

Environmental Services Commercialisation Plan 2022-26



Date September 2022

Contents

Version Control.....	2
Approvals.....	2
Associated Documentation	2
1. Summary	3
2. Business Description	5
3. Market Research	6
4. Products and Services.....	10
5. Marketing and Sales	11

Version Control

Version	Description of version	Effective Date
1.0	2022-26 Commercialisation Plan	18 October 2022

Approvals

Approved by	Date
Environment & Development Services Committee	11 November 2022
Finance & Management Committee	24 November 2022

Associated Documentation

Description of Documentation



1. Summary

1.1. Product

- 1.1.1. South Derbyshire Environmental Services provides regulatory consultancy support services to enable clients to meet and exceed legal and industry standards across a range of sectors and activities.
- 1.1.2. These services cover food hygiene, health and safety, air quality, environmental noise, carbon reduction, environmental management, housing standards, environmental crime and anti-social behaviour prevention.
- 1.1.3. The SDDC Environmental Services offering is based on the following guiding principles:
- We will only pursue commercial activity that is built on our existing expertise and experience developed through the delivery of our existing range of regulatory services. We do not intend to pursue areas of business which is outside our core expertise.
 - We will pursue commercial activity both inside South Derbyshire and outside the geographic boundaries of South Derbyshire.
 - We will not pursue activity which seeks to directly compete with South Derbyshire businesses or the third sector.
 - We seek to return sustainable income returns in order to reinvest into improving services for South Derbyshire and developing our own staff.
 - We will support economic growth of the district through supporting our business communities.
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1.2. Customers

- 1.2.1. We have two key client groups;
- Small to medium sized businesses, with a particular focus on sectors with a close link to our core skills such as the food and drink sector.
 - Other local authorities, with a particular focus on other local authority environmental services providers.

1.3. Development

- 1.3.1. There are three business development models for the delivery of our consultancy services which are largely dependent on the corporate appetite for risk
- **High Risk / High Return model.** This is based on proactively investing in staff and marketing the services described in section 3. It represents a traditional private sector business model of invest to earn
 - **Low Risk / Low Return model.** This is based on a cautious growth model and is based on low cost marketing and making staff investments only when a solid and sustained pipeline of work has been secured over a medium term
 - **Opportunistic model.** This is effectively a 'business as usual' model based on offering bespoke services to clients who have identified to us through normal networking channels a particular need.

Over the last four years the business model has been opportunistic. This Commercialisation Plan has been produced to support a proposed restructure of Environmental Services which will investment in an additional member of staff to enable the service to move to a low risk / low return model.



1.4. Links to Corporate Plan

1.4.1 Support economic growth and infrastructure

- Encourage and support business development and new investment in the District.

1.4.2 Transforming the Council

- Provide modern ways of working that support the Council to deliver services to meet changing needs.
- Source appropriate commercial investment opportunities for the Council.



2. Business Description

2.1. Mission Statement

2.1.1. We will find innovative ways to help our clients achieve and exceed statutory compliance and in doing so enable them to confidently manage business risk and to inspire their own client's confidence.

2.2. Unique Selling Point

2.2.1. All of our staff are actively involved in regulating the services which we are offering to sell. For our clients, we therefore offer unparalleled practical expertise and insight about they can do to meet and exceed legal requirements across the range of specialist services we offer.

2.2.2. We also offer the ability to reinvest income back into the services delivered by South Derbyshire District Council, thus providing the opportunity to continue to deliver regulatory compliance services across the District and therefore to support environmental improvement and enhance economic growth across the District.

2.3. Legal Structure

2.3.1. The business is fundamentally interwoven into the statutory operational functions of South Derbyshire District Council's environmental health service. The governance of the services covered by this Business Plan remains bound to the constitution and policies of South Derbyshire District Council. This provides a level of governance and assurance well above that offered by most private sector consultancies.



3. Market Research

3.1. Market description

There already exists a thriving consultancy sector providing advice and support to enable UK businesses and public sector to achieve compliance in the various areas of legal duties to which our product relates.

Food Hygiene

1. Compliance audits, third party accreditation audits and food hygiene training

There are approximately 600,000 registered food businesses in the UK.

Based on a report by KPMG for the Food Standards Agency (“Cost to the UK food industry of Food Standards Agency regulation and Food Law”) 25% of food businesses employ external consultants to help with their internal checks of food hygiene and food safety law compliance

“Many FBOs that we interviewed indicated that conducting their own checks was an important part of ensuring compliance and reduced the risk of any non-compliances being identified during inspections. While this drives up the reported costs, and drives the high maximum costs reported by some FBO types, particularly larger retailers, without these checks (and the associated costs) it may be the case that the costs of addressing non-compliances could be higher.

The report also highlights that *Food Law requirements were generally viewed as “common sense” and relating to processes/ activities that FBOs would undertake irrespective of the regulations. Indeed, some FBOs put in place additional processes over and above the requirements, such as those required as part of a third party accreditation scheme, to drive higher quality standards.*

Based on the direct experiences of the Councils own officers, food businesses generally value the opinion of regulatory officers to be higher than those of private sector food hygiene consultants, simply because the regulatory officers have direct and immediate knowledge of current law, policy and guidance.

SDDC already has a presence in this market providing routine food hygiene audits to two local pub chains. We have the skills and experience to expand this offering.

2. Primary Authority

Primary Authority agreements are a means for businesses to receive assured and tailored advice on meeting regulations such as environmental health, trading standards or fire safety through a single point of contact. Primary Authority is based on legal partnerships between businesses and individual local authorities. A business can form its own direct partnership. It then receives Primary Authority Advice tailored to its specific needs from its primary authority (i.e. its chosen local authority).

There are currently 1,994 partnerships across the UK (mainly relating to trading standards and fire safety), and there are regular requests from businesses for new partnerships.

SDDC currently hosts three PA agreements. We have the skills and experience to expand this offering

3. Food Inspections for Local Authorities



Before Covid, many local authority food hygiene services were not meeting the statutory minimum numbers of inspections. In April 2019 (the date of the last published data), across all English Councils only 88.4% of statutory food hygiene interventions had been completed in the 568,000 registered food establishments across England. Therefore, nationally there were approximately 45,000 overdue interventions.

During Covid, the number of statutory interventions carried out by Councils across the country plummeted.

Over this same time period, the number of food businesses nationally are estimated to have increased by 12%.

A significant increase in food businesses combined with a massive backlog in interventions has created a huge market for food inspections with contractors charging highly inflated prices and often delivering poor quality. We can step into this large gap in the market.

This is not a service which SDDC currently offer. However, it is a core skill which we possess and is something we could mobilise to provide to future clients at pace and with no investment necessary.

4. Export Certificates

In order to export food outside the UK which contains constituent ingredients of 'animal origin', businesses are required to send consignments with export health certificates signed by officials who have been assessed and approved by the Animal and Plant Health Agency to hold the Official Controls Qualification as a Food Competent Certification Officer (FCCO). SDDC has four qualified FCCOs.

There is no publicly accessible information about how many export health certificates are issued in the UK each year, nor the businesses which are required to issue them.

Currently SDDC issues export health certificates on behalf of three businesses in South Derbyshire. Each certificate costs between £47 to £86. This generates a total annual income of approximately £80,000.

SDDC does not currently offer this service to businesses outside our geographical boundary, however there is nothing to prevent us from doing so and we have the existing skills and experience to expand this offering.

Environmental Protection

In a recent [workforce survey](#) the CIEH identified that

- 4 out of 5 local authorities reported that they use agency staff to deliver environmental health services.
- 23% of Councils use agency staff due to specialist knowledge not being available in-house.
- 31% of local authorities reported that some services were outsourced, or part outsourced.
- 31% of local authorities reported that the delivery of some statutory environmental health duties was at risk



Delivery of specialist services commands a premium rate.

These specialist services typically consist of the following;

During austerity, many Environmental Health Services ceased all non-statutory functions. One notable example is the provision of consultation **responses to planning consultations** particularly in relation to the impact of development proposals on environmental noise, air quality and land contamination.

In many instances local planning authorities are now contracting this advice service to private sector consultants.

All local authorities are required to publish annual review and assessments of **air quality** many of whom already contract this function out to consultants. Additional new air quality statutory requirements contained in the 2021 Environment Act are likely to increase the complexity of these annual reviews and encourage more Councils to contract this work out.

All local authorities must regulate businesses which are required by law to hold an **environmental permit**. Many authorities have contracted this function out to consultants.

South Derbyshire already provides these services to Erewash District Council, North East Derbyshire and Bolsover Council's (total annual value £15,000 a year) and we have previously provided services to High Peak and Lichfield Councils.

We have the existing skills and experience to expand this offering.

Other emerging markets are in particular around carbon reduction advisory services for businesses, and in relation to safety standard compliance in the private rented housing sector for large landlord portfolio holders. Both of these are sectors which need more work to identify more clearly the types of products required and the client groups with greatest need.

We are aware of recent specific, local opportunities which our existing structure did not provide us with sufficient capacity to deliver, and which we did not therefore pursue. However, they reflect the opportunities which are available and more importantly reflect the types of services that are emerging regionally and nationally and which the Council has the ability to deliver if we develop the capacity to do so.

- Derby City Council – environmental permitting support (current contract value £18,000 per annum)
- Lichfield District Council - environmental permitting support (they have expressed an interest in outsourcing this, currently their service is not legally compliant)
- Councils across Derbyshire have expressed interest in commissioning food hygiene inspections on a pay per inspection basis.
- Chilled Pubs – Have expressed interest in commissioning periodic health and safety inspections.

Review of Competition



The only similar services being provided in the UK is by Cornwall Council who for a number of years have been running a Business Regulatory Report service at £84 per hour.

We already have an excellent understanding of comparative hourly rates and fixed rate fees charged by private sector contractors in relation to food inspections, Primary Authority costs, planning application responses, air quality assessments and environmental permits. Our proposed pricing structure compares very favourable with these.

3.2. Customer Profile and Market Segmentation

Our key customer segments at this stage of the Commercialisation Plan are:

Service	Client	Location
Food hygiene consultancy, Primary Authority	Small to medium food and drink sector businesses	Derbyshire, Nottinghamshire, Leicestershire, Staffordshire
Food Inspections	Local Councils	Derbyshire, Nottinghamshire, Leicestershire, Staffordshire
Export Certificates	Food product exporters	Derbyshire, Nottinghamshire, Leicestershire, Staffordshire
Environmental Protection	Local Councils	East Midlands



4. Products and Services

4.1. Detail of Services Offered

Limitations

As a publicly funded body, pricing structure is controlled under Section 3 of the Local Government Act 2011 which prescribes limits on charging in exercise of general power where a local authority provides a service to a person otherwise than for a commercial purpose, and it's providing the service to the person is done, or could be done, in exercise of the general power.

The general power confers power to charge for providing the service only if;

- (a) the service is not one that a statutory provision requires the authority to provide to the person,
 - (b) the person has agreed to its being provided, and
 - (c) ignoring this section and section 93 of the Local Government Act 2003, the authority does not have power to charge for providing the service.
- (3) The general power is subject to a duty to secure that, taking one financial year with another, the income from charges allowed by subsection (2) does not exceed the costs of provision.
- (4) The duty under subsection (3) applies separately in relation to each kind of service.

The primary costs associated with the delivery of the proposed services are direct staff costs, on-costs associated with staff (accommodation, support services, utilities, etc) and transport costs.

Pricing Structure

Hourly direct staff costs for all staff members have been calculated which is variable depending on salary. Fixed hourly costs have been determined for on-costs and support service costs. Transport costs will vary, depending on the location of the delivery of the service, if necessary.

Pricing of services will be based on the calculated hourly cost plus all on costs, support service costs and other expenses. Hourly rates for services provided will therefore vary from £39 per hour to £59 per hour depending on the seniority of the staff required for the service.

Pricing comparisons against the known cost of competitors suggest that the SDDC offering will generally be below that of competitors. This pricing structure will need to be kept under continuous review as the competitiveness and perceived added value of the quality of the service become apparent over time.



5. Marketing and Sales

Growth

If the proposed restructure of Environmental Services is approved, it will create a new full time equivalent post. Assuming an industry standard utilisation rate of 70% this should release a total of 1,340 fee earning hours per year.

Assuming an average charge-out rate of £45 per hour this could realise income of £60,300 if full utilisation is achieved.

Most of the services identified as being in demand by the market research will be charged on a fixed fee rather than hourly fee basis. This will require accurate estimation of time per activity at the time when quotes are given to potential clients.

The projected income from the four main consultancy offers are summarised below

Year	Food Hygiene	Food Inspections	Export Certificates*	Environmental Protection	Total
2022/23	£25,000	£15,000	£80,000	£33,000	£153,000
2023/24	£30,000	£20,000	£80,000	£38,000	£168,000
2024/25	£35,000	£25,000	£80,000	£43,000	£183,000

Note * - Recent data suggests that income from food export certificates has dropped since the start of 2022. Given the uncertainty around the reasons for this we are looking to ensure that we maintain existing revenue rather than predict significant increases in income.

Marketing

The Council has no in-house marketing expertise and bringing in external expertise at this stage is considered likely to be disproportionately expensive for the anticipated returns in the short term.

It is recognised that if the business proposals are to grow significantly beyond the relatively modest scope of this business plan (as we hope) then longer-term investment in specialist marketing and sales will be necessary.

Marketing activity in year 1 (2023/24) will be directed at existing businesses and organisations with whom the Council has an existing positive relationship, namely local Councils in the region and local SMEs with growth aspirations. We will also focus on identifying and targeting food exporters in the East Midlands region.

Specific activities proposed;

- In-house production of a marketing brochure,
- Dedicated website separate to the SDDC website
- Direct email marketing to targeted clients
- Marketing meeting requests with key clients



The Head of Environmental Services will be responsible for the production of an annual marketing plan.

Financial Projections (Income)

Year	CEE00 R9307	CEE00 R9308	CEE10 R9307	CEE10 R9308	Total Income
2022/23 Existing	£80,000	£2,000	£10,000	£3,500	£95,500
2023/24	£80,000	£40,000	£13,000	£20,000	£153,000
2024/25	£80,000	£50,000	£13,000	£25,000	£168,000
2025/26	£80,000	£60,000	£13,000	£30,000	£183,000

