

Report of: Human Resources Business Manager

To: Executive Board

Date: 19 March 2007

Item No:

Title of Report : Occupational Health Contract(s) Major Project Approval

Summary and Recommendations

Purpose of report: To seek major project approval to tender and award the Occupational Health Service contract, and approval to tender and award a contract to further pilot an absence reporting and management service.

Key decision: Yes

Portfolio Holder: John Goddard

Scrutiny Responsibility: Finance

Ward(s) affected: All

Report Approved by

Portfolio Holder: Councillor Goddard

Legal: Lindsay Cane

Strategic Director: Mark Luntley

Policy Framework: Supports the commitment to reduce sickness absence and hence provide better value for money services.

Recommendation(s): Executive Board is recommended to:

1. authorise the Human Resources Business Manager to award the Occupational Health Service contract or contracts to the supplier or suppliers offering the most economically advantageous terms to the Council after all the tenders received have been fully considered.

2. grant Major Project Approval for this contract package.

Introduction

1. The Council currently contracts out its Occupational Health Service. The contract has reached the end of its term and needs to be re-tendered. Since April 2006, the Council has piloted a sickness absence reporting service in Revenues and Benefits, Oxford City Homes, City Works. This report seeks agreement to extend this pilot to allow a thorough appraisal of the options for the Council in improving absence reporting and management to support its targets in reducing sickness absence.

Contract packaging and values

2. We have decided to tender these two aspects of the Occupational Health Service at the same time to encourage the widest range of providers to tender. Each aspect – the face-to-face Occupational Health Service and the absence reporting and management service – can be tendered for together or separately. The contract(s) may be awarded to one or more suppliers.
3. The value of the face-to-face service element is predicted to be in the region of £45 000 – £50 000 p.a. and will be let for two years with the option to extend by an additional year. The value of the absence reporting and management service is likely to be around £30 000 p.a. It is proposed to offer this contract for one year only, during which a further appraisal of options will take place.

Face-to-face contract

4. The face-to-face contract specification has been reviewed and revised with particular attention given to how the service can support our wider aim to reduce the Council's sickness absence rates. We have sought to ensure earlier onward referral to therapy for psychiatric and musculoskeletal disorders, and an active engagement with GPs and other primary care providers in managing their patient's return to work.

The absence reporting and management service

5. Initial appraisal of the pilot with Diagnostic Health Solutions indicates overall improvements in sickness absence levels, as well as general support for the approach from the business managers concerned. However, before extending the service across all Council departments we feel that further piloting will increase our confidence that sickness absence rates will continue to reduce and ensure that the Council only purchases those aspects of the packaged services that can be demonstrated to offer us best value for money. Tendering the contract also allows us to look across a range of approaches in this rapidly developing market.

Tender timetable

6. Because the two contracts together are likely to exceed the EU threshold, the tender is subject to the EU procurement regulations. Consequently the tender was advertised at the beginning of February in the European Journal as well as locally and in professional journals. So far 33 potential providers have expressed interest. The deadline for submission of tenders is 19th March 2007. In order to ensure that the contract is in place in time to replace our existing contractual arrangements, we are seeking delegated power to award the contract to the provider or providers offering best value to the Council.

Other means of achieving these objectives

7. It is envisaged that given the budget and volumes involved, it would not be feasible to employ an in-house face-to-face Occupational Health Service. The values of the contracts require us to submit them to tender. The feasibility could then be explored further.

Financial implications

8. The face-to-face Occupational Health Contract can be met from existing budgetary provision.
9. The cost of the pilot absence reporting and management service has been met so far by recharge to the participating business units. Improved attendance levels during the pilot for the first three quarters of 2006/7, show that 731 more staff days were worked than in the equivalent period in the previous year. This equates to £73 000 worth of paid work that would otherwise have been paid as sick pay. The cost of the DHS service in this period was £19 491. Consequently, Business Managers will meet the cost of this service from existing staff budgets. It is harder to show the cost benefit analysis in some Business Units, as sickness absence is covered by staff within the establishment rather than the requirement to employ an additional resource. As a safeguard, the new contract will include break clauses – giving three months notice of termination – which we will execute if sickness absence levels begin to increase in pilot areas.

Recommendations

1. Authorise the Human Resources Business Manager to award the Occupational Health Service contract or contracts to the supplier or suppliers offering the most economically advantageous terms to the Council after all the tenders received have been fully considered.
2. Grant Major Project Approval for this contract package

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Background papers: None

