

CHESHIRE EAST COUNCIL CHESHIRE WEST & CHESTER COUNCIL

SHARED SERVICE JOINT COMMITTEE

Date of Meeting: 2nd October 2015

Report of: Sam Brousas - Head of Professional Services,
Cheshire West and Chester Council

Subject/Title: Review of Occupational Health Services – Options
for Future Service Delivery

1.0 Report Summary

1.1 At the Joint Committee Meeting on 27th March 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 2 years and how these were being addressed.

1.2 Members were briefed on the main issues concerning the Unit and these can be summarised as follows

1.2.1 The Unit is relatively small and only employs 5 Occupational Health Advisers (OHAs) including the OHU Manager to cover Cheshire East, Cheshire West and the external customers, therefore if one of the OHAs is absent there are no spare staff to provide cover and run the clinics. This lack of resilience has led to clinics being cancelled and patients having to wait longer for an appointment

1.2.2 There is an increasing number of competitors who can offer the service at a lower price than OHU and who can provide a more consistent service, therefore the amount of external customers buying the service from OHU has fallen. The number of schools and academies buying back the service has also fallen for the academic year 2015/16

1.2.3 Occupational Health Advisers as a professional group tend to change employers frequently and this had led to OHU having to use agency staff, some of whom have not provided the level of service required. This in turn has damaged the reputation of the Unit and led to a loss of customers and a subsequent reduction in income.

1.2.4 The Occupational Health Unit is now too small to bid for large contracts (e.g. Cheshire Constabulary occupational health

contract 2015) and as its income continues to reduce, the costs to each council will increase.

1.2.5 Having an occupational health service in-house means that the bulk of the costs are fixed costs (staffing, accommodation, admin systems etc) therefore any loss of income will have a negative effect on the cost of running the service

1.2.6 When the Occupational Health Unit was quite large and had a sizeable income, it was financially advantageous to keep it as an in-house function, however the income is reducing year on year and the unit is reaching a stage where the financial reasons for keeping it in-house are no longer valid (see Appendix 2)

2.0 Occupational Health Services to Schools and External Customer

2.1 The Occupational Health Unit provides services to schools (including academies) through the Schools Business Support Agreement (SBSA-Cheshire West) and through Cheshire East Schools Services (ChESS). Clinics are run at Goldsmith House in Chester, Westfields in Sandbach and Macclesfield Town Hall. Some appointments are delivered as telephone appointments where it is not necessary for the patient to visit the clinic in person.

2.2 The Occupational Health Unit also sells occupational health services to external customers including colleges, care providers and housing associations. The cost is based on the employee headcount and this provides unlimited access to occupational health services. (For the purposes of this report, references to Cheshire West and Chester include BRIO, VIVO and CoSocius. Similarly, for Cheshire East this also includes ANSA, TSSL, ESAR and Orbitas,).

2.3 Therefore fluctuations in the prices that schools pay are due to changes in staffing numbers and the type of school. If schools convert to academy status during the academic year, their price is adjusted accordingly. A table showing the cost to schools is shown in Appendix 1.

2.4 The numbers of schools who bought services from the Occupational Health Unit is also shown in Appendix 1. However the numbers of schools for each of the past 3 years is shown below:

2013/14	Total number of schools buying back = 286
2014/15	Total number of schools buying back = 266 (7% reduction)
2015/16	Total number of schools buying back = 247 (7% reduction)

2.5 In addition to a number of schools not buying back the service, some external customers have not re-signed their contracts therefore the reduction in income from external customers can be shown as follows:

Income 2013 / 14	108957	
Income 2014 / 15	89238	(18% reduction)
Income 2015 / 16	60315	(32% reduction)

2.6 The income and costs for the Occupational Health Unit can be shown as follows:

2013 / 14	CWAC	CEC	TOTAL
Staffing costs	361 590	132 746	494 336
Supplies and Services costs	83 192	2 081	85 273
West / East adjustment	-103 205	103 205	0
All income*	-246 034	-142 471	- 388 505
Total	95 543	95 561	191 104

2014 / 15	CWAC	CEC	TOTAL
Staffing costs	304 447	127 811	432 258
Supplies and Services costs	62 959	628	63 587
West / East adjustment	-89 544	89 544	0
All income*	-222 656	-162 777	-385 433
Total	55 206	55 206	110 412

2015 / 16	CWAC	CEC	TOTAL
Staffing costs	306 212	125 490	431 702
Supplies and Services costs	77 569	1 586	79 155
West / East adjustment	-94 294	94 294	0
All income*	-194 486	-126 369	-320 855
Total**	95 001	95 001	190 002

*income includes income from ASDVs where this is shown separately in the budget

**predicted outturn for 15 / 16

The reduction in staffing costs in 2014 / 15 is attributable to the time taken between existing staff leaving and new staff being recruited.

The outturn figures for 13/14 are higher because redundancy payments of £49 126 were taken out of the Unit's budget

2.7 OHU Usage Statistics

The following tables show usage statistics (i.e. appointments) for the last 2 years for each council.

	2013 / 14	2014 / 15	Increase / decrease
Cheshire West & Chester Council	1177	1110	-5.7 %
Cheshire West Schools	688	578	-16.0 %
Cheshire East Council	1470	1429	-2.7 %
Cheshire East Schools	614	647	+5.0 %
TOTAL	3949	3764	-4.7%

3.0 Options for future service delivery

3.1 Taking the Unit forward there are a number of options for future service delivery which can be summarised as:

3.1.1 Retain the existing service delivery model

3.1.2 Out-source the provision of occupational health services

The advantages and disadvantages of each option are listed as follows:

3.2 Option 1 - Retaining the existing service delivery model

3.2.1 Advantages

3.2.2 The main advantage of retaining the existing service has always been the cost. Using the outturn for 2014/15 as an example (£55 206) and a headcount of 4500 this equates to approximately £12.27 per employee for each council. This is compared to £22.50 per head which is the rate charged for schools and £26.50 per head which is charged for academies and external customers. (However, using the predicted outturn for 2015 / 16 (£94983) this cost per employee rises to £21.10).

3.2.3 By retaining the service in-house there is control over service delivery and quality. The service can be accessed very easily and the medical staff have a degree of flexibility in terms of delivering proactive occupational health talks and briefings. The service is also able to maintain an in-house intranet site with information for employees and managers.

3.2.4 Disadvantage

3.2.5 The main disadvantage of retaining the service in-house is the lack of resilience. The service costs highlighted in this report are dependent upon retaining the existing customer base, especially in relation to schools and it has been shown that when service delivery is poor, customers will seek service provision from a number of other occupational health providers. This was demonstrated in 2014 when some schools and external customers did not renew their contracts and this had a direct effect on income.

3.2.6 Due to legal constraints, the Occupational Health Unit is restricted in its ability to expand and seek new business. This means that the Unit's ability to seek new business is limited and the income from external sources has seen a decrease over the past couple of years. There is not the staff capacity to seek new business and with the lack of resilience in the Unit it is difficult to sell the service as being on a par with local competitors.

3.2.7 Another disadvantage is that having an occupational health unit in-house is a fixed cost. There are times when the Unit is quiet, however the staff are on fixed contracts so the staffing costs are fixed irrespective of service demand.

3.3 **Option 2 - Out-source the provision of occupational health services**

3.3.1 Advantages

3.3.2 One of the main advantages of outsourcing the occupational health provision is that an external provider would provide a service which is continuous and has a far higher level of resilience than the Unit has at present. This would ensure continuity of service provision. Another advantage would be that if the service was out-sourced the council(s) would not have to deal with staffing issues such as recruitment, sickness absence, holiday cover, agency staff etc. (The average cost of recruiting an Occupational Health Adviser is about £4500 in agency fees). Another advantage is that the council(s) would only pay for the service that was being used (similar to pay-as-you-go). The indicative commercial costs shown in this report assume that the same culture would exist under a commercial model, however if there was tighter control over occupational health appointments and counselling (i.e. more use of the Employee Assistance Programme) then the costs could be reduced.

3.3.3 Disadvantages

3.3.4 There would not be as much control over the provision of the occupational health service so the client function would have to be

established in order to monitor the contract to maintain control over costs and service quality.

- 3.3.5 There may be a tendency for the medical staff to recommend review / return appointments as it would be in their financial interests to have as many appointments as possible. Currently there is a strict triage regime and unnecessary appointments are returned to the referring manager.
- 3.3.6 Other local authorities who have outsourced occupational health provision have reported that there is often a tendency for providers to charge for 'extras' that may not have been anticipated at the start of the contract. (An example of this is the provision of rabies vaccinations last year; this was not anticipated at the start of the year but became a requirement during the course of the year. The Occupational Health Unit was able to respond quickly to this request).
- 3.3.7 The main disadvantage is the cost of the service. However, Warrington Borough Council and Wirral Borough Council have both established a model whereby the occupational health function is outsourced yet the council still manages the contract and sells the service to schools. In this way, the schools income can still be used towards the cost of the service. As a comparison, Warrington's current cost is approximately £19.00 per employee when the school's income is taken into account.
- 3.3.8 Unfortunately the commercial contracts use the financial year and the schools use the academic year for contracts so this would be a challenge to align the current operating model. The issue of occupational health delivery to schools would have to be decided i.e. whether they joined in the contract or contracted with the supplier on an individual basis.

4.0 Provision of Occupational Health in Other Local Authorities

- 4.1 In most local authorities, the provision of occupational health is outsourced to a private provider and generally the provision of in-house occupational health is confined to large county councils such as Derbyshire which has a long tradition of in-house provision. The service in Derbyshire costs £400 000 per annum which equates to £22.00 per employee.
- 4.2 Warrington has an outsourced service and currently spends £119 000 per annum on occupational health of which £60 000 is recovered from schools. With a headcount of 3100 this equates to £19.00 per employee.
- 4.3 Lincolnshire has an outsourced provision and currently spends £22.00 per head on occupational health.
- 4.4 Wirral Borough Council out-source their occupational health provision and currently have all their counselling provided by the Employee

Assistance Programme (EAP) and their occupational health provider (People Asset Management – PAM) has an Occupational Health Adviser based within the council for 2 – 3 days per week to triage the referrals. Wirral have found that because schools also have to pay a fee for appointments, the number of appointments has reduced. Their occupational health costs are split over a number of different budget areas so it is not possible to show the cost per head.

- 4.5 OH Assist (formerly ATOS) is a private occupational health provider and is currently quoting approximate figures of £15 - £16 per head for occupational health provision, however this would be subject to confirmation via a tendering process to determine what this core function consists of and what additional fees would apply. However it does confirm that the fees / costs of occupational health provision whether in-house or out-sourced would be in the region of £15 - £25 per head.

5.0 Conclusion and Recommendations

The most important factors to be considered when deciding on the future direction of the provision of occupational health include the following:

- 5.1 Quality – the service must provide a consistently high standard which supports managers and employees. Both councils have sickness absence policies which rely on an efficient occupational health function where managers are able to refer employees in a timely manner and receive good quality management reports.

Furthermore, at a time of increasing stress on employees it is vital that the council(s) have an occupational health service that will support them and provide appointments in a timely manner.

- 5.2 Resilience – the provision must be consistent and adaptable to peaks and troughs in demand. The service must also be able to cope with staffing changes and resilient to staffing pressures. Currently the Occupational Health Unit is very reliant on a very small number of staff so when one leaves or is absent it has a significant impact on the delivery of the Unit.
- 5.3 Cost – the service must be cost effective and deliver value for money. Initial discussions have taken place with Warrington Borough Council about the possibility of jointly tendering for an external occupational health provision commencing on 1st April 2016 when their existing occupational health contract ends.

6.0 Decision Requested

- 6.1 The Committee are therefore asked to grant permission for officers to work with Warrington Borough Council on a tender for the outsourcing

the occupational health service in order to produce a more resilient and consistent service for employees and managers

7.0 Reasons for Recommendations

- 7.1 The Occupational Health Unit has limited resilience in terms of service delivery when staff leave or are absent, so arrangements for the provision of occupational health services to both councils needs to be improved.

8.0 Wards Affected

- 8.1 None

9.0 Local Ward Members

- 9.1 None

10.0 Policy Implications

- 10.1 There are no policy implications in terms of climate change. However there may be implications for employee health if the service is unable to provide support for employees due to staffing problems.

11.0 Financial Implications (Cleared by Finance)

- 11.1 If a decision is taken to explore out-sourcing options this may result in increased costs if the contract is not carefully monitored to reduce the possibility of unnecessary review appointments etc.

12.0 Legal Implications (Cleared by Legal)

- 12.1 If the councils decide to outsource the Occupational Health Service to a private sector provider as outlined in paragraph 3.3, the Transfer of Undertaking Regulations (TUPE) will apply as a matter of law. The Regulations will operate to transfer any staff currently employed in the provision of the OHU service to the new provider on the same terms and conditions of employment. The new provider can then only change terms and conditions or make redundancies if it has an economic, technical or organisational reason for doing so which entails changes to either workforce numbers or functions.
- 12.2 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.

13.0 Risk Management

- 13.1 If the 2 authorities fail to provide timely occupational health support for employees this could increase the amount of time that employees are off sick.

14.0 Background and Options

- 14.1 The options are highlighted in section 3 of the main body of the report

15.0 Access to Information

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

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16.0 Appendices

Appendix 1 – Statistics for schools

Academic Year	Schools	Academies
2013 / 14	£22	£26
2014 / 15	£22	£26
2015 / 16	£ 22.50	£ 26.50

*A table showing the **price charged** per head for occupational health services to schools*

Numbers

Cheshire West and Chester Schools			
Type of school	Academic year 2013 / 14	Academic year 2014 / 15	Academic Year 2015 / 16
Primary	129	125	125
Secondary	13	6	5
Special	10	10	10
TOTAL	152	141	140

*A table showing the **numbers** of Cheshire West and Chester schools who bought occupational health services*

Numbers

Cheshire East Schools			
Type of school	Academic year 2013 / 14	Academic year 2014 / 15	Academic Year 2015 / 16
Primary	116	110	98
Secondary	14	11	7
Special	4	4	3
TOTAL	134	125	108

*A table showing the **numbers** of Cheshire East schools who bought occupational health services*

Appendix 2

A table showing the income from external customers and schools

Income from External Customers and Schools			
	Financial Year 2013 / 14 £	Financial Year 2014 / 15 £	Financial Year 2015 / 16 £
External Customers	108 957	89 238	60 315
Schools	279 548	275 858	226 484
Total	388 505	365 066	286 799