

**Report to:** Cabinet  
**Date of meeting:** 13 October 2015  
**By:** Chief Operating Officer  
**Title:** Orbis Three Year Business Plan  
**Purpose:** To inform Cabinet on the proposals and next steps for the three year Orbis Business Plan which incorporates a roadmap for implementation.

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## **RECOMMENDATIONS**

The Cabinet is recommended to:

- 1) note the three year (2016/17-2018/19) Orbis Business Plan which was approved by Orbis Joint Committee (on 28 September 2015); and
  - 2) note the need for investment and approve the roadmap for integration (contained within the Business Plan).
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## **1 Background**

1.1 On 15 September 2014, both East Sussex County Council (ESCC) and Surrey County Council (SCC) communicated their ambition to create a shared business advisory, professional and transactional service, supported through an integrated business model, under the working title of 'South East Business Services' (SEBS). This built on the successful collaboration established through a joint procurement function in 2012, and the provision of transactional shared services since April 2013.

1.2 The business case to establish the partnership under the management of a Joint Committee was approved by ESCC and SCC Cabinets in March and February 2015 respectively.

1.3 The partnership officially launched in April 2015, under the title of 'Orbis'. Orbis will provide seamless and resilient business services, whilst achieving savings for the partnered authorities, which will be used to sustain services for the residents of East Sussex and Surrey. Bringing together services will create sufficient scale to drive shared efficiencies, enable us to share skills and knowledge, and invest in technology that could otherwise be prohibitively expensive for each organisation alone. Orbis is expected to grow by bringing on public sector partners, and from the pursuit of income opportunities through the provision of services to public sector clients, on a contractual basis or by means of specific delegation of function. The partnership incorporates the following services:

- Human Resources (HR) / Personnel and Training;
- Property Services / Property and Capital Investment;
- Information Management and Technology / ICT;
- Procurement;
- Finance (including Internal Audit); and
- Business Operations (Shared Services).

1.4 Both Cabinets determined a need for a plan to show the transition to full integration by 2018. Subsequently, a 'stress-test' of the potential savings outlined in the initial business case (£6-8m across both organisation over a three-year period), and benchmarking against similar shared service integration, was undertaken to provide confidence in the achievement of at least 12% total savings. In July there was an update on progress to the ESCC Corporate Management Team (CMT), SCC Chief Executives Direct Reports (CEDR), and the Orbis Joint Committee. Further detailed work has now been undertaken to produce a three-year business plan for the partnership which is attached as Appendix 1.

1.5 On 28 September 2015, the Orbis Joint Committee approved the Orbis business plan, and recommended that ESCC Cabinet note the investment proposals and roadmap for integration contained within it.

## **2 Supporting information**

### **Business Plan**

2.1 The Orbis Business Plan has been produced and is attached as Appendix 1. The Orbis Business Plan Summary is attached as Appendix 2.

2.2 The key sections of the business plan are:

- Story so far and the Target Operating Model;
- Three year roadmap; and
- Benefits case (including benefits, costs and investment).

2.3 A summary of the key points are set out below with full context and detail in the business plan.

### ***Target Operating Model (TOM)***

2.4 The development of the partnership has been based on the principle of service and management integration. Core to this approach is a partnership Target Operating Model (TOM). A TOM framework and a set of design principles and parameters have been developed which will be used to establish a new coherent and consistent way of organising and managing services for the partners and customers of Orbis. More detail is available in section 1 of the business plan.

2.5 An integrated service model has been created for each service using the TOM framework and design principles.

2.6 The next phase of design will be to develop detailed processes for each service that feed into the overall model. It should be noted that the business plan does not include detailed structures of the services.

2.7 The HR service was selected as a 'pathfinder' pilot to undertake a detailed, early redesign and become the 'proof of concept'. The aim of the pilot was to give assurance in the approach and overall high level design while also demonstrating that the financial benefits outlined in the business case, as well as other non-financial benefits, are achievable balanced against ongoing customer demand. The business plan sets out the outcomes of the pilot.

2.8 Under a Joint Committee model, existing employees will continue to be employed by their council and will work across all organisations within the Orbis partnership.

2.9 Work carried out identified material differences in pay between ESCC and SCC in a number of areas. It is necessary to develop and approach to pay which:

- Recognises the sovereignty of the employing organisation;
- Recognises where partnership working, as defined by the TOM, requires true partnership roles, where the role holder is required to have equitable presence in each council in order to effectively undertake the role. These roles are relatively low in number; and
- Supports roles to be hosted by the most appropriate partner in order to maintain balance across partners.

2.10 In this context, a review of pay and reward has been undertaken for the partnership and a proposal developed that is manageable and sufficient to enable the partnership to be established.

2.11 Each sovereign organisation will retain the relevant level of control over core functions in order to deliver the priorities of the organisation. The partnership model allows this level of sovereign control via the joint committee structure although the more aligned the partners are, the more benefit that is achieved.

2.12 Orbis aims to grow beyond the initial two founding partners to create further scale and efficiencies. There is already interest from other local authorities wanting to sign up to the Orbis vision of the compelling alternative. Detailed work is ongoing around defining the commercial principles for joining as an Orbis partner.

### ***Three year roadmap***

2.13 The roadmap can be found in section 2 of the business plan. Orbis has a strong ambition to build a better service for our customers; however, the journey to get to this future state is significant and will require time and investment. The roadmap for change sets out the change activities to transition services from current to future state.

2.14 Business change and transition will be delivered in a phased approach over a three year period. Each service will deliver their integrated service offering and the phasing of change activities will vary by service depending on business readiness, technology requirements and resource capacity. All services

have established a vision for their future service. The next phase of the programme will be designing the future state and mapping out the journey to get there.

### ***Benefits for the partnership***

#### ***Benefits***

2.15 The initial business case, approved by Cabinet in February (SCC) / March (ESCC), indicated potential financial savings of 10%-15% (£6m-£8m across both ESCC and SCC) over a three year period based on management de-layering, process improvement and reduction of duplication. After 'stress testing' and benchmarking against shared services integrations of this type, there is confidence that total savings of at least 12% against the 2015/16 baseline budget can be achieved by year three of the business plan.

2.16 The total benefits against 2015/16 baseline will recur year on year, and by year five Orbis would have achieved net financial efficiencies of £23m (after repaying investment and reorganisation costs). More detail is available in section 3 of the business plan.

2.17 To enable a more detailed benefits case, each service has identified 'areas of search' to provide focus for where the largest benefits are expected. These will be used as a starting point for the next phase of work to define a set of simplified, standardised and harmonised processes and a more accurate benefit estimate.

2.18 In addition to the financial benefits expected from the partnership, there are non-financial benefits that Orbis will aim to achieve over the next three years, these include:

- Improved client management and customer experience through process reengineering, better use of technologies and excellent people management;
- Better insight for decision making and investment due to improved systems and information management;
- Increased staff motivation and attraction of top talent through Orbis-wide people engagement and development work; and
- Incremental growth by attracting additional partners and customers and adding additional services to the Orbis offering.

#### ***Investment***

2.19 A transformation of this scale and duration will require a significant investment. The main investment cost will be technology to enable more efficient service delivery and resources to implement the programme. High level estimates show potential implementation costs of £6m across ESCC and SCC over the three year business plan. More detail, setting out the relationship between benefits and the associated investment requirements, is available in section 3 of the business plan. These costs have been reviewed to incorporate updated estimates based on further IT design definition and a potential programme team to support implementation.

2.20 A separate business case for the Business Solutions Platform will show the benefits and costs associated with replacing the existing Enterprise Resource Planning (SAP) systems in both organisations. The additional functionality offered by this platform may enable additional benefits from Orbis. That business case will go to Cabinet for review at a later date.

### ***Benefits of partnership for both authorities***

2.21 By integrating services between ESCC and SCC in this way there are additional benefits that each authority could not have achieved on their own. The immediate benefit will be realised by establishing the integrated services and the efficiencies that can be gained from doing this (de-layering management). The additional benefits of integration include:

- An improved operational resilience as greater depth and breadth of skills exist across both councils;
- Greater buying power when commissioning services which will be a direct benefit to internal customers;
- The scale of the services ensures growth of the partnership and will enable improved opportunity for bringing in new external customers and reducing the costs to individual councils further;
- Improved processes, systems, and management information that will provide better insight for decision making and identify where attention could be provided to improve value for money;
- Staff motivation to be part of an innovative, knowledge-led organisation which places emphasis on the development of talent. Orbis place significant emphasis on developing this and has launched 'Ingenium', our high performer talent programme;

- Reduced costs for operational activity such as licensing costs;
- Supports wider partnership working and development of devolution opportunities;
- Greater leverage from investments made across partners and sharing of learning; and
- Scale provides a greater potential and opportunity to innovate.

### **Consultation**

2.22 The approach taken to develop the integrated service has been collaborative; co-designed with the Orbis leadership community.

2.23 The consultation included:

- Trade unions;
- Orbis Leadership community;
- Chief Executives and extended Leadership of both authorities; and
- Scrutiny committees of both authorities, both individually and jointly.

### **Risk management and implications**

2.24 Section 4 of the business plan details the risks associated with the partnership. Risks captured are categorised as strategic, financial, operational and reputational.

2.25 Risks will be reviewed regularly by the Orbis Leadership Team and appropriate actions/decisions taken.

### **Financial and Value for Money Implications**

2.26 The report to ESCC Cabinet on 10 March 2015 (and SCC Cabinet on 24 February) set out the expected benefits and investment requirements. The due diligence work that has supported the development of the business plan has confirmed that the operating budget for Orbis is £64.8m (2015/16 baseline).

2.27 Proposals developed within the business plan indicate ongoing savings of £8.3m per annum by 2018/19 can be delivered. This is at the upper end of the range referred to in the earlier Cabinet reports.

2.28 One-off investment requirements of £6m (excluding redundancy) are also included in the business plan. It should be noted that £1.9m was set aside in the ESCC RPPR report to Cabinet in February 2015 for Orbis/Capital and this was placed in the Transformation Reserve. Each organisation will determine separately how to fund this investment and whether payback is required ahead of showing efficiencies in their budgets.

2.29 In addition to the one-off investment requirements there is an expectation that redundancy costs will also be incurred (whether through a voluntary severance route or as an outcome of restructuring activity). The ESCC element of the estimated £1m redundancy cost will be funded from reserves, as with all other redundancies.

2.30 To date the Orbis programme has been funded through a public transformation grant of £630,000 that was awarded in 2013. This grant has been used to meet the costs of the programme team and for some initial IT investment. We have now fully utilised the grant funding hence the requirement for further investment. For complete transparency it is prudent to add these costs to the overall investment envelope for Orbis bringing the total to £7.63m.

2.31 The projected profile of benefits and investment (including any severance costs) is:

	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
Savings per annum	1.2	2.9	4.2	0.0	0.0
Savings against current Base	1.2	4.1	8.3	8.3	8.3
Cumulative total savings	1.2	5.3	13.6	21.9	30.2
Investment	-4.2*	-2.1	-0.7	0.0	0.0
Cumulative net benefits	-3.0	-1.0	6.5	14.8	23.1

\* Dependent upon the speed of delivery, of this total up to £1.3m may be incurred prior to 1/4/16

2.32 The due diligence analysis has also confirmed that sharing benefits and investments between the two partners in a one-third (ESCC) two thirds (SCC) ratio will ensure both organisations can be satisfied that value for money is assured.

### ***Other considerations***

2.33 The Orbis Joint Committee has had delegated to it the oversight of joint service delivery through the Orbis Partnership and the approval and monitoring of the Orbis business plan delegated to it. The business plan is predicated on further investment by both partner councils. Approval of that investment remains with the sovereign authorities so ESCC Cabinet is asked to note the need for investment.

2.34 An introductory Equality Impact Assessment (EqIA) has been produced; it is not possible to produce a full EqIA at this stage of the Orbis business plan. Appropriate actions will be identified and proposed through further assessment by work streams and programmes of work. The Orbis Leadership Team will be accountable for ensuring that full EqIAs are performed at the appropriate stages; the introductory EqIA identified that the Orbis Programme Management Office factor impact assessments into the formal process and responsibilities of each workstream/programme and that relevant Orbis Leadership Team member(s) develop and sign off the content of any impact assessments.

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

3.1 Approval of the business plan is necessary for the partnership to implement the integration required to deliver the Target Operating Model. The implementation requires investment from both authorities to realise efficiencies that will be achieved through full integration as set out in the business plan.

3.2 It is recommended that Cabinet:

- 1) Notes the three year (2016/17-2018/19) Orbis Business Plan which was approved by Orbis Joint Committee (on 28 September 2015); and
- 2) Notes the need for investment and approve the roadmap for integration (contained within the Business Plan).

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