

	<p style="text-align: center;">Executive 26 May 2009</p> <p style="text-align: center;">Report from the Director of Business Transformation</p>
Wards Affected: None	
<p>Authority to Participate in a Collaborative Procurement for the provision of Occupational Health Services</p>	

Forward Plan Ref: BusTr-09/10-2

1.0 Summary

- 1.1 This report requests approval to participate in a collaborative procurement to set up a Framework Agreement for the provision of occupational health services as required by Contract Standing Order 85.
- 1.2 This report highlights the need to invest in the health and well-being Council staff, explains current arrangements and considers a number of options for future occupational health service provision before making recommendations around the preferred option.

Recommendations

- 1.3 The Executive give approval to the Council to participate in a collaborative procurement exercise leading to the establishment of a framework agreement by the Royal Borough of Kensington and Chelsea for the supply of occupational health services.
- 1.4 The Executive give approval to the collaborative procurement exercise described in paragraph 1.3 being exempted from the normal requirements of Brent's Contract Standing Orders in accordance with Contract Standing Orders 85(c) and 84(a) on the basis that there are good financial and operational reasons as set out in the report below.

3.0 Background

Why should the Council invest in the health and well-being of its employees?

- 3.1 There is growing evidence to show that investment in employees' health and well-being has a financial benefit to employers. In other words, good health is good business. The recent report by Dame Carol Black, 'Working for a Healthier Tomorrow', reinforces the role employers need to play not only in preventing ill-health, but also the key role the workplace can play in promoting health and well-being.
- 3.2 The economic cost of sickness absence and worklessness associated with ill-health is over £100 billion a year in the UK. The average cost of sickness absence per employee in the public sector is £732 per year (CIPD 2008). Based on this average, the cost of sickness absence in Brent Council is £2.27 million. If the Council reduces sickness by just one day per employee the Council saves £309k. Thus since 2003, when the absence rate was an average of 12 days, the Council has saved £1.1m based on the declining absence rates seen in recent years.
- 3.3 However, even when employees are in the workplace, there is evidence to suggest that a further 25% are performing at a suboptimal rate. Indeed, a recent study in the US concluded that "presenteeism" is actually more costly than absenteeism, costing approximately two to three times more than direct health costs incurred as a result of illness.
- 3.4 Not only are there direct costs associated with absenteeism, there are also other financial benefits that can be associated with investment in health and well-being. A recent study by PriceWaterhouseCoopers (PWC), 'Building the case for wellness' (February 2008) identified the following benefits which can be associated with wellness programmes:

Financial benefits:

- Reduced overtime payments
- Reduced temporary recruitment
- Reduced staff numbers
- Reduced recruitment costs
- Reduced legal costs/claims
- Reduced insurance premiums
- Reduced management time

Non-financial benefits:

- Reduced sickness absence
- Increased employee satisfaction
- Reduced staff turnover (average 5k to recruit to a post)
- Reduced accidents and injuries
- Increased productivity
- Increased company profile

- Increased health and welfare
- Increased resource utilisation

- 3.5 Although it is recognised that employee well-being is not just about the management of an employee's physical health, the fact remains that investment in an employee's health and well-being pays dividends not only in terms of reducing absenteeism but it also increases an employee's sense of feeling valued, increases motivation and as such productivity. A significant amount of research has been undertaken in this area which shows that those employees who feel most engaged will have the highest productivity rates. Employee engagement is vital for the transformation process and investment in the health and well-being of the Council's employees is one of the ways in which the Council can secure such engagement and maximise the potential of the transformation programme. In short, engaged and well employees equal better services.
- 3.6 Working in partnership with the Council's management, a robust and pro-active Occupational Health Service can make a significant impact of the Council's ability to maintain an effective workforce. Professional and timely occupational health advice, together with support, assists well being. The management of sickness requires a financial investment but should in turn help to reduce costs associated with ill health and staff turnover and help improve morale and increase productivity.
- 3.7 It is anticipated that the average number of days sick per employee will be 8.39 by April 2009 (final figure not available at time of writing report). This presents a significant improvement on last year where the average was 9.34 days and is below the sector average of 10.1 days. This is a success story for Brent and, as indicated in a recent report from Connaught Compliance (formerly National Britannia), the Council's current Occupational Health provider, is indicative of sickness being managed more effectively within the Council and the investment being made in health and well-being programmes. This is a trend managers aim to build on and further improve, thereby realising greater efficiencies.

4.0 Current Arrangements

- 4.1 The Council's current contract with Connaught Compliance provides Occupational Health services to Council employees. The service involves the provision of pre-employment screening, medical referrals, work protection immunisation, health at work advice/initiatives, training for staff, counselling services and regular health promotions.
- 4.2 The contract has been in place since April 2006. The contract of a three year initial term includes an option to extend the arrangement for two consecutive periods of one year. The Council have already extended this by one year and the current contract is therefore due to expire at the end of March 2010. The Council has the option, should it choose, to extend for one further year.
- 4.3 Despite some initial problems with Connaught Compliance, service provision is, on the whole, good and the existing contract has recently been varied to expand the service to enable more proactive interventions to be undertaken in support of the health and well-being strategy. Nonetheless, the re-tendering the service would provide the Council with the opportunity to modernise the service offered to make full

use of new technologies and service delivery models available whilst improving the management information the Council currently obtains from Connaught Compliance.

5.0 Options for future service delivery

Officers have looked at the following options for future service delivery:

5.1 Option 1 – Extend the current contract for a further 12 months

As the current contract was entered into for a period of three years with two possible 12 month extensions, there is the possibility of extending the current contract for a further 12 months to run until 31 March 2011.

Key Advantages:

- The service provided by the current provider has supported the Council in bringing about a reduction in sickness absence
- A good working relationship has been developed between the existing provider and the Council
- Consistent delivery by the existing provider would ensure there was no change for managers and staff to procedures and practices

Key disadvantages:

- Higher opportunity cost to the Council - due to the changing needs of the contract, the current service may not provide best value for money.
- Market research has identified that there are more efficient and effective ways of delivering this service, for example, the use of online and telephone facilities reducing timescales and improving the efficiency of the service provided.
- The Council is not able to take advantage of the economies of scale and as such negotiate the best possible price for the service delivered.
- This is a short term option and it will be necessary for the Council to take further action to arrange alternative occupational health provision within a short period.

5.2 Option 2 – Join an existing consortia

Investigations have been carried out to ascertain whether the following consortia have existing agreements in place for the Council to benefit from; Department of Working Pensions (DWP), Society of Procurement Officers (SOPO), Purchasing and Supply Association (PASA), Office of Government Commerce (OGC) and London Contracts and Supplies Group (LCSG). On this occasion, none of the above consortia have any arrangements in place to suit our needs.

5.3 Option 3 – Bring the service in-house

A number of councils and other public sector organisations have developed an in-house approach to deliver their occupational health services.

Key Advantages:

- Ability to develop a bespoke approach to occupational health
- Occupational health services are integrated into the business

Key Disadvantages:

- The service lacks resilience in terms of cover for holiday, sickness etc. In addition, the turnover amongst Occupational Health nurses is relatively high which means that the Council may have significant gaps where no service, or a limited service, could be provided
- Cost of recruiting, training (including Continuing Professional Development) would need to be met by the Council
- Accommodation would need to be provided for the service
- Council would not benefit from knowledge and experience of an Occupational Health provider delivering services to a number of organisations.

5.4 Option 4 – Collaborative tender for Occupational Health Services

The fourth option considered is that of entering a collaborative tender process with other boroughs within the West London Alliance (“WLA”).

Key Advantages:

- By tendering out this service, the Council can obtain value for money by analysing the services offered by competing organisations. It was identified during market research, that neighbouring boroughs in the WLA are keen to tender this service out for their respective boroughs. If successful, this will enable all boroughs to achieve economies of scale by driving down costs.
- A more in depth specification will allow the service provider to obtain a greater understanding of Brent’s needs thus delivering a more personal service to the Council and reducing sickness levels.
- An updated specification will incorporate fundamental services available to the Council such as online facilities.
- Online systems available in the market for Occupational Health Services will require less administration for the Council, enabling valuable Council resources to undertake other essential tasks.
- A schedule of rates contract enables the Council to accurately budget for the term of the contract.
- By working in collaboration with partnering Councils (Royal Borough of Kensington and Chelsea (“RBKC”), Harrow, Hounslow and Hammersmith & Fulham) Brent will not only be sharing best practice, it will also achieve economies of scale by reducing the total cost of the contract.
- The procurement exercise is being led by RBKC thereby reducing the financial and time resources for Brent staff. However, Officers from the Council’s own legal and procurement team will provide support during the process thereby ensuring that the procurement satisfies Brent's requirements from the legal and procurement perspectives.
- This option supports the Improvement and Efficiency strategy in achieving value for money in the awarding of contracts.
- This option mirrors the approach being adopted in relation to the supply of agency workers to the Council.

Key disadvantages:

- The framework agreement may not fully meet Brent’s needs as the procurement is being led by RBKC. However, there is no commitment to

potential tenderers that Brent will participate and as such we are under no obligation to enter into any call-off contract under the framework.

•
5.5 Option 5 – The Council undertakes a tendering process on its own

Advantages:

- Many of the advantages outlined at 5.4 above would still be achieved through this approach.

Disadvantages:

- The Council may not derive the same efficiencies as it would not have the benefit from the economies of scale that a collaborative approach could achieve
- The Council would not benefit from the shared knowledge and experience of other councils

5.6 Preferred Option

It is considered that Option 4, the proposed collaborative tender by London councils as described at paragraph 5.4 is the best market option for the Council for the reasons outlined above. This will provide the Council with the best opportunity to obtain a modern, fit for purpose service whilst achieving efficiency savings. Brent could be involved in the design of the specification and in the selection of the contractor. However, the Council would be under no obligation to use the framework agreement and if the Council choose not to (for example if the lead borough did not wish to include in the Specification those elements Brent considered essential), the timescale of the selection process (to be completed by September) is such that the Council could undertake its own tendering process and still have a contractor in place by the time the current contract is due to expire at the end of March 2010 or alternatively serve the requisite notice extending the existing contract by a further year.

6.0 Procurement

- 6.1 If the preferred option is approved, it is likely that Officers would wish to use the framework let as a collaborative procurement led by RBKC. The framework would be tendered according to RBKC's standing orders. RBKC have established a cross-borough delivery team to oversee the procurement process, and a Brent procurement officer and HR officer are currently attending these meetings in an advisory capacity. The tendering process has already commenced but is in the initial stages with Prequalification Questionnaires being received from 14 potential suppliers. In order for Council Officers to participate fully in the next stage of the procurement process in June it is necessary to obtain Executive approval now.
- 6.2 It is anticipated that the new framework would be for a period of three years, commencing in October 2009, with the option to extend for a further one or two year period. Brent would not access the framework until the current contract expires in April 2010.

- 6.3 The evaluation criteria and weightings that will be used to evaluate tenders have been set by RBKC as:
- (a) Comprehensiveness (weighting of 25%)
 - (b) Overall Cost of Contract (weighting of 25%)
 - (c) Bidder's response to scenarios (weighting of 20%)
 - (d) Evidence that the proposal will provide effective solutions in reducing sick absence levels and offering well being programmes to deliver a successful contract (weighting of 20 %)
 - (e) Demonstrating an in depth understanding of working within a local authority (weighting of 10 %)
- 6.4 The advantage of Brent being part of the procurement process is that the Council can influence the specification for the service and therefore address some of the weaknesses in the current arrangements and the more organisations included at the procurement stage, the more likely bidders will be able to tailor their product to meet the requirements of the various organisations.

7.0 Key Risks

- 7.1 Collaborative procurements work best if all the participants have common requirements. As indicated above, one risk for the project is that if the participating boroughs are not able to agree any part of the scheme, then RBKC as lead borough will have final say. While there is no indication at present that this is likely to occur, it would be expected that in such a situation RBKC would make a decision based on the views of the majority, which may not be in accordance with Brent's requirements. If by the end of the procurement process it became apparent that the framework agreement that RBKC were about to award did not reflect Brent's needs, then it would be open to Brent not to make a call-off from the framework and consider other options, such as running its own tender exercise. While such fall-back options would be costly in terms of officer resources, including those spent in the abortive collaborative procurement, the Council would at least be able to extend the current contract by a further year if necessary to enable such options to be explored.

8.0 Financial Implications

- 8.1 The total value of the services to be awarded under the agreements is not known at present. However, the current cost of the contract is 200k per annum at present but it is anticipated that the Council could achieve savings on this through both modernising the service delivery model and through the collaborative tendering process. The application of Council Procurement Standing Orders and EU Regulations to this contract is set out in the legal implications in section 9 below.
- 8.2 The costs of leading the procurement process are being borne by RBKC. Costs incurred by Brent Council in participating in the procurement process will be met within existing budgets.

9.0 Legal Implications

- 9.1 Approval is sought for the Council to participate in a collaborative procurement leading to the establishment of a framework agreement. RBKC will enter into the framework agreement with a single supplier and other boroughs will have the right to make a call-off or call-offs over the lifetime of the framework agreement. It is likely that RBKC will require Brent and other participants to sign some form of agreement confirming that they will comply with the terms of the framework.
- 9.2 The framework is being procured by means of a collaborative procurement exercise. Under Contract Standing Orders 85(c) such collaborative procurements need to be tendered in accordance with Brent Standing Orders and Financial Regulations, unless the Executive grants an exemption in accordance with Standing Order 84(a). A request for an exemption under 84(a) can be approved by the Executive where there are good operational and / or financial reasons, and for this report these reasons are set out in the report above.
- 9.3 The estimated value of the framework agreement over its lifetime is higher than the EU threshold for Services. However this is a Part B service and is therefore subject to partial application of the EU Regulations namely, the requirements of (a) non-discrimination in the technical specification; (b) notification of the contract award to the EU Publications Office; and (c) over-riding duties of transparency and fairness. Furthermore, although not required it was decided that in the public interest the framework agreement will be advertised in the Official Journal of the European Union to further enhance competition and promote the market sector.
- 9.4 It will be necessary to ensure that the tender documents meet Brent's requirements and clearly set out Brent's rights and responsibilities in view of the fact that RBKC will be entering into the main framework agreement, with the right for Brent to enter into a call-off contract.
- 9.5 Once RBKC awards the framework agreement, then there will be a further report to the Executive to award a call-off contract in accordance with Contract Standing Order 86(d).

10.0 Diversity Implications

- 10.1 It will be a requirement of all companies wishing to tender to have a suitable equal opportunities policy in place. This should include relevant criteria relating to equality issues pertaining to staff employment, in particular the Disability Discrimination Act 2000.

11.0 Staffing Implications

- 11.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from retendering the contract.

12.0 Background Papers

Contact Officers

Claire Gore
Strategic HR Manager (Corporate)
Human Resources
Town Hall
Tel: 020 8937
Email: claire.gore@brent.gov.uk

Tracey Connage
Assistant Director of HR
Human Resources
Town Hall
Tel 020 8937 1611
Email: tracey.connage@brent.gov.uk

Graham Ellis
Director of Business Transformation