enhance what Orbis can offer. They will bring more knowledge and expertise and provide further opportunities to share best practice across three Partners.

1.7 As well as working informally with BHCC with a view to BHCC joining the partnership, more formal arrangements already exist with BHCC through the Orbis Public Law partnership and the OPL Joint Committee of which BHCC are a full member.

## **2 Supporting information**

2.1 Orbis set out its ambition to grow in the business plan stating the following:  
New partners have the ability to help shape and influence how services will be delivered in the future. They will have the opportunity to keep Orbis compelling, ensure it remains fit for purpose, ultimately benefitting from the established services and ways of operating.

2.2 Orbis is about creating a sustainable shared service delivered in the public sector with a strong public sector service ethos. It is strengthened through growing the business it delivers which enables greater collaborative buying power and streamlining of processes to provide better, more efficient services. Increasing Partners as well as customers provides for richer experience and knowledge.

### ***Opportunities***

2.3 Additional partners will enhance the partnership and offer further opportunities in a number of key areas. For BHCC these opportunities have been identified as (but not limited to) the following:

- The ability to retain services and funding within the public sector
- Enhanced reputation for Orbis/sovereign partners
- Greater economies of scale
- Additional services not currently in the scope of Orbis (i.e. Revenues & Benefits)
- Increased resilience through sharing and aligning resources
- Opportunity to build a greater geographical presence which helps to support wider strategic aims such as collaboration and partnership working with Local Authorities and public and third sector bodies in the South East
- The close proximity of Brighton to Lewes provides an opportunity to review the location of service delivery
- Consolidation of IT systems leading to reduced cost of ownership and the ability to negotiate better deals
- As a unitary authority BHCC has alternative approaches and expertise and will be a valuable addition to the partnership
- A greater number of partners improves the ability for successful lobbying
- The ability to share procurements/contracts to reduce costs

### ***Scale***

2.4 Orbis currently has a net operating budget of circa £53m and approximately 1400 Staff. The addition of BHCC adds approximately another £20m to the net budget and increases the total staffing to just over 2000 FTE. Orbis was already the largest local government shared service in the UK with two partners, adding a third increases the scope and scale yet further.

### ***BHCC Joining Principles and Actions***

2.5 BHCC has completed their assessment on whether it is advantageous for them to join the Orbis Partnership. Now Orbis will work with BHCC to complete the necessary assessments to better understand the implications of BHCC joining with a view to seeking to ensure that a number of key principles and requirements can be met. This work is best undertaken through working as though the extended partnership is in place.

2.6 To complete this test and to ensure the process for BHCC joining the partnership is managed in the most effective way, a number of key principles and actions have been developed in conjunction with BHCC that will enable the test judgement to be made. These principles are detailed in appendix 1.

2.7 It is anticipated that the assessment will conclude that that the key principles and objectives will be met with BHCC joining. This expectation is based on the experience BHCC and Orbis have gained from our joint working over the last 18 months. However it is appropriate to complete this assessment. Once satisfactorily completed a new inter authority agreement will be signed. It is recommended that the consideration of the results of the assessment be delegated to the Chief Operating Officer in consultation with the Lead Member for Resources, likewise authority for agreeing the terms of the agreement (and any associated agreements) formalising the arrangements with BHCC.

### ***Service Integration***

2.8 Orbis has an approach to delivering service integration. This approach is attached at Appendix 2. All services in Orbis and BHCC are as a minimum in the Co-ordination and Collaboration phase that is identified in Appendix 2.

2.9 The journey to fully integrating services (convergence phase in appendix 2) takes time. It is important to build relationships and ensure that different approaches, delivery models and sovereign requirements are all understood.

2.10 Each service within Orbis is currently undertaking an assessment of how BHCC will converge and therefore fully integrate into their model for how their service is organised and delivered. For some services the convergence phase will commence immediately as the opportunity already exists (e.g. Finance) whilst for other services more time is required on co-ordination and collaboration.

2.11 In the short term this may lead to some services being run in parallel under the appropriate Orbis Service Lead, whilst developing detailed plans for integration of the service at an agreed later date.

### ***Governance (Member & Officer)***

2.12 The Orbis partnership operates under a Joint Committee structure that was approved by Cabinet in February 2015.

2.13 The Joint Committee currently comprises 2 but can expand to up to six executive (Cabinet) Members, an equal number being appointed by the Leader of ESCC and the Leader of SCC from among their respective executive (Cabinet) Members.

2.14 The Joint Committee has delegated to it by each Council the authority to oversee discharge of the Services.

2.15 The purpose of the Councils of establishing the Joint Committee was to facilitate an effective joint approach between the Councils in delivering the Services. The Joint Committee will provide performance management for Orbis to ensure value for money assurance to the Councils.

2.17 BHCC appointed a Lead Member to observe the Joint Committee in April 2016; once the Inter Authority is signed BHCC will become a full member of the Orbis Joint Committee with voting rights.

2.18 Officer Governance is steered by the Inter Authority Agreement which specifies the appropriate structure for effective decision making and to provide appropriate oversight of operations. Appendix 3 shows the governance arrangements for Orbis.

2.19 A review of the governance will be undertaken to incorporate BHCC and to ensure arrangements are fit for purpose.

## **Benefits**

2.20 A review of the Orbis benefits and investment case will be required to assess the impact of BHCC joining the partnership; this work will be undertaken as part of developing the Inter Authority Agreement.

2.21 Brighton & Hove City Council set a savings target in excess of 30% for the services in scope of Orbis over the next 4 years (2016/17 to 2019/20). To put this in context all other BHCC services not in the scope of Orbis also have a target for cost reductions of 30% over the same period. See appendix 4 table 2 for details on proposed efficiencies for the services in scope for BHCC.

2.22 The savings targets for BHCC include managed on behalf of budgets (e.g. IT infrastructure) and are front loaded for 2016/17 and 2017/18, the current plan for integrating budgets with BHCC is April 2018. When these two factors are taken into consideration there is significant alignment of savings targets for Orbis and BHCC.

2.23 For reference, the Orbis Business plan detailed financial benefits of £8.3m that the partnership would deliver for East Sussex and Surrey Council's over a three year period, more details of these savings can be found in appendix 4 table 1.

2.24 Subject to the results of the assessments referred to in para 2.5 and 2.6 above, officers are confident that the addition of BHCC into the partnership will not put current plans at risk; in fact a third partner actually creates additional opportunities to explore the potential for increased efficiencies

2.25 Part of the next phase of work with BHCC will be to develop a joint financial plan to explore and identify opportunities for further efficiencies, increased quality of services and resilience for the three sovereign partners.

## **Risk Management and implications**

2.26 A full assessment of the impact and associated risks of BHCC joining Orbis will be undertaken as part of the process to formally approve BHCC joining Orbis.

2.27 An initial risk assessment has been undertaken and a number of key risks have been identified, these can be found in Appendix 5.

## **Legal Implications**

2.28 An Inter Authority Agreement (IAA) will be developed and agreed for three partners, the IAA will form the legal basis for the partnership and will ensure each sovereign authority is protected.

2.29 As with the existing IAA between ESCC and SCC, the IAA for three partners will include a number of key elements:

- Governance
- Services in scope
- Budgets
- Indemnities and Liabilities
- Branding
- Staff Management Protocol
- Disputes
- Termination

## **Consultation**

2.30 The approach taken to develop the integrated service has been collaborative; co-designed with the Orbis Leadership Team and wider Orbis Leadership community together with staff and Unions.

2.31 The consultation has included:

- Trade unions

- Orbis Staff
- Orbis Leadership community
- Chief Executives and extended Leadership of both authorities

2.32 Engagement with Trade Unions (TU) has remained strong and positive to date. Unions in BHCC have been included in joint TU meetings with regional leads and ESCC/SCC unions, these meetings are held on a regular basis to ensure an ongoing and open dialogue and the ability for any concerns or challenges to be raised.

### **3. Conclusion and reasons for recommendations**

3.1 It is recommended that agreement be given to BHCC joining the Orbis partnership and Joint Committee, subject to the completion of the necessary assessments. Consideration of the assessments and the decision as to whether the results are satisfactory is delegated to the Chief Operating Officer in consultation with the Lead Member for Resources together with finalising the terms and timings of their inclusion. By proceeding to a more detailed planning and delivery phase it will enable a robust approach to be developed and provide the necessary powers of delegation to progress at the pace required.

#### **KEVIN FOSTER**

##### **Chief Operating Officer**

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#### LOCAL MEMBERS

All

#### BACKGROUND DOCUMENTS

Orbis Cabinet Report and Business Plan – October 2015

## Appendix 1 – Partner Joining Principle Actions

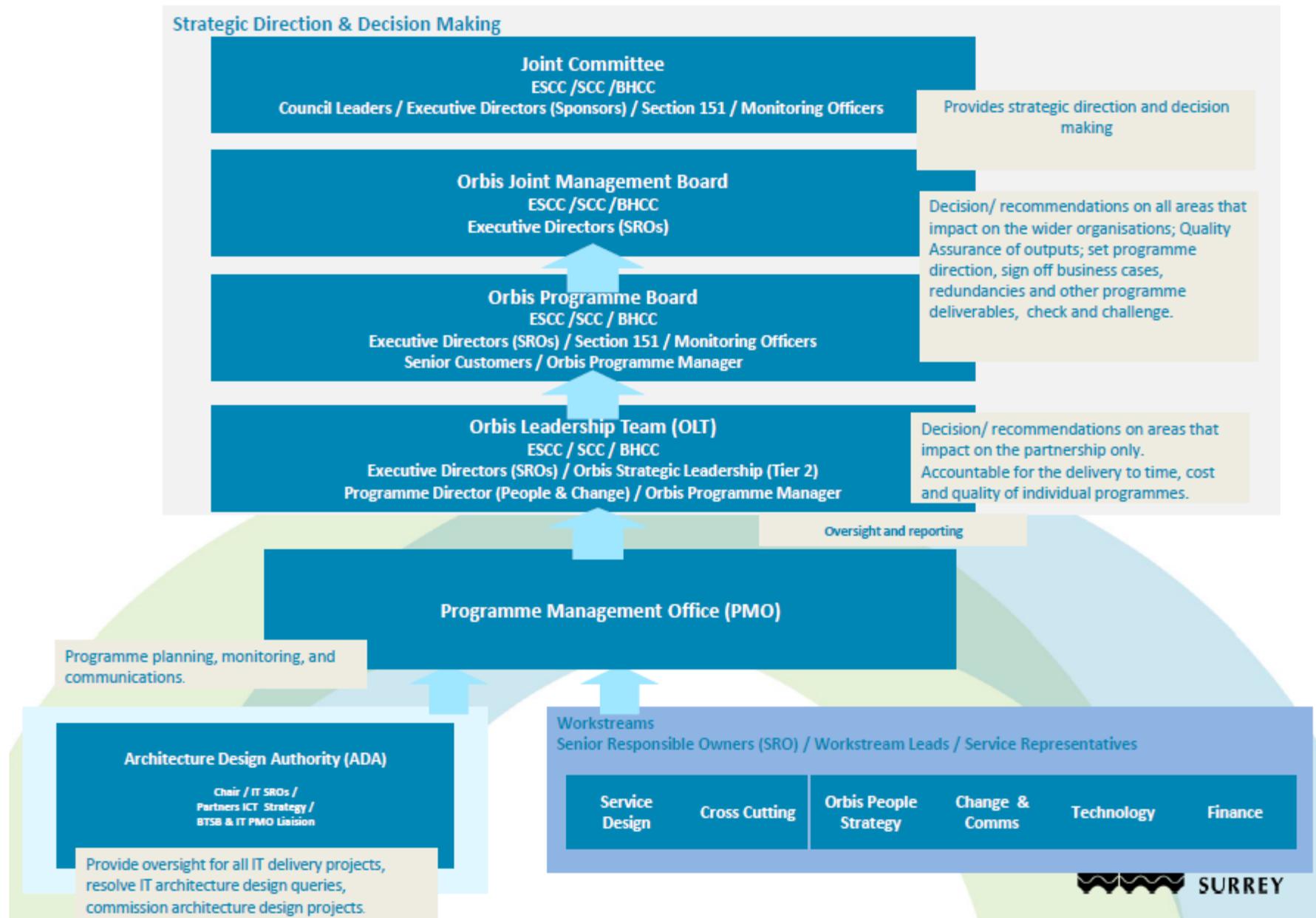
- a) Brighton & Hove City Council (BHCC) are a founding partner of Orbis which means they have the ability to;
  - Help shape the partnership
  - Inform the design of future service delivery in order to place customers at the heart of service design
  - Play an active role in service transformation to meet requirements of local authority clients
  - Benefit from co-developing the shape of services
- b) BHCC joining Orbis will not slow down the delivery of the business plan or efficiencies for any partner, any proposed deviations will be taken to the Orbis Joint Committee
- c) A focused period of activity will take place October - December 2016 that will provide further clarification on timelines and plans for integrating BHCC into the partnership
- d) Work to commence immediately with colleagues in BHCC to engage staff around what it means to be part of Orbis, this will include initiatives such as creating change champions and the opportunity to be involved in development programmes
- e) A service by service assessment to be undertaken to identify timescales and processes for integrating teams
- f) An Inter Authority Agreement to be created and signed by three partners by April 2017. This will form the legal basis and contract for the partnership
- g) A founding partner enhances the Orbis brand and adds further credibility to attracting future potential partners and customers
- h) Impact of key policies across the partners to be reviewed and understood, with a specific focus on:
  - Pay
  - Change/Restructure
- i) Work towards integrated budgets from April 2018

# The journey to an integrated service

## 5 Cs - Key steps to convergence.

	Contact	Cooperation	Coordination	Collaboration	Convergence
Level of Integration	Experimental	Minimal	Selective		Full
Orbis Staff Commitment	<ul style="list-style-type: none"> <li>Casual Networking</li> </ul>	<ul style="list-style-type: none"> <li>Trust Building</li> </ul>	<ul style="list-style-type: none"> <li>Shared goals with separate administrative framework</li> </ul>	<ul style="list-style-type: none"> <li>Shared vision with changes to working practices and new cross-partner interdependencies</li> </ul>	<ul style="list-style-type: none"> <li>Shared mission and service delivery</li> <li>Common standards and policies</li> <li>Performance Management</li> <li>Integrated structures</li> </ul>
Typical Activities & Focus	<ul style="list-style-type: none"> <li>Exploration of differences and commonalities</li> </ul>	<ul style="list-style-type: none"> <li>Information Sharing</li> <li>Identify Opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Planning Joint Projects</li> <li>Process simplification</li> </ul>	<ul style="list-style-type: none"> <li>Implementing joint Projects leading to shared services</li> <li>Process standardisation</li> </ul>	<ul style="list-style-type: none"> <li>Optimised common processes</li> <li>Common infrastructure</li> <li>Partner on-boarding</li> </ul>
Forum (Examples)	<ul style="list-style-type: none"> <li>Ad-hoc Contact</li> </ul>	<ul style="list-style-type: none"> <li>Ad-hoc meetings at partner locations</li> <li>Ad-hoc correspondence</li> </ul>	<ul style="list-style-type: none"> <li>Regular Planning Meetings</li> <li>Regular structured correspondence</li> </ul>	<ul style="list-style-type: none"> <li>Virtual project team working (Using partner shared resource pools)</li> </ul>	<ul style="list-style-type: none"> <li>Orbis Virtual Team Delivering Services (using single Orbis resource pool)</li> </ul>

## Appendix 3 – Orbis Governance Structure



## Appendix 4 – Cost Alignment

Table 1 – Orbis Business Plan Benefits (October 2015)

<b>Table 1</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Total</b>
<b>Net Business Plan Savings</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Operating Budget</b>				
Property	-56	-540	-1,200	-1,796
ICT	145	-879	-1,118	-1,852
HR	-85	-400	-625	-1,110
Finance	-121	-525	-994	-1,640
Business Operations	-581	-244	-125	-950
Procurement	10	-245	-15	-250
<b>Total Net JOB Growth &amp; Savings*</b>	<b>-688</b>	<b>-2,833</b>	<b>-4,077</b>	<b>-7,598</b>
<b>Managed Budgets - IMT</b>	-280	-110	-110	-500
<b>Pension Fund</b>	-182	0	0	-182
<b>Total Business Plan Net Savings</b>	<b>-1,150</b>	<b>-2,943</b>	<b>-4,187</b>	<b>-8,280</b>
*JOB = Joint Operating Budget				

Table 2 details projected BHCC savings targets

TABLE 2	Projected Brighton & Hove Savings										
	Net Budget 2016-17	Actual 2016-17		2017-18		2018-19		2019-20		Total over 4 years	
	£'000	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Property & Design *	3,689	789	21.4%	1,148	31.1%	409	11.1%	406	11.0%	2,752	74.6%
Audit	615	64	10.4%	57	9.3%	38	6.1%	21	3.3%	179	29.1%
Financial Services ~	4,017	322	8.0%	375	9.3%	248	6.2%	135	3.4%	1,080	26.9%
Procurement	514	69	13.4%	48	9.3%	32	6.1%	17	3.3%	165	32.2%
HR & OD	2,957	335	11.3%	278	9.4%	183	6.2%	99	3.4%	895	30.3%
ICT	7,049	434	6.2%	647	9.2%	428	6.1%	234	3.3%	1,742	24.7%
<b>Total</b>	<b>18,840</b>	<b>2,013</b>	<b>10.7%</b>	<b>2,554</b>	<b>13.6%</b>	<b>1,337</b>	<b>7.1%</b>	<b>912</b>	<b>4.8%</b>	<b>6,815</b>	<b>36.2%</b>

\* The gross budget for Property & Design is significantly greater than the net budget, so this distorts the savings % against the net budget.

~ Revenues & Benefits not included here as savings are currently under review and there is no comparator data.

## Appendix 5 – Risks

Risk	Description & Implication	Mitigation
<p><b>A third partner joining Orbis delays or impacts the delivery of savings or integration of services</b></p>	<ul style="list-style-type: none"> <li>• The need to revise service design and timelines to accommodate requirements of third partner</li> <li>• New Partners have the potential to impact on Business-As-Usual operations of Orbis through increased scope of services, capacity needs and political requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Clear plans and timescales in place for integration and savings</li> <li>• A full risk/impact assessment to be undertaken and action taken to avoid/minimise impact</li> <li>• Revised benefits and invest case created for three partners</li> </ul>
<p><b>Changes in the business strategies of Orbis Founding Partners affect the ability for Orbis to deliver Services effectively</b></p>	<ul style="list-style-type: none"> <li>• There is the possibility that if Partnership Strategies of the Founding Partners diverge, significant changes to the operating model of Orbis will be required in order to avert undermining operations of Orbis.</li> <li>• If Partnership Strategies are aligned with other authorities, choices in how Orbis strategies are implemented</li> </ul>	<ul style="list-style-type: none"> <li>• A Joint Committee structure has been agreed, which ensures that all Partners have oversight on the running of Orbis.</li> <li>• Orbis Leadership will be visible to the sovereign authorities to present impact of sovereign decisions on Orbis and to action those decisions.</li> <li>• A clear defined exit strategy for Orbis partners will be developed as part of the Inter-Authority Agreement (IAA).</li> </ul>

	<p>may be limited.</p> <ul style="list-style-type: none"> <li>• If the structure or function of either Orbis Founding Partner changes, there will be wide-ranging impacts on the Orbis model.</li> </ul>	
<p><b>Integration timescales differ across services leading to a significant increase in complexity, cost and time.</b></p>	<ul style="list-style-type: none"> <li>• Timeframes for integration of services are not aligned leading to inconsistencies in design and negative impact on customer experience</li> </ul>	<ul style="list-style-type: none"> <li>• Continued Orbis Programme overview of service design and delivery</li> <li>• Action Learning Set created to share, learn and challenge service design outcomes</li> </ul>
<p><b>The Inter-Authority Agreement (IAA) has not yet been signed.</b></p>	<ul style="list-style-type: none"> <li>• The official agreement between three Orbis Founding Partners has yet to be signed meaning that the commitment to Orbis has not been formalised by all Orbis Partners</li> </ul>	<ul style="list-style-type: none"> <li>• An IAA exists between ESCC &amp; SCC and this can be used as the basis for creating an IAA for three partners, therefore reducing the time and risk, a milestone of April 2017 has been set for this to happen</li> </ul>
<p><b>Changes in the expected investment costs and benefits.</b></p>	<ul style="list-style-type: none"> <li>• Orbis may not achieve the identified financial targets either through delayed benefit realisation or increased investment costs.</li> <li>• Delays or overruns could lead to unexpected increases in investment cost or delays in benefit realisation.</li> </ul>	<ul style="list-style-type: none"> <li>• A clearly defined benefits management process is to be set up to enable the rapid identification of benefits which are unlikely to be realised and which mitigating actions are to be taken</li> <li>• A revised financial model to be created detailing the impact of three partners in Orbis</li> <li>• Investment costs will be forecast and tracked against those forecasts to allow timely decision</li> <li>• Programme management will track both benefits and investment and report regularly by Orbis to the</li> </ul>

		Joint Committee.
<b>The implementation of the integrated Orbis model will involve a high degree of change and has the potential to impact Business-As-Usual services.</b>	<ul style="list-style-type: none"> <li>• Changes will be identified across all Business Service functions; services will need to continue to operate whilst changes are being implemented.</li> <li>• There may be a 'dip' in service performance whilst the transition to the new operating model is completed.</li> </ul>	<ul style="list-style-type: none"> <li>• A clearly defined implementation and change management approach is required to support the transition to the new way of operating.</li> <li>• A robust communications strategy will help articulate how service levels may change during the transition period and support expectations management.</li> </ul>
<b>Some benefits will have significant reliance upon technology solutions.</b>	<ul style="list-style-type: none"> <li>• Technology solutions will have a high number of dependencies and be time consuming to implement.</li> <li>• Failure to progress with the technology needs can impact the timing or realisation of benefits and cause an increase in investment cost due to overruns.</li> </ul>	<ul style="list-style-type: none"> <li>• Integration of Target Operating Model and IT implementation strategies enables the identification of dependencies at Orbis level</li> <li>• Application of common governance structures provides visibility of IT progress across all current programmes of work, including sovereign authority change programmes, Orbis and any potential ERP (SAP) replacement</li> </ul>
<b>Differing terms and conditions can destabilise the working environment.</b>	<ul style="list-style-type: none"> <li>• When staff from different organisations come together, differences in pay or terms and conditions, such as</li> </ul>	<ul style="list-style-type: none"> <li>• Development of Pay and Reward Strategy across three partners</li> <li>• Clear communication of expectations for staff based in various Orbis locations and the implications for</li> </ul>

	<p>holiday and pension entitlements, can create a disjointed work force</p>	<p>this</p> <ul style="list-style-type: none"> <li>• Regular consultation and engagement with recognised trade unions</li> </ul>
<p><b>Staff and stakeholders resisting change.</b></p>	<ul style="list-style-type: none"> <li>• Current staff and stakeholders may not appreciate the need for change and attempt to deter the change from happening</li> <li>• This will cause delays to the realisation of benefits and higher costs due to overrun</li> </ul>	<ul style="list-style-type: none"> <li>• Development of stakeholder map and identification of risks</li> <li>• Ensure clear communication of the benefits of Orbis to staff and stakeholders</li> <li>• Utilise a communications strategy to engage staff and stakeholders in a positive manner and keep them up to date on Orbis successes</li> </ul>
<p><b>Threat to Orbis' reputation from poor performance.</b></p>	<ul style="list-style-type: none"> <li>• If the quality of service degrades either during or after implementation then the reputation of Orbis as well as that of the sovereign authorities will suffer</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure effective programme management is in place at each service line to track performance of services before, during and after changes occur</li> </ul>