

REPORT TO: POLICY COMMITTEE 5 MARCH 2008

SUBJECT: SHARED SERVICE ARRANGEMENT – OCCUPATIONAL HEALTH

BY: HEAD OF PERSONNEL SERVICES

1. REASON FOR REPORT

- 1.1 To ask the Committee to agree to the proposal to proceed with a joint tender for shared Occupational Health Services.
- 1.2 To ask the Committee to note details of the work already undertaken in respect of the joint provision and the issues that have been identified and the next steps proposed to achieve the shared service.
- 1.3 This report is submitted to Committee in terms of Section A35 of the Council's Administrative Scheme relating to formulation, implementation and review of policies and practices for employees.

2. RECOMMENDATION

- 2.1 **It is recommended that the Committee agrees to proceed with a joint tender with Aberdeenshire and Aberdeen City Councils for shared Occupational Health Services.**

3. BACKGROUND

- 3.1 The Scottish Executive's Efficient Government programme is encouraging the Public Sector to look at areas of work activity with a view to exploring the possibility of different organisations coming together to find more cost effective ways of procuring and delivering services. One such area that has been identified for a joint approach is in the area of purchasing occupational health services.
- 3.2 A research project was commissioned by North East of Scotland Public Sector Group (NESPSG) in late 2006 to examine the possibility of providing a shared Occupational Health Service between the members of the group. It was agreed at this stage that representatives from Aberdeen City Council would co-ordinate the project.
- 3.3/
- 3.3 Generally Public Sector organisations within the North East buy-in occupational health services on a contracted basis from different suppliers. By offering one contract it is hoped that through economy of scale cost savings could be achieved. Currently the organisations have a different approach to occupational health and the core business of some organisations would require different aspects to be covered.

- 3.4 In order for joint working to be possible it was agreed that the first step for all organisations committing to the project would be to harmonise the end date for their existing contract arrangements and following discussion there was initial consensus that any new arrangement would commence from 1 April 2008. However given the time that has now elapsed this will no longer be possible.
- 3.5 A number of meetings have now taken place with interested Councils and other organisations and also potential suppliers. Research has been conducted using questionnaires and telephone interviews by Aberdeen City Council. In total 14 organisations received questionnaires, including representatives from the Ayrshire Councils who have recently commenced with a Shared Services contract. Telephone interviews were undertaken with representatives from the Ayrshire Councils, as well as the Occupational Health Provider that has been awarded the Occupational Health Contract for the Ayrshire Councils.
- 3.6 Responses to the Questionnaires established that a number of organisations (Aberdeenshire, Aberdeen City, Moray Councils, Grampian Fire & Rescue and Grampian Police) were potentially interested in pursuing a Joint Occupational Health Provision Contract within the North East. Although following a meeting on 14 August 2007 it was established that Grampian Fire & Rescue no longer wish to participate, Grampian Police did not attend and also no longer wish to participate. It is now confirmed that only Aberdeenshire, Aberdeen City and Moray Councils are to be involved.
- 3.7 There has been some difficulty quantifying potential savings. The provider for the Ayrshire contract indicated that there is no cost benefit savings due to the scale of the contract – the main costs for the provision of doctor and nurse time remain constant whatever the size of the Contract. Informal approaches to our own provider elicited the same response.
- 3.8 The only tangible financial savings that could be identified initially are the savings engendered through the joint procurement process and possibly savings through having joint client meetings with the Service provider. It is possible that future savings could be generated through sharing of administrative processes and joint policy development. However it is difficult at this stage to quantify any real financial savings to the Council and in order to test out the potential for savings and efficiency, it is considered necessary to test the market via a tendering process. Following this, each partner can decide whether or not to proceed on a shared service based on the actual costs and services offered.
- 3.9/
- 3.9 It has been identified through the application of the Health and Work policy and Healthy working lives that there are several key areas which the Council needs to address, including musculoskeletal disorders and stress. We aim to use the occupational health service to be proactive in helping address these issues.

- 3.10 A tender for a shared occupational health service is currently being drafted, this reflects the requirements of all 3 councils and takes into account the future needs of the Moray Council in line with the Health and Work policy, Healthy Working Lives and current legislation.
- 3.11 As part of this work, it has been highlighted that there are some differences in approaches to health surveillance. This is currently under consideration and if the Moray Council needs to make any changes to current practice, proposals will be brought forward.
- 3.12 It is also of note that the Council has put on hold its own re-tendering of the Occupational Health Service pending the joint process. If it is decided not to proceed with the shared service, there would be a need to re-tender the Moray service.
- 3.13 Due to the value of the contract, the procurement procedures state that a formal tender procedure must be adhered to. The tender is scheduled to be advertised on 6 March 2008 for a period of 45 days. Evaluation and discussions regarding tender responses are scheduled to be completed by the end of May 2008.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Development Plan/Community Plan/Service Improvement Plan

None

(b) Policy and Legal/

None

(c) Resources

The resource implications regarding the development of the proposals and tender are currently being shared between the 3 Councils. The joint Procurement team from Aberdeenshire and Aberdeen City are supporting the tender process. The future resource implications should not be any different from those we have with our current occupational health provider. Legal Services will be involved in preparing any contractual documentation.

(d) Consultations/

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Consultations are currently taking place with Aberdeenshire and Aberdeen City Council's. Our Procurement team has been invited to meetings regarding the shared service.

5. CONCLUSION

At this stage, while there are no definitive financial savings, in theory Councils should be in a stronger position through joint procurement. Therefore it seems sensible to test the market via a joint tender, however, The Moray Council does have particular issues as the smallest and most rural partner as well as already having taken a pro-active approach to health and work. Therefore, it is important to ensure our needs are fully met in any new shared service and that a full assessment of the proposal and costs contained in the bids are undertaken before committing to a new service.

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Background Papers:

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