

**CABINET****12 JUNE 2013****REPORT OF THE DIRECTOR OF DEVELOPMENT AND ENVIRONMENT****1. ENVIRONMENTAL HEALTH SHARED SERVICE**1.1 Issue for Decision

To present the Environmental Health Shared Service business case for approval to enter into a shared service.

1.2 Recommendation of the Director of Development and Environment:

1. That approval be given in principle for the creation of a shared Environmental Health Service between Maidstone, Swale and Tunbridge Wells Borough Councils;
2. That a two site model, located at Swale and Tunbridge Wells, with a single shared Environmental Health Manager be developed as the preferred model, with the stipulation that Maidstone be treated as a single territory for the delivery of its food and commercial premises inspections;
3. That an interim Shared Environmental Health Manager be appointed for a period of 6 months to develop the organisational and operational arrangements for the shared service, including identifying the financial implications of the model and reviewing the service delivery arrangements for premises inspections and environmental permitting for the partnership as a whole ; and
4. That Overview and Scrutiny be invited to comment on the proposed operational model for the shared service before final approval and that delegated authority for this decision be given to the respective portfolio holders for Environmental Health at each authority.

1.3 Reasons for RecommendationBusiness Case and Preferred Model Assessment

- 1.3.1 A shared service business case (Appendix 3) for Environmental Health has been produced using the new gateway model of decision making (Appendix 1). The purpose of the new model was to speed up the decision making process as trust has built up in shared services as a viable delivery method for council services that delivers service improvements, resilience and savings.
- 1.3.2 The MKIP Board approved the business case report for Environmental Health at their meeting in March 2013, recommending to the Cabinets

that a shared service be approved in principle and a shared manager be appointed. However, due to wider partnership considerations the Board did not agree which of the two deliverable models put forward by the project team would be the preferred model.

- 1.3.3 In order to take a recommendation on preferred modelling forwards, additional discussions on the strategic merits of the models have taken place with Chief Executives. The highest scoring model in the business case is one site, with a two site model also considered to be deliverable and both scored highly enough to be acceptable models. Crucially, no fundamental technical or operational reason has been identified to prevent an Environmental Health shared service.
- 1.3.4 The vision for the shared service, which is not reliant on the delivery model, involves enabling staff through the use of ICT systems and mobile working technologies that will change the way in which Environmental Health will be delivered. Joined up ICT systems will be crucial to ensuring that resilience, the primary objective of forming a shared service, is improved and service quality is maintained in the short term and improved as the service is developed. A joint procurement exercise for a planning and environmental health system across the three partners is underway and will support the delivery of the shared service.
- 1.3.5 In order to produce a successful shared service and to ensure delivery from the investment made by MKIP authorities performance management will be integral to service delivery. Embedding that approach and culture into the team is a crucial part of forming the shared service and robust service level agreements will underpin the service. Performance reporting will be done individually to each authority, sharing performance indicators where suitable but allowing for bespoke local indicators as required. Benchmarking versus pre-shared service performance will be undertaken to ensure that service levels are maintained or improved for each authority and their customers.
- 1.3.6 There are several strategic factors that impact on the relative scoring each authority gives to the assessed models produced in the business case:
  - The functions that have been included for that authority, for example, Environmental Enforcement functions for Tunbridge Wells and the political and strategic importance of those functions
  - The relative impact of moving staff out of each borough when viewed alongside other shared services and staff transfers
  - The need to deliver a consistent and resilient service for each partner
- 1.3.7 MKIP has recognised that as more services are shared the relative impact of shared service staffing arrangements and management has consequences for each authority. As the size of MKIP increases further it

reaches a point (referred to as reaching 'critical mass') where these factors need to be considered and addressed. An MKIP project is underway to determine the future of MKIP's structure and look at the best ways of dealing with these issues. One such issue is the movement of staff out of an authority to another, such as with Human Resources (Swale) and ICT (Swale and Tunbridge Wells) staff moving to Maidstone as their employer and changing location reducing bodies 'on the ground'. Without having fully assessed these impacts before the completion of the MKIP Employment Model project the relative impacts are being managed by each authority and factored into their own strategic thinking on shared services.

- 1.3.8 As a result the preference from Swale and Tunbridge Wells was for the two site model of operation. However, this model as proposed in the business case raises operational risks for Maidstone in the delivery of its food and commercial function. As a result it has been agreed that the only way in which Maidstone would find the two site model acceptable would be for the delivery of its food and commercial functions to be from one of the sites and not split across two.
- 1.3.9 Making the operational change for Maidstone improves the relative merits of the two site model for Maidstone. However, additional work will need to be carried out to fully assess the impact of the changes on the model put forwards in the business case. In principle two sites can be agreed, with the Chief Executives, in consultation with Leaders, approving the final operational model of the service. The project team supporting the Shared Environmental Health Manager will need to prioritise this work.
- 1.3.10A crucial part of this work will be determining contracting arrangements for the Food and Commercial functions. Currently, Swale contract out lower risk premises inspections and the contract can be reviewed in August 2013. Whether the service is brought back in house, or one or more of the partners joins the contracting arrangement will have an impact on how services are delivered from the two sites.
- 1.3.11The business case at appendix 3 is the business case approved by the MKIP Board in March 2013. Since that meeting the work on determining the model and more information being available from the ICT procurement project have caused amendments to the business case. These are summarised in appendix 2.

#### Project team and staff involvement

1.3.12The Environmental Health project team consists of:

- Director of Development and Environment – Jonathan MacDonald (project sponsor)
- Assistant Director/Heads of Service for Environmental Health – Steve Goulette, Brian Planner and Gary Stevenson

- Environmental Health Manager – Tracey Beattie
- Human Resources Manager – Nicky Carter
- Financial Business Analyst – Denise Johnson; and
- MKIP Programme Manager – Ryan O’Connell

1.3.13 Staff were engaged early in the process with the aim of bringing them on board with the potential change at the pace demanded by the new gateway model. It needs to be recognised that staff do not have direct experience of delivering shared services to draw from when carrying out the speedier gateway model and the management of this is a key area of learning for the new model.

1.3.14 Numerous comments, concerns and issues have been raised by staff as part of this process. These are captured in Appendix D to the business case. It is fully expected that staff would raise concerns with any change proposals of this nature and it needs to be considered that the staff have personal as well as service consequences to consider. As shown in Appendix D to the business case staff have carried out significant work of their own volition and have engaged constructively with the process. All staff comments and views that have been submitted to the project team are available for the Cabinet to view on request.

#### 1.4 Alternative Action and Why not Recommended

1.4.1 Alternatives are considered in the business case. Two viable models were assessed and produced and for the strategic reasons outlined in this report the 2 site model is recommended. However, as further work is required on the operation of the two site model it is recommended that the decision to enter into a shared service be in principle and the outcome of the interim Environmental Health Manager’s work be reported to portfolio holders for final approval.

#### 1.5 Impact on MKIP Objectives

1.5.1 MKIP’s objectives are:

The objectives of the Mid Kent Improvement Partnership are to work together in partnership-

- (a) To improve the quality of service to communities;
- (b) To improve the resilience of service delivery;
- (c) To deliver efficiency savings in the procurement, management and delivery of services;
- (d) To explore opportunities for trading in the medium to long-term;
- (e) To share best practice; and
- (f) To stabilise or reduce the environmental impact of service provision.

1.5.2 Producing shared services delivers against objectives (a), (b), (c) and (e). For Environmental Health objective (b) is the primary driver.

1.6 Risk Management

1.6.1 There is a risk that a business case is produced that is not deliverable and investment is therefore made on an unreliable basis. This report sets out a sound business case for Environmental Health with significant work on finances carried out.

1.6.2 All significant service changes, such as restructuring to form a shared service, involve employment and other legal risks. These are managed by having a sound decision making process and ensuring that the necessary level of expertise is used in delivering any business case to provide assurance to the project. Project management of the shared services will also include maintaining a risk register.

1.7 Other Implications

1.7.1

1.	Financial	X
2.	Staffing	X
3.	Legal	X
4.	Equality Impact Needs Assessment	
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	X
9.	Asset Management	

1.7.2 Financial - Finances are considered in the Environmental Health business case and background calculations. The aim with this shared service is not to deliver savings but improve quality and resilience within the existing cost limits.

1.7.3 The cost of the two site option prepared by the interim Shared Environmental Health Manager will be assured by the s151s, to ensure this does not adversely affect the resilience of the service in meeting the budget limits of the existing services or lead to a significant growth pressure.

1.7.4 Staffing – Forming an Environmental Health shared service will have a significant impact on Environmental Health staff. The first action will be to appoint an Interim Environmental Health Manager following all necessary HR consultation processes and procedures

1.7.5 Legal - If a shared service is agreed, a collaboration agreement will be entered into by the parties.

1.7.6 Procurement - The procurement of a joint ICT system will be carried out as part of a separate ICT project but will impact on the planning and timescales for this project.

1.8 Finance and Governance - Cabinet Advisory Board (Tunbridge Wells)

1.8.1 On 28 May 2013 the Finance and Governance Cabinet Advisory Board considered this report and made the following recommendation:

“That the recommendations set out in the report be supported, but that the Tri-Cabinet meeting on 12 June be asked to provide reassurances over Tunbridge Wells-specific service standards during the establishment of the service and post-implementation.”

This assurance can be given and paragraph 1.3.5 has been added to clarify how performance reporting will be carried out, specifically that each authority can have its own indicators, will be reported to individually and will be benchmarked versus pre-shared service performance.

1.9 Relevant Documents

1.9.1 Appendices

- Appendix 1 – Project Snapshot (as at 29/05/2013)
- Appendix 2 – Environmental Health Business Case Amendments Summary
- Appendix 3 – Environmental Health Shared Service Business Case (MKIP Board Version – March 2013)

1.9.2 Background Documents

Scope of Business Case (Dated September 2012)

**IS THIS A KEY DECISION REPORT?**

Yes

No

If yes, when did it first appear in the Forward Plan?

.....4 February 2013.....

This is a Key Decision because: ...It represents a significant service development in a service that delivers frontline services across the Borough

Wards/Parishes affected: .....None directly.....

## MKIP PROJECT SNAPSHOT – ENVIRONMENTAL HEALTH SHARED SERVICE – MBC, SBC, TWBC

## PRIMARY SUCCESS FACTOR – IMPROVED RESILIENCE

**Delivery Model** – Shared Service Gateway Model – Gate 2 decision point (business case approval)

Initiated (G1)	Scope Approval (G2)	Business Case Approval (G2)	Business Case Decision Due (G2)	Implementation Date (G3)	Benefits Review (Ben)
June 2012	September 2012	March 2013	June 2013	August 2014*	November 2014

**Investment table\***

Item	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Business Improvement /Delivery sections	£10,700					£10,700
HR Support	£6,200					£6,200
Investment (training and equipment)	£7,000	£7,000	£6,000			£20,000
Redundancy and pension cost allowance	£26,300					£26,300
Additional mileage costs	£2,500	£10,100	£10,100	£10,100	£7,600	£40,400
Additional mileage between sites (ONGOING)	£5,000	£10,000	£10,000	£10,000	£10,000	£45,000
<b>Total</b>	<b>£57,700</b>	<b>£27,100</b>	<b>£26,100</b>	<b>£20,100</b>	<b>£17,600</b>	<b>£148,600</b>
Project Support (MKIP Central budget)	£15,000	£5,000				

**Savings table\***

	Budget Cost 2012/13	Estimated Cost of Shared Service	Calculated Staff Savings - Based on 2012/2013 Budgets
<b>MBC</b>	£460,340	£456,070	£4,270
<b>SBC</b>	£371,280	£362,950	£8,330
<b>TWBC</b>	£570,480	£533,640	£36,840
	<b>£1,402,100</b>	<b>£1,352,660</b>	<b>£49,440</b>

**Other benefits**

- **IMPROVED RESILIENCE** (cover for technical positions, professional expertise, sharing of best practice)
- Additional savings through economies of scale and potential joint contracting

**Delivery milestones\***

- **Key – Interim Environmental Health Manager appointed – August 2013**
- **Key - ICT procurement decision – August 2013 (Dependency on external project)**
- **Key – Operational Model designed, business case updated, approved by portfolio holders – October 2013**
- **Key – Review contract arrangements for major EH contracts (inspections and IPPC) – October 2013**
- **Key - Finalise structure and Staff consultation – December 2013 – March 2014**
- Sign-off SLAs and Collaboration Agreement – March 2014
- **Key - Staff appointed to new structure – May 2014**
- **Key - Combine Sites – June 2014**
- Accounts sign-off – June 2014

**Key Dependencies**

Joint Planning Support/Environmental Health ICT System procurement project – will impact on timetable directly – dependent on procurement outcome – will need to revise timetable in accordance with ICT project.

**Tolerances\***

- Maximum cost - £163,460 (projected project costs +10%)
- Maximum timescale – operational from August 2014
- Maximum impact on Environmental Health services – action to be completed by Environmental Health Manager following completion of detailed implementation plan

**Headline Risks**

Risk	Control & Management	MKIP Control
Performance impact on Environmental Health services	Managed through the project by agreeing quality tolerance (see tolerances below)	Managed by Environmental Health Manager during delivery
Failure to deliver project impacting on benefits realisation and return on investment	Managed through project controls and managing a subset of risks to be identified by the Environmental Health Manager	Managed by Environmental Health Manager during delivery, maintain a risk register, regular reporting to the Project and MKIP Board
Employment change risks (lower moral, reduced performance, dealing with change)	Managerial support and leadership HR support for officers Availability of EAP HR Support Training Communication	Managed by Environmental Health Manager during delivery, maintain a risk register, regular reporting to the Project and MKIP Board
Redundancy cost risks (i.e. maximum redundancy costs are required)	Estimates based on an average of professional and administrative redundancy costs.	If likely to occur Environmental Health Manager will need to review the business case, revise cashflow projection and get approval from Project and MKIP Board
ICT project risks	Management through the ICT Project	Managed by the Head of ICT (or delegate) through maintaining risk registers and controls in ICT project

**Gateway Model**



1. Defining the programme – MKIP Board agreed Environmental Health inclusion in the programme
2. Initiating the programme – Gateway 1 – MKIP Programme Manager produced programme agreed at Board meeting June 2012, along with critical programme elements including governance arrangements, communications strategy, collaboration agreement templates and consideration of resourcing
3. Viability study/business case – **Gateway 2** – Underway for environmental health, business case scoping showed service was viable, business case produced for March 2013 MKIP Board, with final decision for Cabinet on 12 June 2013
4. Implementation – Gateway 3 – Business cases will include implementation timetables and the Shared Environmental Health Manager with the project team will need to produce a more detailed implementation plan.
5. Benefits Realisation – Shared Service comes under MKIP governance, regular reporting of benefits delivered and monitoring of continuous improvement

**\*NOTE: This snapshot is the current position and WILL CHANGE following completion of operational model by Interim Environmental Health Manager and will be updated prior to approval by portfolio holders.**

### **MKIP – Environmental Health Business Case Amendments Summary**

Due to additional work carried out between March and June 2013 the following amendments will be made to the business case that was approved by MKIP Board in March 2013 (Appendix 3). The business case will then be further updated following the planned additional work to be carried out by the Interim Environmental Health Manager. Once finalised the business case will be approved by the portfolio holders in accordance with the recommendation. Appendix 1, project snapshot, provides a current picture of the key business case elements as at 29 May 2013.

**1. Cost estimates** – remain the same but updated for 2013/14 as base budgets. The additional work in the recommendations will lead to a revision of cost estimates and will be reported to s151s for assurance before updating the business case.

**2. Tolerances** – maximum timescales now August 2014

#### **3. Next steps**

- Location profiling no longer required for Maidstone
- Contract arrangements review – August 2013
- Operational model to be approved by Chief Executives in consultation with Leaders – October 2013
- Relative scoring of models to be updated based on new operational model once approved – October 2013

#### **4. Appendix B**

Needs to be rewritten to reflect the new operational detail of the two site model once agreed by Chief Executives.

#### **5. Appendix E**

ICT procurement decision pushed back due to competition between suppliers. Will need to adjust ICT column and model commencement date to reflect this. Tolerance adjusted to allow until August 2014 (note no savings targets are set for this shared service and will therefore not be impacted financially by the delay).