



Mayor and Cabinet

Approval to Procure report for Occupational Health Service and Employee Assistance Programme Provider.

Date: 8 March 2023

Key decision: Yes

Class: Part 1

Ward(s) affected: N/A

Contributors: Head of Employee Services, Director of People and Organisational Development, Senior Lawyer, Finance Business Partner

Outline and recommendations

The purpose of this report is to seek approval from the Mayor and Cabinet to commence the procurement process for the Occupational Health Service and Employee Assistance Programme (EAP) Provider contract.

The current contract for Occupational Health (OH) and EAP commenced in September 2015 and came to a close in August 2019. An extension was approved by Mayor and Cabinet for one year, with the end date of 30 August 2020. A further extension was sought until 31 August 2021 which was approved by the Interim Executive Director of Corporate Services.

Due to the emergency Covid-19 pandemic situation, there was also an exceptional extension of this contract for a further period of one year. Paragraph 17.3 of the Council's Contract Procedure Rules allowed for an extension of the current contract based on unforeseen circumstances, until 31 August 2022.

A final extension for one year until 31 August 2023 has been signed off by the Chief Executive Officer, to allow us enough time to re-procure the contract.

It is recommended that the Mayor and Cabinet approve to procure a 4-year contract (from 1 September 2023), with the option to extend for up to a further 3 years at the Council's discretion.

It is recommended to seek approval from the Mayor and Cabinet to use the Crown Commercial Services Occupational Health, Employee Assistance Programme and Eye Care Services framework agreement (RM6182).

Timeline of engagement and decision-making

- September 2015 – Current contract commenced
- August 2019 – Extension of the contract approved by Mayor and Cabinet for 1 year to 30 August 2020
- August 2020 – Extension approved by the Interim Executive Director of Corporate Services until 31 August 2021
- April 2021 – Exceptional Covid-19 extension of contract for 1 year until 31 August 2022
- October 2022 – Extension of contract for 1 year until 31 August 2023 approved by Chief Executive Officer and Director of People and Organisational Development
- February 2023 - Approval to Procure Report
- April 2023 - Tender live
- June/July 2023 – Approval of Contract Award Report
- September 2023 – Commencement of new contract

Summary

- 1.1 The current Occupational Health Service and Employee Assistance Programme (EAP) has been in place since September 2015. The contract was initially awarded for a period of 4 years until 31 August 2019, with the option of extending for a further 2 years. Additionally, a further year extension was exceptionally awarded by the Chief Executive, due to the Covid-19 pandemic emergency, for the period September 2021 to August 2022. A final extension for one year until 31 August 2023 has been signed off by the Chief Executive and Director of People and Organisational Development.
- 1.2 This report is to examine and consider the procurement options for the retendering of the Occupational Health Service and Employee Assistance Programme Provider contract.
- 1.3 The annual estimated value of the contract is £159,810 based on the current pricing. The contract term proposed is a four year contract from 1 September 2023 to 31 August 2027, with the option to extend for up to a further three years at the Council's discretion. Therefore, the estimated total value would be £1,118,670 over the length of the entire contract, including discretionary extensions.
- 1.4 The annual estimated value of the contract could increase due the Lewisham Homes TUPE transfer back into Lewisham Council in 2023, and the expected increase of around 500 staff in Council's headcount. Based on the pricing schedule of the current contract the additional headcount could attract additional costs in terms of the basic Occupational Health Services (Advice Service – OH Telephone Service and Online Portal). This is estimated to be from a minimum of £580 to a maximum of £4,000 (based on 500 employees). The TUPE transfer is expected to be completed by 1 October 2023, therefore the additional headcount will be included in the details within the Tender documents.

Recommendations

- 2.1 It is recommended that the Mayor and Cabinet:
 - 2.1.1 approve the re-procurement of an external provider to deliver an Occupational

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Health Service and Employee Assistance Programme Service to the Council Staff and an Occupational Health Service only for School staff. The terms of the contract would be four years contract (from 1 September 2023 to 31 August 2027), with the option to extend for up to a further 3 years at a maximum total value of £1,118,670.

- 2.1.2 approves the use of the [Crown Commercial Services framework](#) - Occupational Health, Employee Assistance Programmes and Eye Care Services (RM6182) Lot 1.
- 2.1.3 approves the subsequent award of contract to the preferred service provider, provided the contract value is within authorised limits.
- 2.1.3 delegates authority to the Chief Executive (in consultation with Director of Law and Corporate Governance and the Director of People and Organisational Development) to select the preferred service provider in accordance with the selection criteria published in the tender documentation.

Policy Context

- 3.1 This proposal aligns with the Council’s Corporate Priorities set out in the Lewisham’s “Corporate Strategy 2022 - 2026” as follows:

A strong local economy - Everyone can access high quality job opportunities, with decent pay and security in our thriving and inclusive local economy. Employees will continue to receive the London Living Wage as a minimum.

Health and Wellbeing - Ensuring everyone receives the health, mental health, social care and support services they need.

Current Contract and Scope of Service

- 4.1 The current Occupational Health Service and Employee Assistance Programme contract was awarded in September 2015. An Occupational Health service is defined by the Society of Occupational Medicine (SOM) as involving the following, which also apply to Lewisham:

Employee	Employer	Society
Protect and Promote Health	Help reduce sickness absence	Reduce NHS care costs
Help prevent work-related illnesses	Improve business performance	Reduce the cost of state benefits
Manage return to work after illness	Avoid litigation	Increase tax revenues
Maintain earnings	Improve corporate image	Revitalise the community
Maintain quality of life		

Tangible Costs		Intangible Costs
Direct	Indirect	
Restricted duties	Overtime cover	Presenteeism
Sick Pay	Temporary agency staff	Lost productivity
Disability Pension	Management and HR time	Engagement

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Legal Costs	Recruitment fees	Staff turnover
Compensation	Training of replacements	Employee relations

4.2 The current occupational health provider delivers the following core services to the whole Council, including non-school staff:

- Management referral
- Employment health screening
- Health surveillance
- Vaccinations
- Ill health retirement
- Case conference
- Health promotion / education
- Occupational health advice and guidance
- Management information
- Workplace assessments

4.3 In addition, the current Occupational Health service assists employees with disabilities or who are returning to work after long-term ill health, delivers wellbeing initiatives including stress risk assessment training, mental health awareness and individual support to managers on long term absence cases and supported Public Health with targeted flu vaccination programmes for our workforce.

4.4 As of September 2022, the total Council workforce is 2,412 which includes 400 (approx.) managers. There is a female/male mix of 1.6:1. The ethnic composition is 45.6% White, 36.1% Black, 4.7% Asian, 4.9% Mixed, 1.3% Other and 7.4% Undisclosed.

4.5 During the last contract year (September 2021 to August 2022) a total of 868 management referrals and 112 wellbeing referrals have been made. Schools continue to be the largest users of the occupational health service and have made 54.33% of all referrals. Overall looking at the total figures for the last two quarters there has been an expected decrease of referrals made from 153 referrals made in the last quarter to only 94 referrals made in the most recent quarter. Overall across the whole Council there was a decrease of 86 referrals and the biggest decrease is within Schools accounting for 59 of these.

4.6 Within the Council we have an aging workforce. 49% of the workforce is over the age of 50, with 51% aged up to 50 years old (1240 employees). Given this, it is likely that staff in these age groups may develop health and wellbeing needs, that we will need to be able to cater for. Staff with disabilities increases with age therefore requiring more advice around awareness of need and adjustments for acquired disabilities. The age profile of our female staff has also meant attention being paid to women's health, and in particular the introduction of menopause awareness. The impact of long Covid remains uncharted territory at present. Mental health requirements have been seen to change through the pandemic, and being responsive to need will be required going forward.

4.7 The recent pandemic demonstrates now more than ever the importance of having an occupational health provision available to staff. The context of the cost of living crisis may also impact on our people, and access to independent support and advice via the

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EAP is likely to increase. In addition ongoing financial situation and subsequent organisational changes required to meet this, will inevitably affect some staff across the workforce.

Procurement Options Considered – Route to Market

The following options set out below were considered:

- 5.1 **Insourcing** – The contract requires specific expertise and competencies across a range of specialisms (medical and mental health professionals such as nurses and clinicians) that Lewisham staff do not have. Therefore, this option is not viable and would be a very costly to the Council. To bring in house would increase the value of the service due to increased staff and infrastructure costs (i.e IT equipment and software).
- 5.2 **Open Tender** – The use of an open procurement route was explored but due to the number of occupational health providers in the market it was deemed that procuring via a framework would be most suited as the suppliers are pre-qualified. Existing frameworks with providers that have already been vetted for quality and price would give the Council a better offer than procuring on its own due to the buying power of multiple purchasers from the framework agreement. For all these reasons this procurement route is not recommended.
- 5.3 **ESPO Framework agreement 985_19** (Occupational Health Services) – This framework was also considered. This framework is split into 4 different lots. We would have to consider tendering two lots, Lot 1 – General OH Services and Lot 2 – Employee Assistance Programme. This means that potentially we would have to manage 2 different providers and 2 separate contracts. The framework is also due to expire in June 2023 and therefore it has not been recommended.
- 5.4 **Crown Commercial Services (CCS) Framework agreement RM6182 - LOT 1** (Occupational Health and Employee Assistance Programmes, Fully Managed) – There are 5 lots in total. There are 6 suppliers on lot 1 of the framework agreement. Lot 1 provides the opportunity to buy a full occupational health and employee assistance programme under one contract and with a single supplier. Lot 2 and lot 4 focus only on Occupational Health Services, Lot 3 focuses only on Employee Assistance Programme services and Lot 5 focuses on ey care services only. Therefore Lot 1 is the recommended procurement route.
 - 5.4.1 The pricing details will be obtained during the tender process. Bidders will be asked to complete a pricing schedule as there is no schedule of rates available for the framework.
 - 5.4.2 Using the RM6182 Framework offers access to pre-approved service providers who have been selected for their ability to provide customers with an innovative and preventative solution for a proactive approach to employee health and wellbeing that combine quality and value. Suppliers listed on the framework were assessed during the procurement process for their financial stability, track record, experience and technical and professional ability. This framework is compliant with UK procurement legislation. This approach will enable officers to identify suitable providers who are able to:
 - Meet the needs of the health and wellbeing of the Council's workforce, and
 - Be responsive to traditional occupational health services such as advice, referrals, health screening, treatments.

6. Procurement Project Plan

- 6.1 The proposed route to market is a call-off from the CCS Framework RM6182 inviting all 6 suppliers under the framework agreement to submit a bid.

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- 6.2 The procurement opportunity will be advertised via the Council's online tendering system (ProContract Procurement Portal) to suppliers listed on Lot 1 on the CCS Framework.
- 6.3 Suppliers listed in 6.4 will be invited to tender via the ProContract portal and will be assessed on a criterion of Price, Quality with a percentage of 45:45:10 split. 10% will be allocated to Social Value, in line with the Council's procurement policies.
- 6.4 RM6168 - Lot 1 contains 6 suppliers, Duradiamond Healthcare Ltd t/a Health Partners, Health Management Limited, Medigold Health Consultancy Limited, Optima Health, People Asset Management Ltd and TP Health Limited.
- 6.5 Proposed procurement timetable is below:

Activity	Proposed Date
Mayor & Cabinet approval	March 2023
Tender Issued	March 2023
Tender Return Deadline	April 2023
Tender Evaluation Period	May 2023
Contract Preparation	August 2023
Contract Commencement	September 2023

7. Financial implications

- 7.1 This report seeks approval to commence the procurement process for the Occupational Health Service and Employee Assistance Programme (EAP) Provider contract. The contract is for an initial 4 years from August 2023 with an option to extend for an additional 2 plus 1 years. The estimated cost of the new contract is £160k per annum and is split between core Council employees and Schools. This is comparable to the existing contract where in 2021/2022 the contract cost £157k with an approximate £70k recharge to Schools. A similar cost and recharge is forecast for 2022/23. A review of the recharged element is underway with a view to ensuring that it fully reflects the costs attributable to Schools and so this amount may increase for 2022/23 and onwards under the new contract. The remainder of the charge can be contained within the Human Resources budget. An inflationary allowance in the budget for 2023/24 may be provided subject to the overall Council wide budget process early in the new year. Any additional contract costs arising from the transfer of Lewisham Homes staff to the Council would be recharged to the relevant Housing Revenue Account budgets

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8. Legal implications

8.1 Approval to Procure

The report seeks approval to procure an external service provider for the provision of an occupational health and EAP service. Given the potential spend on this contract (at a length of up to a maximum of 7 years) this contract would be categorised by Contract Procedure Rules as a “Category A” contract. The report sets out the other options considered and explains why this is the recommended option.

Assuming that Mayor and Cabinet accepts the recommendation to procure a service provider, the Contract Procedure Rules (“CPR”) place requirements on how that should happen. The CPR require that when letting contracts steps must be taken to secure value for money through a combination of cost, quality and competition, and that competitive tenders or quotations must be sought depending on the size and nature of the contract (Rule 5). The requirements of the CPR would be satisfied by use of a framework agreement. As a Category A contract, it would be for Mayor and Cabinet to take a decision on the award of any contract. Given the potential spend on this contract the Public Contracts Regulations 2015 as amended by the Public Procurement (Amendment etc) (EU Exit) Regulations (“the Regulations”) will apply.

Use of a Framework Agreement

Under the Council’s Contract Procedure Rules the Council may use a framework agreement set up by a public sector body where that framework agreement has been procured in accordance with the Public Contracts Regulations 2015 and allows for the Council to use the Framework Agreement. It appears that the framework agreement is compliant and that the Council is entitled to use the framework.

Approval to Award

This report proposes that Mayor and Cabinet approve the award of a contract for occupational health services and EAP. This report further proposes that Mayor and Cabinet instruct the Chief Executive in consultation with the Director of People and Organisational Development and the Director of Law, Governance and Elections to give effect to this decision by applying the selection criteria to determine and enter into contract with the preferred service provider.

The decision to award the contract contained in this report is a Key Decision under Article 16.2 (c) (xxiii) of the Constitution as it has a value of more than £700,000. It is therefore required to be contained in the current Key Decision Plan and the Council’s Key Decision procedure must be followed.

Provided that the final contract value is within authorised limits set out in the report and the preferred service provider is selected in accordance with the selection criteria published in the tender documentation, then the selection by Chief Executive of the preferred contractor in accordance with Mayor and Cabinet’s direction will not be a Key Decision. For audit purposes a written record should be kept setting out how the selection process has been applied and the preferred service provider selected, and officers from Legal Services should be consulted as necessary throughout the selection and award process.

9. Equalities implications

9.1 The Council’s Single Equality Framework for 2020-24 will provide an overarching framework and focus for the Council’s work on equalities and help ensure compliance with the Equality Act 2010.

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- 9.2 The recommendations made in this report relate to Council employees who have been identified and assessed as being in need of services listed in the framework agreement in order to maintain their wellbeing and mental health in the workplace. Implementing these recommendations will have a direct impact on the individuals work life balance and quality of life.
- 9.3 The Council's Equalities objectives are addressed in the contract documentation and will form part of the criteria used in the pre-tender evaluation.

10. Climate change and environmental implications

- 10.1 The Council has made a commitment to making the borough carbon neutral by 2030.
- 10.2 The contract set out in this report will not have any negative impact on the rate of energy consumption or increase of carbon admissions.

11. Crime and disorder implications

- 11.1 There are no crime and disorder implications arising from this report.

12. Health and wellbeing implications

- 12.1 The outsourcing of the occupational health services is necessary for the maintenance, restoration and protection of the Council's employees health and wellbeing.
- 12.2 The services in this report will have a positive impact on health, mental health, and wellbeing by providing direct mental health and wellbeing to employees of the Council.

13. Social Value implications

- 13.1 The tenderers will be asked a method statement question to demonstrate what social value they can deliver through the contract.
- 13.2 The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the council to provide works or services within Lewisham pay their staff at a minimum rate equivalent to the LLW rate. The successful provider will be expected to meet LLW requirements and contract conditions requiring the payment of LLW will be included in the service specification and contract documents
- 13.3 The incorporation of Social Value into Lewisham contracts will significantly help the Council to deliver on its strategic corporate and Mayoral priorities and deliver added value for the borough as a whole.
- 13.4 The Occupational Health service has a key role in supporting general health and wellbeing by helping the Council ensure we have a fit and healthy workforce to deliver crucial community services. We will expect our provider to commit to healthy work practices and demonstrate their commitment to improve staff physical and mental wellbeing and reduce absenteeism due to ill health. We will also expect provider's commitment to broader improvements during the course of the contract in support of Social Value. The overall aim will be to improve engagement with our staff and reduce current absence levels year-on-year.

14. Background papers

- 14.1 Contract Extension paper October 2022

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15. Glossary

Term	Definition
OH	Occupational Health
EAP	Employee Assistance Programme

16. Report author(s) and contact

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