

Orbis Joint Committee – 22 April 2016

Please find attached Appendix 1 to Item 7 for consideration at the Orbis Joint Committee meeting being held on 22 April 2016. This item was marked as to follow on the agenda published on 14 April 2016

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**SPECIAL POLICY & RESOURCES
COMMITTEE****Agenda Item 165**

Brighton & Hove City Council

Subject:	Orbis Programme Update		
Date of Meeting:	28 April 2016		
Report of:	Executive Director for Finance and Resources		
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report provides an update for the Committee on the process of due diligence underway regarding the intention for Brighton & Hove City Council to become part of the Orbis partnership for shared services, with East Sussex and Surrey County Councils.

2. RECOMMENDATIONS:

That the Policy & Resources Committee:

- 2.1 Notes the progress made in carrying out due diligence for Brighton & Hove City Council as a founding partner in the Orbis partnership with East Sussex and Surrey County Councils.
- 2.2 Agrees to support the continuation of work for the Council to formally partner with East Sussex and Surrey County Councils within the Orbis partnership
- 2.3 Supports the approach for collaboration leading to integration through a continued due diligence and business case approach.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 At the Policy & Resources Committee on 3 December 2015 it was agreed that, subject to a period of due diligence, Brighton & Hove City Council would become a founding third partner in the Orbis shared services partnership for business services, joining East Sussex and Surrey County Councils.
- 3.2 There was already significant collaboration between the three local authorities before the Orbis partnership was developed, particularly between Brighton & Hove City Council and East Sussex County Council, because of their geographical proximity and shared history.

- 3.3 Services in scope for delivery via the joint partnership are:
- Finance, including Procurement and Revenues and Benefits
 - Internal Audit
 - Human Resources and Organisational Development, including Health and Safety
 - ICT
 - Property Services
- 3.4 Separately, Legal services have been developing Orbis Public Law services in partnership with East Sussex, Surrey, and West Sussex County Councils. This received approval at Policy & Resources Committee in January 2016. The partnership had a 'soft launch' on 4th April this year with shared email signatures and lanyards as well as detailed briefings for staff and client groups. The partnership aims to complete due diligence by the end of 2016 and join budgets by April 2017. Appendix 2 shows a roadmap for the Orbis Public Law partnership
- 3.5 The Orbis partnership is based on a 'collaborate to integrate' approach, which emphasises the need to establish effective working relationships that will underpin a successful shared service. The partnership is committed to a people-centred approach to building resilient shared services that remain in the public sector. This is achieved by taking the relationships and examples of collaboration that already exist between the partners and developing them in a phased approach towards an integrated service.
- 3.6 We are working in the Orbis Partnership with positive intent, but emphasise the need to do what is right for Brighton & Hove City Council. One of the benefits of working in partnership is that it provides the flexibility to shape and influence it as it progresses and change things that we feel do not suit us. This is in contrast to many outsourced contract arrangements, and is one of the reasons Orbis describes itself as the 'compelling alternative'.
- 3.7 The due diligence activity has initially focussed on assessing the potential to ensure a resilient support service offer for the council up to and beyond 2020, and to identify any areas that would fundamentally undermine this i.e. 'show stoppers'. These have been refined to the following key areas:
- Finance and our ability to meet our savings targets.
 - The level of investment that could be required in ICT infrastructure
 - Service Level assessment, i.e. will the services be fit for purpose?
 - ICT Architecture Design Authority – can services and systems be integrated?
 - Legal form and governance arrangements – the extent to which we have sufficient influence.
 - Performance management.
- 3.8 Other elements that are being developed to inform the complete due diligence assessment include:
- Customer engagement and service offer

- Employee engagement and employee relations
- People strategy and organisational development

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 **Financial Baseline Assessment** - Using the methodology and data from East Sussex and Surrey County Councils, analysis is underway to compare and contrast the baseline financials between services in scope. In particular, comparing levels of savings in areas that would be directly managed and controlled by Orbis versus those 'managed on behalf of' sovereign authorities by Orbis.
- 4.2 More detail is to be completed at a service level basis, however at an organisational level it is clear that the Orbis partnership business case is predicated on backloading its efficiency savings beyond 2017/18. Hence the savings profiles in the first two years are not easily comparable as BHCC has a higher threshold for savings in the period 2016-18.
- 4.3 Once in formal partnership, savings in Orbis will be shared on a pro rata basis between the three partners, the detail of which will be subject to an Inter Authority Agreement (IAA). It is therefore important in the due diligence process to be able to assure the Council that its four year financial plan can be effectively met through the partnership.
- 4.4 Through discussion with East Sussex and Surrey, it has been agreed that the Council will not develop an Inter Authority Agreement, which sets the contractual arrangements for the partnership, or pool budgets until detailed due diligence is completed and not before 1st April 2017 at the earliest.
- 4.5 This ensures that as a minimum, savings identified across Finance & Resources for 2016/17 are sovereign to Brighton & Hove, and that shared saving thereafter will meet the needs of our four year financial plan.
- 4.6 **ICT Infrastructure investment** - There is a level of activity that needs to be resourced to support the development of the partnership. Primarily this is concerned with the technical infrastructure necessary for the partnership to function across the three sovereign organisations, including any locality hubs. .
- 4.7 Some of this will require upfront investment ahead of the outcome of any detailed due diligence service assessment or without an IAA being signed, so does bear some risk. However without this investment we would not be able to function efficiently across the partnership and would not reap the full extent of opportunity offered.
- 4.8 The level of investment will be considered through the governance of the corporate modernisation board which oversees the modernisation funding stream approved at Budget Council in February.

- 4.9 Service Level Assessment** - at individual service level a realistic assessment of pace and the scale of integration is required. This will be different both within and between services. Transitions plans will need to assure service continuity and realise the opportunities of a stronger partnership. Part of this process will be to determine the detail of which services should be included in the Orbis offer and which should be solely retained by BHCC.
- 4.10 At service level, this mirrors the journey East Sussex and Surrey have been on to develop a core and detailed understanding of their relative services and build trust and relationships before moving to integrated working. Within the current Orbis partnership, the timescale for full integration is likely to be up to three years.
- 4.11 For BHCC, this would mean that at a service level we would collaborate immediately, and then plan for integration. The pace and priority for this activity, will be determined by the service business case and transition plan.
- 4.12 ICT Architecture Design Authority** – ICT have led this assessment to understand how our relative ICT systems will work together to ensure data efficiency and effectiveness across the partnership. There has been positive engagement between the three partner organisations and work has begun on assessing how any systems change programmes will align with the vision and operating model and maximise value and return on investment for the partnership.
- 4.13 From the analysis so far, BHCC can be assured that the Orbis change criteria will integrate with our own change processes. Work is also starting on information governance and data management.
- 4.14 However more detailed work is required on the business architecture to form new integrated service offers for both current and future Orbis customers. This includes the development of a business case to replace current Finance and HR systems and the need to ensure any investment has a clear and defined return for each partner and meets each organisation's requirements.
- 4.15 Legal and Governance** - under its Terms of Reference, the Orbis Joint Committee has delegated decision making power to oversee and deliver 'the Services'. The agreed operational budget is to be referred to each of the sovereign councils for approval. Currently Cllr Les Hamilton has a place on the Committee but no formal voting rights. At the point BHCC is ready to formalise its place in the partnership, the Terms of Reference would need amending to incorporate BHCC membership (as has been done with the Orbis Public Law Joint Committee.) and be incorporated into an IAA.
- 4.16 A Joint Management Board of Senior Officers leads the delivery of Orbis and would need to include membership from BHCC. Terms of Reference and Membership of the Joint Management Board would need to be agreed.
- 4.17 The IAA provides clarity about the services to be delivered jointly, the financial contributions of the Parties, how budgets will be agreed and the agreed

contribution ratio. It would be better to sign this agreement (or at least complete the due diligence exercise) before investing significantly. As with any arrangement involving resources being contributed without a written agreement, there is a risk of this resource being lost in the absence of an agreement which details the terminations provisions, rights of the parties to share of costs etc.

4.18 East Sussex and Surrey have a signed IAA, reflecting their existing partnership and an amendment or new agreement would be signed at the point BHCC wishes to formalise its membership. The assessment of when this is right for BHCC will be informed through more detailed due diligence.

4.19 Performance Management – services in scope for Orbis make significant contributions to various elements of the council's performance framework. It will be important to ensure there are sufficient assurances on partnership capacity to respond to emerging needs of BHCC and maintaining sufficient flexibility within services to do this.

4.20 It is considered that both these issues may be addressed through the development of the service offer and through the governance arrangements in place and are not high risk.

Alternative Options:

4.21 The outcome of the options appraisal, which was the substance of the report to Committee in December 2015, was that the only viable option, given time, opportunity and the requirement to deliver a 30% reduction in budget by 2020, was to enter into an existing partnership or to reduce the service offer in house.

4.22 These remain the options under consideration through the due diligence process.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5..1 On 13th April senior managers and Heads of Service from BHCC met with colleagues from East Sussex and Surrey County Councils as the Orbis Leadership Community. This provided the opportunity to build relationships and look at the next steps for working in partnership and collaborating together in each service.

5..2 The meeting was also attended by Cllr Les Hamilton who, with the other Lead Members from each authority, spoke to the group, reflecting on achievements that have already been made as well as about their hopes and aspirations for the partnership in the future.

5..3 This paper was presented at a meeting with BHCC trade union representatives to garner feedback and discuss the proposals. A joint trade union meeting with representatives from the three partner authorities is scheduled for 22nd April.

5..4 Communication with trade unions will continue as detailed plans for each service are developed. A Communications and Engagement Plan is being produced to ensure that all staff in the relevant services are involved in the development of the partnership.

6. CONCLUSION

- 6.1 The engagement activity underway with East Sussex and Surrey is essential for building effective relationships and there has been a positive sharing of their experience in creating the partnership to date, which has been key to the development of this council's due diligence framework.
- 6.2 The due diligence conducted to date provides a sufficient level of assurance to recommend a continuation of the work to finalise the detailed due diligence process and to work in partnership with Orbis colleagues to develop integrated support functions.
- 6.3 Further and more detailed engagement is required on a service-by-service basis to define the exact timing of operational changes for each area but the Council will not be asked to sign an Inter Authority Agreement (IAA) until 1st April 2017 at the earliest.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 Section 4 of this report sets out the financial baseline assessment progress which is an integral element of understanding the financial implications and benefits of the Orbis Partnership for Brighton & Hove City Council. The requirements to integrate ICT infrastructure across the Partnership means that some ICT infrastructure investment will be at risk and the level of risk will be overseen and managed by the Corporate Modernisation Board.
- 7.2 The gross revenue budget for the services (excluding Orbis Public Law) is £44.2 million in 2016/17 with a net budget of £25.2 million and includes 709 staffing posts (635 FTE). These budgets include areas that would be directly managed and controlled by Orbis and those 'managed on behalf of' the council by Orbis; the completion of due diligence will provide further breakdown between these distinct expenditure areas. In addition, a significant proportion of the councils capital programme will be 'managed on behalf of' by services within the Orbis Partnership.
- 7.3 The 4 year service and financial plans presented to Budget Council in February 2016 included savings totalling £3.0 million in 2016/17 for the Orbis service areas which are reflected in the budget in paragraph 7.2. The plans indicated further savings required of £5.9 million over the period 2017/18 to 2019/20 for both the services managed and controlled by Orbis and the 'managed on behalf of' services.

Finance Officer Consulted: James Hengeveld

Date: 15/04/16

Legal Implications:

- 7.4 Legal implications are addressed at paragraph 4.15 – 4.18 of the report. The power for the Council to establish a Joint Committee to oversee a shared service is set out at Sections 101(5) and 102 of the Local Government Act 1972.
- 7.5 The Committee is being asked to note progress to date and to support continued work on due diligence and there are therefore no further legal implications to address at this stage.

Lawyer Consulted:

Elizabeth Culbert

Date: 13/04/16

Equalities Implications:

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

Sustainability Implications:

- 7.7 Not applicable.

Any Other Significant Implications:

- 7.8 None.

SUPPORTING DOCUMENTATION

Appendices:

1. BHCC Orbis Roadmap
2. Orbis Public Law Roadmap
3. BHCC Partnership Governance

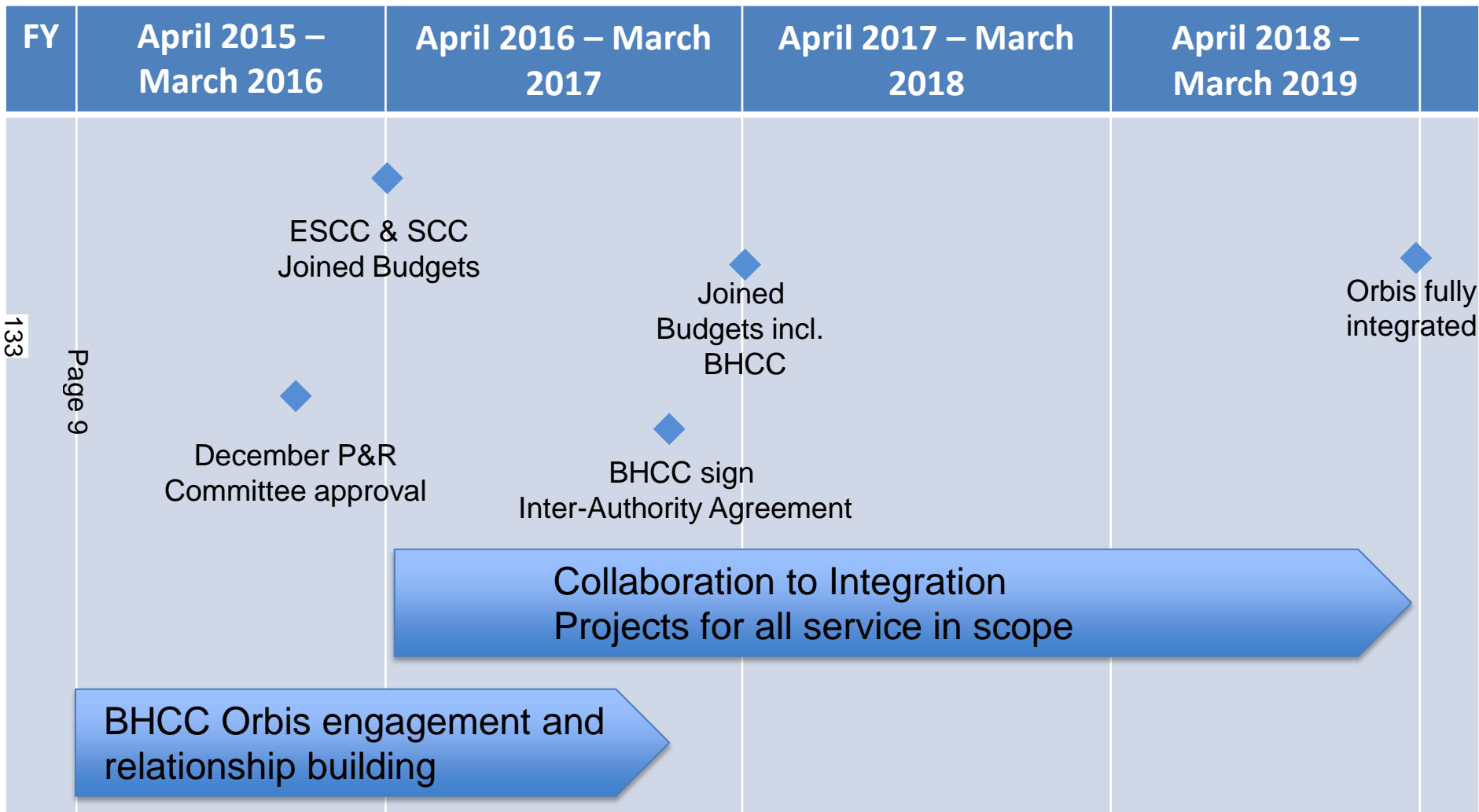
Documents in Members' Rooms

1. None.

Background Documents

1. None.

Appx.1 BHCC roadmap to Orbis integration



Appx. 2 Orbis Public Law Roadmap



Brighton & Hove Partnership Governance

Committee/Board/Group	BHCC Attendees	Frequency	Location	Purpose
Joint Committee	Cllr Les Hamilton David Kuenssburg	Quarterly	Varies	Provides strategic direction
Programme Board	David Kuenssburg Roger Snell	Monthly	Lewes/ Kingston	Decision/ recommendations on all areas that impact on the wider organisations prior to Cabinet approvals; Quality Assurance of outputs; set programme direction, sign off TOM, business cases and other programme deliverables, check and challenge via select committees.
Joint Management Board	David Kuenssburg	Weekly	Lewes	Lead Officers managing strategic direction
Orbis Programme meeting	David Kuenssburg	Weekly	Lewes	Programme planning meeting with Lead Officers and Orbis Programme Manager
Architecture Design Authority (ADA)	Neil Cholerton Julian Cobbett	Fortnightly	Redhill Data centre	Provide oversight for all IT delivery projects, resolve IT architecture design queries, commission architecture design projects.
Programme Team	Chris Carter	1 day per week	Lewes	Programme planning, monitoring, and communications.

