

Quarterly Market Insight

Understanding the external environment in which Orbis operates

August 2017

Introduction

Purpose:

Share 'snap shot' insights from the local, national and international arena to bring fresh perspectives to the Orbis Leadership Team, to support the ongoing transformation of Orbis in order to remain sustainable and continue to add value to sovereign authorities.

Context

- Orbis was created as the 'compelling alternative' for back office service delivery in the sovereign localities and has ambitions to pioneer new models of service delivery and learn from market leading practice in order to remain sustainable in a financially challenging context, whilst continuing to add value to sovereign partners
- EY has been engaged as a strategic partner to Orbis to support the ongoing development of the partnership and the transformation of services
- As part of innovation and opportunity development tier of the partnership, EY and Orbis have agreed to trial a quarterly market insight bulletin which shares 'snap shot' insights from local, national and international organisations
- The bulletin is designed to provide a high level overview of market and business developments, share examples of where new initiatives are being introduced in practice and raise questions for Orbis to consider as part of its ongoing evolution
- Further information is available relating to each insight as required
- As the bulletin is seeking to bring a diverse range of topical insights it is acknowledged that content will vary per bulletin and not all will be directly applicable to Orbis as a conscious attempt to stimulate different thinking and an alternative perspective. The usefulness of this bulletin will remain under review
- In addition, EY will continue to share relevant pieces of thought leadership and sector developments where relevant between the issue of the quarterly market insight bulletin.

Objectives

- Share a range of 'snap shot' insights from local, national and international organisations to bring fresh perspectives
- Showcase new models of delivery within the public sector being deployed in response to the most pressing business challenges
- Horizon scan for new and emerging ventures that EY and Orbis may potentially partner together to deliver, or that Orbis may wish to explore with sovereign partners
- Provide a framework to challenge thinking, shape solutions and support the basis of conversations with services and customers.

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1. EY Organisational Developments

1.1 EY Organisational Developments

EY launches Cognistreamer - an ideation tool to support staff to develop solutions to the most pressing market challenges



In June 2017 EY launched Cognistreamer, an ideation tool, to engage staff in ideation challenges to develop new solutions to the most pressing market problems. It provides a framework for ideas to be shared and the governance route to consider the business cases.



An example of how this has worked in practice:
Problem Statement - The NHS temporary workforce market is facing significant challenges with increasing demand and chronic workforce shortages. This results in supply and demand pressures and high agency fees for the NHS.

Solution - RightStaff is a new solution employing disruptive technologies to transform the way the NHS engages temporary workers by creating a direct relationship between NHS Trusts and workers. RightStaff is currently being piloted in a number of NHS Trusts.



How can Orbis support and encourage staff to generate new ideas?

EY has invested in the development of Purpose Led Transformation methodology to support clients to achieve transformation, innovation and growth

The approach focuses on aligning leadership and priorities; transforming at an agile pace; mobilising the organisational culture and; focusing on strategic thinking and innovation. A number of benefits are associated with Purpose Led Transformation including: developing strong brands; attracting talent and sustaining high levels of motivation; creating customer loyalty and advocacy; out-performing the market.



EY and Harvard Business Review Analytics research found:

- 91% of respondents identified that their company has or is working on developing a purpose, whilst less than half believe that their strategy is aligned with the purpose. Only 37% believe their operating model and operations are aligned to their purpose.
- 89% of clients believe that a purpose driven company will drive the highest quality products and services
- 72% of global consumers would recommend a company with a purpose
- Employees are 3 times more likely to stay and be 1.7 times more satisfied in a purpose led organisation.



Central to the Orbis 2027 vision is remaining purpose led. What check points will be in place over the next 10 years to ensure this is upheld?

1.2 EY Organisational Developments

EY has partnered with 100 Resilient Cities to provide advice and insight to the development of resilience strategies globally

More than 60% of the metropolitan regions that will exist in 2050 are yet to form. Forecasts indicate that over 3 billion more people will form part of urban areas by 2050.

Growth of this scale will place city infrastructure under increasing levels of stress, which will be further exasperated by extreme weather events and terrorism.

EY has partnered with 100 Resilient Cities to integrate resilience thinking into public and private sectors, providing strategic advice and insight to cities in the development of resilience strategies. This is part of a wider global collaboration across the public, private, academic and non-profit sectors.

EY and 100 Resilient Cities undertook research to support the development of resilience strategies. The key findings were:

- The perception regarding the level of understanding organisations have of the challenges to urban resilience varies; governments think they understand the challenges better than others think they do, whereas governments rate the private sector's resilience more highly that it does
- Resilience thinking is typically stronger at the earliest stages of the project lifestyle. As projects progress, the focus on resilience declines, particularly regarding finance
- Neither the private or public sector is confident that there are sufficient incentives to incorporate resilience into infrastructure projects.

How resilient are sovereign localities and what role is there for Orbis to strengthen resilience locally?

Example of where this has worked in practice:

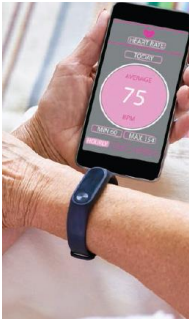
Rotterdam is a city of which 90% is below sea level and surrounded by water. The government developed a climate proof strategy to become more resilient to the effects of climate change. Initiatives have included "water plazas" - playgrounds that turn into water drainage systems during heavy rain - and a parking garage that incorporates an underground rainwater store. The strategy has delivered positive outcomes for local residents whilst increasing financial stability and strengthening the infrastructure investments made by increasing sustainability.



2. Local & National Insights

2.1 Local & National Insight

Embracing technology to meet health and social care whilst protecting against social isolation



Prevention and early access to health and social care are key to reducing costs associated with an aging population. To realise the benefits, service users and patients need to be supported to embrace new technology focused e.g. movement sensors. However, often devices are designed with active young people in mind therefore are they really adding value?

- A survey of UK, US and Singapore revealed that 57% of respondents are already using technology for disease management, whilst 61% are using them for health maintenance or wellbeing purposes
- However, the increasing use of technology to meet health and social care needs can lead to unintended consequences of social isolation, particularly within the older population
- Dr Susan Reinhard of AARP said “the effects of social isolation on longevity are equivalent to smoking 15 cigarettes a day”
- Technologies need to be user focused and incentivise service users and patients to try what is on offer.

How can Orbis support sovereign services to be intelligent purchases of technology and ensure that the appropriate reviews are in place to safeguard against unintended consequences?

Improving outcomes by breaking down silos across health and social care

The Engaged Aging Summit in May 2017 called for organisations to build ‘engaging aging strategies’ and shift a focus from disease management to disease prevention.

It is argued that the focus needs to be on engaging solutions that help improve wellbeing regardless of personal health status. The most effective solutions are predicted to be those that are technologically independent, community driven and focused on the needs of the whole person, breaking down silos between health and social care.

- In 1913 the average global life expectancy was 34 years; in 2001 it was almost 67
- Despite this improvement in life expectancy the characteristics of those later lives as a period of retirement and slow and inexorable decline remains in place
- Organisations that can create integrated offerings across health and social care, combining tools and services, are predicted to reap significant benefits in future years.

Orbis is already focusing on what health and social care integration means for its business. Are there opportunities to add value to local resident outcomes by developing integrated solutions?

2.2 Local & National Insights

Higher education institutions are increasingly considering public-private partnerships in response to growing financial pressures



Reductions in public funding and changes in demand are resulting in budget challenges and affordability concerns amongst many higher education institutions. Organisations are struggling to balance the requirement to provide high quality, affordable education to students whilst meeting the requirement to maintain, and often invest, in the estate and infrastructure. As competition to attract students increases, there is an increasing need to offer state-of-the-art facilities.

- Universities are faced with allowing facilities to deteriorate and forgo investment, thus becoming less attractive to prospective students, or attracting more students by taking on debt and/or raising tuition fees to finance new construction and renovations
- Public private partnerships are being explored as they can provide greater flexibility and efficiency when building, financing and maintaining infrastructure and facilities
- They are also be considered for the potential to share skills and technology to front office functions (e.g. enrolment management, student affairs etc) and back office functions (e.g. HR, Finance, IT and Technology).

Has Orbis explored its offer to local universities as part of the place based growth agenda?

Using Agile techniques to deliver process improvements at pace

EY is working in a blended team with Renfrewshire to identify and test how robotic process automation can be used to improve processes and realise capacity. Agile methodology is being used to enable the team to progress at pace to explore, develop and test new processes in order to 'succeed quickly' or 'fail fast'.

- An end-to-end demonstrator has been completed for a change in tenancy process within a three week sprint using agile methodology
- Following a successful pilot a new electronic process will be launching by the end of August
- 39 distinct processes will be streamlined to deliver a 3 day improvement in process cycle time
- The new process is expected to realise 1400 hours per month in potential savings, resulting in a 22.7% estimated productivity time saving.

What processes within Orbis can be further streamlined to release capacity?

2.3 Local & National Insights



Changing behaviours to improve service delivery and realise savings

EY is working with Croydon Council to introduce behavioural science as a way to improve services and deliver savings. A behaviour change hub has been formed which includes two in-house behaviour change specialists plus EY provides additional support for Warwick Business School. Over a 12 week period EY worked with Croydon to identify and deliver 45+ projects across all directorates.

The range of projects has spanned a revised approach to the resource allocation system for adult social care through to recycling and preventing dogs fouling in parks.



As part of the creation of income and debt centres of excellence for delivery across services behavioural science is being used as a preventative mechanism to support debt recovery. This includes conducting an SMS and email nudge trial across a number of services, updating the website to provide more information in payment options and using behavioural science to update invoices and rent statements.



Can Orbis utilise behavioural science in its services or those provided by sovereign partners to help manage demand?

Sustained budget pressures are driving policy makers globally to consider more effective budget strategies and seek strategic expenditure and performance reviews

Governments around the world are dealing with common issues that pose long term risks to their financial sustainability, for example, ageing populations, raised expectations of government services and increasing cost pressures. These budget pressures, along with rising levels of public debt, are expected to continue. As a result policy makers globally are seeking more effective budget strategies to support sustainability and improve outcomes.



More clients are approaching EY for strategic expenditure reviews that provide an objective assessment of government performance. The focus is on linking outputs and outcomes, and understanding cost effectiveness and value for money, giving consideration to expenditure and alignment of resource. Strategic expenditure reviews can be undertaken at both an organisation-wide level or applied to a particular service.

The aim is to support public sector organisations to future proof budgets and enable the better alignment of resources to objectives and priorities.



What measures are in place to review the alignment of budgets and resources against objectives and priorities, to ensure a reducing budget is used to best effect?



3. Global Insights

3.1 Global Insights

A growing focus on Smart cities

Between 2014 and 2050 the global urban population is set to increase by about 2.5 billion people. This increasing urbanisation is set to place significant pressures on city infrastructure and economies hence a growing narrative around smart cities.

Becoming 'smart' is focused on becoming more resilient to withstand the unexpected and drive the best outcomes for local residents. 'The Power of Three' are considered to be the key enablers to building resilient foundations - government, businesses and entrepreneurs.

- The Amsterdam Smart City programme is considered a leading example of a policy initiative for smart and resilient cities
- The programme is structured around four pillars: co-operation; smart technology and behaviour change; knowledge exchange; and economically viable initiatives.
- Initial investment has been focused on infrastructure, including large scale electricity generation and distribution, transport infrastructure and water and waste.

How can Orbis support sovereign partners to build resilience across the local areas?

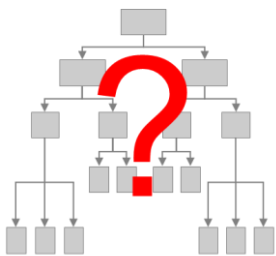
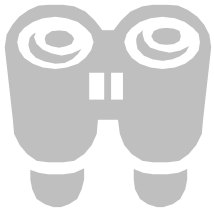
Flatter organisational structures and an empowering culture can stimulate innovation and drive success

Research suggests that to foster innovation organisations must establish a culture that embraces failure, cultivates talent and empowers employees with autonomy and creative licence.

Flatter organisational structures are considered to be enablers to rapid growth and success due to less bureaucracy and more efficient services.

- Supercell - a Helsinki based company founded in 2010 - has created some of the most popular mobile games globally
- The Founder and CEO attribute the organisation's success to its culture and people
- The company invests a significant amount of time in the recruitment process to select the strongest candidates; all prospective employees undertake a rigorous interview process before meeting the CEO
- The organisational culture is built on empowerment and enabling employees to direct their work and take decisions, rather than waiting for permission.

Does the Orbis organisational structure support workforce empowerment?



3.2 Global Insights

Women remain significantly under-represented in the senior public sector leadership roles in most G20 countries

Historically there has been extensive research and public sector commentary on the benefits of having women leaders on private sector boards, whereas similar research for the public sector has been relatively minimal. EY began producing the annual Worldwide Index of Women as Public Sector Leads in 2012 to better understand the current position of women in leadership roles across G20 countries.

In times of significant change for governments and the public sector, the ability to draw on a diverse pool of talent, including a mix of genders, ethnicities, ages and backgrounds is a critical factor in supporting organisational adaptation.

- Evidence suggests that diverse and inclusive leadership sparks better debate, stimulates innovation and enhances problem solving and decision making. In turn this can improve performance and outcomes.
- The latest Index, compiled in 2015, shows that women remain significantly under-represented in senior public sector leadership roles in most G20 countries
- It also demonstrates that women make up almost 50% of the public sector workforce but just under one quarter of public sector leaders
- EY research revealed that gender parity is crucial to overcoming the challenges faced by the public sector, yet 60% of respondents felt that they do not have sufficient diversity of thought and experience within the leadership team.

What is the composition of the Orbis workforce? How can further diversity be supported?

"The benefits of gender diversity have become increasingly clear. It makes good business sense. Gender diversity today is probably one of the key market competitive differentiators. The more diverse organisations are, the better they are at being able to win top talent and improve their customer orientation, employee satisfaction and decision-making. All of these lead to a more successful organization."

Mildred Tan, EY Asia-Pacific Emerging Market Leader



3.3 Global Insights

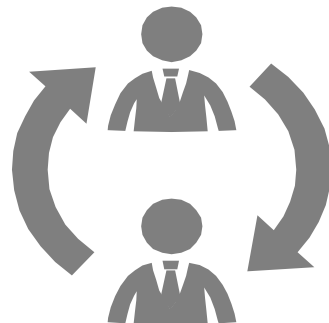
The approach to talent acquisition in government needs to be refreshed to remain attractive in an increasingly competitive marketplace

The 'government of the future' requires the right talent in middle and upper management to drive effective decision making and lead the execution of new service delivery models. As the skills and capabilities required change with a greater focus on digitalisation, the approach to talent acquisition also needs to be reviewed.

To be attractive in a more competitive marketplace research suggests that the value proposition should emphasise skill development and a sense of purpose at work. With employer-employee relationships becoming more impermanent the focus for the public sector recruitment needs to shift from building long standing loyalty to creating mutual value and an alliance for a common purpose.

- Young people are a shrinking proportion of the workforce; many agencies globally report a "generation gap"
- A UK Civil Service agency reported that the proportion of its workers in their 20s dropped from 14% to 9% over four years, whilst those aged 50 to 59 rose from 26% to 31%
- The National Audit Office has highlighted a significant risk of unsustainable cost reduction and/or service deterioration if the government cannot transform its digital skill set by 2020
- LinkedIn data (2015) on hiring and recruitment showed that government and the private sector were in competition for the same skills, with technical and data skills ranking highly.

How can the Orbis talent acquisition strategy be future proofed?



3.4 Global Insights

Dubai aims to be the first blockchain government in the world by 2020 to make it easier to do business

Blockchain is a distributed ledger that receives, validates and stores transactions permanently.

Dubai aims to lead the way and incorporate block chain into daily economic life and become the first blockchain government by 2020. They believe the technology can put them at the cutting edge of simplified record keeping and goods transportation and make it easier to do business.

By 2020 the aim is for 100% of applicable government services and transactions to happen on blockchain.

This is in addition to wider city aspirations of introducing mandatory rooftop solar power by 2030 and for 25% of fully driverless road transport to use AI also by 2030.

- Blockchain is becoming increasingly used by the world's largest corporations such as IBM, Microsoft and banks, to share and track information on transactions and contracts
- Blockchain can be used in a variety of government transactions, including collecting taxes, delivering benefits, issuing documents and recording properties
- Benefits can be realised by improving efficiency and effectiveness of operations, contract execution, customer experience, risk management and transparency.

Which transactions across Orbis are suitable for blockchain? What is the partnership's aspiration for its introduction?



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