



Item No: 19.1

Date: 18 May 2021

Attachment: A

Meeting:	Council
Title:	Review of services provided by EHA to Town of Walkerville
Responsible Manager:	Chief Executive Officer, Kiki Cristol
Authors:	Chief Executive Officer, Kiki Cristol;
Key Pillar:	Strategic Community Plan Focus area 3- Transparent and accountable local tier of Government
Key Focus Area:	Financial Guiding Principle 4 – Robust and transparent allocation and prioritisation of resources
Type of Report:	Decision Required

Pursuant to Section 83(5) of the *Local Government Act 1999*, the Chief Executive Officer indicates that the matter contained in this report may, if the Council so determines, be considered in confidence pursuant to Section 90(2) of the *Local Government Act 1999* on the basis that the information contained in the attached report is information of the nature specified in subsections 90(3)(b) of the Act being;

conducting business; proposing to conduct business; and would prejudice the commercial position of the Council.

Recommendation

Pursuant to s90(3)(b)

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except Chief Executive Officer Kiki Cristol, Group Manager Asset & Infrastructure Ben Clark, Group Manager Planning, Environment & Regulatory Services Andreea Caddy, Group Manager Corporate Services Monique Palmer, Group Manager Customer Experience Danielle Garvey, Manager Community Development & Engagement Fiona Deckert, Manager Property, Contracts & Strategic Projects Scott Reardon, Communications & Marketing Manager Sarah Spencer, Acting Council Secretariat Rae Pluck and Michael Richardson BRM Advisory be excluded from attendance at the meeting for Agenda Item 19.1 Review of Services provided by EHA to Town of Walkerville.

The Council is satisfied that, pursuant to section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is: conducting business; proposing to conduct business; would prejudice the commercial position of the Council

In addition, Council has considered that the information would on balance be contrary to the public interest because the disclosure of Council's commercial position may severely prejudice Council's ability to negotiate a cost effective proposal for the benefit of the Council and the community in this matter.

Recommendation (Confidential)

1. That Council receives and notes the content of the Review of Services provided by EHA to Town of Walkerville report as prepared by BRM Advisory and appearing as Attachment A.
2. The Council resolves to withdraw as a Constituent Council from the Eastern Health Authority (EHA), in accordance with clause 9.2 of the EHA Charter.
3. The Council further resolves that the Chief Executive Officer takes such actions as are necessary to implement the withdrawal from the EHA constituency, including but not limited to, obtaining Ministerial approval, providing written notice to the Chief Executive Officer of the EHA and the other Constituent Councils and obtaining any necessary advice required to implement this resolution.
4. That Council instructs Administration to continue with negotiations with the City of xxxx in order to develop a Service Level Agreement for the delivery of Environmental Health Services to the Town of Walkerville.

OR

That Council having considered the BRM Advisory CONFIDENTIAL: Provision of future Environmental Health Services to Town of Walkerville report along with Administrations report, resolves to withdraw as a Constituent Council from the Eastern Health Authority (EHA), in accordance with clause 9.2 of the EHA Charter and further resolves to deliver environmental health services in-house.

OR

That Council resolves to stay as a Constituent Council of the Eastern Health Authority (EHA) and instructs the CEO to write to the Chief Executive Officer of EHA and the other Constituent Councils, in order to initiate clause 10. Dispute Resolution of the EHA Charter.

Recommendation (Public)Pursuant to s.91 (7)

That having considered Agenda Item 19.1 Review of Services Provided by EHA to Town of Walkerville in confidence under section 90(2) and (3)(b) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of that Act orders that the report, attachments and minutes relevant to this Agenda Item be retained in confidence until the matter has been finalised, excepting that the Council authorises the release of the minutes to substantive party/parties to enable enactment of the resolution and that pursuant to Section 91(9)(c) of the *Local Government Act 1999* the Council delegates to the Chief Executive Officer the power to review and revoke this Order

and

That the Council resolves to end its confidential deliberations pursuant to Section 90(2) of the *Local Government Act 1999* and re-admit the public.

Summary

Eastern Health Authority (EHA) promotes and enforces public health and environmental standards in Adelaide's eastern and inner northern suburbs. EHA is an example of Council shared service delivery across City Burnside, Campbelltown City Council, City of Norwood Payneham and St Peters, City of Prospect and Town of Walkerville.

Established under Section 43 of the *Local Government Act 1999*, EHA operates under the provisions of a Charter. The EHA Board is made up of one elected member as well as a second person that may be a Council employee, elected member or independent representative for each Constituent Council.

The Charter requires that Constituent Councils contribute monies to EHA each financial year, to pay for operations. The money required is set with reference to the annual budget, which is provided to the Constituent Councils by 31 May of each year. Constituent Councils are responsible for approving the budget before the end of June.

Background

Council first raised concerns with the quality of information received from EHA at its ordinary meeting held on the 20 May 2019. Council requested additional information from EHA relating to the treatment of budget surplus and deficits, as well as seeking the preparation of a long term financial plan, to ensure financial sustainability of the subsidiary as well as a cost review of EHA to determine value for money (**CNC 363/18-19**).

Council received a response from EHA on 30 July 2019 regarding Council's specific questions raised at the May 2019 Council meeting. Upon reviewing the information received by EHA, additional concerns were raised.

At the Audit Committee held on 6 August 2019, a number of concerns were raised with the long term financial sustainability of Eastern Health Authority (EHA). Subsequently the Audit Committee resolved (**AC3/19-20**) that further clarification was needed on the long term financial plan, EHA risk register and feedback on the Request for Quote (RFQ) for the EHA service review.

These concerns were subsequently raised at the Council meeting held on 19 August 2019, who resolved:

CNC45/19-20

That Council

1. *receives and notes the response to Council's correspondence of 24 May 2019 provided by the Eastern Health Authority (appearing as Attachment B to this report).*
2. *requests the following additional information from the Eastern Health Authority:*
 - *an explanation as to why the figures in the Long Term Financial Plan do not appear to have been updated; some refer to 13/14 and some to 2017.*
 - *an undertaking to examine the treatments in the risk register as a number of residual risk are unchanged post treatments.*
3. *provides the following feedback on the draft Request for Quote (RFQ) for the Eastern Health Authority service review (appearing as Attachment D):*

That the Eastern Health Authority ensure that:

- *the review of the governance arrangements for the subsidiary take account of the Local Government Act 1999.*
- *the tender review panel include independent members who have a relevant skill set for assessment*

Administration subsequently wrote to EHA on 26 August 2019 and also requested EHA provide monthly reports on activities and outcomes to be better informed. EHA provided a response on 23 September 2019.

Over the past twelve months Administration has reported a growing sense of uncertainty about the financial and operational performance of EHA specifically as it related to services provided in the township.

Consequently and following concerns raised by the Audit Committee at their meeting held on 3 February 2020 (**AC20/19-20**), on 17 February 2020, Council resolved to seek further and better particulars from EHA and to undertake an independent review of EHA services. Specifically, Council resolved:

CNC280/19-20

That Council:

1. *authorise Administration to undertake an independent review of EHA services to determine if Council is receiving value for money.*
2. *approves the Eastern Health Authority's Budget Review Report as at September 2019 and amendments made to the Budgeted Financial Statements for the year ended 30 June 2020 as detailed in Attachment B.*
3. *requests information from EHA regarding the lack of revenue from fines, the change to cash flow of \$109, 000 and expresses concern about the reference to the legal advice about budget reporting.*

Following Council's resolution, BRM Advisory were commissioned to address part 1 of the 17 February 2020 resolution to determine if Council is receiving value for money in the services it is receiving from EHA.

The BRM Advisory report was considered by the Audit Committee at their meeting held on 26 October 2020, who resolved:

AC17/20-21

1. *That the Audit Committee receives and notes the content of the review of the services provided by EHA to Town of Walkerville report*
2. *That the Audit Committee recommends that the report be presented to Council for their consideration.*
3. *That the Audit Committee expresses concern about the inability of the Walkerville Board Members to attend the Board Meeting.*

The BRM Advisory report was subsequently presented to Council, in confidence, at its 16 November 2020 ordinary meeting, where Council resolved:

(Confidential) - CNC205/20-21

1. *That Council receives and notes the content of the Review of Services provided by EHA to Town of Walkerville report as prepared by BRM Advisory and appearing as Attachment A.*
2. *That Council instructs Administration to:*
 - a. *seek legal advice in relation to the financial arrangements and legal obligations that accompany a withdrawal from EHA;*
 - b. *pursue alternate shared service arrangements with non-EHA Councils;*
 - c. *prepare a report for Council's further consideration (no later than 30 May 2021) that compares an in-house service delivery model to an outsourced and / or shared service delivery model for the future delivery of the service.*

3. *That the CEO and Mayor meet with the CEO and the Chair of EHA with the support of a mediator, or facilitator if required, to discuss areas of concern and seek resolution of same. Noting that the current Board Members will be apologies until further notice.*
4. *That Council instruct Administration to provide notice in writing to EHA and the CEOs of the EHA Constituent Councils of Councils intentions.*

Discussion/Issues for Consideration

There has been a growing level of concern within Council Administration, Audit Committee and Council about the level of service received from EHA and whether the current arrangements are providing value for money and whether it is in Council's best interest to continue as a Constituent Council of EHA.

The BRM Advisory report presented to Council on 16 November 2020 concluded that EHA is unlikely to be the lowest cost service delivery model available to Council for public and environmental health services. This is partly because of the pricing mechanism as set out in the EHA Charter, which allocates EHA's administration and governance costs equally between the Constituent Councils (regardless of their size and the level of activity).

In response to Council's resolution of 16 November 2020, BRM Advisory undertook an Expression of Interest (EOI) process to seek interest from other non-EHA member Councils in providing environmental health services to the Town of Walkerville (ToW) under a contractual shared service model. Following the EOI process, two Councils, the City of Charles Sturt and the City of Adelaide expressed an interest in providing environmental health services to ToW.

The BRM Advisory analysis of the two EOI submissions is presented at Attachment A.

Michael Richardson, BRM Advisory will be in attendance at the meeting to speak to his report and answer any questions Council may have.

Options for Consideration

Option 1

1. That Council receives and notes the content of the Review of Services provided by EHA to Town of Walkerville report as prepared by BRM Advisory and appearing as Attachment A.
2. The Council resolves to withdraw as a Constituent Council from the Eastern Health Authority (EHA), in accordance with clause 9.2 of the EHA Charter.
3. The Council further resolves that the Chief Executive Officer takes such actions as are necessary to implement the withdrawal from the EHA constituency, including but not limited to, obtaining Ministerial approval, providing written notice to the Chief Executive Officer of the EHA and the other Constituent Councils and obtaining any necessary advice required to implement this resolution.
4. That Council instructs Administration to continue with negotiations with the City of xxxx in order to develop a Service Level Agreement for the delivery of Environmental Health Services to the Town of Walkerville.

Option 2

That Council having considered the BRM Advisory CONFIDENTIAL: Provision of future Environmental Health Services to Town of Walkerville report along with Administrations report, resolves to withdraw as a Constituent Council from the Eastern Health Authority (EHA), in accordance with clause 9.2 of the EHA Charter and in lieu thereof deliver the Environmental Health Services inhouse.

Option 3

That Council resolves to stay as a Constituent Council of the Eastern Health Authority (EHA) and instructs the CEO to write to the Chief Executive Officer of EHA and the other Constituent Councils, in order to initiate clause 10. Dispute Resolution of the EHA Charter.

Analysis of Options

Option 1:

This option addresses the concerns raised by Council and the Audit Committee and will see Council withdraw as a Constituent Council member of EHA and in lieu thereof, partner with a non-EHA Council for the delivery of Environmental Health Services to ToW. The risk however, is that the partnering non-EHA Council may not be able to or willing to deliver the full extent of services currently provided by EHA, namely immunisations.

This option also addresses the health and wellbeing concerns raised and identified by the current Board Members.

Option 2

This 'insource' option was initially presented to Council at its September 2020 meeting in confidence. Whilst there are some risks with this option (namely attraction and retention of staff, leave coverage and workflows), it is the most common delivery methodology for environmental health services in South Australian Councils.

The cost to implement this option is between \$75,000 and \$115,000 per annum depending on the level of service (driven by direct employment costs and the cost of delivering immunisation services). This is a viable option and on par with our current costs to EHA.

Option 3

This options recognises that EHA delivers a range of services that may not be able to be deliver by one non-EHA member Council. The EHA Charter recognises that disputes may arise between member Councils or with the service provider. The ability to resolve differences between the parties will be driven by each parties commitment to 'make it work' and EHA's willingness to provide ToW with the level and detail of reporting it has been requesting (unsuccessfully) for a period of time.

It may be that the two organisations are at a point of irreconcilable differences, amplified by past and current poor communication.

Legal Considerations

To assist Council with its deliberations, Administration sought legal advice from Mellor Olsen. Essentially, Administration asked:

1. *If Council resolved to withdraw from EHA what should the draft resolution read?*

Response as provided by Mellor Olsen:

We recommend the Council resolution to read:

The Council resolves to withdraw as a constituent council from the Eastern Health Authority (EHA), in accordance with clause 9.2 of the EHA Charter. The Council further resolves that the Chief Executive Officer takes such actions as are necessary to implement the withdrawal from the EHA constituency, including but not limited to, obtaining Ministerial approval, providing written notice to the Chief Executive Officer of

the EHA and the other constituent councils, and obtaining any necessary advice required to implement this resolution.

2. *If Council were to resolve to excise from EHA, what is required under the EHA Charter to provide adequate notice to EHA and the remaining constituent Councils prior to the end of this Financial Year?*

Response as provided by Mellor Olsen:

Based on the prescriptions in the EHA Charter, a minimum of 12 months' notice must be given before the withdrawal as a constituent council takes effect.

The date "30 June" is the date in the relevant year when the Council will cease to be a constituent council. Provided the relevant notice is given to the EHA and the other constituent councils prior to 30 June 2021, the Council will cease to be a constituent council on 30 June 2022. The Charter does note that this is subject to unanimous resolution of the remaining constituent councils to the contrary. It appears as though the intention of this provision is to allow the constituent councils discretion to resolve to bring the withdrawal into effect earlier than the identified deadline.

If notice to withdraw from the constituency is given after 30 June 2021, the Council will remain a constituent Council until 30 June 2023 (unless the remain constituent councils resolve otherwise).

As such, on the assumption that the Council does resolve to withdraw from the constituency, it is in the Council's interest to provide notice to the EHA CEO and other constituent councils as early as possible to ensure 30 June 2022 is the latest the withdrawal will be in effect.

3. *Is Council required to undergo a formal mediation process for withdrawal to be effected?*

Response as provided by Mellor Olsen:

No. Mediation is a 'last resort' option for dispute resolution under the Charter; it is not a prescribed step in the withdrawal from constituency process.

In order for the withdrawal from the constituency to be effected, the Council must:

- Provide notice in writing to the Chief Executive Officer of EHA and each of the other constituent councils;*
- Obtain approval from the Minister to withdraw from the constituency.*

Whilst the Charter notes that withdrawal is subject to any legislative requirements and not limited to Ministerial approval, we confirm that there are no other legislative requirements prescribed which impact the process for the Council. Legislatively, Ministerial approval is required, but beyond that approval, it defers back to the Charter for any other requirements.

There are also no provisions which suggest Ministerial approval is required at the time notice is given to the CEO and other Constituent Councils. Provided the approval of the Minister is obtained prior to the withdrawal taking effect, it will be compliant under the Local Government Act 1999. However, we do advise that it is in the Council's interest to seek to obtain that approval at the earliest possible opportunity, as the process of obtaining Ministerial approval can be time consuming.

However, it must be noted that there is nothing in the Charter which prevents a dispute arising as a result of the intention to withdraw from the constituency. In the event that one or more of the remaining Constituent Councils raised a formal dispute in response to the actions of the Council, the Charter's dispute resolution clause will apply and mediation may result (if such a dispute could not be resolved through the dispute resolution process).

Financial Implications

Depending on which option Council resolves, there may be a financial impact in 2020/2021, which will have to be factored into the budget. Council currently spends in the order of \$103k for environmental health services and this figure should be considered the base cost for future planning.

Community Implications

For the current financial year EHA will continue to provide the same level of service to the Town of Walkerville.

For future financial years communication will be required to notify the community of any changes to the service Council provides.

Governance Implications

Council will be obligated to follow the provisions in the EHA Charter to either withdraw from the constituency or alternatively raise a dispute.

Preferred Option & Reasoning

Administration will be guided by Council, albeit its preferred option is to withdraw on the basis that the 'relationship issues' between the two organisation appear to be damaged beyond repair and there appears to be no legal impediment to withdrawing from the constituency.

Administration further favours the insource model as we will have greater level of control and management of the service delivered.

Attachment

Attachment A	BRM Advisory: Provision of future Environmental Health Services to ToW
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**BRM
Advisory**

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10 May 2021

Mrs Kiki Cristol
Chief Executive Officer
Town of Walkerville
66 Walkerville Terrace
Gilberton SA 5081

Dear Kiki,

CONFIDENTIAL: Provision of future Environmental Health Services to ToW

In March 2020 BRM Advisory was engaged by the Town of Walkerville (ToW) to undertake an independent review of the environmental health service being provided to ToW by the Eastern Health Authority (EHA). Our report, 'Review of Services Provided by EHA to Town of Walkerville' dated September 2020 was considered in confidence at the Council Meeting on 16 November 2020 where the following resolution was made.

Recommendation (Confidential) - CNC205/20-21

Moved: Cr Wilkins

Seconded: Cr Furlan

1. *That Council receives and notes the content of the Review of Services provided by EHA to Town of Walkerville report as prepared by BRM Advisory and appearing as Attachment A.*
2. *That Council instructs Administration to:*
 - a. *seek legal advice in relation to the financial arrangements and legal obligations that accompany a withdrawal from EHA;*
 - b. *pursue alternate shared service arrangements with non-EHA Councils;*
 - c. *prepare a report for Council's further consideration (no later than 30 May 2021) that compares an in-house service delivery model to an outsourced and / or shared service delivery model for the future delivery of the service.*
3. *That the CEO and Mayor meet with the CEO and the Chair of EHA with the support of a mediator, or facilitator if required, to discuss areas of concern and seek resolution of same. Noting that the current Board Members will be apologies until further notice.*
4. *That Council instruct Administration to provide notice in writing to EHA and the CEOs of the EHA Constituent Councils of Councils intentions.*

CARRIED

In response to this resolution, we were engaged by ToW to undertake an Expression of Interest (EOI) process to seek interest from other non-EHA member councils in providing environmental health services to ToW under a contractual shared service model. On 2 March 2021 an expression of interest request (Attachment One) was sent to four nearby non-EHA member councils. In response:

- One council advised they did not wish to provide a response;
- One council was initially interested but subsequently advised that they were not willing or able to commit resources at the time to investigate the establishment of a shared service model; and



- Two councils, the City of Charles Sturt and the City of Adelaide, expressed an interest in providing environmental health services to ToW.

This following summarises the background to the EOI process and the respective merits of each option for the future provision of environmental health services by ToW.

1. **BACKGROUND**

1.1 Local government has legal responsibility for environmental health through various legislation and internal plans and policies. For ToW, its key responsibilities in relation to environmental health are contained within:

- 1.1.1 The Local Government Act 1999;
- 1.1.2 South Australian Public Health Act 2011;
- 1.1.3 Food Act 2001;
- 1.1.4 State Public Health Plan; and
- 1.1.5 Various Council strategic management plans and policies.

1.2 The services currently provided by EHA on behalf of ToW include but are not limited to:

- 1.2.1 Inspections (including of food premises, hairdressers and beauty premises, water systems and swimming pools);
- 1.2.2 Immunisation clinics (including school visits);
- 1.2.3 Compliance and enforcement activities;
- 1.2.4 Education services;
- 1.2.5 Planning (including the development of a Regional Public Health Plan);
- 1.2.6 Administration and governance; and
- 1.2.7 Reporting (both to Council and to relevant State authorities).
collectively the ('Services').

1.3 Under the EHA model, ToW pays annual fee of just over \$100k for the Services.

1.4 Under the EHA Charter, the FY2020 fee is notionally allocated to the Services per the breakdown in Table One.



Table One: Approximate breakdown of financial contribution to various services

	Amount	% of total cost
Administration / Governance	\$43,928	42.9%
Food	\$20,558	20.1%
Public Health	\$5,447	5.3%
Hairdressers / Beauty Treatment	\$175	0.2%
Swimming Pools	\$2,460	2.4%
Immunisation services	\$29,871	29.1%
Total	\$102,439	100%

- 1.5 In addition, ToW incurs additional unquantified overhead costs in operating within the EHA model including:
- 1.5.1 Time commitments on the two ToW representatives to the EHA Board;
 - 1.5.2 Time commitments of the EHA liaison who is responsible for being the main contact point between ToW and EHA.
 - 1.5.3 Council time in considering of EHA documents including budgets, budget reviews and annual reports and reviewing other documents such as the EHA Charter and the Regional Public Health Plan.
- 1.6 Due to significant and potentially irreconcilable differences between the management of both organisations and questions over value for money over the Services being offered, ToW sought expressions of interest from potential alternative suppliers for the Services.

2. EXPRESSIONS OF INTEREST PROCESS

Shared Service Model is the name we have given to an arrangement whereby ToW would contract the Services from a nearby Council and that providing council would receive a fee in exchange for providing the Services. The two contracting councils would establish processes and protocols to ensure that the Services can be delivered efficiently and that there is a necessary transfer of knowledge and information between both parties. The EOI (Attachment One) identified two participating councils interested in participating in a shared service model. This section summarises the responses of the two responding councils; City of Adelaide and City of Charles Sturt and assesses each response against an evaluation criteria.

2.1 Summary of City of Adelaide's offer

2.1.1 Strategic rationale

- 2.1.1.1 CoA has shown strong interest from all levels of the Administration in delivering the Services to ToW.
- 2.1.1.2 In discussions with the team at CoA, CoA sees the potential arrangement as a means of providing additional workflow and experience to their existing team of EHO's at a time where there is significant financial pressure on the organisation to justify the current level of FTEs.



- 2.1.1.3 Strategically, the CoA as a capital city council also sees itself as a leader and appreciates the opportunity to support smaller councils in the delivery of services.
- 2.1.2 Team structure
 - 2.1.2.1 The CoA has an inhouse environmental health team with 5.0 EHO's reporting to a Team Leader of Buildings and Environmental Services. The Team Leader reports to a Manager of Regulatory Services who in turn reports to an Associate Director of Regulatory Services.
 - 2.1.2.2 CoA has recently been through an organisational restructure in response to the COVID-19 pandemic. The existing team leader is an experienced EHO however the Manager of Regulatory Services and the Associate Director of Regulatory Services are relatively new and inexperienced in their roles and have limited understanding of environmental health.
- 2.1.3 Term
 - 2.1.3.1 A three year contract was indicatively discussed with CoA.
- 2.1.4 Immunisation
 - 2.1.4.1 CoA currently subcontracts immunisation services to Health and Immunisation Management Services, a third-party provider. CoA has excluded the provision of immunisation services to ToW as part of their proposal.
 - 2.1.4.2 Therefore, ToW will need to include an additional budget provision relating to the provision of immunisation services if the CoA shared service model is progressed.
- 2.1.5 Proposed cost
 - 2.1.5.1 The Services would be provided for a price of \$73,000 per annum (excluding immunisation).
 - 2.1.5.2 Like the current EHA model, this offer is net of any revenue streams generated from inspections or expiations.
- 2.1.6 Other matters
 - 2.1.6.1 CoA's council administration building is approximately a 11 minute commute from ToW's administration building meaning that there would be less travel time required for CoA officers to access ToW premises than CCS's.
 - 2.1.6.2 CoA utilise the Health Manager system which is the same system used by EHA. Assuming access to existing data, the process of transferring existing data from EHA to CoA is not expected to be overly complex.



2.2 Summary of City of Charles Sturt's offer

2.2.1 Strategic rationale

- 2.2.1.1 In discussions with the team at CCS, they were unable to articulate a strong strategic rationale for their interest in providing the Services to ToW.
- 2.2.1.2 The relevant Manager of the team mentioned that they believed they have a high level of capability and service standards within their team and were proud to be invited to be part of the process.
- 2.2.1.3 The rationale for CCS participating in this process appears to be mostly financial; to receive a service fee and the ability to share corporate overheads across a higher level of activity.

2.2.2 Team structure

- 2.2.2.1 The Environmental Health Team at CCS includes 5.0 EHO's and is situated within the Public Health and Safety Portfolio. This Portfolio is led by a Manager who holds a degree in environmental health and who appears to be extremely knowledgeable on all related matters.
- 2.2.2.2 The interview held with CCS to support their EOI gave us high levels of confidence that CCS would be able to deliver a high-quality service.
- 2.2.2.3 The level of experience and expertise at Manager level could be a key differentiator between the CCS and the CoA offer as this experience can be utilised by current ToW employees to help with decision making and managing the Services moving forward.

2.2.3 Term

- 2.2.3.1 A three-year contract was indicatively discussed with CCS.

2.2.4 Immunisation

- 2.2.4.1 CCS operates an insource immunisation service including seven part time immunisation nurses and three part time support staff.
- 2.2.4.2 These staff operate two to three clinics per week from a purpose-built section of the St Clair Recreation Centre. This level of service exceeds the number of clinics most councils run. The clinics are open to residents from all council areas, not just CCS.
- 2.2.4.3 CCS has excluded the cost of immunisation services from their proposal at this stage but would be willing to provide this service if requested by ToW for an additional fee.

2.2.5 Proposed cost

- 2.2.5.1 The Services would be provided for a price of \$103,000 per annum (excluding immunisation). This fee, when immunisations are



included, will result in a higher price for the Services than what is currently being paid under the EHA model.

2.2.5.2 Like the EHA model, this offer is net of any revenue streams generated from inspections or expiations.

2.2.6 Other matters

2.2.6.1 CCS's council administration building is approximately a 17 minute commute from ToW's administration building meaning that there would be slightly more travel time required for CCS officers to access ToW premises than CoA's.

2.2.6.2 CCS utilise the Health Manager system which is the same system used by EHA. Assuming access to data, the process of transferring premises data to CCS should not be overly complex.

2.3 **Evaluation of offers**

2.3.1 In order to assess the EOI responses, BRM Advisory has assessed both responses against a basic evaluation criteria. The criteria is based on:

2.3.1.1 The perceived level of expertise (30%)

2.3.1.2 Capacity to deliver on the ToW's requirements in relation to the Services (30%)

2.3.1.3 Financial offer (40%)

2.3.2 Each criteria was rated on a scale of 1 to 5 with 1 being not meeting requirements and 5 being fully meeting requirements.

2.3.3 A basic assessment of the respective offers is shown in Table Two.

Table Two: Comparative benefits of each EOI Response

Element	CoA	CCS
Expertise 30%	3 out of 5 0.9	5 out of 5 1.5
Capacity to deliver on the requirements 30%	3 out of 5 0.9	4 out of 5 1.2
Financial offer 40%	4 out of 5 1.6	1.5 out of 5 0.6
Total	11 out of 15 3.4	10.5 out of 15 3.3

2.3.4 Based on the weighted assessment, the CoA offer has been assessed as being slightly preferable to the CCS offer with a weighted assessment score of 3.4 out of 5 versus 3.3 out of 5. However, there is little to differentiate the offers based on the assessment criteria established.

2.3.5 If Council was to have a different view on the respective weighting applied to each criteria, or the criteria themselves, a different conclusion could be drawn.



2.4 Other risks with a Shared Service Model

There are several other risks with entering into a shared service model which have not been captured in the evaluation. These are discussed below.

2.4.1 Administration cost / time

2.4.1.1 Under the EHA model, customer requests were forwarded directly to EHA for triage and actioning. In FY2019 and FY2020, six complaints were handled by EHA on behalf of ToW each year. This is not a significant level of activity to manage (one complaint every two months on average).

2.4.1.2 Under a proposed Shared Service Model, ToW would need to develop updated processes to manage public health complaints from residents and to ensure that residents still feel like ToW are responsible for their service, even if the services is being deliver by another council.

2.4.1.3 After an initial update of processes and policies and some associated training, which would take some planning and resource to execute, we do not expect that there would be a material increase in additional administrative workload for existing administration staff under a shared service model compared to the current EHA model.

2.4.1.4 There would also likely be less time required for Council in reviewing and approving EHA strategic documents and participation in the Regional Subsidiary.

2.4.2 Exiting a Regional Subsidiary

2.4.2.1 There are obligations on councils in the event they wish to exit a regional subsidiary including the requirement to obtain State Government Ministerial approval.

2.4.2.2 Clause 9.2 of the EHA Charter prescribes the steps that need to be taken if a Constituent Council of EHA wishes to withdraw. ToW has obtained legal advice from Mellor Olsson Lawyers to confirm these steps.

2.4.3 Failure of the Shared Service Model

2.4.3.1 Under the EHA Charter, ToW is offered certain protections in terms of the service levels it should receive and the responsibilities on EHA as a Regional Subsidiary to provide services to Constituent Councils.

2.4.3.2 If ToW was to exit EHA and enter into a contractual service model, there is a risk that the providing council may be unable or unwilling to either complete the contract period or extend the contract beyond the initial term.

2.4.3.3 This would leave ToW without a service provider for a prescribed local government service.



- 2.4.3.4 There is also a risk, albeit a low risk, that if ToW was to exit EHA, that acceptable terms would not be able to be reached with the preferred providing council, or that the providing council may no longer wish to provide the service. This could occur if there was say a leadership change within the providing council and a change in strategic focus.
- 2.4.3.5 The EOI response alone would not create a legally binding obligation on the providing council.
- 2.4.3.6 Part of the rationale for considering this item in May 2021 is to provide some time before the 30th of June, when notice to withdrawal should be given, to negotiate a binding agreement with a providing council. This would mitigate the identified risk to some extent.

2.4.4 Perception of amalgamation

- 2.4.4.1 The CoA Lord Mayor has been quoted publicly saying that the number of councils in South Australia should be reduced and flagged the potential for the City of Adelaide's borders to be expanded into surrounding suburbs.
- 2.4.4.2 Any decision to implement a shared service arrangement with CoA, or any other council could be perceived as a step towards amalgamation and an acknowledgement that ToW is too small to efficiently deliver the Services in its own right.

3. **SERVICE DELIVERY OPTIONS**

The current alternatives to the shared service model available to ToW are as follows:

- Remain with EHA and seek to proactively address the service delivery issues between both organisations.
- Insource the service – this is the traditional service delivery model used by most councils in South Australia whereby ToW hires staff with suitable skills to deliver the Services on behalf of Council.

3.1 **Remain with EHA**

- 3.1.1 Our previous report dated September 2020 provided significant commentary relating to the current issues between both organisations and detailed recommendations about the steps that could be taken by ToW if it wished to remain within EHA. The recommendations from the September 2020 report relating to the option of staying with EHA are reproduced below:



Table Three: Recommendations from September 2020 report if seeking to continue as a Constituent Council of EHA

Recommendation
1. The CEOs and Mayor / Chair of both organisations should meet with the support of a mediator or facilitator to discuss this report and to put improved communications processes in place to manage future issues and concerns. This should involve regular face to face meetings until current issues are understood and actively resolved.
2. Separate the role of the ToW's council liaison and board member to two different individuals.
3. Review the suitability of existing ToW board members and determine if a change in either appointment would assist both ToW and EHA move forward.
4. Ensure that the health and wellbeing of all ToW staff engaging with EHA is regularly monitored and that any conduct from EHA representatives which may impact on ToW staff or councillors is known and addressed.
5. In conjunction with EHA, develop an agreed template which can be completed by EHA quarterly detailing the specific activity information the ToW is seeking to inform itself of its public and environmental health activity and risks.
6. Seek support from other Constituent Council CEO's to review and consider alternative methodologies to apportion the administration and governance costs of EHA more equitably between the Constituent Councils based on activity as part of the next Charter review.
7. Review the level of service received and the approximate cost of each service (based on the Charter formula) and ensure that service standards are aligned to ToW's risks and community needs, particularly regarding immunisation services.
8. Funding previously allocated to participate in Phase 2 of this review (shared service investigation) should be reallocated towards the EHA review to support testing the efficiency and effectiveness of EHA's service and developing an enhanced reporting framework for the Constituent Councils.
9. Encourage EHA to simplify and rationalise the performance framework to create simpler and more relevant measures of EHA's performance.

3.1.2 Since issuing the report in September 2020, there has been no noted improvement in the relationship between both organisations; if anything ToW's absence from EHA Board meetings and the uncertainty about ToW's future as a Constituent Council of EHA has caused further damage to the relationship.

3.1.3 Consistent with the 16 November 2020 Council resolution, none of the recommendations in Table One have been progressed at this stage.

3.1.4 The challenges that would need to be overcome for ToW to remain as a Constituent Council of EHA are significant and high levels of commitment and effort would be required from both parties to re-establish productive working relationships.

3.2 Insource model

3.2.1 Section 6.2 of the September 2020 Report contains a detailed assessment of the insource model.



3.2.2 There are significant risks relevant to ToW of progressing with the insource model. These are summarised below.

3.2.2.1 Skills and expertise

- (a) The provision of the Services requires the development of templates, processes and policies, and skills across a breadth of different areas. The work and costs required to establish these resources within ToW would be significant and would require skills that are not currently available within the ToW Administration.
- (b) In addition, the current Group Manager responsible for regulatory services does not have an existing skill set in environmental health so would need to be upskilled to provide oversight to any future EHO.

3.2.2.2 Employee attraction and retention

- (a) With relatively few businesses in ToW, the level of environmental health activity is limited. We estimate that the inspection and compliance Services could be delivered by between 0.4 and 0.5 FTE. Therefore, attracting a part time resource with the breadth of skills to manage an entire environmental health portfolio would be a challenging recruitment. Alternatively, if 1.0 FTE was recruited, it would be likely that individual would not have sufficient tasks to keep them fully utilised.

3.2.2.3 Leave coverage

- (a) Resourcing would be required to cover periods where an insourced Environmental Health Officer (EHO) was either on rostered days off or on annual or sick leave.
- (b) If an urgent matter occurred on a day when an insource EHO was unavailable, ToW would need a back-up arrangement. This could occur under an agreement with a nearby council or potentially through training an existing officer however, is complex.

3.2.2.4 Workflows

- (a) Workflows in relation to the Services are lumpy. If a significant issue in relation to a public health matter or a large enforcement action was to arrive, it would be difficult for a team of less than 1.0 FTE to manage the requirements of a large matter as well as other 'Business As Usual Work'.

3.2.3 The respective cost of implementing an insource model were estimated in our September 2020 report. The cost table is reproduced in Table Four.



Table Four: Insource model cost estimate

	Low	High
Direct salary cost (0.4 FTE to 0.5 FTE)	\$41,000	\$52,000
Immunisation services (outsource model)	\$20,000	\$40,000
RDO, annual and sick leave coverage	\$5,000	\$10,000
Allocation of reimbursement of private vehicle use	\$1,000	\$2,500
Corporate overhead (Assume 25% of salary cost)	\$10,250	\$13,000
Revenue generated from statutory and user charges	(\$3,000)	(\$5,000)
Total estimated cost to implement insource model	\$74,250	\$112,500

3.2.4 In summary, the insource option is the most common delivery methodology for environmental health services for South Australian Councils, however given ToW's relatively small size, there are significant resourcing challenges and other risks involved in pursuing this model.

3.2.5 Pursuing an insource model is unlikely to result in material financial savings compared with the other options under consideration.

4. IMMUNISATION SERVICES

4.1 Section 38 (1) of the South Australia Public Health Act (2011) provides that:

"In addition to its other functions, a council must provide, or support the provision of, immunisation programs for the protection of public health within its area."

4.2 The Public Health Act, therefore does not compel a council to deliver an inhouse immunisation service, however it does have a responsibility to at least 'support' the provision of immunisation programs. The extent of support required is not currently defined in any Act.

4.3 Over recent years, there has been a trend amongst some councils to outsource the delivery of immunisation services to third party providers for a fee. Providers such as 'Pop-Up Medics' and "Health and Immunisation Management Services" are currently offering immunisation clinics across most of metropolitan Adelaide.

4.4 During our work, we have been alerted to the presence of some concerns from within SA Health about the performance of one or more of these third-party immunisation providers in relation to reporting and documentation practices. At this stage it is unclear how serious these concerns are or specifically what impact this may have on current and future contracts.

4.5 If a decision to withdraw from EHA is progressed, Council will need to decide on its preferred service delivery model for immunisation services. This will be considered as part of the next stage of work dependent on which option is progressed.

4.6 Indicatively, the additional cost of providing immunisation services could be in the order of between \$10,000 and \$30,000 per annum depending on the level of service (i.e. the number of clinics per year) desired by Council.



5. **CONCLUSION**

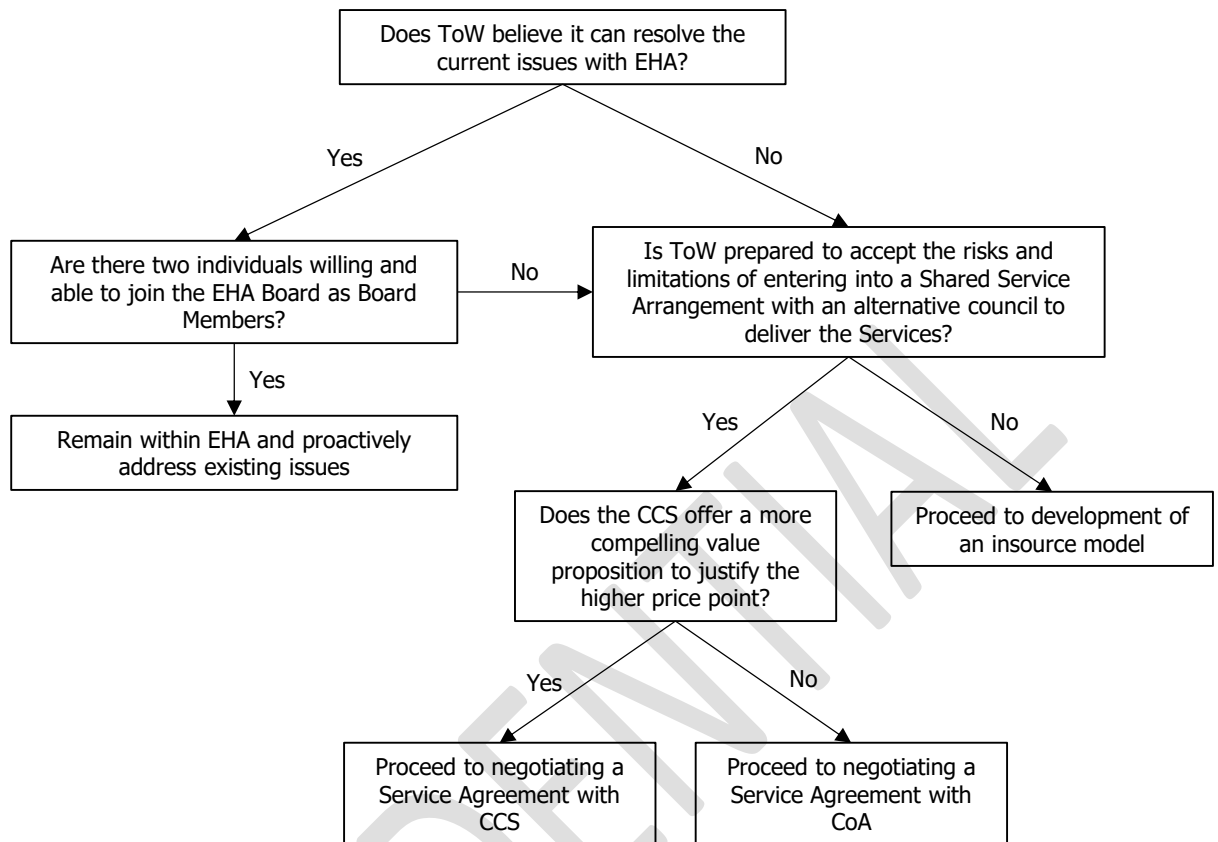
- 5.1 The decision at hand about the future provision of environmental health services for the ToW is complex.
- 5.2 There appears to be a very high level of dissatisfaction within the Administration, ToW's Audit Committee and ToW Council regarding the current service being provided by EHA and a significant breakdown in relationships between the two organisations.
- 5.3 In our view, and notwithstanding the significant issues with the existing relationships between the two parties, remaining within EHA should still be an option that is strongly considered by Council. If a stay decision is made, ToW could advocate, and demand changes to EHA's existing processes and resources, using its powers as a Constituent Council, to improve the level of service being received. However, there is no guarantee ToW will be successful in driving the changes it requires to improve the service being received from EHA.
- 5.4 If a decision to withdraw as a Constituent Council of EHA is made, Council must choose between insourcing the Services or engaging with either the City of Adelaide or the City of Charles Sturt to deliver the Services.
- 5.5 The insource model is challenging for a council of the size of ToW for a number of reasons and presents with it additional risks that ToW is not currently well placed to manage. This being said, the insource model provides the highest level of effective control of the service moving forward.
- 5.6 The shared service model has the potential to provide an efficient solution for ToW however, there are different risks and costs associated with progressing this approach.
- 5.7 The EOI process has shown that the price currently being paid to EHA is not significantly more than alternative service delivery models when considered on a like for like basis (inclusive of immunisation services). It has also not identified a single standout offer for ToW to engage with under a shared service model.
- 5.8 In deciding between CoA and CCS, the CoA's offer is at a price point which is 40% lower than CCS. However, CCS has given us and the ToW team more confidence in its ability to deliver the Service at a high standard due to the quality and expertise of their existing department manager and team leader.
- 5.9 This makes the decision to progress with either shared service proposal complex and comes down to a prioritisation of whether a premium price could or should be paid for a potential premium service from CCS.

6. **DECISION TREE**

- 6.1 In acknowledging the complexity of the decision, we have developed a decision tree (in Figure One) which may support the decision making process of Council. The decision tree highlights the most important questions that Council should be asking itself to determine the best path forward.
- 6.2 The decision tree is not meant to include all relevant factors and considerations; it is more an attempt to prioritise and order the decisions that need to be made by Council.



Figure One: Decision Tree



If you have any further questions about this advice, please do not hesitate to contact me.
Yours faithfully

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Attachments:

1. Request for Expressions of Interest