

## **CABINET**

**30 MARCH 2010**

### **COMBINED GATEWAY 1 OPTIONS APPRAISAL AND GATEWAY 3 CONTRACT AWARD: OCCUPATIONAL HEALTH SERVICE**

Portfolio Holder: Councillor Janice Bamber, Customer First and Corporate Services

Report from: Neil Davies, Chief Executive

Author: Paula Charker, Head of HR Services

#### **Summary**

To consider the options appraisal for the procurement options for the Occupational Health Service.

#### **1. BUDGET AND POLICY FRAMEWORK**

1.1 The decisions requested are within the policy and budget framework. This procurement process has been classified as high risk, therefore, this is a matter for Cabinet.

#### **2. RELATED DECISIONS**

2.1 Cabinet on 17 July 2007 agreed that the acceptance of the most advantageous tender for the occupational health service be delegated to the Assistant Director Corporate Services, in consultation with the Portfolio Holder for Customer First and Corporate Services (see below for details).

#### **3. BACKGROUND/INTRODUCTION**

3.1 Following the Cabinet decision above, the contract for this service was awarded in October 2007 following a tendering process. AXA ICAS were awarded the Occupational Health contract.

3.2 It is recommended that the contract be terminated upon giving 90 days notice of termination to AXA ICAS as an alternative provider has been identified which would provide much improved value for money.

3.3 It should be noted that all costings in this report relating to OH Services do not include the costs of obtaining further medical evidence from GPs or Consultants in individual cases. These costs cannot be predicted and are met from individual cost centres budgets.

3.4 The contract with AXA ICAS provides medical assessments and management advice letters, pre-employment screening and the provision of an Occupational Health Adviser (OHA) twice a month. However, the contract with AXA ICAS has not provided value for money and there have been a number of quality issues as detailed in the exempt appendix.

## **4. BUSINESS CASE**

### **4.1 Business Case Summary**

4.1.1 Kent County Council Staff Care Commercial Services (KCCSCCS) is being recommended as the preferred provider because of their understanding of the needs of a Unitary Council, including delivering services to children's care, social care and schools and because they provide excellent value for money.

### **4.2 Strategic Context**

4.2.1 It is clearly in the Council's interests to have these services for employees to promote their well-being and attendance at work. Absences of employees adversely impacts on the Council's ability to deliver its core values and services.

### **4.3 Whole Life Costing/Budgets**

4.3.1 The whole life cost of the present OH contract is set out in the exempt appendix.

4.3.2 The services provided between the old and new contracts would be the same apart from:

- the new contract would be a "nurse led" service, which would mean a reduced need for expensive physician time.
- The new contract would provide for an on-site OH Nurse Adviser for 3 days per week based at Gun Wharf.

4.3.3 The resultant savings would be on average approximately £52,000 per year across the Council, including schools. As each budget holder pays for the OH service when they need it and funds the costs from their overall budget, the savings achieved would be efficiency savings.

### **4.4 Risk Management**

4.4.1 Serious consideration was given to the Council employing its own OH Adviser (OHA) and buying in OH Physician (OHP) time as required. However this option is not being recommended because of the level of risk involved.

The risks of employing the OHA directly would be:

- Disruption of service should the OHA leave
- Potential delays and disruption of service whilst cover being obtained for sickness/annual leave absences
- No training and/or professional supervision unless paid for separately;
- Possible lack of knowledge of local government including pensions/ill-health retirement processes;
- Additional costs for administration time
- Well-being activities not a good use of a qualified OHA time
- No automatic access to an OHP
- OHA might not be used in most efficient and cost-effective manner.

#### 4.5 Market Testing (Lessons Learnt/Bench Marking)

- a) In House.** As stated above, an in house service was considered for the OH contract but rejected as the risks were considered too high, plus it would cost more than the provision being recommended.
- b) Service Provision via another Local Authority and/or NHS organisation.** As stated above, there have been difficulties with the present OH contract as it is not a local service. Therefore two local providers were examined: KCCSCCS and NHS Plus (Medway Hospital). NHS Plus are not being recommended as their costs were higher than KCCSCCS and also they appeared to undertake minimal pro-active work and had little knowledge of local government services.
- c) Other Framework Agreements.** Gravesham and Maidstone Borough Councils have a framework agreement in place with Health Management Limited. This Occupational Health contract was a joint procurement between the Councils. It was tendered and awarded in accordance with the European Directive (Services). It is due to expire at the end of March 2010 but there is a provision for an extension period of a maximum of 12 months. The contract allows for other Kent Councils to participate, at anytime, throughout its duration. This option is not being recommended as the Borough Councils do not provide the same complexity of services provided by a Unitary Council (such as schools and social care) and the costs would be higher.

#### 4.6 Stakeholders Consultation

- 4.6.1 Regular feedback from customers is obtained on the present service and this has identified cause for concern, as set out in Section 4 above. Members of the Employment Matters Committee have been keen to improve the present service and have an OH provision on site at Gun Wharf (Employment Matters Committee – 13 October 2009 (minute no. 328 refers).

## **5. PROCUREMENT IMPACT ASSESSMENT (PRIMAS)**

5.1 These services are available to all employees irrespective of age, disability, ethnicity, sexual orientation, gender and religion/ belief, and do not impact on the environment or local community/economy. However, they do of course have a positive impact on the health, safety and well-being of the Council's workforce, which in turn contributes significantly to the quality of services delivered to the community. The services have not been subject to a Corporate Equalities Impact Assessment.

## **6. PERMISSIONS / CONSENTS**

6.1 There is no need for any particular legal permissions or consents in order for the project to progress/complete.

## **7. OPTIONS APPRAISAL**

### **7.1 Success Criteria/Key Drivers/Indicators**

7.1.1 Our objective is to seek a professional on-site provision that will tailor itself to the needs of this organisation and will be flexible enough to respond to change. A forward looking service that not only provides a reliable local clinical service but also enables the organisation to be pro-active in enhancing employee well-being.

7.1.2 It was decided when looking for alternative providers that any new service must be:

- Local in respects to delivery timeframes but not in the context that would contradict the principles of the EU procurement regulations.
- Professional
- Flexible
- Cost effective
- Forward thinking, and
- Able to adapt to Medway Councils specific needs.

7.1.3 The key indicators of success are value for money, quality of the services, well-being of the workforce and low levels of sickness absence.

### **7.2 Options**

7.2.1 **In House.** As stated above, an in house service was considered for the OH contract but rejected, as the risks were considered too high. In addition, it would cost more than the provision being recommended as to employ an OHA alone would cost £60,000 pa (including on costs), plus the cost of sessional OHP.

7.2.2 **Service Provision via another Local Authority and/or NHS organisation.** As stated above, there have been difficulties with the present OH contract as

it is not a local service. Therefore two local providers were examined: KCCSCCS and NHS Plus (Medway Hospital). This information is set out in the exempt appendix.

**7.2.3 Other Framework Agreements.** Gravesham and Maidstone Borough Councils have a framework agreement in place with Health Management Limited. This Occupational Health contract was a joint procurement between the Councils. It was tendered and awarded in accordance with the European Directive (Services). It is due to expire at the end of March 2010 but there is a provision for an extension period of a maximum of 12 months. The contract allows for other Kent Councils to participate, at anytime, throughout its duration. This option is not being recommended for the following reasons:

- Borough Councils do not provide the same complexity of services provided by a Unitary Council so the OH provider would not be knowledgeable about all of our services
- Even if the contract is extended for the maximum period of one year, it will expire on 31 March 2011, and our preference is for a longer period of contract/partnership.
- the costs would be higher (for example, the medical referral cost is more than twice that of KCCSCCS).

**7.24 Re-tendering Process.** This is not being recommended as one of our key drivers is to have a local, flexible service. To re-tender would be expensive in relation to officer time and would attract the “big players” in the Occupational Health business, such as AXA ICAS, Medigold and Atos Healthcare. The fact that the recommended provider’s costs would be over half the cost of the AXA ICAS contract demonstrates the value for money that the preferred option can bring.

### **7.3 Preferred Option**

**7.3.1** Kent County Council Staff Care Commercial Services (KCCSCCS) is being recommended as the preferred option. It meets all of our key drivers and provides the best value for money at a total contract value of £187,700 over a 4 year period. A contract term of 4 years, with the option to extend for up to a further 2 years is recommended.

## **8. PREPARATION OF THE NEXT STAGE OF PROCUREMENT**

### **8.1 EU Implications**

**8.1.1** If the preferred option is considered and approved, the full regime of the Public Contracts Regulations 2006 (as amended) will not be applicable, although any re-tendering of these services, (which are Part B services under the 2006 Regulations), will be subject to the EU principles of fairness, equal treatment and transparency. In any event the proposal will be subject to Medway Council’s Contract Rules. Generally speaking these Rules require a competitive tendering process to be undertaken. Contract Rule 12 makes provision for the waiver of Contract Rules, i.e. the award of contracts without a

prior process of competitive tendering, where the Monitoring Officer considers it to be in the best interests of the Council to do so provided that the waiver does not breach any EU or UK Directive, statute or Regulation.

## **8.2 Resources and Contract Management**

8.2.1 The contract will be managed by the Head of HR Services and the Employee Services Manager, within existing resources. Key performance indicators will be developed and monitored on a regular basis.

## **8.3 Contract Documents**

8.3.1 Legal Services will draft the partnership contract documents. The documents will include a detailed specification of the service to be provided and how the contract will be monitored to ensure the key indicators of success of value for money, quality of the services, wellbeing of the workforce and low levels of sickness absence are met.

## **9. COMMENTS OF THE PORTFOLIO HOLDER FOR CUSTOMER FIRST AND CORPORATE SERVICES**

9.1 This report seeks approval of the Board to enter into a partnership with Kent County Council Staff Care Commercial Services (KCCSCCS) to provide an Occupational Health (OH) Service to the Council.

9.2 The objective for the OH Service is to seek a professional, value for money on-site provision that will tailor itself to the needs of this organisation and will be flexible enough to respond to change. This is a forward looking service that not only provides a reliable local clinical service but also enables the organisation to be pro-active in enhancing employee well-being and attendance at work. The Portfolio Holder supports the proposals set out in this report.

## **10. PROCUREMENT BOARD**

10.1 This report was considered at the Procurement Board on 10 March 2010 and the Board supported the recommendation as set out in paragraph 12 below.

## **11. FINANCIAL, PROCUREMENT AND LEGAL COMMENTS**

### **11.1 Finance comments**

This proposed contract should help to contain the expenditure within the service budgets allocated for occupational health. Savings identified in the Exempt Appendix are indicative figures based on current levels of expenditure for which there is insufficient specific budget. The current expenditure is met from other budget allocations and savings cannot be reflected in reductions in the budget allocation for occupational health.

The proposal appears to offer the best value for money compared to the existing contract and cost indications obtained from other suppliers. This should be reflected in lower operating costs for a similar quality of service provision.

Year on year cost efficiency savings should be evidenced if the proposed contract is implemented and shows real savings on expenditure.

## **11.2 Strategic Procurement Comments**

Strategic Procurement has provided quality assurance thus far this project including support and review of key options available. It is advised that in light of the importance of service continuity and the achievement of best value, the preferred options identified within this report should be approved.

## **11.3 Comments of Monitoring Officer or designated deputy**

These services are Part B services under the Public Contracts Regulations 2006 (as amended) and as such are not subject to the full requirements of those Regulations. While the Contract Rules, generally speaking require a process of competitive tendering, provision is made for these Rules to be waived where this is considered to be in the best interests of the Council and the waiver will not breach any EU or UK Directive, statute or Regulation. One of the primary requirements in the letting of contracts is to secure best value for money for the Council. It is considered that is a case where, particularly for the reasons set out in paragraph 7 (Options Appraisal) it would be appropriate to waive Contract Rules and to contract directly with KCC for the provision of this occupational health service.

## **12. RECOMMENDATION**

- 12.1 The Cabinet is asked to agree that the contract for Occupational Health Services with AXA ICAS is ended and to agree to waive contract rules to enable the Council to enter into a 4 year term contract with Kent County Council Staff Care Commercial Services (KCCSCCS) to provide an Occupational Health (OH) Service to the Council.

## **13. SUGGESTED REASONS FOR DECISION**

- 13.1 To ensure that the Council achieves value for money and high quality services from its Occupational Health provider.

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## Background papers

The following documents have been relied upon in the preparation of this report:

<b>Description of document</b>	<b>Location</b>	<b>Date</b>
Proposal from KCCSCCS Proposal from NHS Medway Details of service from Health Management Limited	All available from: HR Services, Level 3, Gun Wharf	