

Report to Cabinet Member for Economy and Corporate Resources

November 2020

Procurement of an Occupational Health Service Contract

Report by Head of Specialist HR services

Electoral divisions: n/a

Summary

An occupational health service ensures that there are systems in place so that employees' health and wellbeing is well supported and that managers can make informed decisions on the fitness of employees to work.

The current contract for the provision of occupational health services, which started in October 2016, covers the corporate requirement and some schools as part of the West Sussex Services for Schools arrangement.

The contract is due to expire on 30 September 2021 and it is proposed that the Council commences a procurement process to identify and select a new provider from 01 October 2021.

Recommendations

That the Cabinet Member for Economy and Corporate Resources endorses:

- (1) The commencement of a procurement process for an occupational health service contract to start on or before 01 October 2021 for 3yrs + 1yr + 1yr (total 5 years) with a total value of approximately £1.500m.; and
 - (2) Delegates authority to the Interim Director of Human Resources and Organisational Development to award the contract to the provider best able to meet the needs of the Council on a price/quality basis.
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Proposal

1 Background and context

- 1.1 In order to deliver efficient and effective core and front-line services to the residents of West Sussex, the Council needs to ensure its employees are healthy, motivated and well-supported.
- 1.2 Access to occupational health services help achieve this aim, by advising on individuals' fitness to work, help to prevent ill-health at work and advising when

work may be impacting on employees' health. An occupational health service also helps the organisation comply with legal and regulatory obligations (e.g. Health and Safety at Work Act 1974 and Pension Regulations) and avoid costs associated with employee sickness absence.

1.3 A summary of the core services and ancillary services are detailed in the table below.

Core Services	Ancillary (demand based) services
<ul style="list-style-type: none"> • Pre-employment assessment for fitness to work. • Management referrals • Fire Fighter medicals (pre-employment and periodically during employment) • Driver medicals • Health surveillance activity • Ill health retirement assessments • Industrial injury allowance assessment 	<ul style="list-style-type: none"> • Specialist reports • Vaccinations • Physiotherapy

1.4 The current contract for occupational health services was awarded in 2016 to Health Management Limited for a period of 3 years with the option to extend by a further 2 years in annual increments.

1.5 Having taken all the extensions available, the contract will expire on 30 September 2021.

1.6 Spend during financial year 2019/20 was £0.300m (this includes spend from schools but not partner organisations).

1.7 The contract is used to cover the corporate requirement and is also accessed by some schools in the county as part of the West Sussex Services for Schools arrangement. Charges form part of the Schools Service Level Agreement package.

1.8 Horsham District Council, Arun District Council and Chichester District Council were also included in the original tender but have a direct commercial relationship with the supplier.

1.9 The approximate number of employees served by the occupational health contract is 20,000. This includes schools and the District and Borough Councils.

1.10 The Council has a separate contract for the Employee Assistance Programme (EAP) with a separate provider. Whilst the contract for this service is co-terminus with the occupational health service provision, there is no intention to combine the services into one contract at this time.

2 Proposal details

- 2.1 It is proposed that the Council commences a procurement for the provision of an occupational health service.
- 2.2 The proposed contract length is three years with the option to extend by two further years, making the total contract length five years.
- 2.3 The anticipated value of the contract is £1.500m and covers spend incurred through WSCC and school activity. It does not include partner organisations who will enter into their own contracts with the winning bidder following the tender exercise.
- 2.4 The proposed route to market is via the Eastern Shires Procurement Organisation (ESPO) Framework Agreement for Occupational Health Services.
- 2.5 The Council will run a further competition with pre-approved suppliers based on an agreed and refreshed specification taking into account learning from the current contract as well as emerging areas such as mental health awareness.

3 Other options considered

- 3.1 The following options have been considered:
 - a. Do nothing;
 - b. Insource occupational health provision;
 - c. Collaborate with neighbouring County Councils;
 - d. Procure corporate provision only and access local Blue Light collaboration for Fire and Rescue.
- 3.2 Option a) has been discounted on the basis that the current occupational health service will cease in September 2021. With no arrangements in place, the Council would not be able to meet its aims of being a modern and considerate workplace.
- 3.3 Option b) would require significant upfront investment in qualified personnel and systems to ensure provision could equal or exceed that available in the external market.
- 3.4 Opportunities to collaborate with neighbouring Councils as part of Option c) have been explored but the requirements of provision associated with operating a Fire and Rescue Service (such as recruitment/routine medicals and health assessments including asbestos checks) were considered out of scope for the collaboration.
- 3.5 As part of Option d) the Council engaged with Sussex and Surrey Police who provide an in-house occupational health services for the Police as well as Surrey FRS (Surrey County Council) and East Sussex FRS. Whilst there is clear alignment with aims and provision, the service has only been recently established and the additional resource required by the Police to scale up to on-board another Fire and Rescue Service meant the entry costs were high.

4 Consultation, engagement and advice

4.1 Consultation has been carried out with the following:

Internal

- Internal service leads
- Legal
- Procurement (including Procurement Board)
- Finance
- Rep bodies

External

- Current provider
- District Councils currently accessing the contract
- Local County Councils
- Other Fire and Rescue services
- Sussex and Surrey Police

4.2 The internal consultation has recognised the need for stronger and sustained contract management to ensure the smooth operation of the contract as well as the desire for more clinic locations to reduce the travel time and costs.

4.3 Early engagement with the District and Borough councils has indicated there is appetite to aggregate requirements as part of a tender process.

5 Finance

5.1 Revenue consequences (anticipated costs) are detailed below and show the full contract term should the extensions be taken.

	Year 1 2021/22 £m (Part Year)	Year 2 2022/23 £m	Year 3 2023/24 £m	Year 4 2024/25 £m	Year 5 2025/26 £m	Year 6 2026/27 £m (Part Year)
Revenue budget	£0.150	£0.300	£0.300	£0.300	£0.300	£0.150
Change from Proposal	£0	£0	£0	£0	£0	£0
Remaining budget	£0.150	£0.300	£0.300	£0.300	£0.300	£0.150

5.2 It is anticipated that the new contract prices will reflect price rises associated with medical inflation since the last contract was let in 2016.

5.3 That said, occupational health providers are putting more emphasis on automating simple processes as well remote assessments that help contain/reduce costs.

5.4 The effect of the proposal:

- (a) Procuring a service using an external supplier will ensure the Council has access to professional and neutral advice on employee’s health and wellbeing;
- (b) The use of an external framework agreement means that the Council can access pre-approved suppliers with experience of providing corporate occupational health services thereby keeping procurement costs down;
- (c) With stronger contract management focus;
 - i. the performance levels of the selected suppliers will be monitored and escalated early if there is a potential effect on business continuity (particularly in the area of Fire and Rescue and Transport);
 - ii. the costs associated with missed appointments or late cancellations can be flagged to Service Directors and investigated and not allowed to accumulate.
- (d) Recognising the corporate nature of the contract, the contract will be managed principally from within Human Resources and Organisational Development Directorate with support provided as necessarily by Procurement and Contract Services;
- (e) By continuing to collaborate with some district and borough councils, the Council will enable smaller organisations to achieve greater economies of scale.

6 Risk implications and mitigations

Risk	Mitigating Action
Price increases due to market conditions and prices within existing contract held for a number of years.	The proposed contract will look to fix prices for the contract period (subject to annual reviews). The exact pricing model has yet to be confirmed but will most likely include a mixture of fixed service fees and then demand-based cost elements.
Supply disruption during changeover of suppliers	The procurement timetable has allowed for at least a 12-week mobilisation period to ensure new systems of work are communicated and understood. Should there be a change in supplier, the current contract has adequate terms to allow the smooth management of the transition from the old provider to the new provider (e.g. in relation to TUPE and transfer of personal data that maybe held by the current supplier).

Risk	Mitigating Action
Carbon emissions due to employees having to travel large distances to attend face to face consultations.	Exploring the use of the Council estate to establish at least one additional clinic to the existing clinic in Horsham.

7 Policy alignment and compliance

- 7.1 The benefits resulting from an engaged and well-utilised occupational health service ensures the organisation is a Council that 'works for the community'.
- 7.2 An occupational health service that ensures costs associated with employee sickness/absence are kept to a minimum assists with delivering value for money for the residents of West Sussex.
- 7.3 The provision of occupational health services demonstrates the council's commitment to supporting employees, many of whom share a protected characteristic under the Equality Act 2010, to remain in employment by effectively managing their disabilities or health conditions.
- 7.4 The proposed procurement will be conducted in accordance with the Public Contracts Regulations 2015 and WSCC Standing Orders on Procurement and Contracts.
- 7.5 As part of the tender evaluation, bidders will be evaluated on their ability to bring social value to delivery of the contract. This might include employing local labour or providing apprenticeship opportunities to residents of West Sussex.
- 7.6 The proposal has no implications under the Human Rights Act 1998.
- 7.7 There are no foreseeable crime and disorder implications to this proposal.

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Appendices

None

Background papers

None