

PART 1 - PUBLIC

Decision Maker: Resources Portfolio Holder

Date: For pre-decision scrutiny by the Executive and Resources PDS Committee on 4th April 2012

Decision Type: Non-Urgent Executive Non-Key

Title: **EXTENSION OF EXISTING OCCUPATIONAL HEALTH CONTRACT**

Contact Officer: Elaine Pilkington, Occupational Health and Safety Manager
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Chief Officer: Charles Obazuaye, Assistant Chief Executive, Human Resources

Ward: N/A

1. Reason for report

- 1.1. It is proposed to agree a 1+1 year extension to the existing Occupational Health contract, following negotiation with the current provider to further reduce costs.

2. **RECOMMENDATION(S)**

That on grounds of best value and continuity of service, the Resources Portfolio Holder approves the extension of the employee occupational health contract with Preventative Health Care Ltd, from 1 August 2012 to 31 July 2013 with the option to extend by a further year being delegated to the Director of Resources after consultation with the Resources Portfolio holder.

Corporate Policy

1. Policy Status: N/A.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: Estimated cost £105,668 for 2012/13 £105,668 for 2013/14
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: HR / Central Occupational Health and Safety
 4. Total current budget for this head: £ 212,210 for 2012/13 (controllable expenses for OH and H&S Units)
 5. Source of funding: Chief Executives Department / HR division / Budget code 435 004 1717
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Staff

1. Number of staff (current and additional): 2 x on site medical staff provided by PHC Ltd, Counsellor and 1 part time administrator provided by LBB
 2. If from existing staff resources, number of staff hours: LBB Admin officer 27 hours per week
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Legal

1. Legal Requirement: Non-statutory - Government guidance.
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6000 (all LBB employees including all Community / VC school staff and Foundation, VA schools and Academies who purchase the OH service)
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 Our current contract with Preventative Health Care Ltd to provide an occupational health service for LBB employees expires on 31 July 2012. The contract provides a part time Occupational Health Physician, part time Counsellor and a full time Occupational Health Nurse. LBB provide administrative support and the service operates at the civic centre.

LBB have been actively pursuing the possibility of a shared Occupational Health service with Bexley and Croydon over the past 6 months; however a shared service has not proved viable at the present time, and a cost effective alternative needs to remain in place to deliver the service and enable the Authority to explore all options for the future.

- 3.2 The occupational health service provides the following -

- Assessment of new recruits to ensure they are fit for appointment
- Supporting managers with workplace health issues and sickness management
- Dealing with management ill health referrals
- Processing ill health retirement applications
- Providing medical input for risk assessments
- Carrying out workplace visits as necessary
- Administering workplace vaccinations
- Carrying out driver medicals and other examinations as required
- Medical input for case conferences, hearings and employment tribunals
- Provision of a counselling service for employees
- Provision of training in first aid, EpiPen use & medication awareness
- Providing statistical reports in relation to the above
- Organising health promotion events/ initiatives for employees

- 3.3 The service is essential and valued in terms of -

Ensuring all staff including new employees are fit for employment

Maintaining the trend of reduced sickness, which since 2007/8 has fallen from 9.1 days per employee, to 6.9 days (2010 /11), resulting in better attendance, improved productivity, sustained performance and continuity of service delivery

Managing employee sickness issues including those resulting in dismissal or early release under the pension regulations

Meeting our statutory requirements and best practice in terms of employment and employee health

- 3.4 Consultation with stake holders has revealed that LBB managers are very satisfied with the level of service provided. Given the nature of the work, a consistent and reliable service is desirable for the future. The Portfolio holder, Chief Officers, Legal Services and the council's Procurement Manager have also been consulted on this proposal.

4 POLICY IMPLICATIONS

- 4.1 The Council expects high standards of performance from staff and therefore takes seriously its commitment to maintain a healthy and motivated workforce. It is a little bit clichéd, but our staff are our still our greatest resource in delivering an "Excellent Council".

5 FINANCIAL IMPLICATIONS

- 5.1 Negotiations have been carried out with the current provider and have resulted in a 17% reduction in the contract price. This means that whereas the 2011/12 contract price was £127,125, the new contract figure for 2012/13 (and the following year if required) will be **£105,668** representing an annual saving of £ 21,457.

It should be noted that the joint H&S / Occupational Health service brought in £54,000 income (from schools/colleges) during 2011/12, making a significant contribution towards the running costs of the service. A similar level of income is expected for 2012/13.

- 5.2 Benchmarking with other local authorities has revealed that the current provider offers excellent value in terms of cost, with PHC's charges being consistently considerably lower than rival companies. The original tendering exercise revealed a wide gap between PHC and other quotations for the work. Up to date prices have been informally obtained from local occupational health providers which reaffirm the value of our current arrangement.
- 5.3 To ensure best value, the option of the direct employment of an Occupational Health Physician, Occupational Health Adviser / Nurse and Counsellor has been explored. However the cost together with the necessary medical insurances and training liabilities would exceed the contract figure offered by Preventative Healthcare Ltd and carries a greater risk for the organisation.
- 5.4 The contract costs for the next two years are shown below:

2012/13 - £105,668

2013/14 - £105,668

Provision has been made in the HR budget for delivery of the service on this basis.

- 5.5 Employee ill health can be costly and disruptive to essential services. The Occupational Health service aims to encourage employees back to work as soon as possible following health problems, in line with the governments 'Working for a healthier tomorrow' report, thereby significantly reducing the cost of employee absence to the Authority.

6. LEGAL IMPLICATIONS

- 6.1 The service is essential to ensure that the council meets its legal duties and obligations pursuant to the disability provisions of the Equality Act 2010 and the wider framework of health and safety legislation. In particular the council is required, by law, to seek an appropriate and up to date medical perspective in order to inform this legal obligation and consider (where appropriate) whether reasonable adjustments are required and can be made to accommodate health issues at work.
- 6.2 The service falls with Part B of Schedule 3 to the Public Contracts Regulations 2006. This means the specification for the services cannot be discriminatory in favour of UK products or services. Also a contract award notice has to be published in the Official Journal of the EU.
- 6.3 General principles of EU law which will apply mean that whilst there is no need to advertise the service, the award process should be clear and transparent and allow for adequate competition where appropriate. However in the present case benchmarking has indicated that there is,

because of the geographic limitations of the service, no readily identifiable competitor to the present provider.

- 6.4 Under CPR 13.1 a contract award of this value would normally be subject to tendering in order to ascertain best value. However with the support of the Director of Resources and Assistant Director (Finance) it is open to the Portfolio Holder to agree to a waiver of the need for such tendering. This reflects both the timescales within which the award has to be concluded, the attempts made to set up collaborative arrangements with other Boroughs and the benchmarking carried out with other comparative services which indicate that the Council currently has the most competitive rates/service. The use of the waiver will be reported to Audit Sub Committee as part of a bi annual report.

7. PERSONNEL IMPLICATIONS

- 7.1 The extension of the contract will involve no changes in staffing. The administrative hours within the team have recently been reduced over recent years to make cost savings. The contract will remain under the supervision of the Occupational Health and Safety Manager for the 1+1 year term.

Non-Applicable Sections:	
Background Documents: (Access via Contact Officer)	None