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To members of the Shared Services Joint Committee

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DATE: 18 May 2016

OUR REF:

YOUR REF:

Dear Councillor

**SHARED SERVICES JOINT COMMITTEE
FRIDAY 20TH MAY 2016**

I am now able to enclose, for consideration at next Friday 20th May 2016 meeting of the Shared Services Joint Committee, the following reports that were unavailable when the agenda was printed.

Agenda Item 8: Occupational Health Unit Outsourcing (Pages 1 - 6)

Yours sincerely

Rachel Graves

Democratic Services Officer

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CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICE JOINT COMMITTEE

Date of Meeting: 20th May 2016
Report of: Sam Brouzas - Head of Professional Services, Cheshire West and Chester Council

Subject/Title: Occupational Health Unit – Procurement of Occupational Health Services 2016

1.0 Report Summary

- 1.1 At the Joint Committee Meeting on 2nd October 2015 there was a report and discussion about the Occupational Health Unit (OHU) where the committee were informed of the difficulties that had been encountered over the past two years and how these were being addressed.
- 1.2 Members therefore agreed to enter into a joint arrangement between Cheshire East Council, Cheshire West and Chester Council and Warrington Borough Council to procure occupational health services from an external provider.
- 1.3 Representatives from Cheshire West and Chester; Cheshire East and Warrington Borough Council compiled an Invitation to Tender (ITT) which was placed on The Chest (on-line procurement system). The closing date for bids was 19th April 2016.
- 1.4 The initial evaluation of the tenders took place on Friday 29th April where the quality of the bids was evaluated alongside the price.
- 1.5 There were three bidders:
 - Bidder A - who currently supply the service to Warrington Borough Council
 - Bidder B – who currently supply the service to Wirral Borough Council
 - Bidder C
- 1.6 There were issues with all three bidders which needed clarification so all bidders were invited to a clarification meeting on Tuesday 10th May.
- 1.7 In the bid from Bidder A they stated that they would expect Cheshire West and Chester / Cheshire East to underwrite the cost of any redundancies. When this was rejected they withdrew their offer to supply services to these two councils but stated that they would still be prepared to offer the service to Warrington.

- 1.8 On 10th May Bidder B and Bidder C attended a clarification meeting with the three councils and the scores given by the panel were subsequently adjusted as follows:
 - 1.8.1 Bidder B received a score of 80.8%
 - 1.8.2 Bidder C received a score of 56.8%
- 1.9 The scores were weighted as 70% for quality and 30% for price.
- 1.10 The cost to the councils associated with this contract is entirely dependent on the schools, academies and arms-length organisations continuing to buy back the occupational health service. If customers are lost, the costs to the council will be higher although this risk also applies if the service were to stay in-house.

2.0 Bidder B's bid

- 2.1 Bidder B is able to provide the full range of occupational health services to all three councils. It is a large commercial occupational health provider and currently supplies occupational health to Wirral Borough Council. It also supplied occupational health services to Cheshire Constabulary from 2012 – 2015.
- 2.2 Bidder B has a team of occupational health nurses / advisers who are experienced in delivering services to local authorities and these would supplement the existing occupational health advisers who currently work in the Occupational Health Unit. These staff would TUPE to Bidder B and continue to provide the service to the two councils. Bidder B also has a number of occupational health physicians who would be used for complex cases; driver medicals and ill-health retirement cases. The two doctors who currently work for the Occupational Health Unit (on a self-employed basis) would not be used by Bidder B .
- 2.3 Bidder B will not be using the existing OHU premises at Goldsmith House due to the high cost of this facility. Instead it will use premises at either Chantry Court (Sealand Road Business Park) or Herons Way (Chester Business Park). Both venues are within one mile of Chester City Centre and are accessible by public transport and have free parking on site. As Bidder B has SEQOHS (Safe Effective Quality Occupational Health Systems) accreditation, the facilities would have to meet these national standards.
- 2.4 For Cheshire East employees, Bidder B would continue to use premises at Westfields, Macclesfield Town Hall and Crewe Municipal Buildings.
- 2.5 Bidder B has its own occupational health software system for diary management, patient records, management referrals and management reports. The system is called OHIO and would be used by Bidder B to administer the occupational health service. Bidder B proposes to provide

training and awareness sessions for council staff who would need to use the system.

- 2.6 The annual cost of providing the occupational health service to Cheshire West and Chester Council (including schools, academies & arms-length companies) is £246,414. The income from schools, academies and arms-length companies for the financial year 2016 / 17 is estimated at £171,121 so this would give a net cost of £75,293. In the first year there is also a one-off mobilisation cost of £9,150 so the first year cost would be £255,564 giving a net cost of £84,443. The occupational health budget for 2016 / 17 is provisionally set at £66,115 giving a projected overspend in year one of £18,328 and if the same budget and income is projected for year two the overspend would be £9,178. This is dependent on the schools, academies and arms-length organisations continuing to buy back the occupational health service. However, this risk also applies if the service was to stay in-house and the risk of loss of customers would be higher due to the lack of resilience in the Unit.
- 2.7 The annual cost of providing the occupational health service to Cheshire East Council (including schools, academies and ASDVs) is £212,816. The income from schools, academies and arms-length companies for the financial year 2016 / 17 is estimated at £154,889 so this would give a net cost of £ 57,927. In the first year there is also a one-off mobilisation cost of £9,150 so the first year cost would be £221,966 giving a net cost of £67,077. The occupational health budget for 2016 / 17 is provisionally set at £ 61,726 giving a projected overspend in year one of £5,351 and if the same budget and income is projected for year two the underspend would be £,3799.

3.0 Bidder C's bid

- 3.1 Bidder C is able to provide the full range of occupational health services to all three councils. It is a commercial occupational health provider based in Towcester, Northamptonshire and currently supplies occupational health to Warwickshire County Council.
- 3.2 Bidder C operates an occupational health service which consists of a central base from where many of the appointments are delivered by telephone. Bidder C does not propose using all of the existing OHU premises at Goldsmith House due to the high cost of this facility. Instead it would like to use a small part of it and have costed their bid accordingly. However, it is not feasible to split the OHU facility at Goldsmith House as it is a purpose-built facility. Bidder C has stated that it would source alternative accommodation in Chester to carry out medicals and for where a face to face appointment is necessary. Currently it does not know where it would base an occupational health facility.
- 3.3 For Cheshire East employees, Bidder C only proposes using premises at Macclesfield and Crewe.
- 3.4 As Bidder C is based in Northamptonshire, the OHU staff would be offered positions in Northamptonshire (which they would be unlikely to take). This

would therefore mean that the new occupational health provider would be using staff that have no knowledge of Cheshire West and Chester Council.

3.5 Bidder C currently uses the EOPAS software system that the Occupational Health Unit uses. This would make the migration of patient records very straightforward.

3.6 Bidder C's annual cost is £212,854 so with a projected annual income of £171,121 this would give a net cost to Cheshire West and Chester of £41,733 giving an underspend of £24,382. However it is foreseeable that if this new model of occupational health provision was used there would be a further loss of customers. The cost to Cheshire East is £221,566 therefore the net cost would be £66,677 giving an overspend of £4,951.

4.0 Recommendation

4.1 In December 2015, representatives from the three councils ran a 'Meet the Buyer' day to launch the procurement process. This was well attended by a number of national and local occupational health providers with approximately 15 organisations sending a representative. The fact that there were only three bids (one of whom subsequently withdrew) demonstrates that it is extremely challenging to provide an occupational health service within the current budget either internally or using an external provider.

However, given that Bidder B is able to provide a service which is more resilient than the current provision and therefore less likely to lose customers, it is advised that Bidder B is engaged as the new occupational health provider from 1st September 2016

5.0 Decision Requested

5.1 To endorse the recommendation to appoint Bidder B as the occupational health provider for the two councils from 1st September 2016 to 31st August 2019 with the option to extend for a further two years until 2021.

6.0 Reasons for Recommendations

6.1 To provide a quality occupational health service to the two councils.

7.0 Wards Affected

7.1 None

8.0 Local Ward Members

8.1 None

9.0 Policy Implications

9.1 There are no policy implications in terms of climate change.

10.0 Financial Implications

- 10.1 The total net budget for 2016/17 the Occupational Health Unit is £127,841. Bidder B's bid would give a total net annual cost of £133,220, excluding one off costs in the first year of £18,300, which would result in a total net overspend of £5,379 against the available budget. This would result in a net underspend of £3,799 for Cheshire East and a net overspend of £9,178 for Cheshire West. However the financial position for the service 2015/16 is an overspend of £18,127 so, whilst Bidder B's bid is not within budget, there would be a reduction in cost/overspend for both Councils. Bidder C's bid would give an annual net cost of £108,410, which is a £19,431 reduction against the current available budget and would result in a net underspend for Cheshire West of £24,382 and a net overspend of £4,951 for Cheshire East against current budgets.
- 10.2 The net costs of both bids are dependent upon the current level of income generated through buy back of the service being maintained. Whilst Bidder C's bid is the lower of the two it is felt that the greater risk relating to loss of customers lies with them and therefore a greater risk of increasing net costs. As a result of this, and weighting given to quality and price in the evaluation process (70% and 30% respectively), it is recommended that Bidder C is selected as the preferred bidder.

11.0 Legal Implications

- 11.1 Cheshire East Council and Cheshire West and Chester Council will have to make arrangements for Occupational Health staff to transfer their employment to the new supplier under TUPE arrangements.
- 11.2 In terms of health and safety legislation, there are no legal implications as long as both councils continue to provide occupational health for employees including statutory medicals and health surveillance.

12.0 Risk Management

- 12.1 If the councils lose customers (schools and academies or arms-length organisations / ASDVs), the costs to the councils will be higher. Both councils will have very clear contract monitoring procedures in place to ensure the quality of the new occupational health provision to ensure that the service meets customer's requirements and maintains the business / income.
- 12.2 If the two authorities fail to provide timely occupational health support for employees this could increase the amount of time that employees are off sick.

13.0 Background and Options

- 13.1 The Occupational Health Unit has struggled to retain customers and provide a quality service over the past couple of years due to the reduction in the size of the Unit. There is no resilience so when a member of staff is absent it often results in cancellation of clinics and complaints from customers.

13.2 A report outlining the options was presented to the Joint Committee in February 2015 and members asked for a further report on the options for future service delivery in October 2015. At the Joint Committee Meeting in October 2015, Members asked officers to work jointly with Warrington Borough Council on a tender for the provision of occupational health to all three councils. This exercise concluded in April 2016 and the recommendations are contained in this report.

13.3 The options would be:

13.3.1 Endorse the recommendations in this report

13.3.2 Start a new procurement exercise with a different model for the provision of occupational health (e.g. using a telephone based provision)

13.3.3 Retain the provision in-house as a shared service

14.0 Access to Information

14.1 The background papers relating to this report can be inspected by contacting the report writer:

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