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| Decision maker: | Chief executive |
| Decision date: | Tuesday, 19 November 2019 |
| Title of report: | Procurement of Occupational Health Services for Herefordshire Council employees |
| Report by: | Employee Relations Business Partner |

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose and summary

The purpose of this report is to agree arrangements for providing Occupational Health Services specifically for employees of Herefordshire Council with effect from 1 April 2020.

Herefordshire Council has offered Occupational Health Services (including physiotherapy and counselling) to its employees for several years. These services have been delivered through a third-party contract and will expire on 31 March 2020.

The council seeks to promote and maintain the health and wellbeing of its employees, with the goal being to ensure a positive relationship between an employee's work and health. The council recognises that there are many benefits to occupational health; managing the health and wellbeing of people at work and having access to specialist occupational health practitioners is key to unlocking these benefits.

Recommendation(s)

That:

- (a) A procurement exercise is undertaken to award a contract, for up to five years, to deliver Occupational Health Services on behalf of Herefordshire Council. The total contract value is estimated to be £125,000 over five years; and**

(b) The Assistant Director for People is authorised to take all operational decisions necessary to implement the above.

Alternative options

1. This section sets out the alternative options to those in the recommendations, together with the advantages and disadvantages of each, and the reasons for their rejection.
2. Procure a reduced level of Occupational Health Services (i.e. excluding counselling and physiotherapy):

| Advantages | Disadvantages | Reasons for rejection |
|--|---|---|
| <ul style="list-style-type: none">• The estimated annual contract value would reduce from £25,000 to circa £15,000 | <ul style="list-style-type: none">• By removing counselling services, the council would be scaling back on mental health support services for its employees at a time when this is high on the national agenda and the importance and value of employers providing proactive mental health support is widely reported. Between September 2018 and September 2019, the highest level of full-time equivalent (FTE) days lost due to sickness absence across the council has been for mental health reasons.• By removing physiotherapy services, the council would be scaling back on support for employees experiencing musculo-skeletal (MSK) conditions at a time when poor musculo-skeletal health accounts for the majority of sickness absence in the UK alongside mental health. Between September 2018 and September 2019, MSK-related sickness | Whilst this option would result in a lower annual spend on Occupational Health Services, the council would in effect be taking a step backwards. There is some likelihood that employee sickness absence rates would increase as a result of this option. This prediction is based upon research across a number of organisations and anecdotal evidence within the council. The 'saving' is not significant enough to make this option viable when considering the bigger picture. |

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| | absences have resulted in the third highest FTE days lost across the council. | |
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3. Provide in-house Occupational Health Services:

| Advantages | Disadvantages | Reasons for rejection |
|---|--|---|
| <ul style="list-style-type: none"> Employees would have on-site access to Occupational Health Services at some office locations, meaning the service is more visible and accessible. The council would have full control over service delivery, as opposed to via contract management, which would likely have a positive impact on quality | <ul style="list-style-type: none"> The council does not currently have the resources or capacity to provide an in-house service The current average annual salary for an Occupational Health Nurse is circa £35,000 and for an Occupational Health Physician is circa £85,000 (both excluding on-costs). Whilst the council would not require these posts on a full-time basis, this demonstrates that the cost would be significantly greater than the recommended option, even before taking account of administration, ICT and property costs | The resource implications of this option would significantly outweigh the benefits, particularly in respect of financial cost, meaning it would not represent value for money |

4. Cease delivery of Occupational Health Services:

| Advantages | Disadvantages | Reasons for rejection |
|---|---|--|
| <ul style="list-style-type: none"> Saving of £25,000 per annum on Occupational Health Services provision | <ul style="list-style-type: none"> There is a considerable chance that the saving identified to the left would be eradicated as a result of increased corporate costs associated with higher sickness absence levels and potential non-compliance with | This option would adversely affect the council's ability to achieve its aims as stated in paragraph 4 below and would not represent value for money given the stated disadvantages |

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| | legal and regulatory obligations | |
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Key considerations

5. Herefordshire Council understands the importance of keeping people well (physically and mentally) at work and the role of effective Occupational Health Services in achieving the following aims:
 - Promoting employee health and wellbeing;
 - Complying with legal and regulatory obligations (e.g. the Health and Safety at Work etc Act 1974, etc); and
 - Reducing costs associated with employee sickness absence and improving business efficiency.
6. The council has offered Occupational Health Services (including physiotherapy and counselling) to its employees for several years. These services have been delivered through a third-party contract and these will expire on 31 March 2020.
7. In order to comply with its contract procedure rules, if the council wishes to continue to offer Occupational Health Services to its employees from 1 April 2020, a decision regarding the recommendations outlined in this report must be made.
8. Occupational health seeks to promote and maintain the health and wellbeing of employees, with the goal being to ensure a positive relationship between an employee's work and health. There are many benefits to occupational health; managing the health and wellbeing of people at work and having access to specialist occupational health practitioners is key to unlocking these benefits.
9. Forward-thinking organisations recognise that managing their people is just as important as controlling financial and capital resources. Developing a healthy workplace culture and adopting a systematic approach to occupational health will contribute to an organisation's success – in this case, "[securing] better services, quality of life and value for money".
10. The Corporate Plan 2016 – 2020 sets out "[recruiting, retaining and motivating] high quality staff, ensuring that they are trained and developed so as to maximise their ability and performance" as one means to achieving this corporate priority.
11. There is a wealth of evidence demonstrating that effective management of the health and well-being of employees contributes to performance improvement, reduces unacceptable losses associated with ill health and injuries, lowers absenteeism, improves morale and reduces litigation costs. It also helps employees with long-term health conditions and disabilities to fulfil their potential at work and assists employers in meeting their legal duties under equality legislation. This all serves to ensure that the council's workforce is performing to the best of its ability, aiding employee motivation and retention.
12. The Corporate Plan 2016 – 2020 includes a set of success measures for the "[securing] better services, quality of life and value for money" priority. This includes "reduce sickness absence and cost of workforce".

13. The council's Occupational Health Services have been well-utilised by managers and employees over recent years. 2018/19 financial year usage is summarised below:

| Element of service | Number of sessions / appointments |
|---|-----------------------------------|
| Occupational Health (including statutory health surveillance and pre-employment checks) | 208 |
| Counselling | 95 |
| Physiotherapy | 115 |
| Total | 418 |

14. In July 2019, the council launched its new employee benefits platform – The Orchard. Through The Orchard, council employees are able to access a 24/7 Employee Assistance Programme (EAP). The EAP offers employees confidential counselling and advice on a wide range of work and personal issues via telephone and online services. The EAP is a valuable service which complements the wider occupational health offer. The EAP is not, however, a replacement for more involved and/or specialised face-to-face counselling support which the council regularly provides to those employees experiencing poor mental health.
15. It is common for public and private sector employers to outsource their entire Occupational Health Services function to one of the many commercial occupational health providers. This has been the position in Herefordshire Council for several years and is considered to be the most effective way of delivering Occupational Health Services which represent value for money.
16. Where the decision in respect of this report leads to a change in Occupational Health Services provision, the service area will ensure that this is communicated to employees, managers and other key stakeholders in a timely manner. There will be engagement with the council's communications team in respect of this.
17. Once the contract is in place, its performance and effectiveness will be monitored via ongoing informal day-to-day management, scrutiny of quarterly performance reports from the provider, formal quarterly performance review meetings with the provider and analysis of customer / employee feedback. The service specification and contract will include key performance indicators covering, for example: the time between a referral being made and the occupational health report being received, the customer satisfaction rate and the quality of occupational health reports sent to line managers.

Community impact

18. Herefordshire Council's Corporate Plan 2016 – 2020 sets out four strategic priorities, one of which being to "secure better services, quality of life and value for money". The recommendations of this report are a key enabler to achieving this aim.
19. It is acknowledged that the council will soon publish its Corporate Plan 2020 – 2024 and, whilst strategic priorities may change during the life of any Occupational Health Services

contract, the recommendations of this report remain a key enabler of strong organisational performance.

Equality duty

20. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
21. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.
22. 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. This is a key element of the council's status as a Disability Confident Employer.

Resource implications

23. This section focuses on the impact of the decision on finance, as there is no anticipated impact in respect of ICT, human resources or property.
24. There is currently no interface between the council's ICT systems and those of the existing provider. The specification for the new service would not include any requirement for linkages with the council's ICT system.
25. The current provider does not deliver its services from council premises. The specification for the new service would not include any requirement for delivery from council premises, other than attendance on-site for specific events such as wellbeing days.
26. Details regarding the estimated cost of the Occupational Health Services contract and the funding stream are set out in the tables below.
27. There is no impact to current budget on the basis that the council will be seeking a contract with the same annual value as the existing base budget.
28. There will be no additional costs associated with the procurement process, contract set-up or ongoing contract management on the basis that these will be managed by existing, permanent staff.

| Revenue or Capital cost of project (indicate R or C) | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|--|----------------|----------------|----------------|----------------|----------------|-----------------|
| Revenue | £25,000 | £25,000 | £25,000 | £25,000 | £25,000 | £125,000 |
| TOTAL | £25,000 | £25,000 | £25,000 | £25,000 | £25,000 | £125,000 |

| Funding streams (indicate whether base budget / external / grant / capital borrowing) | 2019/20 | 2020/21 | 2021/22 | Future Years | Total |
|---|----------------|----------------|----------------|----------------|-----------------|
| Existing base budget | £25,000 | £25,000 | £25,000 | £50,000 | £125,000 |
| TOTAL | £25,000 | £25,000 | £25,000 | £50,000 | £125,000 |

Legal implications

29. The council as an employer has a legal responsibility under the Health & Safety at Work Act 1974 to protect the health, safety and welfare of all their employees. Occupational Health Services will help the council to prevent employees being absent due to health reasons through enabling early intervention and support for employees to recover from illness while at work. Occupational Health Services can help to enhance employee wellbeing, and prevent health issues from occurring in the first place. Therefore by procuring Occupational Health Services, it will enable the council to protect people from harm in the workplace, avoid litigation and improve the council's corporate image.
30. The report has outlined the considerations given to providing the services in house and the reasons why procuring the services from a third party provider was deemed the better option.
31. The report further confirms that a compliant procurement process will be followed for the selection of the third party provider. The services to be procured are likely to be health services within CPV Code 85147000 (Company Health Services) and as such within the Light Touch Regime of the Public Contract Regulations 2015. The anticipated value of the contract to be procured (£125,000) falls below the EU threshold for the Light Touch Regime (£615, 278) and so the Procurement Regulations will not apply. However the council is still under an obligation to conduct the procurement in accordance with general principles of openness, transparency and non-discrimination. It does this by complying with its own Contract Procedure Rules (in this case para 4.6.12 of the constitution). This will minimise the risk of any challenge.
32. A robust procurement process will also ensure that a provider best suited to deliver the services is selected and will be procured at the best price available.

33. The procurement process will involve data protection and information governance aspects such as any data protection impact assessment and/or information sharing protocol that may be necessary.
34. As apparent from the report, procuring Occupational Health Services will help the council as an employer to meet its obligations, and minimises the risk of litigation. Apart from being the responsible thing to do, a few benefits of the approach selected are:
- Financial - reduced costs; and
 - Legal – health and safety law compliance and council procedure rules compliance.

Risk management

35. The below table sets out the risks to the council both if the recommendations of this report are agreed and if the recommendations of this report are declined. It provides an overview as to how these risks will be managed.

| Risk / opportunity | Mitigation |
|--|--|
| Recommendations of this report are declined | Consideration to be given to the feasibility of the alternative options |
| No interest from any Occupational Health Services providers and so no tenders received | Consideration to be given to appointing a provider via an existing national framework agreement to ensure a service is operational by April 2020 |
| Provider costs ascertained through procurement process exceed the current base budget of £25,000 per annum | Contract value to be clearly stated in all procurement documentation to manage provider expectations |

36. Working on the assumption that the recommendations outlined in this report will be approved, the relevant risks will be managed at service level.
37. If the recommendations outlined in this report are declined and the result is that the council no longer provides Occupational Health Services for its employees, the relevant risks will be managed at corporate level due to the potential adverse impact on the council's ability to comply with its legal and regulatory obligations (e.g. the Health and Safety at Work etc Act 1974).

Consultees

38. The council's recognised trade unions were informed of the intention to re-procure Occupational Health Services for employees at the Joint Partnership Forum meeting held on 11 September 2019, without prejudice to the decision in respect of this report.

39. The trade unions understood the need to undertake a procurement exercise on the basis that the council's contract with its current provider has expired. The trade unions will be kept informed of progress with the procurement process via regular, scheduled Joint Partnership Forum meetings.
40. The council's current provider of Occupational Health Services has also been informed of the intention to undertake a procurement exercise.
41. There is no requirement to consult formally or more widely in respect of the recommendations outlined in this report.
42. Should the recommendations be declined and the result of this be that there is a reduction or removal of Occupational Health Services for employees, the council would be required to formally consult with the recognised trade unions.

Appendices

None.

Background papers

None identified.