

Subject:	Orbis Partnership		
Date of Meeting:	13 October 2016		
Report of:	Executive Director for Finance and Resources		
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Ward(s) affected:	All		

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report provides the Committee with an update and recommendations relating to Brighton & Hove City Council's commitment to the Orbis partnership, which currently includes East Sussex and Surrey County Councils as founding partners.

2. RECOMMENDATIONS

That Policy, Resources & Growth Committee to note:

- 2.1 The key financial test has been met, i.e. that the trajectory of Orbis savings is sufficiently aligned with this council's requirements to make partnership working viable and desirable.
- 2.2 Detailed work will now commence to integrate the council's corporate services into Orbis, and that progress will be communicated to the Orbis partnership and staff.
- 2.3 By taking this decision now, the council will attain founding partner status and so have a stronger influence over how Orbis manages, shapes and develops its services; this will not be possible if a decision is delayed further.
- 2.4 Services are likely to fully integrate at different times, given their relative complexity, and the relative progress made to date; there is more work to do on Property & Design in particular to make the case for integration.
- 2.5 Investment resources required to achieve integration will need to be reviewed and factored into the 2017/18 budget round.
- 2.6 In parallel, further assurance will be sought over high level financial requirements for ICT and systems investment.
- 2.7 Existing Brighton & Hove staff will retain the council's terms and conditions and that trade unions will be recognised.
- 2.8 Committee previously delegated authority to the Executive Director, Finance & Resources to agree the timings for services to integrate into the Orbis model of delivery and to sign the Inter-Authority Agreement (IAA) once it is judged appropriate to do so, following consultation with the council's Lead Member for Orbis, the Council's Chief Executive and Monitoring Officer.

2.9 The two existing Orbis members will undertake due diligence with Brighton & Hove as an integral part of the integration plan, process and activities before all parties are in a position to enter into a binding Inter-Authority Agreement.

3. CONTEXT / BACKGROUND INFORMATION

3.1 The Orbis partnership is based on a 'collaborate to integrate' model. This means that it starts with developing strong working relationships and seeking areas where collaborative working can provide opportunities and benefits. The integration of services within Orbis can then be developed where this provides further opportunities and benefits. Orbis is committed to a people-centred approach with a focus on developing staff and building resilient shared services that are delivered by the public sector but also have the ability to grow by providing services to others. It achieves economies by creating scale, increasing standardisation where possible, and minimising duplication.

3.2 At Policy & Resources Committee on 3 December 2015 it was agreed that, subject to a period of due diligence, BHCC would become the third founding partner in the Orbis shared services partnership for business services, joining East Sussex and Surrey County Councils.

3.3 Services in scope for delivery via the partnership are:

- Finance (some functions included in Business Operations)
- Procurement
- Internal Audit
- Revenues and Benefits
- Human Resources and Organisational Development (again some functions included in Business Operations)
- ICT
- Property & Design Services

3.4 The outcome of the options appraisal, which was the substance of that report, was that the only viable options, given time, opportunity, and the requirement to deliver a 30% reduction in budget by 2020, were to enter into an existing partnership or to 'do nothing' other than continue to reduce budgets and the service offer. The options appraisal also explored large scale outsourcing for our support functions. This showed that this option was unlikely to deliver the pace or scale of savings required and would restrict those functions' abilities to support the council through change.

3.5 A paper at Policy & Resources Committee on 28 April 2016 provided progress on due diligence and identified the key areas that were being considered.

3.6 On 18 July 2016 a further paper was presented to the Orbis Joint Committee providing an update on progress against BHCC's key strategic due diligence 'tests' and highlighted issues to be resolved in order to reach a 'stop / go' decision. The BHCC due diligence process to date has been largely "on" Orbis. It has taken longer than anticipated. This is largely due to the level of analysis required to assess financial information; each authority structures services and apportions budgets in different ways, so it is not straightforward to achieve a like-for-like comparison.

3.7 Separately, Legal Services have developed Orbis Public Law in partnership with East Sussex, Surrey, and West Sussex County Councils. Proposals for Orbis Public Law will be the subject of a separate report to this committee in December 2016.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

Update on Due Diligence

Budgetary considerations (recommendation 2.1)

- 4.1 The council's corporate services are required to save approximately 30% of net costs by 2020. Table 1 shows the 2016/17 actual savings and future Indicative savings targets (against net budgets) for corporate services.

TABLE 1	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%
Total	18,840	2,013	10.7%	2,554	13.6%	1,337	7.1%	912	4.8%	6,815	36.2%

* 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.

- 4.2 In determining whether the council's savings requirement aligns with Orbis requirements, the budgets for all services need to be defined as either 'managed on behalf of' (MoBo) or 'operating services (i.e. in scope)'.
- 4.3 Budgets identified as MoBo will be retained by the sovereign authority for them to continue to make investment and business decisions. This means whilst the services provided through Orbis will support the identification and delivery of savings, the savings against these budgets and any efficiencies identified in these budgets will be fully retained by the sovereign authority. Budgets classed as MoBo are those that could not be reasonably shared, or those where the partners are unable to treat the budget in a consistent manner. This would therefore mainly include internal income budgets and corporate council contracts such as Corporate Landlord contracts, Banking contracts, Insurance, ICT hardware, staff advertising, legal fees, and audit fees.
- 4.4 Budgets identified as 'Operating Services' will be shared within the partnership with any savings and pressures shared across the partners in line with ratios to be specified by the IAA. Operating costs mainly cover most staffing budgets and team running costs.
- 4.5 Work has been undertaken to identify the council's budgets within these categories but some costs are likely to move between categories as further detailed work continues.
- 4.6 In order to meet the key test and provide a comparison of the council's savings targets against Orbis savings targets the council's services had to be re-cast in line with the Orbis

functions as well as allocated between MoBo and operating services.

4.7 Table 2 below shows proposed Orbis savings percentages against net budgets for each of its functions for the four year period 2016/17 to 2019/20.

Orbis Current Operating Budget	Net budget 2016-17 £'000	Projected Orbis Savings					
		2016-17	2017-18	2018-19	Total 2016-17 to 2018-19	Indicative 4th yr 2019-20	Total over 4 years
Property	10,274	0.5%	8.8%	11.7%	21.0%		
Finance	9,421	1.3%	5.6%	10.6%	17.4%		
Business Operations	5,171	14.8%	9.7%	9.7%	34.1%		
Procurement	3,496	-0.3%	9.9%	0.4%	10.0%		
HR	5,250	1.6%	7.6%	11.9%	21.1%		
ICT	17,004	0.8%	5.8%	7.2%	13.8%		
Management overheads	2,488						
Total	53,104	2.2%	6.9%	8.6%	17.7%	4.8%	22.5%

4.8 In the forthcoming financial year, the difference between the Brighton & Hove's required savings (13.6%) and Orbis' (6.9%) is too wide to look at integrating budgets. The council will therefore be reliant on existing plans to meet its budgets in 2017/18.

4.9 However from 2018/19 there is close alignment, so the 3 councils could pool budgets at that point. Although the two tables are not a *direct* comparison (because some services are cut differently in Orbis – para. 3.6) they do show that in 2018/19 the overall level of savings required is broadly similar (with the exception of Property Services for reasons outlined above).

4.10 The overall savings target for 2018/19 for the council is 7.1% compared to 8.6% for Orbis. For 2019/20 the council's requirement is 4.8% and it is expected that this will be comparable to the Orbis requirement.

4.11 Pooling budgets from April 2018 rather than 2017 is acceptable to existing Orbis partners, subject to the ongoing due diligence that is referred to in this report.

Assessment of 'fit' with Orbis (recommendations 2.2 – 2.5)

4.12 While work is at different stages for each service, there is sufficient assurance that the Orbis approach to integration can work for the council. The strong levels of engagement and understanding regarding Procurement and Internal Audit are evidence of this. There is also now a better understanding of activities across Orbis which has been achieved through:

- Engagement in Orbis project boards and governance;
- Senior management engagement of partners across all services;
- Sharing and understanding of organisational and staffing structures;
- Detailed sharing and understanding of operating service and MoBo budgets;
- Sharing and understanding of proposed savings targets and proposed measures to achieve them.

- 4.13 As a result, there is sufficient confidence that our financial and non-financial objectives are sufficiently aligned to signal to Orbis that BHCC would wish to pursue the integration of services as soon as possible. Commitment at this stage will ensure that BHCC are able to operate as a founding partner, and be able to influence the nature and shape of services within the Orbis framework from this point forward.
- 4.14 This commitment means that Brighton & Hove will immediately behave and operate as though it is part of Orbis, even in advance of agreeing an IAA and integrating budgets. This would initiate immediate actions with and in Orbis, including (but not limited to):
- Staff engagement and service and partnership visioning events;
 - Talent development and staff performance management;
 - Co-ordinated and collaborative recruitment and retention activity;
 - Joint communications;
 - Joint management team meetings;
 - Structured shared intelligence on key national policy changes, developments and consultation;
 - Evaluation of the opportunities for and implications of integration of management and staffing structures and responsibilities;
 - Starting the partnership due diligence on budgets, integration of budgets, partnership “shareholding” and delivery plans for savings in Orbis with BHCC integrating.
- 4.15 The above actions are part of the Orbis Partner joining process and supplement the due diligence already undertaken. It would ultimately lead to a revised Orbis IAA being drafted and presented for signing. At that stage all parties will be legally committed to the partnership.
- 4.16 From experience thus far, and recognising the significance of the commitment to join Orbis, it is important that the council properly resources integration work, or else pace is sacrificed, and partnership relationships could be strained. As a result Finance & Resources will need to make adequate budgetary provision as part of the 2017/18 budget round subject to the usual business case approval process.
- 4.17 For more information, in terms of progress made on a service by service basis in addition to the progress that has been made on evaluation of the overall operating model, please note the following:
- 4.18 **Finance:** Whilst the finance service and teams have been an integral part of the development of Orbis, progress on developing the finance service model through Orbis was deferred and has recently been reinitiated following the appointment of a single lead finance director.
- 4.19 In addition, plans to evaluate and implement a new Partnership wide Business Solutions Platform (or similar) are progressing which alongside the development of the finance service model will enable the greatest opportunities for savings and efficiencies to be targeted. Following a successful planning event on 28 September, Brighton & Hove will be working with the Orbis Director of Finance on the design of the service and the integration plans and timescales.
- 4.20 **Procurement and Internal Audit:** Through close collaboration with Orbis colleagues, it has been possible to achieve sufficient assurance that integration will safeguard current service levels and provide opportunities to increase resilience for both services. Procurement teams will build on existing close working that has led to the aggregation of a number of contracts and significant savings to be achieved.

- 4.21 **Revenues & Benefits:** Given that neither Surrey nor East Sussex have this service, the decision on whether to integrate into Orbis is largely strategic. For Orbis, integration is important, as this is the service that provides a fully rounded service offer that may be of interest to other councils, notably districts councils. A key issue to resolve is how this service will be managed given that it is unique to Brighton & Hove, and it incorporates specialist policy and delivery expertise not replicated elsewhere. This will be resolved by the Orbis Joint Management Board.
- 4.22 **ICT:** The analysis is that, in order to maintain and increase the resilience of our systems and platforms, integration with Orbis would be a viable solution. There remains detailed planning to do, but there is already significant alignment in terms of service requirements across all three councils, and the Orbis ICT structure largely maps well to what will work for Brighton & Hove.
- 4.23 Each partner within Orbis would still have strategies and programmes that are sovereign to the Council e.g. Finance strategy and Medium Term Financial Plan, workforce strategy, asset management and investment strategies. In this context, the Digital First programme would remain sovereign to the council.
- 4.24 **HR:** There is a strong rationale for integration including added resilience for a function that is at the heart of supporting change. Forthcoming work will include a review of how Orbis will provide services that reflect the council's culture and complexity. Integration here would also be supported by the move to a common Business Solutions Platform or similar (as for Finance). Detailed work has commenced following the appointment of the Orbis HR Director during the summer. As with Finance, full HR integration is likely to be dependent on joint procurement of systems.
- 4.25 **Business Operations:** The Orbis Business Operations service includes operational HR, and Finance functions such as payroll, recruitment, accounts payable and accounts receivable. Brighton & Hove is assessing the work that could be placed in Business Operations by process mapping across a number of services. Orbis colleagues are being kept fully apprised on this work to ensure any decisions are consistent with the partnership model of delivery.
- 4.26 **Property & Design:** Initial work commenced in September involving the Head of Property & Design and Orbis. This will be completed by Christmas under the direction of the Director of Economy, Environment, and Culture. A key aim here is that the asset strategy work that the Brighton & Hove team leads for the council is not disrupted, given its centrality to budget stability. At this stage there remains work to do to identify how the council's strategy can best be implemented by the partnership approach.

ICT investment requirements (recommendation 2.6)

- 4.27 Orbis is developing detailed investment plans for the consolidation and integration of ICT systems across the partnership. The most significant investment required is likely to be in joining up Finance and HR systems potentially onto a single platform. Any investment proposal would be the subject of a business case. It is not possible at this stage to identify costs or benefits however partners would need to agree commitment to invest once a solution is identified.
- 4.28 The council has made some provision for investment within existing budgets (£2.6m over 4 years), however this may not be sufficient meaning that any incremental funds will need to be covered either by borrowing or capital receipts, providing there is a viable business case.

- 4.29 The council will contribute to the development of a business case as part of joining Orbis and seek to identify a working financial assumption as soon as possible.

Impact on Staff (recommendation 2.7)

- 4.30 Clearly, the decision to move individual services towards integration will be of significant interest to staff, and it is very important that the period of uncertainty for those staff is brought to a close as soon as possible. Staff are being engaged on the plans for integration and the council will formally consult when detailed service proposals are clear.

- 4.31 Key points for staff include:

- The central Orbis design principle that it is a solution that is delivered within the public sector.
- Staff currently employed by the council will continue to be employed by the council, and terms and conditions will remain unchanged.
- Trade union recognition is maintained, and
- The process for agreeing and implementing HR policies will remain sovereign.

- 4.32 The closer integration of services will be assisted by the experience that Orbis has already gained from its work to join up Surrey and East Sussex. What worked will be adopted, and what did not work will provide learning.

Governance

Governance of the partnership

- 4.33 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 Councillor Leslie Hamilton has a place on the Committee but no formal voting rights. At the point Brighton & Hove is ready to formalise its place in the partnership, the Terms of Reference would change to incorporate the council's membership (as has been done with the Orbis Public Law Joint Committee) and be incorporated into an IAA.

- 4.34 A Joint Management Board of Senior Officers leads the delivery of Orbis and includes the council's Executive Director, Finance & Resources.

Towards an IAA (recommendation 2.8)

- 4.35 The existing IAA signed by Surrey and East Sussex provides clarity about the services to be delivered jointly, the financial contributions of each council, how budgets will be agreed, and the agreed contribution ratio.

- 4.36 The assessment of when the timing is right for Brighton & Hove to join Orbis has already been delegated to the Executive Director, Finance & Resources and this will be informed through the forthcoming integration work.

Orbis due diligence on the council (recommendation 2.9)

- 4.37 While consideration of Orbis has been the key focus, it is clear that existing Orbis partners have to be confident that integration with Brighton & Hove would work well for them. Forthcoming integration planning will provide the opportunity for this judgement to be made. Approval of the council's admission to Orbis would ultimately be a decision for the respective Cabinets of East Sussex and Surrey County Councils through the Orbis Joint Committee.

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. The outcome of this has differed across services, with very positive progress being made in some, but notably less with others. A second event for the 'Orbis Leadership Community' is scheduled for 24 November 2016.
- 5.2 A joint trade union meeting with representatives from the three partner authorities took place on 22nd April 2016 and a subsequent joint trade union meeting will take place on 27th October 2016.
- 5.3 For some services, senior managers have been involved in cross-working with Orbis, but this has not involved all staff. The Executive Director, Finance & Resources has written to staff periodically with updates on the due diligence process, however the level of detail it has been possible to share has until now been limited. Face-to-face meetings were held during the two weeks leading up to this Committee to ensure that staff are now aware of the direction of travel and the recommendations being made.

6. CONCLUSION

- 6.1 The due diligence conducted to date confirms that from 2018/19 the trajectory of Orbis savings aligns with this council's requirements and that detailed work to integrate the council's corporate services into Orbis can commence in conjunction with full engagement and consultation with staff and trade union colleagues. Communicating our intentions to Orbis partners would provide assurance to Orbis that it can commit resources to supporting the council's integration, and reduce the uncertainties facing Brighton & Hove staff. In addition the value of signalling this intent now means that the council will achieve founding partner status, and provide the opportunity to shape services going forwards.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 This report recommends that detailed work should commence to integrate corporate services into Orbis in order to meet the council's requirement to make savings in line with the indicative savings targets for 2018/19 to 2019/20 as detailed in paragraph 4.2.
- 7.2 The gross revenue budget for all the services (including Revenues & Benefits) is £44.2 million in 2016/17 with a net budget of £25.2 million. These budgets include areas that would be 'managed on behalf of' the council by Orbis and those operating services. In addition, a significant proportion of the councils capital programme will be 'managed on behalf of' by services within the Orbis Partnership.

- 7.3 Integration to the partnership will require investment and additional project support in some services for which business cases will be developed and approved as normal. Any future investment requirements and savings proposals will be included in the council's 2017/18 Budget and Medium Term Financial Strategy and reported to Policy, Resources & Growth Committee later in the year.

Finance Officer Consulted: Sue Chapman.

Date: 21 September 2016

Legal Implications:

- 7.4 As referred to in the body of the report at section 4.34, if the recommendations are agreed, the Inter Authority Agreement (IAA) between the Councils would be the mechanism through which Brighton & Hove formally joined the Orbis Partnership. The IAA would need to be amended to incorporate BHCC. Legal advice will be required in relation to this work and it is proposed that the IAA is agreed following consultation with both the Lead Member and the Council's Monitoring Officer.

Lawyer Consulted: Elizabeth Culbert

Date: 26th September 2016

Equalities Implications:

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

Sustainability Implications:

- 7.6 None.

Any Other Significant Implications:

- 7.7 None.

SUPPORTING DOCUMENTATION

Appendices:

None.

Documents in Members' Rooms

None.

Background Documents

1. Policy & Resources Committee Report December 2015
2. Policy & Resources Committee Report April 2016
3. Orbis Joint Committee Report July 2016