

RESOURCES AND PERFORMANCE SELECT COMMITTEE

18 October 2019



Orbis Value for Money Update

Purpose of report:

To update the Committee on the development of the Orbis Partnership, the benefits delivered to date, and an overview of future plans.

Introduction:

1. Orbis is a partnership between Surrey County Council (SCC), East Sussex County Council (ESCC), and Brighton & Hove City Council (BHCC) delivering back office and professional support services through an Inter Authority Agreement.
2. It was established, originally between SCC and ESCC, as a positive response to the financial challenge facing local authorities: to “deliver excellent services with the customer at the heart of everything we do, in a way which is sustainable and protects front line services, enhancing local residents’ experience with the Councils”.
3. The Partnership has delivered significant benefits for all three partner Councils since its inception. Five years on since Orbis was created, a strategic review has been undertaken to set the direction for the next three to four years for the Partnership.
4. This report focuses on the outcome and implementation of that review, but also provides an update on the delivery of benefits via the Orbis Partnership.

Strong Foundations

5. The Orbis Partnership was created to

- a) Drive efficiencies by standardising the way we work and removing duplication
 - b) Share resources, expertise and knowledge to identify best practice approaches that best meet the need of our customers
 - c) Create greater operational resilience
 - d) Deliver greater value for money, placing customers at the heart of everything that we do
 - e) Improve customer service and enable customers to access services more easily
6. Orbis has delivered successfully to date, demonstrating its ability to withstand shocks, accommodate changing circumstances, and flex to meet increased demands on services from the sovereign councils, whilst still delivering savings. Savings of £16m have been delivered up to the end of 2018/19, with a further £3.2m of savings budgeted for 2019/20.
7. Savings attributable to SCC from this programme are as follows:

	To 31/3/19 £000	2019/20 £000
Business Operations	2,940	770
Finance	2,976	338
HR & OD	2,054	700
IT & Digital	4,005	500
Management	200	0
Procurement	866	873
Property	3,001	0
Total	16,042	3,181
SCC share	10,517	1,756

Note: SCC contribution savings to 31/3/19 are more than 55% of total because SCC share was 70% prior to BHCC joining the partnership.

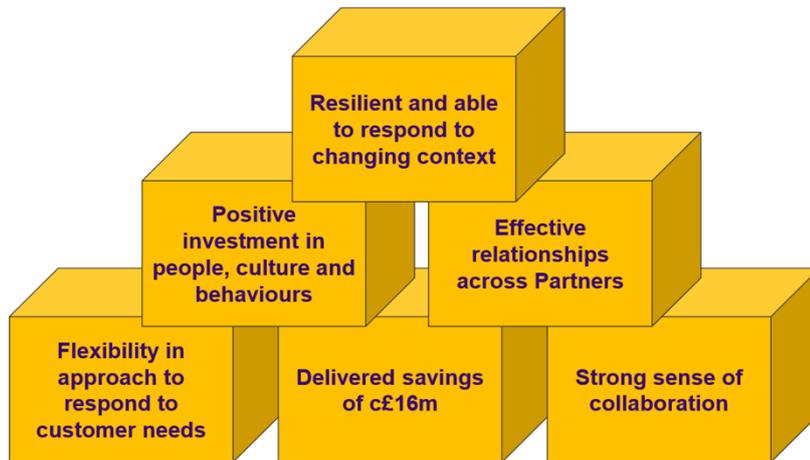
8. During 2018, SCC launched a Transformation Programme and embarked on a very significant period of organisational change. In part, this was a recognition that the approaches taken to manage the impacts of year on year budget reductions since 2010 were no longer sufficient to achieve financial sustainability.

9. The change of organisational direction taken by SCC placed stresses on the operation of Orbis, with new demands being placed on strategic support services inside and outside of the Orbis arrangement. In light of this, the three Orbis partners agreed to undertake a review of the Partnership to ensure that it was well set for the future, and could respond dynamically to the changing context and demands of its partner councils.

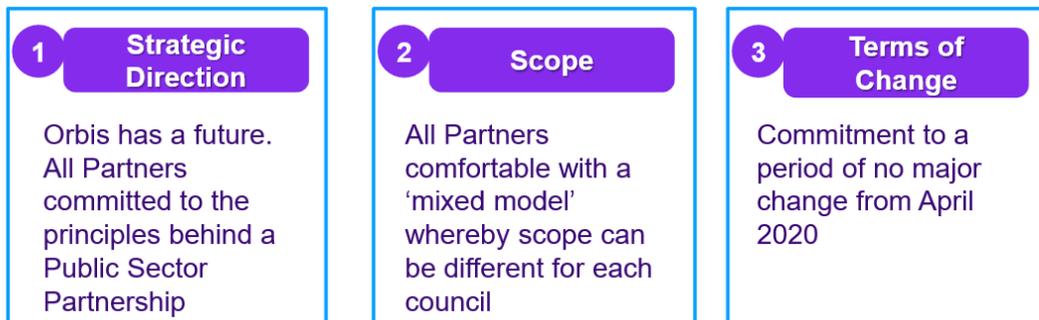
The 31ten Review

10. In December 2018 the Chief Executives of the three Orbis partner councils agreed to commission a review of the Partnership. Boutique consultancy 31ten were engaged to undertake the work. 31ten were able to demonstrate a relevant, insightful and up to date understanding of the local government shared services landscape, and were therefore well placed to support us on this work.
11. Although it is probably fair to say that it was SCC's transformation work that initially prompted the call for a review of Orbis, it was quickly recognised that the whole strategic context that the Partnership was operating in had moved on significantly since it was created, including partly as a result of the success of the original endeavour with Orbis. Importantly this helped ensure that the review was undertaken as a joint piece of work across the Partnership, and taking into account views from all quarters.
12. The review by 31ten was completed in April 2019. It reinforced the point that the strategic context within which Orbis was operating had changed significantly, and that there was a risk that if not responded to appropriately this could undermine the success of the Partnership in the future. The report referred to this as a 'pivot point' (or inflection point) for the Partnership, and concluded that the Orbis Partners were well placed to respond to this.
13. The recommendations flowing from the review have been accepted by the partner councils, who have tasked the Orbis Joint Management Board (JMB) with implementing them. The JMB consists of the Chief Operating Officer from ESCC, the Executive Director of Finance & Resources from BHCC, and the Executive Director of Resources from SCC.

14. The review concluded that the Orbis Partnership had delivered for the partner councils, and that it provided a strong foundation for the future:



15. The recommendations included a renewed focus on an agreed set of core services, and a medium term commitment to the future of the Partnership from all partner councils. One implication of this was changes to the services that would be included in the Partnership, necessitating that some would return to 'sovereign' or single organisation models of delivery.



16. The proposed service reconfiguration of Orbis is set out in the following table:

	HR/OD			Finance			Property			Procurement			IT&D			Bus Ops		
	Strat	Pro	Ops	Strat	Pro	CoE	Strat	Pro	Ops	Strat	Pro	Ops	Strat	Pro	Ops	Pro	Ops	
BHCC	✓	✓	✓	✓	✓	✓	✗	✗	✗*	✓	✓	✓	✓	✓	✓	✓	✓	**
ESCC	✓	✓	✓	✓	✓	✓	✗	✗	✗*	✓	✓	✓	✓	✓	✓	✓	✓	**
SCC	✗	✗	✗	✗	✗	✓	✗	✗	✗*	✓	✓	✓	✓	✓	✓	✓	✓	**

17. All three councils will continue to receive Procurement, IT&D, and Business Operations services provided from within the Orbis Partnership. All three Council's will remove Property Services from Orbis. ESCC and BHCC will continue to receive HR and Finance services from within Orbis, whereas for SCC, HR and the vast majority of Finance services will be removed from the Partnership and return to operating as 'sovereign' functions.
18. The implementation of the proposed changes is intended to take effect from 1 April 2020.

Rationale for Review Recommendations

19. The review endorsed the importance of sovereign decision making in terms of the make-up of the service partnership. In that sense, the view of each client council is most important in deciding which services are provided from within the Orbis Partnership. Most relevant therefore in the analysis below is the thinking behind SCC's decision to change its requirements of Orbis, but it is useful to understand that the focus of the review was on qualitative and perception based information, rather than on quantitative and performance information.

Property Services

20. The review concluded that all three councils would withdraw their property services from Orbis, albeit with some review work commissioned to identify areas where continued sharing or integration could bring benefits.
21. Whilst the significance of the property support required for SCC's transformation agenda was a factor in this thinking, it more broadly reflected the fact that despite substantial effort and investment of time, work on integration to date had realised proportionate dividends.
22. All three councils were clear on the importance of having more direct control over their strategic property functions. Whilst it was recognised that some specific areas of the service might benefit from a 'centre of expertise' (integrated) approach, further work was required to establish these subsequent to the main review work.
23. In anticipation of the implementation of the changes, SCC has created and appointed to a new Director of Land and Assets role within the Resources Directorate. Patricia Barry joined us

from the Valuation Office Agency at the start of October. The new Director will be responsible for putting in place a sovereign SCC Land and Assets team in line with the timetable for the implementation of the Orbis review.

Human Resources and Organisational Development

24. The review concluded that whilst ESCC and BHCC would continue to receive their HR support via Orbis, SCC would revert a sovereign function.
25. Part way through 2018/19, integration work in HR had been put on hold, or 'Paused'. This recognised that the effectiveness of the strategic HR function in particular was of crucial importance to the transformation work being undertaken at SCC. This thinking was then applied through the 31ten review.
26. It is evident from the divergent conclusions reached for SCC service compared to ESCC and BHCC, that it is entirely reasonable to provide the HR service from a shared or sovereign position. Whilst there are some logistical reasons which make sharing of some services easier between ESCC and BHCC rather than SCC, the more important factor was the strategic importance placed on a distinctive HR service and offer by SCC.
27. It is inherent in shared arrangements that to access the benefits that sharing brings requires relinquishing of some direct control of the shared service. It therefore follows that those services that work best are those where the sovereign council is most willing to sacrifice a tailored or bespoke service, and happy to accept compromise in dictating the particular method of delivery in return for the resilience and economy that sharing can bring.
28. SCC's decision to move to a sovereign HR service is a reflection of the premium placed on an effective HR/OD service, and the importance of it to the wider organisational transformation that is a strategic priority for SCC.

Finance

29. Following the CIPFA review into the Council's financial plans and finance function undertaken in the summer of 2018, integration in Finance was also 'Paused'. The Finance Improvement Plan, produced in response to CIPFA's review

and agreed at Cabinet on 25 September 2018, included acceptance of the recommendation that the finance function was restructured.

30. This direction of travel was reflected in the work undertaken by 31ten. Similarly to HR, a judgement was made that there was an imperative to take direct control of the finance function, and to reshape it to support the County Council's transformation agenda.
31. Prior to the application of the pause on integration, a series of 'centres of expertise' were created across the partnership. These integrated teams cover financial accounting, tax, treasury management, and insurance. It is proposed to maintain these arrangements.

Procurement, IT&D, Business Operations

32. Following the review of the Partnership, the three councils have committed to the services that will be provided to them via Orbis from 2020 – 2023. For SCC these will be Procurement, Information Technology, and Business Operations.
33. In each of these areas, we will continue to look to leverage the benefits of shared services and investment, whilst guarding against complexity adding additional costs and bureaucracy to our operations.
34. Delivery via Orbis will not affect the need to transform these services as well as our other enabling and support services. We need to make sure that we provide the absolutely best tools and support to allow our service directorate colleagues to achieve great outcomes for Surrey residents and businesses.
35. One example of joint investment in the development of the Partnership is our new 'Developing Partnering Excellence' Programme. Leaders from across the partnership will be undertaking the programme, working alongside each other to learn valuable skills and to build effective relationships to support future service delivery.

Review of Financial Contributions
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36. The Orbis Partnership is amongst the largest local government shared service arrangements in England. The

financial contribution that SCC makes to cover its share of the costs is significant in the context of the council's budget.

37. The formula for distributing the cost of the partnership is called the ACR (Aggregated Contribution Ratio). Since the inception of the partnership, this has been based on the initial cost of the services at the point of entering the partnership. All savings made in the partnership have since been shared based on these fixed proportions.
38. Changes to the configuration of services within the Partnership makes a review of the ACR a requirement of the implementation process. Removing services will change the proportion of the costs due to each council. The changes also allow a wider review of the charging mechanism to be undertake.
39. The current contributions to the Orbis Joint Operating Budget are set out in the table below:

	Staffing £000	Non Staffing £000	Income £000	Net £000
Business Ops	10,570	1,612	-6,337	5,844
Finance	12,230	472	-2,304	10,398
HR&OD	6,406	683	-1,283	5,806
IT&D	21,397	1,532	-3,052	19,878
Management	649	1,924	0	2,573
Procurement	4,685	214	-235	4,663
Property	12,509	418	-1,480	11,446
	68,446	6,854	-14,692	60,608

BHCC Contribution	21.4%	12,985
ESCC Contribution	23.6%	14,286
SCC Contribution	55.0%	33,338
		60,608

40. The impact of revisions to the ACR will be reflected in the council's budget for 2020/21. At this time it is expected that the new charge will be consistent with the amount allowed for in the Resources budget envelope for that year.

Conclusions:

41. The Orbis Partnership has delivered very significant financial and non-financial benefits to the partner councils, as well as

numerous schools and other public sector bodies who are clients of Orbis.

42. The review undertaken earlier this year looks to set the foundations for this success to continue into the medium term future. Changes as a result of the review include revisiting which SCC services are provided from within the Partnership, with a focus on IT&D, Business Operations and Procurement from 1 April 2020 onwards.

Recommendations:

43. The Committee is recommended to:
- a) note the cumulative benefits delivered via the Orbis Partnership
 - b) review the proposed changes to the structure of the partnership
 - c) agree a time frame for a further report on progress towards implementing the recommendations

Next steps:

Implementation of the recommendations arising from the review of Orbis is progressing towards the target date of 31 March 2020. Further updates could be made to the Committee on success and lessons learned post implementation of the changes.

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Sources/background papers:

Review of Orbis Partnership – 31ten Consulting.

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