CHESHIRE EAST COUNCIL
CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICES JOINT COMMITTEE

Date of Meeting:	28 March 2014
Report of:	Cheshire East – Chief Operating Officer Cheshire West & Chester – Director of Resources
Subject/Title:	The Future of Occupational Health Shared service

1.0 Report Summary

1.1 This report is a follow up to the Shared Services Committee Report of 28th June 2013 which summarised the conclusions of a review of the Occupational Health Shared Service (OHU).

1.2 The recommendation from this report was that the future delivery of the Occupational Health Unit be taken forward in two stages, firstly to continue to improve the in-house service so that it is in the best possible shape for commercialisation and at that stage to then place it in an appropriate delivery vehicle.

1.3 A further report was requested to be brought in January 2014 recommending an appropriate commercial vehicle for the service.

1.4 This report considers the options previously identified for future delivery of the OHU (out-sourcing, integration into CoSocius or the conversion of the company into a Council owned company) and recommends that the Occupational Health Unit explores a partnership with an external occupational health provider in order to continue to deliver the service to the two councils.

2.0 Recommendations

2.1 It is recommended that the Occupational Health Unit moves to a new delivery model for occupational health services which would involve procuring a partner organisation to deliver services and provide resilience to the Unit when needed.

2.2 It is recommended that the Occupational Health Unit remains as a shared service and undertakes a collaborative/joint procurement exercise for 2.1

2.3 It is recommended that the hybrid model outlined above is adopted for year 1 with a proposal to explore moving the service into CoSocius in year 2.

3.0 Reasons for Recommendations

3.1 In January of this year, the Occupational Health Unit lost some key members of staff and subsequently struggled to recruit to these posts (2 x Occupational Health Advisers and the Admin Team Leader). This left the unit vulnerable and as a result the clinic waiting times (particularly in Cheshire East where these team members predominantly supported) rose to over 3 weeks, which led to a number of complaints from managers, HR colleagues and patients. This also came at a time when the external contracts were being re-negotiated, so it put at risk the continuation of some contracts with schools and external customers. Therefore, despite making significant improvements to the service, including the introduction of electronic records, the Unit is unsustainable in its current form as it has very little resilience to pressures such as staff reductions, sudden increases in demand and staff sickness / holidays etc. Whilst agency staff have been used to fill the gap in the short term, this is not a long term solution due to the importance of consistency in quality and support.

3.2 The report on the 28th June 2013 identified alternative delivery options for OHU in detail. The recommendation in the previous report was for two phases; phase one – continue to improve and develop the in-house service and; phase two – establishing OHU as a commercial company.

3.3 Phase one improvements have been completed, as noted above in 3.1 and attention has now turned to Phase 2 of the exercise. Alongside the detailed information provided and the research that was carried out for the initial report, additional research has been undertaken in light of the new recommendations and options explored in this report (outlined in Section 10).

3.4 The outcome of the review recommends the option to retain the core function of the Occupational Health Unit in-house i.e. management referrals. It is considered necessary to keep this function in-house in order to ensure that the high quality of the OHU reports is maintained and that the good relationships between HR and OHU in both Cheshire East and Cheshire West and Chester continues. Additionally, the Council has successfully implemented electronic records through EOPAS and it is proposed that any future delivery model continues with this management system.

3.5 A ‘hybrid’ model where some functions are outsourced to an external provider would increase the capacity of the Unit to deal with management referrals much quicker and keep waiting times down. It would also enable the Unit to engage in more proactive work e.g. working in partnership with the Health and Safety Teams in East and West to engage in well-being initiatives e.g. stress management

3.6 The hybrid model would also enable the Unit to continue to provide services to schools and external customers, thus maintaining the income opportunities.

3.7 It is anticipated that the following services currently being provided by OHU would be delivered by a partner organisation:

- Pre-employment medical assessments / medicals

- Health surveillance
- Vaccinations
- 'Overflow' clinics for times of high demand to prevent lengthy waiting times for an appointment

4.0 Wards Affected

4.1 This report relates to shared services that operate across both Cheshire East and Cheshire West & Chester so all wards are affected in both Councils.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications

6.1 None.

7.0 Financial Implications

7.1 The current cost of the service to the two councils is commercially attractive at £17.64 per employee year compared to £26.76 per employee in a sample of comparably sized councils, equating to 66% of the cost. The current charging model for the two councils' works on the basis that the councils pay the net/residual cost after all income is offset against expenditure.

7.2 The low cost of the Occupational Health Unit is a direct result of selling the services to customers, so if staffing levels are reduced in the Unit, the waiting times will immediately increase and this puts the continuation of the external contracts (including the provision of services to schools and academies) at risk. This will, in turn, increase the costs to both councils.

The cost of the hybrid model can be broken down as follows:

- Pre-employment assessment – approximately £ 15 - £20 each (currently 300 per month)
- Health surveillance – this could be carried out by a technician instead of an Occupational Health Adviser / nurse so this would reduce the cost
- Vaccinations could be carried out by a nurse instead of an Occupational Health Adviser so this would reduce the unit cost of carrying out vaccinations
- Overflow clinics – these would cost between £250 - £400 per day

7.3 For a hybrid model the costs can be estimated as:

- Pre – employment assessments – £18 000
- Health surveillance – 4 clinics per month @ £250 = £12000

- Vaccinations (e.g. Hep B) – 100 per year @ £100 = £10000
- Overflow clinics – 60 per year @ £250 = £15000
- Total estimated cost - £55 000 (£27 500 to each council)

7.4 OHU would keep in-house the following

- Advice on the effects of treatment and how it could impact on the patient's work including e.g. the effects of medication on driving;
- Maintenance of medical records for Patients
- Access is available for urgent oral consultation/ communication from management, following a major accident/incident at work;
- Specialist advice on medico-legal issues including ill-health and disciplinary action.
- Training and briefing sessions on a range occupational health issues.
- Advice & guidance on council policies and procedures for occupational health issues
- Management referrals and reports to managers / HR / employees including return-to-work advice (e.g. phased return / reasonable adjustments)
- Ill-health retirement medical assessments
- Strategies to promote well-being / healthy living and lifestyle choices to raise awareness of medical issues including heart disease, hypertension and diabetes
- Provision of counselling (for patients who do not have access to the EAP)

7.5 The cost of the in-house service is shown in Appendix 1.

8.0 Legal Implications

8.1 The Administrative Agreement sets out the overall arrangements in relation to the manner in which the Authorities will work together. The Shared Service Agreement and Secondment Agreement set out the mechanisms for disaggregating transitional shared services.

8.2 In terms of continued trading the OHU service is able to provide administrative, technical and professional services to designated public bodies in accordance with the Local Authorities (Goods and Services) Act 1970. Public bodies includes other local authorities, the probation trust and schools. Payment terms are not limited to direct recover of costs. The OHU may also provide services more widely but is limited to recovery of actual costs. Trading commercially – i.e for a profit – must be carried out via a company structure.

8.3 Any new arrangement for implementing a hybrid model would require a procurement exercise to comply with Financial and Contract Procedure Rules and ensure value for money and quality of service. A detailed specification of services including levels of service and KPIs would be required. Contract terms and conditions will also include non-solicitation provisions to protect the OHU service against "poaching" by the appointed provider.

9.0 Risk Management

9.1 One of the key risk associated with Phase 1 of the OHU review was that in-house service would become the holding pattern for future delivery. The implementation of Phase 2 has effectively mitigated this risk however the risks identified with this phase are:

- Loss of income from external customers and schools if the quality of the service is not maintained
- Increased waiting times for appointments leading to delays in getting employees back to work; delays in getting medical reports for disciplinary /grievance procedures, delays in getting information for ill-health retirements,
- Delays in processing pre-employment medical information
- Poor service delivery leading to loss of reputation and poor staff retention rates
- Higher staff turnover resulting in increased recruitment fees, loss of experienced staff, costs of re-training staff in EOPAS system, employee stress levels, increases in complaints etc

10.0 Background and Options

10.1 On 28 June 2013 the Joint Committee received a report outlining the outcomes arising from a review of the Occupational Health Shared Service. This recommended that the Service be taken forward in two stages, firstly to continue to improve the in-house service so that it was in the best possible shape for commercialisation and at that stage to then place it in an appropriate delivery vehicle.

10.2 Work on the first phase has now been completed and the improvements implemented include:

- Implementation of the E- OPAS electronic records management system to provide better information and cost recovery;
- Greater clarity on roles and operation of the Service;
- Implementation of a leaner staffing structure with the ability to respond to changing needs;
- Improved contract management arrangements;
- Introduction of a commercial charging model, and;
- Improved counselling arrangements primarily for CEC.

10.3 In light of the above the focus shifted to the second phase of the review commencing with a desk based reassessment of the options appraisal undertaken in the original review to ensure that these remained relevant. This considered:

- Continuation of the in-house service
- A standalone commercial company / separate legal entity
- Transferring OHU into CoSocius

10.4 In the interim a further option came to light which was considered worthy of further exploration involving a potential hybrid partnership model with an external provider.

10.5 A review of each of the four options concluded:

11 In house service

11.1 The limitations of operating to service in-house are set out in section 3.1 of the report. The Occupational Health Unit does not have any resilience to adverse events such as staff sickness, staff leaving and sudden increases in demand for occupational health services.

12 A standalone commercial company / separate legal entity.

12.1 To trade commercially requires the OHU to operate as a company and to do this, it must be able to demonstrate a robust business plan. Given the cost profile of the OHU it is unlikely this would be a financially viable option as a standalone vehicle. If a company were established, to enable the company to provide OHU services to the councils "as of right" without a procurement exercise, it would have to fall within the scope of the teckal procurement exemption. This would require the owning councils to operate the company as if it were an in-house department, by retaining the right to set the strategic objectives and key decisions of the company. In particular, the ability of the company to trade with third parties would be limited to around 10% of its total trading activity (although this will rise to 20% in 2015). Given the income profile of the company this is not a viable option.A more viable alternative would be the inclusion of the OHU within CoSocius Ltd will mitigate the limitation on trading with external customers.

12.4 Therefore this is not recommended as a suitable delivery model.

13 Transferring OHU into CoSocius

13.1 The service is provided to both Cheshire West and Chester and Cheshire East councils and as the service is 'traded' and operates in a market where there are commercial competitors, it would benefit from the business development and marketing support of CoSocius.

13.2 A significant proportion of customers are schools who are also customers of CoSocius and transferring the OHU into CoSocius would mitigate risks related

to selling services to external customers and compliance with EU procurement directives and 'Teckal exemption' requirements.

13.3 As part of CoSocius, the OHU external trading would be a smaller element of a much larger turnover therefore there would be the opportunity to grow the OHU business without breaching the limits on third party trading.

13.4 This option could provide a long-term occupational health delivery solution if there was scope to invest in the service.

14 Out-sourcing the Occupational Health Unit

14.1 There remains the option to outsource the service completely however, this would negate the opportunity to grow the commercial element of OHU, and the lead in time for the outsourcing option would be approximately 12 months to allow for key decision making in both Cheshire West and Chester and Cheshire East Councils, as well as the procurement activity.

14.2 Therefore, due to the lead in times and commercial limitations, this is not a recommended option.

15 Hybrid Partnership Model

15.1 This option came to light following discussions with another Council. Basically this consists of an arrangement whereby the Council employs its own nurse who triages the management referrals and then arranges for the appropriate medical appointment with the external provider. The external provider also uses the council's premises to run their own clinics and provides a discounted service to the council in recognition of this.

16.0 Access to Information

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

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Background Documents:

Cheshire East Cabinet Report – Shared Services – 7th October 2008
Cheshire West and Chester Executive Report – Joint Liaison Committee Recommendations: Caretaker and Nominated Councils; Shared Services: Service Delivery Option; Shared Back Office Services – 15th October 2009
Cheshire East Cabinet Report – Shared Services – 3rd March 2009
Cheshire West and Chester Executive Report – Shared Services – 18th March 2009
Cheshire East Cabinet Report – Shared Services – 23rd March 2009

Cheshire Shared Services Joint Committee Report –10th June 2009
Cheshire Shared Services Joint Committee Report – 13th July 2009
Cheshire Shared Services Joint Committee Report – 3rd September 2009
Cheshire Shared Services Joint Committee Report – 30th September 2009
Cheshire Shared Services Joint Committee Report – 26th October 2009
Cheshire Shared Services Joint Committee Report – 26th November 2009
Cheshire Shared Services Joint Committee Report – 3rd February 2010
Cheshire Shared Services Joint Committee Report – 12th March 2010
Cheshire Shared Services Joint Committee Report – 31st March 2010
Cheshire Shared Services Joint Committee Report – 28th May 2010
Cheshire Shared Services Joint Committee Report – 16th July 2010
Cheshire Shared Services Joint Committee Report – 17 September 2010
Cheshire Shared Services Joint Committee Report – 29 October 2010
Cheshire Shared Services Joint Committee Report – 26th November 2010
Cheshire Shared Services Joint Committee Report – 7th January 2011
Cheshire Shared Services Joint Committee Report – 25th February 2011
Cheshire Shared Services Joint Committee Report – 18th March 2011
Cheshire Shared Services Joint Committee Report – 29th July 2011
Cheshire Shared Services Joint Committee Report – 30th September 2011
Cheshire Shared Services Joint Committee Report – 25th November 2011
Cheshire Shared Services Joint Committee Report – 27th January 2012
Cheshire Shared Services Joint Committee Report – 18th May 2012
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Cheshire Shared Services Joint Committee Report – 22nd March 2013
Cheshire Shared Services Joint Committee Report – 22nd March 2013
Cheshire Shared Services Joint Committee Report – 26th April 2013
Cheshire Shared Services Joint Committee Report – 28th June 2013
Cheshire Shared Services Joint Committee Report – 26th July 2013
Cheshire Shared Services Joint Committee Report – 13th September 2013
Cheshire Shared Services Joint Committee Report – 29th November 2013

Documents are available for inspection at:
Cheshire East Democratic Services
Westfields
Middlewich Road
Sandbach
CW11 1HZ

Appendix 1

1.0 The costs of the hybrid model are:

- Staffing costs (including doctors) - £ 406 000
- Supplies and services - £ 64 000
- Total cost - £ 470 000 (£235000 each)

1.1 Summary of new proposal

- Cost of out-sourced services £ 55 000
- Cost of in-house services £ 470 000
- Total cost of new proposal £ 525 000
- Total income £ 380 000
- Net cost £ 145 000 (£72500 reach)

1.2 Projected out-turn 2013 – 14

- Projected out-turn 2013 – 14 £ 190 000*
- Cost of new model £ 145 000

*The projected out-turn for 2013 – 14 includes one-off costs for staff redundancies, early retirement pension costs, agency recruitment fees and agency staff fees