

**SURREY COUNTY COUNCIL****CABINET****DATE: 27 OCTOBER 2015****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE****LEAD OFFICER: JULIE FISHER, DEPUTY CHIEF EXECUTIVE (SURREY COUNTY COUNCIL) AND KEVIN FOSTER CHIEF OPERATING OFFICER (EAST SUSSEX COUNTY COUNCIL)****SUBJECT: ORBIS THREE YEAR BUSINESS PLAN****SUMMARY OF ISSUE:**

On 15 April 2015, East Sussex and Surrey County Councils established a transformative public sector partnership, 'Orbis', with the vision to deliver a fully integrated and compelling business services offer to the public sector.

Orbis is truly innovative and has aspirations to become the 'Compelling Alternative' to providing business services to the public sector. In developing the partnership, emphasis has been placed on enhancing the experience for Customers within a sustainable cost envelope.

The partnership will achieve this through engaging in leading, digitally-driven solutions which provide a solid platform for meeting future needs.

It is imperative that business services for both East Sussex and Surrey County Councils are delivered in a way which enables front line services to respond to the needs of residents quickly and seamlessly. Both Councils also need to realise efficiencies which can be used to protect the services residents value the most. Orbis provides the platform for this through increased economies of scale and pooled expertise.

Orbis has a unique aspiration to grow beyond the two Founding Partners of East Sussex and Surrey County Council, to become one of the largest shared services providers of its kind. With the two Founding Partners, Orbis has a combined budget of £65m and employs 1400 staff. There has already been a positive reception from peers, and other county, city and district councils have begun to engage with an appetite to join the partnership. This will ultimately place Surrey in the centre of a wider network, increasing opportunities for people, and being recognised publically as the public sector provider of choice.

Following Cabinet approval in February 2015 to establish the partnership, detailed work has been undertaken on Cabinet's request to produce a three-year business plan for the partnership, which was endorsed by the Orbis Joint Committee on 28 September 2015. Consequently, Cabinet is being asked to approve the investment proposal and roadmap for integration contained within the business plan.

## **RECOMMENDATIONS:**

It is recommended that:

1. Cabinet reviews the Orbis business plan approved by the Orbis Joint Committee on 28 September and the roadmap for the integration of services as described in the plan;
2. Cabinet approves, in principle, the one off investment (SCC share £4.7m) required to deliver the benefits (SCC share £5.6m recurring) through off-setting of investments against benefits in the Medium Term Financial Plan / MTFP (2016-21).
3. Cabinet approves SCC share of the initial investment in the programme team up to 2017/18 and IT costs for 2015/16 which is £862,000, to be funded from the 'Invest to Save' fund initially, where investment precedes benefits, otherwise to be off-set against benefits.

## **REASON FOR RECOMMENDATIONS:**

The development of Orbis to date demonstrates the strength of the partnership between the two Councils, and the ability to become a 'Compelling Alternative'. The Orbis programme must continue to drive momentum through scale and pace, to deliver the ambition which is predicated on the expertise and passion of staff, and to remain focussed on Customers in order to realise better outcomes for residents.

Any form of innovation carries a level of inherent risk, and by identifying these early, keeping stakeholders informed, and taking the required action to mitigate accordingly, the projected benefits outlined can be achieved.

In order to complete the Orbis story, and achieve full projected benefits, Cabinet's endorsement and sign-off of the next level of investment is required.

This investment is necessary to realise the full benefits of Orbis, including better business services for Customers, and therefore residents. In addition, by creating a dynamic and innovative environment for staff, they will be enabled to contribute to realising confidence in Surrey's future.

## **DETAILS:**

### **Background**

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.
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.

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 digital 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, where appropriate, through the provision of services to public sector clients, on a contractual basis or by means of specific delegation of function.
4. 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)
  - Business Operations (Shared Services)
5. 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 organisations 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.
6. In July, there was an update on progress to the ESCC Corporate Management Team (CMT), SCC Chief Executives Direct Reports (CEDR), the Orbis Joint Committee and Cabinet Briefing. Since then, further detailed work has been undertaken to produce a three-year business plan for the partnership.
7. On 28 September 2015, the Orbis Joint Committee approved the Orbis business plan, and recommended the investment proposals and roadmap for integration contained within it for approval by ESCC and SCC Cabinets.

## **Supporting Information**

### **Business plan**

8. The Orbis Business Plan Summary is attached in Annex 1.  
The Orbis Business Plan has been produced and is attached in Annex 2.
9. The key sections of the business plan are:
  - Story so far and the Target Operating Model (TOM);
  - Three year roadmap;
  - Benefits case (including benefits, costs and investment).
10. A summary of the key points are set out below, with full context and detail in the business plan.

## Target Operating Model (TOM)

11. The development of Orbis has been predicated on the principle of partnership. Joining together creates the opportunity for scale, pooling of expertise and realising efficiencies, including the purchase of leading digital solutions that Orbis would not have been able to independently. The partnership has been based on full service and management integration. Core to this approach is a partnership Target Operating Model (TOM). The TOM has been fundamental in enabling the design of future services which demonstrate innovation, learn from the best practices of others, and ultimately create compelling service offerings.
12. 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. The design principles were developed collaboratively with the 80 members of the Orbis senior management team, and a number of key groups within ESCC and SCC. The principles demonstrate commitment to designing services which are innovative, sector-leading and provide value back to residents through realising efficiencies. More detail is available in section 1 of the business plan.
13. An integrated service model has been created for each service using the TOM framework and design principles. These service models, when implemented, will deliver better outcomes for Customers in a more resilient and efficient way. This will provide stronger outcomes for residents.
14. 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.
15. The progress update in July reported that 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 and prudent when balanced against ongoing customer demand. The business plan sets out the outcomes of the pilot.
16. Under a Joint Committee model, existing employees will continue to be employed by their respective Council, and will undertake work across all organisations within the Orbis partnership. They will have access to improved staff development and the opportunities to succeed and flourish. This approach to career management will act as a pilot to be later rolled-out to all staff at Surrey County Council, once it has been fully developed.
17. Work carried out identified material differences in pay between Surrey and East Sussex 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 Target Operating Model (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.
  - Supports roles to be hosted by the most appropriate Partner in order to maintain balance across Partners.

18. 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.
19. Each sovereign organisation will retain the necessary level of control over core functions in order to deliver the priorities of the organisation. The partnership model allows this level of control via the Joint Committee structure, although the more aligned the Partners are, the more benefit that is achieved.
20. 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 on-going around defining the commercial principles for joining as an Orbis Partner. This will ultimately lead to placing Surrey in the centre of a wider network, increasing opportunities for staff, and being recognised publically as the public sector provider of choice.

### **Three year roadmap**

21. The roadmap can be found in section 2 of the business plan. Orbis has a strong ambition to build a better service for its 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 and includes a robust analysis of the risks involved.
22. Business change and transition will be delivered in a phased approach over a three year period in order to create resilient services and enable a safe, sustainable change. 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 further designing the future state and mapping out the journey to get there.

### **Benefits for the partnership**

#### **Benefits**

23. The initial business case, approved by SCC Cabinet in February 2015 at, and in March 2015 by ESCC, indicated potential financial savings of 10%-15% (equating to £6m-£8m across both East Sussex and Surrey) 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.
24. The total benefits against 2015/16 baseline will recur year on year, and by year 2018/19 Orbis will have achieved annual recurring benefits of £8.3m per year. More detail is available in section 3 of the business plan.
25. 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.

## Investment

26. A transformation of this scale and duration will require a significant investment. The main investment cost will be technology and driving the digital agenda across Surrey together with resources to implement the programme in a sustainable way. High level estimates show potential implementation costs of £7.0m, to be shared by 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.
27. 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. This business case will be brought to Cabinet for review at a later date.

## Benefits of partnership for both authorities

28. By integrating services between East Sussex and Surrey County Councils 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, including 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;
  - Increased scale creates opportunities for growth and will enable further cost reductions to the individual councils;
  - 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;
  - Reduced costs for operational activity such as licensing costs;
  - Supports wider partnership working and development of devolution opportunities.
29. 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 and better use of technologies including digital innovation;
  - Attraction and retention of top talent through Orbis-wide people engagement and career development work. Significant emphasis is placed on developing talent and Orbis has launched 'Ingenium', the high performer talent programme;
  - Increased staff motivation by being part of an innovative, knowledge-led organisation.

### **CONSULTATION:**

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

31. The consultation included:

- Trade unions;
- Orbis Leadership community;
- Chief Executives and extended Leadership of both authorities;
- Scrutiny committees of both authorities, including Council Overview Board at SCC, both individually and jointly.

### **RISK MANAGEMENT AND IMPLICATIONS:**

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

33. Risks will be reviewed regularly by the Orbis Leadership Team (OLT) and appropriate actions / decisions taken.

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

34. The report to Cabinet on 24 February 2015 set out the expected benefits and investment requirements. The due diligence work that has been completed to date indicates a gross operating budget for Orbis of £64.8m (2015/16 baseline). Further analysis is being completed with the agreed baseline budget being captured in the Inter-Authority Agreement between the Councils. This will include the ratio of sharing benefits and investments and the due diligence analysis has also confirmed that a one-third (ESCC) two thirds (SCC) ratio, will ensure both organisations satisfy themselves that value for money is assured.

34. Proposals developed within the business plan indicate ongoing savings, across Orbis, 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 report.

35. One-off investment requirements of £7m (shared across both organisations) are also included in the business plan. The tables below set the Orbis wide investment and benefits and shows the split between SCC and ESCC:

#### **Orbis wide investment and benefits**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Investment	4.2	2.1	0.7	7.0
Benefits	(1.1)	(2.9)	(4.2)	(8.3)
<b>Net investment / (benefit)</b>	<b>3.0*</b>	<b>(0.8)</b>	<b>(3.5)</b>	<b>(1.3)</b>

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

#### **SCC share of investments and benefits**

	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>Total</b>
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	£m	£m	£m	£m
Investment	2.8	1.4	0.5	4.7
Benefits	(0.8)	(2.0)	(2.8)	(5.6)
<b>Net investment / (benefit)</b>	<b>2.0*</b>	<b>(0.6)</b>	<b>(2.3)</b>	<b>(0.9)</b>

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

36. Each organisation will determine separately how to fund their share of this investment and whether payback is required ahead of showing efficiencies in their budgets. The proposal is for SCC's share of the investment (£4.7m) to be funded as follows:

- Redundancy costs (approx £0.7m), whether through a voluntary severance route or as an outcome of restructuring activity, to be funded from the existing corporate budget for redundancy costs;
- IT and programme managements costs (approx £4.0m) to be funded initially from the corporate 'Invest to Save' fund, where investment precedes benefits, and then repaid to the Invest to Save fund before net benefits are reflected in the Medium Term Financial Plan (2016-21).

37. The profile of the SCC investments is set out below:

#### SCC profile of investments

	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m
Redundancy	0.1	0.3	0.3	0.7
IT & Programme management	2.7	1.1	0.2	4.0
<b>Total Investment</b>	<b>2.8</b>	<b>1.4</b>	<b>0.5</b>	<b>4.7</b>

38. Of these IT and programme management costs, the overall business plan requires that the initial investment of £862,000 needs to be confirmed now to fund the necessary programme resources until 2017/18 and IT requirements in the current financial year. The Investment Panel have reviewed the overall business plan and this initial requirement to ensure rigour underpins the plans. For the remainder of the programme, detailed business cases will be reviewed by the Investment Panel ahead of relevant Member decision.

39. To date the Orbis programme has been funded through a public transformation grant of £0.63m that was awarded in 2013. This grant has been used to meet the costs of the programme team and for some initial IT investment. Orbis have now fully utilised the grant funding hence the requirement for further investment of £7m, making a total of £7.63m.

#### **Section 151 Officer Commentary**

40. The Director of Finance confirms that the financial implications of this paper reflect the expectations of the Orbis Leadership Team and that most of the benefits and the investment requirements are not yet reflected in the Council's Medium Term Financial Plan / MTFP, but that this is the intention when the next MTFP (2016-21) is proposed by Cabinet in November 2015.



40. The business plan and the initial request for investment has been considered by the SCC Investment Panel (chaired by the SCC Director of Finance) who have reviewed the details underpinning the investment and benefit figures set out in this report. The section 151 officer supports the proposal to fund the investment by off-setting against benefits, initially funded by the 'Invest to Save' fund where necessary.

#### **Legal Implications – Monitoring Officer**

41. 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. However the Orbis three-year business plan is predicated on a financial investment by the Partner councils. Approval of that investment remains with the Cabinets of East Sussex and Surrey County Councils, and Members will wish to satisfy themselves that the business case for the proposed investment is sound and that proper governance arrangements are in place to ensure a controlled release of funds. Proposals are set out in the Financial and Value for Money Implications section of this report, starting at paragraph 33. On 28 September 2015, Orbis Joint Committee approved the business plan and has recommended the investment proposal contained within it to ESCC and SCC Cabinets for approval.

#### **Equalities and Diversity**

42. An introductory EIA has been produced; it is not possible to produce a full EIA 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.
43. The Orbis Leadership Team (OLT) will be accountable for ensuring that full Equality Impacts Assessments (EIAs) are performed at the appropriate stages; the introductory EIA identified that the Orbis Programme Team will factor impact assessments into the formal process and responsibilities of each work stream/programme and that relevant OLT member(s) develop and sign off the content of any impact assessments.

#### **WHAT HAPPENS NEXT:**

44. 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. That business case will go to Cabinet for review at a later date.

#### **Contact Officer:**

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#### **Consulted:**

- Chief Executives – East Sussex County Council (ESCC) and Surrey County Council (SCC)
- SCC Chief Executives Direct Reports (CEDR)
- ESCC Corporate Management Team (CMT)
- SCC Council Overview Board (COB)
- SCC Transformation Sub-Group

- SCC Investment Panel
- ESCC and SCC Council Leaders and Cabinet Members
- Orbis Leadership Team (OLT)
- Orbis 80 – group of nominated managers from the Orbis services
- East Sussex County Council Leadership Group and Surrey County Council Extended Leadership Team
- Board of the East Sussex County Council Audit, Best Value and Community Services Scrutiny Committee
- Trade Unions (East Sussex County Council and Surrey County Council)

**Annexes:**

- Annex 1 - Orbis Business Plan Summary
- Annex 2 - Orbis Business Plan

**Sources/background papers:**

- Orbis Business Plan