

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Executive

Tendering Committee: 22 August 2007

Subject: Occupational Health Service – Tendering of the Occupational Health Contract

1. Purpose

- 1.1** This report seeks Committee authority to tender the Council's Occupational Health contract in line with the requirements of best value and efficient government.

2. Background

- 2.1** There is a requirement for the provision of an efficient, effective and proactive occupational health service to support the Council's action plan on managing attendance management and reducing sickness absence levels.
- 2.2** Prior to 2004 the Council did not contract the services of an Occupational health provider and relied on the limited provision for such services from local GPs. The Government's occupational health strategy 'Securing Health Together' recognises that for morale, legal and economic reasons, occupational health requires to be properly managed and that today's health challenges at work necessitate a modernised approach based on partnership.
- 2.3** The existing Occupational Health contract with Sterling Healthcare was not subject to a formal tendering process and a review of service provision has highlighted an ongoing lack of direction and focus from the current provider. In addition, the financial arrangements are ill defined and consequently the service lacks a robust alignment with the Council's current and changing needs
- 2.4** It is proposed to let the new contract for 3 years with the possibility of an extension of a further 1 year at the Council's discretion, it is proposed that the contract is put out to tender in September 2007 with a view to awarding the new contract at the end of December. It is anticipated that the new contract will be in place and running from 1st February 2008.

3. Main Issues

3.1 There are a number of important issues linked to the provision of a robust and rigorously managed occupational health service, and these are outlined as follows:

Service Provision and Definition

3.2 The specification of the service provision is critical to the ongoing partnership delivery of a service which is both responsive to organisational change and legal requirements. While there is no legal requirement for any organisation to provide an occupational health service, there is however a significant legal framework within which occupational health management must operate.

Sickness Absence and Maximising Attendance

3.3 The 2006 CIPD absence management survey showed that sickness absence accounts for 3.5% of working time across the UK – equivalent to 8 working days for each employee each year. The average cost of sickness absence in the UK is £598 per employee per year (public sector = £680 per person). In Scotland the rate is even higher at 3.9% which equates to 8.9 days per employee. The most common causes of absence are related to minor illnesses, back pain and stress. In West Dunbartonshire Council the average absence for the authority is overall 5.7% (2006/2007). This equates to annual days per person per annum as follows:

- Teachers 7.9 days
- Craft 15.7 days
- LG employees 13.6 days

With a pay bill of approx £100m, an average 5.7% absence is costing the authority around £5m per year in lost productivity and service delivery.

Currently West Dunbartonshire Council has one of the highest absence rates of all local authorities in Scotland. This is unsustainable and impinges on our ability to provide high level efficient and effective services.

There is considerable research and evidence which shows that a professional and comprehensive occupational health provision can significantly contribute to the reduction in time lost through eg

- sickness absence;
- the management of health issues through health surveillance provision;
- the management of attendance through professional support and training to managers;

Set within the context of a more strategic approach to attendance management, an occupational health service should provide professional guidance and support to managers in medical referral and reporting for instances of long term absence and in specific cases of short term absence.

The responsiveness of reporting is critical to managers in promptly tackling sickness absence issues.

Pre – employment Screening

- 3.4** Pre – employment screening is a critical component of the recruitment process. The most recent updates to the Disability Regulations in terms of extended categories of illness require professional interpretation and guidance. The pre – employment screening form is deemed to be part of the employee’s medical records and as such requires the same level of confidentiality afforded to other medical documentation. The Council’s current practices require to be reviewed.

Health Surveillance and Work Related Ill Health

- 3.5.** There are statutory requirements and surveillance timescales for noise, hand-arm vibration, solvents, and night working and these all require a formalised health surveillance process to be put in place. Baseline surveillance at recruitment and ongoing surveillance are integral to robust health and safety processes.

Health Promotion and Illness Prevention

- 3.6** Self referral options to the occupational health nurse can contribute to raising self awareness of health issues at an early stage and can assist in managing health issues through early stages health advice and GP intervention. This can often prevent or reduce sickness absence episodes and capability terminations.

Physiotherapy Service

- 3.7** The current physiotherapy service is well used, undoubtedly acts as an early intervention measure and often significantly reduces or eliminates the necessity for periods of sickness absence. However, a review of the service has shown that consideration needs to be given to increasing the frequency of physiotherapy sessions available.

Display Screen Equipment Medical Assessment

- 3.8** Current DSE assessments are on an ‘ad hoc’ basis and more formal procedures require to be introduced.

Stress Counselling

- 3.9** The current contract makes no provision for stress counselling. Stress is now believed to have overtaken back problems as the single most significant issue leading to sickness absence. Early stage professional counselling can assist in supporting staff through difficult situations and can often provide them with the skills and knowledge to tackle stressors.

4. Personnel Issues

- 4.1** As indicated above, the occupational health service provision can have significant beneficial effects for both employees at an individual level and for the Council as a whole.

The Personnel Advisers in the devolved Departments have been involved in the discussions on the plans to tender the occupational health provision and are in favour of this approach. They have contributed to the development of the tender specification. CMT have also indicated their approval for the service to be tendered.

5. Financial Implications

- 5.1** The requirement for the provision of a robust and comprehensive occupational health service is an integral and critical component in the Council's action plan on tackling attendance management from a long term and sustainable perspective.

The cost of the current Occupational Health service provision (including Physiotherapy services) for 2006/2007 was £51,000. The relative percentage usage of the service by cost was as follows:

Chief Executive's Department	3%
HRES	39%
Education and Cultural Services	19%
Social Services	39%

The cost of the service for 2005/2006 was £28,000 and there has thus been a 64% increase in spend associated with this service provision since its inception. The number of appointments had also increased from 535 in 2005/2006 to 794 in 2006/2007.

At the moment it is difficult to determine the costs of an expanded service as outlined in the Specification of Services until we seek expressions of interest but, if the Council is to address and reduce its high level of sickness absence, it is likely that some further investment will be required.

6. Risk Analysis

- 6.1** Unless the Council invests in a clearly defined arrangement for the promotion of Occupational Health Services there is a heightened risk of us failing to meet our obligations in respect of employee health. This has been alluded to in the recent Health and Safety Audit Report.

7. Conclusions

- 7.1** As this service has not been market tested for some time it is appropriate and timely that a tendering exercise be undertaken to ensure a cost effective and efficient service is provided. The Council must address the considerable sickness absence issues within the workforce and the development of a more robust, accountable occupational health service is a critical strand in the management of our attendance action plan.

The tendering exercise will be undertaken in line with the Council's tendering procedures.

8. Recommendations

- 8.1** It is recommended that the Tendering Committee supports the proposal to submit the occupational health service to a "tender" exercise in line with the current tendering process.

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David McMillan
Chief Executive
Date: 16 August 2007

Person to Contact: Francine Ewen Interim Personnel Manager
Corporate Personnel Services
Tel: 01389 737302
francine.ewen@west-dunbarton.gov.uk

Appendices: N/A

Background Papers: CMT Report 24 May 2007

Wards Affected: The proposals do not affect any wards.