

## ABERDEEN CITY COUNCIL

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COMMITTEE	Communities, Housing & Infrastructure
DATE	25 August 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Scottish Shared Scientific Services
REPORT NUMBER	CHI/16/073
CHECKLIST COMPLETED	Yes

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### 1. PURPOSE OF REPORT

The purpose of the report is to provide an update on collaborative work between Aberdeen, Dundee, Edinburgh and Glasgow City Councils on a shared service model for delivering local authority public analyst services across Scotland, and to seek its approval to take this work to the next stage, subject to the approval of a Business Plan for the service.

The report also proposes the exploration of a Regional Analytical Laboratory Service, in partnership with other local public sector bodies such as NHS Grampian, Aberdeen University, Robert Gordon University and neighbouring local authorities, whether or not the Scottish Shared Scientific Service goes ahead, and seeks approval to draw up a business case for this.

### 2. RECOMMENDATION(S)

It is recommended that members

- a) Note the content of the report and;
- b) Agree in principle to the necessary actions being undertaken to set up a Scottish Shared Scientific Service, namely:
  - Determining the full financial impact on each local authority partner;
  - Developing a detailed Business Plan for the new service;
  - Drafting and concluding all necessary legal agreements and;
  - Continuing consultation with staff, Trades Unions, and other stakeholders.

- c) Agree to open formal discussions with potential public sector partners such as NHS Grampian, Local Authorities in the North of Scotland, Aberdeen University and Robert Gordon University, to scope out and potentially develop an outline business case for a Regional Analytical Laboratory Service.
- d) Note that a further report will be submitted to the Communities, Housing and Infrastructure Committee upon completion of the Business Plan for the Scottish Shared Scientific Service, and a potential business case for a Regional Analytical Laboratory Service, with recommendations on whether and how these two proposals should proceed.

### 3. FINANCIAL IMPLICATIONS

The Improvement Service anticipates that £60,000 of professional fees will be required for the business and financial advice to develop the detailed business case and the governance arrangements for a Scottish Shared Scientific Service. The exact sum that Aberdeen City Council would be liable for is uncertain, but the Improvement Service have intimated that they will contribute, and that ideally the cost will be shared across the 32 participating local authorities. The worst case scenario is that Aberdeen City would be expected to contribute one quarter of the cost, around £15,000. This could be met from the existing budget allocation for Aberdeen Scientific Services.

The overall financial impact for each local authority being a member of the Scottish Shared Scientific Service will be established during the development work for its Business Plan.

It is anticipated that the establishment of a Regional Analytical Laboratory Service would offer additional economies of scale to those achieved by the Scottish Shared Scientific Service, while at the same time securing a Public Analyst service in the North East of Scotland.

#### 4. OTHER IMPLICATIONS

<i>Legal:</i>	With regard to the Scottish Shared Scientific Service, external advice has been obtained in relation to Governance, Pensions, HR, State Aid, and Teckal issues, and this has been confirmed in principle by Corporate Governance colleagues in Aberdeen City Council's. Similar advice will need to be sought for a Regional Analytical Laboratory Service.
<i>Personnel:</i>	It is envisaged that TUPE will apply to in-scope staff that will transfer to the Scottish Shared Scientific Service. Additional senior management posts have been identified in the Scottish Shared Scientific Service's organisational structure. Consultation with staff and Trade Unions will continue throughout. It is anticipated that the same would apply to a Regional Analytical Laboratory Service.
<i>Procurement:</i>	The structure of the Scottish Shared Scientific Service will be a 'Teckal' compliant body, which will allow for services to be provided back to its members without the need to undertake a procurement exercise, and a secondary non-compliant body which will trade with other public and private sector clients. It is anticipated that the same would apply to a Regional Analytical Laboratory Service, but legal advice will need to be sought to confirm this.

#### 5. BACKGROUND/MAIN ISSUES

##### **Background**

Currently, the majority of local authority (LA) public analyst services are provided by the 4 city laboratories in Aberdeen, Dundee, Edinburgh and Glasgow. Jointly, these labs are responsible for providing statutory sampling and analysis services, including Public Analyst services to the 32 Scottish local authorities and other public and private sector clients.

Aberdeen Scientific Services Laboratory is located in Old Aberdeen House, Dunbar Street. The laboratory undertakes a range of sampling, chemical and microbiological testing relating to food safety and standards; drinking water; animal feeding stuffs and fertilisers; environmental monitoring, e.g. recreational water, ground waters air pollution, soils and dusts; health and safety, e.g. asbestos and legionella; and consumer goods. While the main customers are local authority Environmental Health and Trading Standards services, the laboratory also undertakes work for other council services such as facilities management, roads and a large portfolio of other public and private sector, local, national and international clients. Work is of a high

quality, customer satisfaction is good and the laboratory is UKAS accredited. Despite this, the laboratory does not always generate a surplus and, on occasion, has struggled to stay within budget.

Reductions in local authority budgets have caused some local authority clients to reduce their spending on sampling and analysis, and the downturn in the economy has made the private client market much more competitive. Currently, with four public sector laboratories being run as separate entities, there is the risk of the laboratories having to compete with one another for work. Some private laboratories currently offer analytical services at very competitive prices which raise concern that this could ultimately lead to the closure of the publicly run laboratories. There would then be the risk that the private labs could increase their costs for statutory sampling and analysis, leaving local authorities with no option but to pay for a more expensive service.

It has been determined that the current model is no longer sustainable due to reduced spend by the local authorities and the likelihood of each local authority public analyst service having to compete against each other rather than working together in a collaborative manner. In order to protect the role of Scottish public analysts' services and deliver best value for the service users, a new model of service delivery requires to be developed.

### **Scientific Services for Scotland**

An Outline Business Case (OBC) was prepared by the Improvement Service (IS), in conjunction with officers from Aberdeen, Dundee, Edinburgh and Glasgow City Councils, at the request of the Society of Local Authority Chief Executives (SOLACE Scotland). The OBC determined that there was a case for implementing a Shared Service Model and recommended that this was taken forward for further development through a more detailed Business Case, to be approved by the local authorities.

A draft Business Case (appended to this report) for a single Scottish Shared Scientific Service has now been prepared, which provides a structure and business strategy for a single organisation that would deliver Public Analyst and other scientific services for the benefit of Scottish local authorities and public sector agencies.

The new organisation would be a partnership of Local Authority members and provide the framework to deliver cost savings back to its partners, with a strategy for growth through the development of strategic partnerships and service reform.

The objectives of the new organisation would be to deliver sustainable, high-quality scientific analysis and advice, which supports regulatory commitments, to ensure the safety and quality of food, water, consumer products, and the environment.

This will be achieved by integrating each organisation's capability to meet the needs of customers and stakeholders across Scotland. More

specifically the new service must:

- Provide the platform to follow a growth strategy;
- Provide value for money for its customers and stakeholders;
- Be flexible and proactive in meeting future customer needs;
- Have sufficient resilience for national and local 'incidents';
- Be based on the principle of having strong public sector science base and;
- Minimise the risk to current service provision.

## **Business Case Details**

The key benefits of the proposed Scottish Shared Scientific Service are that it would:

### **1. Be wholly owned by, and accountable to its local authority partners;**

The proposed structure of the Shared Service is for a 'dual' Limited Liability Partnership model, which would allow the new service to provide core services for its local authority members, whilst maintaining and developing existing and further business opportunities with the wider public and private sector markets.

### **2. Deliver savings to its partners**

The draft Business Case appended to this report sets out a mechanism for returning an element of surpluses back to the service's members through an annual discount, based on how much each authority spends with the service.

The model is based on income from all four labs. Sensitivity analysis has been carried out, which determines that the service would be sustainable in the event of only three labs taking forward the proposal.

### **3. Be committed to delivering best value analytical scientific services for its partners benefit;**

The primary objective of the service would be to deliver best value services back to its partners, whilst ensuring that an element of reserves is retained to further develop the service.

As is currently the case, the service would provide added value to its members, in comparison to the private sector, in that it would provide interpretive analysis, and be involved at all stages of the enforcement process to ensure that public safety is maintained in the areas of food, water, environment and consumer safety. This would involve working with enforcement colleagues on sampling plans, making sure that sampling is targeted and based on risk.

The service would coordinate national surveys on behalf of Food Standards Scotland (FSS) and the 32 local authorities. This includes post survey review and participation in the assessment of the national food database. Results of analysis are subject to

interpretation in relation to the relevant acts, regulations and guidance documentation

**4. Deliver further efficiencies through service reform programme;**

The projected savings which have been modelled in the Business Case are based on modest assumptions and do not take into account further efficiencies that can be realised through the delivery of a service reform programme, such as the development of a centres of excellence operating model.

The rationale behind this model is that there is currently significant duplication between the four labs which results in an underutilisation of equipment and other resources. By aggregating samples, efficiencies can be achieved by improved throughput on equipment.

This should also result in increased capacity to take on additional business.

The service's future service reform programme would include:

- Developing centres of excellence operating model;
- Organisational structure review;
- Review of charging structure;
- Procurement review, including sample transport;
- Property and asset review;
- Developing a single performance management framework;
- Develop joint sampling programme;
- ICT review and;
- Combined Quality System.

**5. Provide the opportunity for growth through generating additional business with public and private sector clients;**

The scale of local authority analyst work, not currently being undertaken by public analyst labs is in the region of £1m per annum. This is often for analysis work carried out for Property, Roads, Building or Housing services, which in some local authorities is commissioned separately from the services provided by the Public Analyst laboratories. The largest proportion of income currently comes from analysis in the areas of food, environmental and consumer safety.

Discussions with Food Standards Scotland (FSS) have indicated that there is additional work which could be delivered by a shared service and the potential that FSS may become a partner in the shared service, which would open up further opportunities for the service.

A conservative assessment of the scale of these additional business opportunities has been included in the growth assumptions.

**6. Develop partnerships with public sector organisations and academia to open up new markets for its services.**

Opportunities exist for a single Scottish service to develop collaborative relationships with other public bodies and develop new markets for its services. Discussions have taken place with both FSS and the Scottish Environmental Protection Agency (SEPA) on their future inclusion in the shared service as formal partners, which would create the potential for further opportunities through both organisations.

**Regional Analytical Laboratory Service**

While the benefits of Scottish Shared Scientific Service are described above and in the attached business case, it is not a venture completely without risk. Declining public sector budgets, the local economy and national uncertainty about the UK economy could significantly impact the predicted income of the Scottish Shared Scientific Service, but this would have an impact if the Shared Service did not go ahead.

While Dundee, Glasgow and Edinburgh City Councils have already agreed to take the proposed Scottish Shared Scientific Service to the next stage, Edinburgh are progressing in parallel an alternative option of a shared laboratory service with NHS Lothian. Sensitivity analysis determines that the Scottish Shared Scientific Service would be sustainable in the event of only three labs taking forward the proposal. However, if a fourth laboratory continued to operate independently, it would be competing for work against the Scottish Shared Scientific Service.

There also remains a possibility of rationalisation, or closure, of one or more laboratories after the creation of the Scottish Shared Scientific Service, if the predicted savings are not made. The Aberdeen laboratory may be more vulnerable to this than some of the other labs, being an older laboratory with little scope for expansion.

The creation of a Regional Analytical Laboratory Service in partnership with other public sector entities could give the opportunity for a new build and secure a regional service going forward. Pursuing alternative shared service options with other public sector partners such as the universities and NHS Grampian could help to mitigate the above risks, and would not necessarily preclude participation in the Scottish Shared Scientific Service. Indeed, the Improvement Service has identified the development of partnerships with public sector organisations and academia as one of the potential benefits of the Scottish Shared Scientific Service.

**Summary**

The Scottish Shared Scientific Service offers an opportunity to safeguard the public analyst service under local authority control for some years to come, but there is an opportunity to be even more ambitious. In the North East, there is a the potential for Aberdeen Scientific Services to work with public sector partners such as NHS Grampian, Aberdeen University and Robert Gordon University and neighbouring local authorities to create a Regional Analytical Laboratory Service, while at the same time as working collaboratively with other local authorities as part of a Scottish Shared Scientific service. This need not be seen as an alternative approach to the Scottish Shared Scientific Service as it could enhance the capacity of the national service and would bring benefits to the region as well as to Aberdeen City. It would maintain local skills and expertise within the North East. It would provide some financial security in terms of economies of scale for laboratory services across the public sector, and provide a locally accessed analytical laboratory service for north east businesses.

## 6. IMPACT

### **Improving Customer Experience –**

Good value and high quality service, accessed locally, to both public sector and private clients, (includes local, national and international customers)

### **Improving Staff Experience –**

Potential to increase job security for laboratory staff

### **Improving our use of Resources –**

This expansive proposal will reduce operating costs due to economies of scale and also increase capacity for income generation. Ideally it will not only include the four Scottish public analysts laboratories, SEPA and LA clients but also NHS and Academic partners.

### **Shaping Aberdeen –**

Ensuring the region prospers and people are protected, by providing locally accessed analytical services which centre mainly around environmental protection, consumer protection and food safety

### **Corporate -**

#### **Aberdeen the Smarter City:**

We will invest in the city where that investment demonstrates financial sustainability based on a clear return on investment

We will work with partners to promote the city as a place to invest, live, work and export from.

### **Business Plan 2016-17**

Smarter economy - To deliver the Council's contribution to the strategic objectives of the Regional Economic Strategy

### **Regional Economic Strategy**



This proposal aligns to the Regional Economic Strategy, helping to sustain, diversify and grow our regional economic base. Locally based analytical services will help to secure and maintain the north east economy based on skills in the areas of life sciences, food and drink production, and the oil and gas sector, and also contribute to the protection of the local environment

An analytical laboratory service that is part of a national shared service and potentially pooling the resources of other public services with similar interests will

- provide efficiency savings for the public services involved
- provide additional commercial opportunities for the public service partners
- make use of regionally based skills and expertise to the benefit of local clients and the local workforce
- provide a local access point to a national analytical service.

### **Public –**

This report may be of interest to the public as it demonstrates an efficient use of public sector resources and has the potential to maintain skilled jobs in the North East.

An Equality and Human Rights Impact Assessment (EHRIA) is not required for this report as the proposal has a neutral impact on equalities and human rights

## **7. MANAGEMENT OF RISK**

Current financial pressures and market and political uncertainty are a threat to an shared service venture, but these pressures are even more acute for smaller, stand-alone units. Shared services share the risk across partners.

Sharing services presents a risk of rationalisation of laboratories to which the Aberdeen laboratory is more vulnerable. However, keeping the lab running if it is not financially viable in the long term is not an option.

Pursuing an alternative shared service options such as a Regional Analytical laboratory Service with other public sector partners in the North East could help to mitigate the above risks, and would not necessarily preclude participation in the Scottish Shared Scientific Service.

Staff concerns, regarding terms and conditions and impact on pensions are to be expected and staff will continue to be updated and consulted on these proposals.

## **8. BACKGROUND PAPERS**

Scottish Shared Scientific Service draft business case (attached)

9. REPORT AUTHOR DETAILS

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