

LONDON BOROUGH OF BRENT**Meeting of the General Purposes Committee: 6th September 2005****Report From The Director Of Human Resources & Diversity****For action****Wards affected
All****AUTHORITY TO INVITE TENDERS FOR OCCUPATIONAL HEALTH SERVICE CONTRACT**

Forward plan ref. HR-04/05-07

1.0 Summary

- 1.1 This report concerns the provision of occupational health services to the Council, which are currently provided by Occupational Health Westminster under a contract which is due to expire on 31st March 2006. This report requests approval to invite tenders in respect of a contract for the provision of occupational health services to the Council for a three-year period commencing 1st April 2006 with an option to extend the contract for a further two year period, as required by Contract Standing Orders 88 and 89.

2.0 Recommendations

That the General Purposes Committee:

- 2.1 Give approval to the pre-tender considerations and the criteria to be used to evaluate tenders as set out in paragraph 3.11 of the report subject to the Executive also giving approval to the pre-tender considerations and criteria.
- 2.2 Give approval to officers to invite tenders and evaluate them in accordance with the approved evaluation criteria referred to in paragraph 2.1 above subject to the Executive also giving its approval to invite tenders and evaluate them in accordance with the evaluation criteria.
- 2.3

3.0 Detail

- 3.1 Prior to April 2002 the Council had a range of arrangements with various occupational health providers which resulted in fragmented responses and no

real ownership of occupational health issues. In April 2002 the Council entered into a short-term arrangement with Occupational Health Westminster (OHW) for the provision of the service initially for a twelve month period. Following the letting of this contract consultation with the Strategic Human Resources and Organisational Development Group (SHROD) indicated a unanimous view that any full tendering of the contract should be deferred to allow the Council to make an assessment as to what type of service it required for the long term.

3.2 The General Purposes Committee agreed on 18th March 2003 to award the Council's occupational health contract to the then existing provider, OHW, for a period of two years with an option of a further one year extension. The Committee also agreed that during the life of this contract Council officers should review the occupational health service to assess whether it is appropriate to tender for the provision of a medium to long-term occupational health service. On 31 March 2003 the Executive endorsed the decision of the General Purposes Committee. Council officers have now undertaken the review of the occupational health service and the conclusions are set out in the following paragraphs.

3.3 The objectives of the occupational health service are to:

- facilitate reductions in employee sickness absence;
- reduce work-related ill-health in employees;
- improve work opportunities for people with disabilities;
- create a healthy workplace and a healthy workforce;
- ensure compliance with statutory health screening requirements.

3.4 Under the current occupational health contract, OHW provides the following services to the Council:

- pre-employment health screening;
- health surveillance;
- sickness absence referrals;
- management support, training and development;
- health promotion for staff and managers;
- confidential counselling for staff.

3.5 Over the last three years the Council, working in partnership with OHW, has made significant progress in improving and developing the occupational health service. This has included the introduction of the Health Standards document which sets out the essential level of occupational health care required for each employment group in each service area. This has been supported by a number of initiatives, including:

- establishment of networks with each service area;
- regular site/departmental visits by the nurse to increase awareness of services available under the contract;
- implementation of work protections immunisation programmes; and

- display screen eyesight testing.

The current contract includes a comprehensive reporting system to monitor the performance of the contract and the take-up of the service. The operation of this contract with OHW has coincided with an incremental reduction in the number of ill-health retirements of Brent staff, together with a decline in average sickness absence levels to 10 days per annum per employee. The target is to reduce the sickness absence levels further to an average of 9.1 days.

- 3.6 The monitoring of the contract with OHW over the last three years has enabled departments to identify and clarify their requirements by way of occupational health services. Corporate Human Resources has consulted with Council departments on their needs, individually and via SHROD, and in broad terms their responses have indicated support for the continuing provision of an out-sourced occupational health service. Research by the National Employers Organisation has demonstrated that contracting-out occupational health services is generally correlated with lower rates of sickness absence. In both shire districts and large authorities where occupational health services are contracted out the average employee absence rate is lower than in authorities where other methods are employed.
- 3.7 Council departments have, however, identified a number of changes they would like to see to current service provision to improve and develop the occupational health service. These include:
- development of web-based pages on the Council's intranet covering the occupational health services available, and healthy living initiatives;
 - display screen equipment assessments;
 - provision of support and advice to staff on major incidents and emergencies (e.g. 7th July bomb incidents).
- 3.8 Departments have also emphasised the importance of ensuring greater clarity as to the role of the contractor. This particularly relates to ensuring that they recognise their role in providing advice and support to managers in dealing with health-related problems and reducing sickness absence.
- 3.9 It is proposed that the Council should enter into a contract for occupational health services with one contractor for a period of three years, with the option to extend the contract for a further two years depending on service performance. This will provide a sufficient length of time to enable the Council and the successful contractor to work together to develop and enhance the service in order to contribute to the achievement of the Council's service objectives. The Council will review the operation of the contract at periodic intervals, as specified in the contractual documentation, and will be entitled to terminate the contract, by notice, if the contractor fails to meet appropriate standards.

3.10 The options for the procurement process available to the Council (taking account of the type and value of the contract) are:

- a Single Stage Tender, where any contractor with an interest in the contract is automatically entitled to tender in response to an advertisement, with selection and award stages, although separate and discrete, taking place simultaneously; or
- a Two-Stage Tender which involves two separate stages, namely the selection of suitable tenderers using a Pre Qualification Questionnaire, and the subsequent evaluation of tenders from those contractors invited to tender.

The Single Stage Tender procedure is particularly suitable where there are only a limited number of contractors in the market place that would be interested in the contract, and is quicker than the Two-Stage Tender procedure. The latter is more appropriate where it is anticipated that there may be a large number of contractors likely to be interested. Initial market research has indicated that there is a small number of organisations operating in this particular service area which have the capacity and willingness to tender for contracts of the size being proposed. Other boroughs in the area have confirmed that similar tendering exercises have produced a limited number of responses. Therefore it is proposed that for the occupational health contract the Single Stage Tender procedure be used.

3.11 In accordance with Contract Standing Orders 88 and 89, pre-tender considerations have been set out below for the approval of the General Purposes Committee.

Ref.	Requirement	Response
(i)	The nature of the service.	Provision of a comprehensive occupational health service to Brent Council including: <ul style="list-style-type: none"> • pre-employment health screening; • health surveillance; • sickness absence medical referrals; • contractor support to Council management; • contractor participation in training and development in connection with health related matters; • mental health services.
(ii)	The estimated value.	£790,000
(iii)	The contract term.	Three years, to commence on 1 st April 2006, with the option to extend for a further two years.
(iv)	The tender procedure to be adopted.	Single Stage Tender procedure

(v)	The procurement timetable.	<p>Indicative dates are:</p> <p>Adverts placed</p> <p>Deadline for tender submissions</p> <p>Panel evaluation and shortlist for interview</p> <p>Interviews and contract decision</p> <p>Report recommending Contract award circulated internally for comment</p> <p>General Purposes Committee and Executive approval</p> <p>Contract start date</p>	<p>7th October 2005</p> <p>14th November 2005</p> <p>25th November 2005</p> <p>2nd December 2005</p> <p>12th December 2005</p> <p>16th January 2006</p> <p>1st April 2006</p>
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(vi)	The evaluation criteria and process.	<p>The panel will evaluate the tenders against the most economically advantageous offer (using the criteria detailed below)</p> <ol style="list-style-type: none"> 1. Previous experience of providing occupational health services to large and complex organisations. 2. Qualifications and technical expertise of the staff of the contractor providing the function to the Council. 3. Price. 4. Ability to provide active support and assistance to managers in reducing sickness absence levels amongst staff of the Council. 5. The appropriateness and effectiveness of the Tenderer's proposed systems and working methods 6. Accessibility of the service to Council staff. 7. Health and safety. 8. Equal opportunities matters, including race equality, gender and disability. 9. Quality control and assurance. <p>Tenders will also be checked to ensure that they meet the Council's requirements in relation to business probity and economic and financial standing.</p>
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(vii)	Any business risks associated with entering the contract/tendering process.	<p>The following business risk is considered to be associated with entering into the proposed contract.</p> <ul style="list-style-type: none"> • Potential number of occupational health providers willing and able to tender for the contract. This area of service is one where there are relatively few providers with the capability and capacity to provide the comprehensive range of service the Council requires. <p>No other specific risks have been identified other than has been outlined in this report. Financial Services and Legal and Democratic Services have been consulted concerning this contract and have identified any risks associated with entering into this contract as set out sections 5 and 6 of the report.</p>
(viii)	The Council's Best Value duties.	The competitive tendering process will assist the Council in achieving Best Value Qualities.
(ix)	Any staffing implications, including TUPE and pensions.	See section 4 below.
(x)	The relevant financial, legal and other considerations.	See sections 5 and 6 below.

3.12 The General Purposes Committee is asked to give its approval to these proposals as set out in the recommendations and in accordance with Standing Order 89.

4.0 Staffing Implications

4.1 This service is currently provided by an external contractor, and there are no employment implications for Council staff arising from re-tendering the contract. However, the provision of the occupational health service has significant advantages for the Council and its employees through the provision of pro-active services to create a healthy work environment, improve the health of the workforce, reduce work-related ill-health and support the Council's management in dealing with sickness absence management.

5.0 Financial Implications

- 5.1 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £500k or works contracts exceeding £1million shall be referred to the General Purposes Committee for approval to invite tenders and in respect of other matters identified in Standing Order 89.
- 5.2 The contract price of the occupational health block contract for 2005/06 is £157.6k. The Pension Fund contributes 50 percent of the cost of the block contract on the basis that the services provided help to support a reduction in the number of ill-health retirements. This in turn benefits the fund through fewer payments being made out of the fund, and in the long term contributes to the Council's superannuation contribution rate being lower than would be otherwise. The contract is additionally funded by charging service units for any of their staff who are sent on medical referrals due to ill-health: the recharge to service units in 2004/05 was £41k. The balance of the contract cost is funded from the human resources budget.
- 5.3 The estimated value of this services contract is £790,000. It is anticipated that the cost of this contract will be funded from existing resources in much the same way as the current contract with contributions from the Pension Fund, the human resources budget and recharge to service units.

6.0 Legal Implications

- 6.1 The estimated value of the occupational health contract exceeds the Public Services Contracts Regulations 1993 threshold for Part B Services (of £129,462). Occupational health services are Part B Services for the purposes of the EU Services Regulations and as such are subject to partial application of the EU Regulations, specifically:
- (i). Non-discrimination in the technical specification.
 - (ii). Notification of the contract award to the EU Publications Office.
 - (iii). Provision of information about the contract to the ODPM if requested.

The contract is not therefore subject to the full tendering requirements of EU Regulations

- 6.2 The estimated value of this contract is above the Council's Standing Orders threshold for High Value Service Contracts (of £500,000)
- 6.3 The Local Government Act 2000 and regulations under this Act seek to define the division between which functions can be dealt with by the Executive and which functions cannot. It is unclear from the regulations whether a decision relating to contracts such as the proposed occupational health contract can be dealt with just by the Executive or not. In the circumstances approval is being

sought from both the Executive and the General Purposes Committee in order to ensure that the appropriate body considers this matter.

- 6.4 Once the tendering process is undertaken Officers will report back to the Executive and the General Purposes Committee in accordance with Contract Standing Orders, explaining the process undertaken in tendering the contracts and recommending award.

7.0 Diversity Implications

- 7.1 The provision of occupational health services to the Council is subject to a number of diversity-related considerations. The Council has a statutory duty to promote equal opportunities and promote good relations between people of different groups. In the context of this procurement exercise, it will be necessary to ensure that the service to the Council will take account of issues such as cultural awareness and good employment practices.
- 7.2 The Council is committed to ensuring that its employment practices do not impact unfairly on employees in equality and diversity terms. This applies to the provision of occupational health services to staff and the operation of the various health-related Council procedures. In regard to this service, therefore, the specification will ensure that its application is impartial and that no staff group is disadvantaged, either because of the application of the service, or in terms of the management response to the issues raised.

8.0 Background Information

- 8.1 Draft specification for occupational health service contract.
- 8.2 Occupational Health Procurement File

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