

Quarterly Market Insight

Understanding the external environment in
which Orbis operates

December 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 develop 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 Absolute - a new digital offering which delivers bookkeeping, accounting and tax services to our clients

Embracing digitalisation, EY Absolute is a cloud based solution that enables us to support a client's entire record to report cycle, to deliver parts, or all, of finance functions, including invoice processing, bookkeeping and month-end close. The tool can also provide strategic management information via the digital platform, to provide capacity for clients to focus on added value activities.

This new digital platform is enabling clients to:

- Increase the capacity of finance functions to better manage demand
- Improve processes to shorten financial close cycles
- Provide access to cloud based technology that replaces multiple finance systems with a single interface
- Increase efficiency and reduce time spent reconciling data and improving the timeliness and accuracy of key management information, so they can focus on key strategic and added value matters.

What opportunities are there for Orbis to improve finance processes further through digital solutions?

Employee mental health is increasingly in the spotlight - organisations need to create the conditions for their people to perform well

Employee mental health is a growing concern for organisations. Posing a threat to organisational performance, many businesses are reviewing their culture and management behaviour and the impact this is having on employee wellbeing and mental health.

EY is trialling a 'Mental Health First Aiders' scheme in the Birmingham office. To increase awareness of mental health issues, triggers and the signs to look out for, a two day course is offered to all staff. The pilot is seeking to build on this and recruit 'mental health first aiders'; those that have attended the course can volunteer support and be a point of contact for colleagues that may have questions or need help. A buddy scheme has also been developed nationally and staff who have been on the training or who have relevant personal experience can become a buddy to provide short term support to another member of staff going through a difficult time in an informal way.

Is Orbis 'switched on' to employee mental health and the impact this can have on performance?



1.2 EY Organisational Developments

Cybersecurity Compromise Diagnostics - hunting for evidence of cyber attackers

Cyber attacks make headlines on a daily basis. We believe it's no longer a question of if our clients will be breached, or even when, it's likely to have happened already but the early signs of an attack may not have been noticed. The threats are constantly evolving, targeting all types of organisations and becoming more prevalent and high profile. Attacks are targeting sensitive information, intellectual property and critical network infrastructure. EY has developed a cybersecurity compromise diagnostic to help organisations identify signs of compromise. ALM Intelligence has recognised EY as a leader for cybersecurity and a 'best in class' provider in the capability area of enabling tools.

- 87% of board members and C-level executives have said that they lack confidence in their organisation's level of cybersecurity
- 64% do not have, or only have an informal, threat intelligence programme
- 57% of respondents have had a recent cybersecurity incident

A cybersecurity diagnostic helps organisations address threats, using market leading technology to detect suspicious processes and/or traffic, considering network traffic, host activity and the use of targeted analytics.

How prepared is Orbis to identify and respond to a cyber attack?

"Take the word 'prevent' out of the dictionary because organisations recognise that stopping sophisticated cyber attacks is unrealistic..."

The quickest way to identify and eject an intruder is to assume that they are already in your environment and to proactively assess your systems and networks for evidence of a compromise"

EY Thought Leadership



1.3 EY Organisational Developments

Wavespace - EY has launched flagship innovation centres across the world to drive transformation

The world is changing; our clients are looking for support to face the challenges ahead and capitalise on the opportunities presented in a context of continuous change, digitalization and disruption.

EY has launched a global network of growth and innovation centres, to help our clients catch the next wave in radical breakthroughs in business transformation by tapping into innovative thinking across disciplines, experience and industry sectors. Each centre is focused on developing specific disruptive growth strategies and technologies.

What has Wavespace delivered so far?

- 50 business processes have been developed, enabled by Blockchain technology, for customers in the financial services sector
- Helped an automotive company develop new mobility services, including on-demand taxi services, smart parking and ride sharing. These have been tested in major cities worldwide
- Created an innovation pop-up lab for a financial services client to drive the development and deployment of new technologies, products and services across the organisation.

How can Orbis tap into the latest trends and innovations?



1.4 EY Organisational Developments

Delivering Social Value - developing a record label to reduce re-offending by providing targeted employment opportunities

EY has teamed with Public - a service design company that uses its capability to deliver improved societal outcomes - to build a sustainable record label aimed at reducing re-offending.

As a result of austerity, the funding available for community based initiatives has reduced, yet demand for additional support within local communities is growing. Public have developed a series of training programmes for vulnerable people to encourage employability and personal resilience. Their aim is to build a sustainable business model in order to scale up the training in multiple locations to maximise the value they can add.



EY has teamed with Public to help develop a record label as a commercially sustainable proposition, aimed at providing employment opportunities for offenders.

Re-offending is currently at 44% and has been rising for the last decade. The number of people in prisons has doubled since the mid-90s. This needs to reduce and a key route to this is via employment.

We are supporting the development of a robust business plan to build a sustainable business model that will enable the record label to launch in Spring 2018 and secure investor funding.

The target is to reach 30% of the prisons in the UK in the first phase and 80% by year 5. By building a sustainable business, the aim is to reduce re-offending and violence for those involved in the record label to below the national average of 44%.

Combining our collective expertise and bringing together a network of public sector organisations, media and the voluntary sector to drive employability skills through public and private sector working.

Are any prisons within the Orbis localities interested in participating in the initial phases of this programme?

2. Local and National Insights



2.1 Local and National Insights

Addressing social challenges through technology solutions

UK innovation agency Nesta has found that there are almost 2000 technology driven ventures across Europe that are seeking to use their solutions to address major social challenges - and growing. A common issue has been the ability for these companies to successfully break the marketplace and develop their product at scale to remain sustainable. Further research by Nesta has demonstrated that this is typically a result of limited finance and digital skills and the absence of a holistic, well rounded proposition.

Alcove, one of the London Ventures programme partners, is a UK based company seeking to enable vulnerable people to live more independent lives by providing leading edge technology. The Internet of Things based system deploys cameras and sensors within a person's home and monitors activity, such as movement and taking medicines. This provides piece of mind to individuals and their families and is helping to manage demand in the social care system by enabling people to remain in their own homes for longer.

How can Orbis stimulate and support socially driven technology companies in its localities?

2.2 Local and National Insights

Insight driven transformation for social care professionals to support the protection of children at the right time with the right intervention

EYC3X is a new proposition being developed by EY and Xantura aiming to support the protection of children.

Why is action needed?

- Demand on social care services has increased every year since 2002 whilst budgets have reduced; necessary resources aren't in place to help children and families
- 390,000+ children are supported by child services in England (2016)
- £16.6bn+ was spent by local authorities on late interventions last year
- 90+ children are being taken into care every day
- Currently data is siloed, existing on different systems with leads to difficulty in getting a single view of the child and family to help understand which resources will be the most effective.

EYC3X have developed an advanced platform that uses predictive analytics to bring together data from multiple agencies. The proposition aims to:

- Provide targeted and effective earlier interventions
- Reduce adverse outcomes and costlier statutory interventions
- Support families faster and more effectively
- Automate information gathering across agencies to build chronologies and family compositions faster and eliminate human error input
- Digitalise information sharing across agencies such as Local Authorities, Health, Education or between Local Authorities
- Digitalise key process to build a sustainable model that can flex, adapt, develop overtime and respond to changing priorities.



What could Orbis do to support children's social care services regarding early intervention?

2.3 Local and National Insights

Investing in future leaders - putting the Apprenticeship Levy to good use

Organisations across the UK are facing significant challenges in building the skills, knowledge and attributes in their employees to equip them to respond to what is being described as the fourth industrial revolution - digitalisation - and the future world of work.

The Apprenticeship Levy has been introduced to encourage companies to invest in people development. This is a new payroll tax of 0.5% on organisations whose payroll is greater than £3m per tax year. These organisations face a "use it or lose it" challenge to grasp the opportunity of additional investment in the skills of their workforce.

EY has joined with Henley Business School to provide a market leading Apprenticeship programme. This strategic collaboration brings together Henley's quality of teaching and learning as a triple accredited business school with EY's capability to manage a quality service for employer organisations.

Henley and EY will work with organisations to co-create an executive education programme which aligns with the defined apprenticeship standards. This will allow organisations to utilise their levy contribution productively and strategically with a leading business school. Apprenticeships offer a platform for 'work based learning' where people in the workplace can use their work experience in the classroom - and apply their academic learning in real work situations. This will provide organisations with more productive managers, capable of developing the business further.

How will Orbis invest in its future workforce and provide opportunities for local residents to develop new skills and expertise?



3. Global Insights



3.1 Global Insights

Analytics as a competitive differentiator - using data to transform traditional process driven organisations to outcomes focused organisations, driving decisions based on insights and enabling value to be measured

The strategic use of data is transforming traditional process driven organisations to help them become more competitive, increase revenues and profits and better manage their risk. Leading organisations are using data as a strategic asset and building entire business models around leveraging insights to deliver exceptional products and services. Top performers with advanced analytics strategies are more likely to achieve a growth in revenue and operating margin of circa 15% and improve their risk profile. Those that are not making progress fast enough are at an increased risk falling behind current and emerging competitors.

EY and Forbes Insight conducted a survey of more than 1,500 global executives regarding the use of analytics. Several over-arching themes emerged, including:

- An analytics strategy that spans the entire business is something only leading organisations have been able to achieve
- Less mature organisations tend to focus on pockets of analytics capabilities, not the end to end offer
- A common blocker to success is a lack of collaboration and alignment of the management; cross-departmental co-operation is essential
- Senior leaders need to understand the potential of analytics and champion this
- Centres of excellence can be a useful way to inject pace and bring clarity
- More than half of survey respondents plan to significantly invest in data and analytics resources over the next two years.

What is the ambition of Orbis regarding analytics?



3.2 Global Insights

In a context of digital disruption, the importance of Procurement as a 'value add' service is at its height

The rise of digital technologies and innovations creates both opportunities and threats for organisations. The Procurement function is increasingly being regarded as an enabler to retaining a strong position in the market.

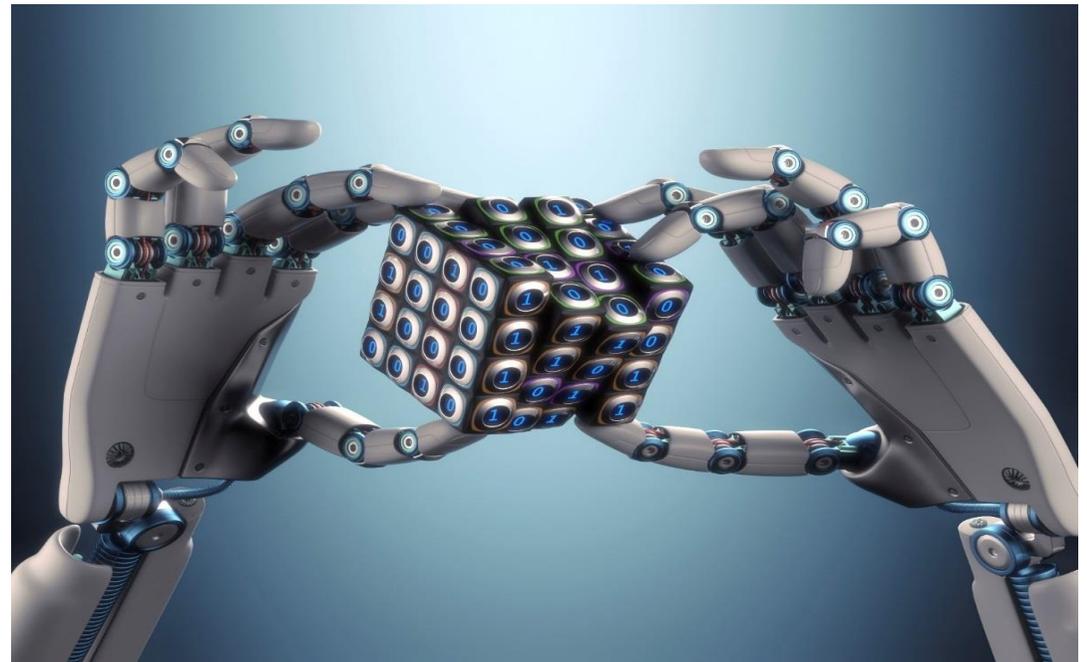
Procurement's growing role is recognised as:

- Activating the strategy - translating strategy into effective supplier relationships
- Managing risk - balancing risk by protecting the organisational brand in the market, minimising supplier disruption and being compliant
- Driving internal and external innovation - building strong relationships with suppliers and taking a collaborative approach to solutions can protect the bottom line
- Leveraging data to drive outcomes - integrating multiple sources of data to influence service delivery and improve outcomes
- Maximising financial benefit - strategic, cross functional purchasing can ensure the business obtains maximum value for every pound spent

Which digital developments will enable better procurement?

- Robotic Process Automation
- Blockchain
- Cloud based platforms and trading networks
- Internet of Things
- Big Data and Analytics
- Professional Social Intelligence

Is Orbis exploiting digital enablers to maximise 'value add' Procurement?



3.3 Global Insights

Challenging the art of the possible - meet Sophie, an emerging digital health assistant

Telemedicine company - MD Live - has launched "Sophie", an artificial intelligence chatbot. Users connect with Sophie via the web to register for health services. In 2018 the aim is for Sophie to be able to successfully schedule appointments with a GP, undertake a triage function and recommend a virtual or a face to face GP visit depending on the symptoms. By increasing access to information and providing a forum to explore symptoms, users will be supported to make better choices about their treatment options and reduce demand on the health system.

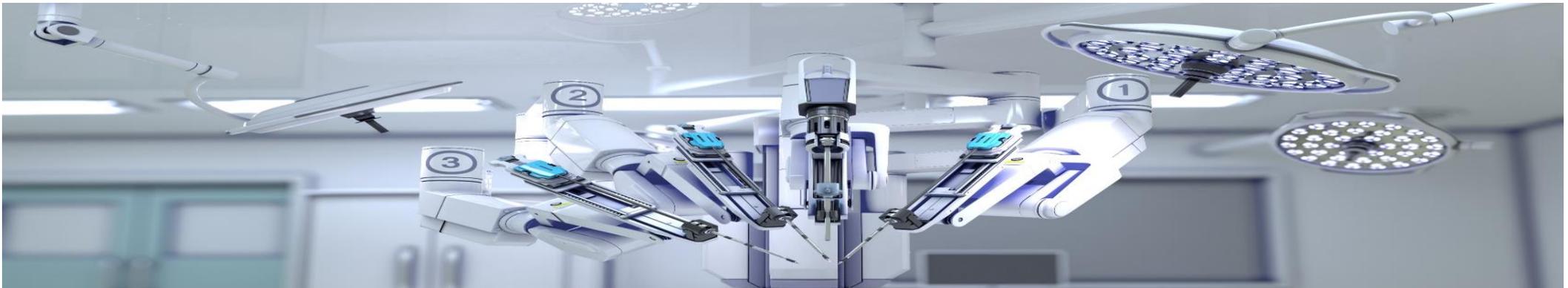
CareRooms - a start up company aiming to introduce Airbnb style stays for patients recovering from operations

CareRooms is seeking to trial an innovative new idea whereby patients recuperate from operations in local resident's homes in an attempt to reduce pressures on hospital discharge. "Hosts" could earn up to £50 per night for providing accommodation and basic care for hosting a patient. Conceptual at present, CareRooms is exploring the solution and seeking to secure an NHS provider to trial this approach.

Cera Care is using artificial intelligence to advise patients on health conditions

A London based social care start-up has developed an Uber-style platform to match carers and patients. It is aiming to use artificial intelligence to help carers and patients answer questions, with aspirations in the future to enhance this further by using the technology to help spot early symptoms of illness.

To date, Cera Care has raised £2.7m of funding and entered into a partnership with Barts Health NHS Trust and several commissioning groups across London to test its solution.



Technology driven solutions aimed at the health sector are on the rise. What technology solutions could Orbis invest in to add value to drive change in front line services?

3.4 Global Insights

SSON's State of the Shared Services Industry report cites a growing shift way from purely transactional shared services towards knowledge and "value add" services

The Shared Service and Outsourcing Network (SSON) recently undertook a survey including more than 400 shared services and outsourcing practitioners, representing centres from across the globe, to understand current trends.

The key headlines that emerged included:

- Most shared services operate with 2-5 ERP systems; convergence isn't a pre-requisite to success
- Two thirds of shared services have a multifunctional service model in place and almost 60% are founded on an in-house model of delivery
- There is a growing trend towards customer centric services - partnerships and collaborations are becoming more common as a way to improve performance
- The majority of shared service operations rely on continuous improvement and process excellence to drive performance. Digitalization is not yet recognised as a performance enabler on the whole, unlike in front line operations
- The majority of shared services operate on a break even basis, with just a quarter working for profit
- Typically there is a transition away from blanket 5% efficiency targets to instead measuring efficiency based on the ability to expand the scope and volume of service without increasing headcount
- The majority of respondents view process automation as a core shared service capability of the future
- There has been a marked shift away from purely transactional services towards knowledge "value add" services; 70% of respondents confirm that they are actively shifting in this direction.



Which value propositions to industry trends reinforce and what additional questions do these trends raise for Orbis?



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